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Irakli Kakhidze*

Decentralization Dilemma (The Main Concepts, Practice and Georgian Reality)

The concept of decentralization is still disputable until now, while the decentralization process has become the global trend. However the outcomes of the decentralization are far from straightforward and besides the successful ones, there are also a lot of failure cases. The presented paper is analyzing the main concept of decentralization, its positive and negative impacts and discusses the challenges and the results of the decentralization reforms.

In Georgia, the decentralization reform appeared in all new government's agenda, however, the decentralization level still low. Today the need of the further decentralization reform is a subject of the debates within the political and civil actors, but considering the negative past experience, nobody really believes in the reform's future success. The paper is analyzing what may be the main root causes of this scepticism, what can be learned from the past experience and how to avoid the usual outcome - the reforms "without the results".

Key Words: Decentralization, Local Self-Government, Devolution, Deconcentration, Delegation, Decentralization Reform.

1. Introduction

In 2008 the World Bank's evaluation group admitted that the decentralisation has become the global trend and "everyone is doing it."¹ The waves of the decentralization reforms emerged all over the world, however, the reform's had different outcomes. Apparently, the process was not going smoothly and soon, besides the positive assessments, the calls about the dangers of the decentralization were heard.² This controversial reality led to the questions about the real value of the phenomena, which stipulated the interest of its re-evaluation.

The goal of the paper is to summarize the different views expressed about the advantages and pitfall of the decentralization and analyse the reasons and conditions, which can lead to the reform's different outcome.

The level of decentralization in Georgia is quite low. This was the conclusion produces by various local and foreign experts' studies. According to the results of the latest research conducted by European scholars, Georgia was placed in the group of countries with the lowest local government autonomy.

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¹ *The World Bank*, Decentralization in Client Countries an Evaluation of World Bank Support, Washington, 2008, 5.

² See *Treisman D.*, *The Architecture of Government: Rethinking Political Decentralization* (Cambridge Studies in Comparative Politics), Cambridge, New York, Melbourne, Madrid, Cape Town, Singapore, São Paulo, Delhi, 2007; *Prudhomme R.*, *The Dangers of Decentralization*, *The World Bank Research Observer*, Vol. 10, № 2, 1995; *Tanzi V.*, *Pitfalls on the Road of Fiscal Decentralization*, Working Papers Economic Reform Project, Global Policy Program (Carnegie Endowment for International Peace), 2001.

Georgia was ranked at 36th among 39 countries.³ Thus the decentralization promises are not quite evident in the country, however, neither are the signs of the negative impact too. Therefore, the aim of the paper is to analyse the decentralization process characteristics in the country.

The paper has the following structure: The first part is devoted to the review of the concept of the decentralization and some other related concepts. The second part will discuss the different views about the advantages and pitfalls of the decentralization; The third part will analyse the challenges of the decentralization process and the fourth and final part will summarize the main features of the decentralization reforms in Georgia.

2. The Main Concepts

Decentralization is a broad concept, and there are a lot of definitions inspired by different theoretical conceptions. As some of the scholars admitted “Decentralization seems often to mean whatever the person using the term wants it to mean”⁴ “Yet grappling with the difference in kinds and degrees of decentralization has produced a conceptual muddle.”⁵ It is not possible to discuss all these definitions in details in the paper, as it is a subject of the separate research, however, here there are presented the definitions which are important to explain the main issues of the article.

One of the complete and early definitions of the decentralization is suggested by Professor *Rondinelli*. “Decentralization is defined as the transfer or delegation of legal and political authority to plan, make decisions and manage public functions from the central government and its agencies to field organizations of those agencies, subordinate units of government, semiautonomous public corporations, area-wide or regional development authorities; functional authorities, autonomous local governments, or nongovernmental organizations⁶.”⁷ United Nations Committee of Experts on Public Administration proposed the following definition: “In governance and public administration, decentralization is commonly regarded as a process through which powers, functions, responsibilities and resources are transferred from central to local governments and/or to other decentralized entities. In practical terms, decentralization is a process of striking a balance between the claims of the periphery and the demands of the centre... It implies a transfer of political, financial, administrative and legal authority from the central government to regional/sub-national and local governments.”⁸ Pursuant to the World Bank’s def-

³ See *Ladner A., Keuffer K., Baldersheim H.*, Measuring Local Autonomy in 39 Countries (1990-2014), *Regional and Federal Studies*, Vol. 26, № 3, 2016, 321-357.

⁴ *Bird R. M.*, Threading the Fiscal Labyrinth: Some Issues in Fiscal Decentralization, *National Tax Journal*, Vol. 46, № 2, 1993, 208.

⁵ *Schneider A.*, Decentralization: Conceptualization and Measurement, *Studies in Comparative International Developments*, Vol. 38, № 3, 2003, 34.

⁶ In the text the term — nongovernmental organizations, includes non-government associations and enterprises.

⁷ *Rondinelli D.*, Government Decentralization in Comparative Perspective: Theory and Practice in Developing Countries, *International Review of Administrative Sciences*, Vol. 47, № 2, 1981, 137.

⁸ *UN, Economic and Social Council, Committee of Experts on Public Administration, Definition of Basic Concepts and Terminologies in Governance and Public Administration*, UN Secretariat E/C, 2006, 8, <<http://unpan1.un.org/intrdoc/groups/public/documents/un/unpan022332.pdf>>, [20.09.2018].

inition: “Decentralization is the transfer of administrative and financial authority and responsibility for governance and public service delivery from a higher level of government to a lower level.”⁹

According to these definitions, the concept of decentralization includes two main elements: functional – transfer of function and spatial – transfer of function from the centre to the periphery. However, there are cases when decentralization includes only functional element,¹⁰ e.g., transferring function to the semi-autonomous public organization (agency).¹¹ Considering this variety the first case can be called vertical decentralization (functional and spatial) and the second – horizontal decentralization.

The broad nature of the concept of decentralization produces different forms (kinds) of decentralization. According to the most accepted view, there are the following forms of decentralisation: deconcentration, delegation, and devolution. However, some scholars also suggest one additional form – privatization.¹²

Pursuant to the World Bank’s definition “Deconcentration is the lowest form of decentralization, in which responsibilities are transferred to an administrative unit of the central government, usually a field, regional, or municipal office.”¹³ “Deconcentration is shifting the workload from central government ministries to headquarters to staff located in offices outside of the national capital.”¹⁴ From a practical point of view, decentralization serves for functional discharging of the central government and for increasing responsiveness of the governance. In this case, the territorial unit remains within the structure of the central body under its strict hierarchical control (administrative control). The transferred function still is regarded as a central government’s function. In addition, the territorial unit has no discretion to decide how to execute the relevant function or this discretion is extremely limited. This feature also defines the different levels of deconcentration.¹⁵ In the case of Georgia, as a sample of deconcentration can serve the territorial body of the Ministry, which has minimal autonomy, another sample is the State

⁹ *The World Bank*, Decentralization in Client Countries, An Evaluation of World Bank Support, Washington, 2008, 3.

¹⁰ See *Conyers D.*, Decentralisation and Development: A Framework for Analysis, Community Development Journal, Vol. 21, № 2, 1986, 88; *Rondinelli D.*, Government Decentralization in Comparative Perspective: Theory and Practice in Developing Countries, International Review of Administrative Sciences, Vol. 47, № 2, 1981, 137.

¹¹ In the case of Georgia the sample may be a legal entities of public law.

¹² See *Rondinelli D., Nellis J., Cheema S.*, Decentralization in Developing Countries, A Review of Recent Experience, World Bank Staff Working Papers № 581, Management and Development Series, № 8, 1983, 13-32; *The World Bank*, Decentralization in Client Countries an Evaluation of World Bank Support, Washington, 2008, 4; *Schneider A.*, Decentralization: Conceptualization and Measurement, Studies in Comparative International Developments, Vol. 38, № 3, 2003, 32-56.

¹³ *The World Bank*, Decentralization in Client Countries an Evaluation of World Bank Support, Washington, 2008, 4.

¹⁴ *Rondinelli D.*, Government Decentralization in Comparative Perspective: Theory and Practice in Developing Countries, International Review of Administrative Sciences, Vol. 47, № 2, 1981, 137.

¹⁵ *Ibid*, 137; *Rondinelli D., Nellis J., Cheema S.*, Decentralization in Developing Countries, A Review of Recent Experience, World Bank Staff Working Papers № 581, Management and Development Series, № 8, 1983, 14-19.

Representative-Governor, which has some level of autonomy (regarding the issues of human resources management or in other decision-making processes within his/her competence), however his/her general status is the territorial representative of the Government of Georgia.

Delegation is defined as “delegation of decision-making and management authority for specific functions to organizations that are only under the indirect control of central government ministries.”¹⁶ In the case of delegation, the recipient organization has considerable decision-making autonomy. The central government executes only indirect control over the respective unit. Recipient organization may be out of the structure of the Government or any other public organizations, however, the function still remains as the government’s function. The goals of the delegation of function can be a decrease in the bureaucracy, adaptation to local conditions or incorporating the business like management models in public administration, specifically, introducing the user pay mechanisms for the public services, distribution of revenue within the employees, or abolishing public servant status of the employees in public organizations and etc.¹⁷ Delegation occurs at the horizontal level of the government and also at vertical – regional or another sub-national territorial level.¹⁸

In Georgia delegation of functions are practised in the case of e.g. Legal Entities of Public Law. The delegation also includes the cases of transferring public services to private organizations (e.g. United Water Supply Company of Georgia). The sample of the vertical delegation is also a delegation of powers to local self-government’s units or to the certain territorial agencies, e.g. Regional Development Agencies in Poland or Lithuania and etc.

Some scholars define the Privatization as a separate form of decentralization. In this case, the term does not mean privatizing public property (however, the process may include the public property privatization too) but the process of transferring to or sharing the function with the private sector. Privatization takes place when the government completely or partially abandons the function in favour of the private sector. After this the government loses responsibility over function (it’s out of its competence) or partially keeps it but it is not the only responsible body (shared function), in other words, in the case of privatization the execution of the function is either completely depends on private initiatives or the government partially keeps it and also allows the private initiatives referring the function (e.g. existence of the public and private elderly care homes or public and private schools).¹⁹

“Devolution is the deepest form of decentralization, in which a government devolves responsibility, authority, and accountability to lower levels with some degree of political autonomy.”²⁰ Devolu-

¹⁶ *Rondinelli D.*, Government Decentralization in Comparative Perspective: Theory and Practice in Developing Countries, *International Review of Administrative Sciences*, Vol. 47, № 2, 1981, 138.

¹⁷ See *Rondinelli D., Nellis J., Cheema S.*, Decentralization in Developing Countries, A Review of Recent Experience, World Bank Staff Working Papers № 581, Management and Development Series, № 8, 1983, 19-24; *The World Bank*, Decentralization in Client Countries an Evaluation of World Bank Support, Washington, 2008, 4.

¹⁸ It should be noted that these are only conceptual definitions. These definitions may not be coinciding with the terms used in Georgian legislation.

¹⁹ *Rondinelli D., Nellis J., Cheema S.*, Decentralization in Developing Countries, A Review of Recent Experience, World Bank Staff Working Papers № 581, Management and Development Series, № 8, 1983, 28-32.

²⁰ *The World Bank*, Decentralization in Client Countries an Evaluation of World Bank Support, Washington, 2008, 4.

tion is a transfer of decision making, financial, and administrative functions to the sub-national public bodies, which are not the structural parts of the central government. These may be the local self-government or regional autonomies. These units are the autonomous governments within the political system of the country. This means that the discretion over its execution and the respective political responsibility are completely transferred to the sub-national government.²¹ In this case, the central government usually keeps very limited supervision powers over the sub-national government.²² Considering these specific features some scholars argue that the devolution is not the form of the decentralization. In their point of view, devolution is completely different and separate form of power execution.²³

The main point of the interest of the paper is decentralization form – devolution. However, before the start of the discussion about this topic one more theoretical issue needs to be specified.

Scholars *Parker* and *Schneider* admit that the scientific analysis of the different concepts and forms of decentralization are generally provided in three dimensions, these are: political, fiscal and administrative. Consequently, they suggest definitions of political, fiscal and administrative decentralization.²⁴ It should be mentioned that this approach is shared by the World Bank too. We also agree that the dimensional approach simplifies the decentralization research, therefore, we will frequently apply to this approach during our future discussions.

“Administrative decentralization means how the responsibilities and authorities for policies and decisions are shared between levels of government and how these are turned into allocative outcomes.”²⁵ The administrative dimension of decentralization is interested in the territorial distribution of powers and function and also issues regarding the executive autonomy of the relevant bodies. Administrative dimension is “focused on the administrative effects of granting local jurisdictions autonomy from central control. This autonomy is constituted by general policymaking authority and personnel control, as well as control over public finances.”²⁶

Political decentralization “means how the voice of citizens is integrated into policy decisions and how civil society can hold authorities and officials accountable at different levels of government.”²⁷

²¹ *Rondinelli D., Nellis J., Cheema S.*, Decentralization in Developing Countries, A Review of Recent Experience, World Bank Staff Working Papers № 581, Management and Development Series, № 8, 1983, 28-32.

²² See *Kakhidze, I.*, Administrative Supervision over Local Self-Government Bodies, Comparative Analysis, Tbilisi, 2012, 31-44 (in Georgian).

²³ See *Sherwood P. F.*, Devolution as a Problem of Organization Strategy, Comparative Urban Research, *Daland R. T.* (ed.), Beverly Hill, 1969, 60-87.

²⁴ See *Schneider A.*, Decentralization: Conceptualization and Measurement, Studies in Comparative International Developments, Vol. 38, № 3, 2003, 32-56; *Parker N. A.*, Decentralization The Way Forward for Rural Development, Policy Research Working Paper 1475, The World Bank Agriculture and Natural Resources Department Sector Policy and Water Resources Division, 1995; *The World Bank*, Decentralization in Client Countries an Evaluation of World Bank Support, Washington, 2008, 4.

²⁵ *The World Bank*, Decentralization in Client Countries an Evaluation of World Bank Support, Washington, 2008, 4.

²⁶ *Schneider A.*, Decentralization: Conceptualization and Measurement, Studies in Comparative International Developments, Vol. 38, № 3, 2003, 37.

²⁷ *The World Bank*, Decentralization in Client Countries an Evaluation of World Bank Support, Washington, 2008, 4.

“Under politically decentralized systems citizens define interests and form identities on the basis of local concerns, and organizations such as parties and social movements operate locally and compete over local issues and in a local election.”²⁸ The political decentralization exists when local politics at least partially is separated from the central politics and local political actors possess the certain level of discretion. Here, the most important thing is the location of the accountability centre. If it is presented at the local level, it means that it is inclined toward the local citizens if it is located at the upper territorial level it means that it is deviated toward the upper level of the government. The best indicator of political autonomy is the presence of the elected local authorities.²⁹

“Fiscal decentralization means the assignment of expenditures, revenues (transfers and/or revenue-raising authority), and borrowing among different levels of governments.”³⁰ The main challenge of the fiscal decentralization “is to locate resources at the level of government that optimizes social welfare. Systems which are fiscally decentralized locate a greater proportion of fiscal resources at a level rather than the centre.”³¹ Thus the fiscal dimension of the decentralization means the amount of public finances, which is available for local government’s disposal and the level of control over them.

3. Decentralization Advantages and Pitfalls

3.1. Decentralization Advantages

There are ongoing debates about the importance and advantages of the decentralization. The idea of decentralization has recruited a lot of academic supporters. It also achieved recognition at the international level. Powerful international actors such as the World Bank, United Nations Organization, and USAID became the strong lobbyists of the decentralization.

The most important idea which stands behind the concept of the decentralization is the Principle of Subsidiarity. The main essence of the Principle of Subsidiarity is very well reflected in the European Charter of Local Self-Government. According to the Charter “Public responsibilities shall generally be exercised, in preference, by those authorities, which are closest to the citizen. Allocation of responsibility to another authority should weigh up the extent and nature of the task and requirements of efficiency and economy.”³² The main idea of this principle is the belief that the government which is closer to the citizens is more aware of the local needs and conditions, better controlled by the citizens and consequently

²⁸ *Schneider A.*, Decentralization: Conceptualization and Measurement, Studies in Comparative International Developments, Vol. 38, № 3, 2003, 14.

²⁹ *Ibid*, 39-40.

³⁰ *The World Bank*, Decentralization in Client Countries an Evaluation of World Bank Support, Washington, 2008, 4.

³¹ *Schneider A.*, Decentralization: Conceptualization and Measurement, Studies in Comparative International Developments, Vol. 38, № 3, 2003, 36.

³² *Council of Europe*, Explanatory Report, European Charter of Local Self-Government, European Treaty Series, № 122, Strasbourg, 15/10/1985, <<http://conventions.coe.int/Treaty/EN/Reports/HTML/122.htm>>, [15.04.2018].

more capable of providing efficient and high-quality service.³³ Potsdam University's Professor *Fuhr* writes that: "The clearest, and most important, is that public goods and services should be provided by the lowest level of government that can fully capture the costs and benefits."³⁴

There can be identified two groups of arguments while arguing about the advantages of the decentralization: political and economic. Historically the main arguments for decentralization had been political, however, later the number of economic arguments also emerged.

The political arguments for decentralization emphasize on decentralization as a democratic method of governance, specifically, the main accent is made on the advantages caused by increased participation, accountability and balanced central power.

The World Bank indicates that decentralization can enhance political stability, increase efficiency and accountability of the government and stipulate the equal territorial development.³⁵ The *USAID* Handbook of Democracy and Governance states that the "Decentralization of government authority and responsibility can increase the competence and responsiveness of public agencies by reducing the burden on those at the centre and allowing those most affected by an issue to make decisions about it. It enables citizens who are most directly concerned to influence decision-making by putting the source of the decision closer to them."³⁶

Professor *Illner* suggests that decentralization can contribute to the democratic transformation of the country, specifically decentralization: increases citizens participation in local administration; stipulates local political elite formation; provides check and balance of the central power by the sub-national government; improves participation opportunities for local and regional actors in the process of local economic and social development, and discharges overloaded center.³⁷

Crook and *Manor* identified 14 reasons for decentralization. They believe that decentralization: Improves the process of governance, as the government is more informed and has better position for effective administration; increases citizens participation intensity and gives the sense of ownership of the public projects; contributes to the greater coordination of policies and personnel from numerous line ministries, (this tends to happen with decentralization at intermediate levels); breaks up bottlenecks and reduces delays in decision making; enhances local political participation and strengthens local associational activity; encourages partnerships between the government agencies and the private sector; makes the governance processes more transparent; creates greater opportunities for local government to

³³ *Nemec J.*, Decentralization Reforms and their Relations to Local Democracy and Efficiency: CEE Lessons, *Uprava*, Vol. 5, 2007, 8-9; *The World Bank*, Decentralization in Client Countries An Evaluation of World Bank Support, Washington, 2008, 3.

³⁴ *Fuhr H.*, Institutional Change and New Incentive Structures for Development: Can Decentralization and Better Local Governance Help?, *Welt Trends*, № 25, 1999, 28.

³⁵ *The World Bank*, Entering the 21st Century, The World Bank Development Report 1999/2000, Oxford, 1999, 107-111.

³⁶ *USAID*, Handbook of Democracy and Governance Program Indicators, Technical Publication Series (Center for Democracy and Governance Bureau for Global Programs, Field Support and Research, U.S. Agency for International Development, 1998, 153, <http://www.managingforimpact.org/sites/default/files/resource/handbook_of_democracy_and_governance_program_indicators.pdf>, [20.09.2018].

³⁷ *Illner M.*, Issues of the Decentralization Reforms in Former Communist Countries, *Informationen zur Raumentwicklung*, Vol. 7, 2000, 391.

influence the central decision-making process; enhances the accountability; reduces the overall corruption; increases citizens' understanding of the government's (health, education, and sanitation) programs; helps programs be more responsive and appropriate to local conditions; increases the legitimacy of the government and trust; helps to scale up successful practice and replication.³⁸

In addition to the above arguments, decentralization is discussed as a mechanism for conflicts prevention. Specifically, the different researches indicate that decentralization may become an effective ethnic and regional conflicts prevention instrument.³⁹

As it has been mentioned above, besides the political approval there are also economic arguments for decentralization. Economic arguments imply the advantages like the improvement of the public services, increase of government's effectiveness and encouragement of the equal territorial development of the country.

From this point of view the various studies indicate to the following advantages of the decentralization: Professor *Klugman* argues that "In principle, decentralization may promote economic activity via several routes including an increased infusion of capital and other resources, the more extensive provision of infrastructure, and a more effective enabling environment that would have been the case under a centralized system."⁴⁰ *Martinez-Vazquez* and *McNab* claim that decentralization supports economic growth as it improves macroeconomic stability.⁴¹ A study conducted by *Ezcurra* and *Pascual* proves that fiscal decentralization may contribute to a better-balanced distribution of the resources across the country and reduce regional disparities.⁴² *Oates* and *Tiebout* believe that fiscal decentralization supports economic and political development.⁴³

³⁸ *Crook R., Manor J.*, Democratic Decentralization, OECD Working Paper Series, The World Bank, Washington, 2000, 23-24.

³⁹ See *Von Braun J., Grote U.*, Does Decentralization centralization Serve the Poor? Paper presented at the IMF Conference on Fiscal Decentralization, November 20-21, Washington, 2000; *Smoke P.*, The Role of Decentralisation/Devolution in Improving Development Outcomes at the Local Level: Review of the Literature and Selected Cases, Local Development International LLC, New York, 2013, 3; *Brosio G.*, An Evaluation of the World Bank Support for Decentralization in the Middle East and North Africa Countries of Algeria, Egypt, Morocco, Tunisia, West Bank, Background Paper for Independent Evaluation Group, The World Bank, Washington, 2002; *The World Bank*, Decentralization in Client Countries An Evaluation of World Bank Support, Washington, 2008, 5; *Grasa R., Camps A. G.*, Conflict Prevention and Decentralized Governance: Some remarks about the State of the Art in Theory and Practice, 2nd ed., Barcelona, 2010.

⁴⁰ *Klugman J.*, Decentralisation: A survey of Literature from a Human Development Perspective, United Nations Development Programme Occasional, Human Development Report Office, Paper № 13, 1994, 3, <<https://ssrn.com/abstract=2294658>>, [20.09.2018].

⁴¹ See *Martinez-Vazquez J., McNab M. R.*, Fiscal Decentralization, Macrostability, and Growth, Hacienda Pública Española/Revista de Economía Pública, Vol. 179, 2006, 25-49.

⁴² See *Ezcurra R., Pascual P.*, The Link between Fiscal Decentralization and Regional Disparities: Evidence from Several European Union Countries, Environment and Planning, Vol. A40, № 5, 2008, 1185-1201.

⁴³ See *Oates W.*, An Essay on Fiscal Federalism, Journal of Economic Literature, Vol. 37, № 3, 1999, 1120-1149; *Tiebout C.*, A Pure Theory of Local Expenditures, Journal of Political Economy, Vol. 64, № 5, 1956, 416-24.

3.2. Decentralization Pitfalls

Notwithstanding, the above-discussed impressive list of decentralization advantages its real capacity is still limited. There are a number of studies which indicate the possible pitfalls of decentralization, especially in the developing countries. Therefore positive promises of the decentralization should not be assessed excessively or overwhelmed expectations created. “Demand for decentralization is strong throughout the world. But the benefits of decentralization are not ... obvious ... and there are serious drawbacks that should be considered in designing any decentralization program.”⁴⁴ – admits the World Bank’s expert *Prudhomme*.

American Professor of political science *Treisman* in his book – “The Architecture of Government: Rethinking Political Decentralization”, presented a sceptical view about the decentralization. The author discussed the most “advertised” decentralization advantages and argued that none of them can claim to be a general truth or provide with the convincing arguments. He developed the idea that the importance of decentralization is exaggerated mainly because of a bad cliché of centralization, which comes from the historical experience, where centralization was usually associated with dictatorship, and fascist’s regimes. In his opinion, decentralization should be regarded as neutral phenomena rather than declaring it as a cure for all problems. He also indicated two evident “bad” sides of the decentralization. These are increased fiscal pressure (e.g. increased administrative expenses) and reduced fiscal coordination (e.g. the problem of mobilization of the financial resources to a specific sector).⁴⁵

Crook and *Manor* pointed to the following possible limitations of the decentralization: decentralization does little to encourage long-term development perspectives and it also doesn’t increase economic growth rate. In addition, it is vulnerable to corrupted political elite capture.⁴⁶ Correlation between decentralization and economic growth was not proved also by the study conducted by *Ezcurra* and *Rodriguez-Pose*’s.⁴⁷ *Prudhomme* warns us about four “dangers” of decentralization: “Decentralization can increase disparities;”, “Decentralization can jeopardize stability”; “Decentralization can undermine efficiency,” and it can create a good ground for the corruption.⁴⁸ *Estache* and *Sinha* concluded that decentralization could increase both state’s aggregated and subnational infrastructural expenditures.⁴⁹

⁴⁴ *Prudhomme R.*, The Dangers of Decentralization, The World Bank Research Observer, Vol. 10, № 2, 1995, 201.

⁴⁵ *Treisman D.*, The Architecture of Government: Rethinking Political Decentralization (Cambridge Studies in Comparative Politics), Cambridge, New York, Melbourne, Madrid, Cape Town, Singapore, São Paulo, Delhi, 2007, 11-21.

⁴⁶ *Crook R., Manor J.*, Democratic Decentralization, OECD Working Paper Series, The World Bank, Washington, 2000, 24.

⁴⁷ See *Ezcurra R., Rodriguez-Pose A.*, Political Decentralization, Economic Growth and Regional Disparities in the OECD, Regional Studies, Vol. 47, № 3, 2013, 388-401.

⁴⁸ See *Prudhomme R.*, The Dangers of Decentralization, The World Bank Research Observer, Vol. 10, № 2, 1995, 202-220.

⁴⁹ See *Estache A., Sinha S.*, Does Decentralization Increase Public Expenditure in Infrastructure?, Policy Research Working Paper 1457, The World Bank, Washington, 1995.

Generally, the most critic comes toward the fiscal dimension of the decentralization. Numerous articles refer to the problems caused by fiscal decentralization in developing countries. The main emphasis is made to the following risks of the fiscal decentralization: fiscal imbalance and over-borrowing;⁵⁰ territorial disparities;⁵¹ institutional capture by local elite groups and corruption;⁵² efficiency decrease and reduction of the economic growth.⁵³

In conclusion, the positive promises and pitfalls of decentralization usually are controversial and even contradictory, especially when it comes to the economic development and fiscal aspects of the decentralization (See, Table № 1). The American scholar *Smoke* admits that “Assessing outcomes associated with decentralization is far from straightforward. Many relevant constraints are empirical. There is no escaping the fact that decentralization – both conceptually and practically – is a highly complex and diverse phenomenon.”⁵⁴

Therefore, before the decision, whether decentralization is “good” or “bad” it would be appropriate to analyse the specific cases of the decentralization. In addition, it is interesting to identify the factors which had the decisive role for the reforms success or failure cases in the different countries. The next part of the paper will discuss the above-mentioned subjects.

Table № 1. Decentralization advantages and pitfall compared.

Advantages	Pitfalls
○ Check and balance of the central power	○ Reduced fiscal coordination
○ Formation of the local political elites	○ Increased fiscal disbalance and over borrowing
○ Increased participation in the decision-making process	○ Hampered economic growth
○ Development of the civil society	○ Decreased efficiency

⁵⁰ See *Tanzi V.*, Fiscal Federalism and Decentralization: A Review of Some Efficiency and Macroeconomic Aspects, Annual World Bank Conference on Development Economics 1995, *Bruno M., Pleskovic B.* (eds.), Washington, 1996, 295-316

⁵¹ See *Rodriguez-Pose A., Ezcurra R.*, Does Decentralization Matter for Regional Disparities? A Cross-country Analysis, *Journal of Economic Geography*, Vol. 10, № 5, 2010, 619-644; *Jorge M., McNab R.*, Fiscal Decentralization and Economic Growth, *World Development*, Vol. 31, № 9, 2003, 1597-1616.

⁵² See *Prudhomme R.*, The Dangers of Decentralization, *The World Bank Research Observer*, Vol. 10, № 2, 1995, 201-220; *Treisman, D.*, The Causes of Corruption: A Cross National Study, *Journal of Public Economics*, Vol. 76, № 3, 2000, 399-457.

⁵³ See *O'dwyer C., Ziblatt D.*, Is Decentralised Government More Efficient and Effective?, *Commonwealth & Comparative Politics*, Vol. 44, № 3, 2006, 326-343; *Tobin I.*, Does Decentralization Reform Always Increase Economic Growth?: A Cross Country Comparison of the Performance, *International Journal of Public Administration*, Vol. 10, № 33, 2010, 508-520; *Davoodi H., Zou H. F.*, Fiscal Decentralization and Economic Growth: A Cross-country Study, *Journal of Urban Economics*, Vol. 43, № 2, 1998, 244-257.

⁵⁴ *Smoke P.*, The Role of Decentralisation/Devolution in Improving Development Outcomes at the Local Level: Review of the Literature and Selected Cases, *Local Development International LLC*, New York, 2013, 2.

○ Increased transparency	○ Increased risks of corruption
○ Enhanced public sectors accountability	○ High territorial disparities
○ Unburdened the overloaded central state	
○ Reduced bureaucracy	
○ Adaptation to the local needs and conditions	
○ Increased economic growth	
○ Absorbed regional and ethnic conflicts	
○ Improved quality of public services	
○ Reduced territorial disparities	

4. The Challenges of the Decentralization Process

In 2008 the World Bank published the evaluation report on the results of decentralization reforms supported in Client Countries. The report analyzed the reforms implemented from 1990 to 2007. The overall conclusion was that the two third of the reforms were successful. The reforms “was most successful in strengthening legal frameworks for decentralization and intergovernmental relations, improving public financial management at the local level, and helping central governments establish transparent fiscal transfer systems. It was much less successful in helping to enhance own-source revenue at the local levels, clarifying responsibilities of different levels of government, and strengthening citizen oversight.”⁵⁵

OECD experts’ research which analysed the decentralization process in 19 developing countries, showed the mixed results. In one-third of the studied countries, decentralization reform was evaluated as successful. However, in the majority cases, it had neutral results. Generally, the reform was not successful in the countries, with poorly developed public institutions and post-war situation.⁵⁶

The interesting results had American Professor *Boex*, who analysed fiscal decentralization reforms in developing countries. According to his conclusion although there are some successful decentralization reform cases within the developing world (e.g. Poland, Indonesia, and South Africa) it is hard to come up with the examples where “fiscal decentralization reforms have been an indisputable success story.”⁵⁷

Completely opposite results had one of the latest decentralization research conducted in 2017. The study covered 23 OECD’s countries. The research showed that fiscal decentralization has a positive impact on the government’s quality. The positive trend was caused by better informed sub-national authorities and enhanced inter-jurisdictional competition. The research also indicated that the countries with low government’s qualities (corrupted and non-stable government institutions and etc.) are more tend to the

⁵⁵ *The World Bank*, Decentralization in Client Countries an Evaluation of World Bank Support, Washington, 2008, ix.

⁵⁶ *Johannes J., Kauffman C., McDonnell I., Osterrieder H., Pinaud N., Wegner L.*, Decentralisation and Poverty in Developing Countries: Exploring the Impact, Working Paper, Development Center, № 236, 2004, 22.

⁵⁷ *Boex J., Martinez-Vazquez J., Schaeffer M.*, An Assessment of Fiscal Decentralization in Georgia, Problems of Economic Transition, Vol. 49, № 1, 2006, 3.

fiscal centralization. The inefficient and corrupted government didn't want to lose control over public resources caused by decentralization. The results also supported the view that fiscal decentralization can lead to equal territorial development.⁵⁸

Although decentralization reforms had not the equivocal results, it still takes a high place in many developing countries' reforms agendas. Decentralization reforms "have an enormous potential and could, if properly designed and implemented, significantly improve the efficiency of the public sector. Decentralization measures are like some potent drugs, however: when prescribed for the relevant illness, at the appropriate moment and in the correct dose, they can have the desired salutary effect, but in the wrong circumstances, they can harm rather than heal."⁵⁹ – explains *Prudhomme*. Czech scholar *Nemec* after the study on decentralization reforms in post-communist countries came to the following conclusion: Decentralization reforms, if it is wrongly designed and implemented, may deepen the existing problems, as it "opens additional space for many forms of "government failure."⁶⁰

Therefore, one of the main goals of the decentralization research is the precise identification and analyses of the main factors which can lead to the reform's success or failure. The different scholars and international organizations indicate the following challenges of the decentralization reforms in the developing countries: limited financial and administrative resources (both at central and sub-national level), weak civil society, strong rent-seeking local elites, short democratic governance history, lack of the reform's ownership⁶¹ and a weak political commitment. It is logical that these weaknesses make developing countries more vulnerable in front of the decentralization pitfall. There are much less of these problems in developing countries.⁶²

Quite often the governments of developing countries don't meet decentralization reforms with a great enthusiasm, decentralization is perceived as a "tribute" which should be paid to the international organizations in a change of various forms of support. Moreover, there are many cases when despite declared formal readiness and political will the strong resistance against the reform emerges within the government itself. Sometimes the problems are also stipulated by the unwillingness of coordination and cooperation between the central and sub-national levels of government.⁶³

⁵⁸ See *Kyriacou A., Muinelo-Gallo L., Roca-Sagalés O.*, Regional Inequalities, Fiscal Decentralization and Government Quality, *Regional Studies*, Vol. 7, № 6, 2017, 945-957.

⁵⁹ *Prudhomme R.*, The Dangers of Decentralization, *The World Bank Research Observer*, Vol. 10, № 2, 1995, 201.

⁶⁰ *Nemec J.*, Decentralization Reforms and their Relations to Local Democracy and Efficiency: CEE Lessons, *Uprava*, Vol. 5, 2007, 33.

⁶¹ Lack of the reform's ownership means the situation when the reform doesn't consider the positions of the different relevant actor(s) (in the text – ruling political elite) or/and the reform is forced by the third party.

⁶² See *The World Bank*, Entering the 21st Century, *The World Bank Development Report 1999/2000*, Oxford, 1999, 121-22; *The World Bank*, Decentralization in Client Countries An Evaluation of World Bank Support, Washington, 2008, 4-5; *Cheema S., Rondinelli D.*, Decentralizing Governance: Emerging Concept and Practice, Washington, 2007, 9; *Crook R., Manor J.*, Democratic Decentralization, *OECD Working Paper Series*, The World Bank, Washington, 2000, vii, 3-5; *Smoke P.*, Implementing Decentralization: Meeting Neglected Challenges, In *Making Decentralization Work: Democracy, Development, and Security*, Making Decentralization Work: Democracy, Development, and Security, *Eaton E., Smoke P., Connerley K.* (eds.), London, 2010, 198-205.

⁶³ Ibid.

The different experts provide the governments with following general recommendations for successful decentralization (See, Table № 2)⁶⁴ reform: Firstly, the context of the particular country should be considered, as what can work in one country and in a certain situation can fail in another. Consequently copying from other countries' successful cases needs local adaptation. "Thus, whether and how to decentralize or not is a question that can be answered only against the background of country-specific contexts and institutions."⁶⁵ "No grand generalizations emerge — as with much research on decentralization, outcomes depend on political, institutional and socio-economic context, which vary and often interact in different ways."⁶⁶ Secondly, decentralization reform is incremental⁶⁷ process, especially it is true for developing countries, where respective capacities (human, financial resources and etc.) usually don't pre-exist, and thus it needs step by step development. Consequently, radical and swift decentralization reform is less expectable to succeed. Thirdly, decentralization is about behavioural change and it demands transformation not only from the government but from the society too. "Decentralization is not an instantaneous act; on the contrary, it is typically a complex and lengthy process that often involves basic changes in attitudes and behaviours by actors at all levels of government as well as by citizens."⁶⁸

There is a lot of suggestion about how decentralization can be managed effectively. Here we shall discuss only some of them. *Nemec* formulated four principles, which should be considered before the decentralization: "First, decentralization should be understood as a tool and not as the definite goal. Second, decentralization is not a simple and one-dimensional strategy, and its outcomes and impacts will differ according to concrete time and environment. Third, to decentralize, opportunity (the right time selection), capacity and preparedness are needed. Fourth, decentralization strategies have to take account of all the main involved elements – especially legal, financial, territorial, and ownership aspects of the process."⁶⁹

The World Bank identifies three elements for successful decentralization reform: "These include adequate financial resources, accountability for the use of resources, and government commitment and ownership. If decentralization takes place without these three conditions, diffused accountability and poor service delivery are likely to result."⁷⁰ *Rondinelli* claims that "the ability of government to implement decentralization programs depends on the existence of, or the ability to create, a variety of political

⁶⁴ The table № 2 summarizes the results of the discussions below and presents the main ingredients for successful planning and implementation of the decentralization reform.

⁶⁵ *The World Bank*, Decentralization in Client Countries an Evaluation of World Bank Support, Washington, 2008, 5.

⁶⁶ *Smoke P.*, The Role of Decentralisation/Devolution in Improving Development Outcomes at the Local Level: Review of the Literature and Selected Cases, Local Development International LLC, New York, 2013, 19.

⁶⁷ Incrementalism – gradual, step by step change.

⁶⁸ *Smoke P.*, Implementing Decentralization: Meeting Neglected Challenges, In Making Decentralization Work: Democracy, Development, and Security, Making Decentralization Work: Democracy, Development, and Security, *Eaton E., Smoke P., Connerley K.* (eds.), London, 2010, 213.

⁶⁹ *Nemec J.*, Decentralization Reforms and their Relations to Local Democracy and Efficiency: CEE Lessons, *Uprava*, Vol. 5, 2007, 34.

⁷⁰ *The World Bank*, Decentralization in Client Countries An Evaluation of World Bank Support, Washington, 2008, 5.

administrative, organizational and behavioural conditions, and to provide sufficient resources at the local level to carry out decentralized functions.”⁷¹ Other researchers admit that “Decentralisation process is more likely to have a positive impact ... if the central government is committed to the purpose of decentralization, the involved actors have the capacity (financial and human) to participate in decision making, checks and balances are established at a local level to control for rent-seeking and corruption, and policies – internal and external – are sufficiently coherent with the decentralisation policy.”⁷²

To sum up, we have mixed results about decentralization reforms, and we have no consensus concerning the pros and cons of decentralization. “The debate on whether decentralization is “good” or “bad” is unproductive since decentralization is a political reality worldwide - one that varies greatly in form within and among countries.”⁷³ Thus, we can share the following positions referring the decentralization reforms: “Most if not all experts would agree that decentralization is important ... but also ... it does not represent unique “all treating” medicine. Decentralization has the same character as most of the other reform mechanisms – it can bring both positive and negative effects, depending on local conditions, environment and connected complementary measures.”⁷⁴ “Although evidence can be found for both beneficial and negative consequences of decentralization among and within countries, many of the failures of decentralization are due less to inherent weaknesses in the concept itself than to government’s ineffectiveness in implementing it.”⁷⁵ Logically the country, with poor government quality and weakly developed public institutions, has limited capacities to design and effectively implement any kind of reform.

Table № 2. The main ingredients for successful planning and implementation of the decentralization reform.

Decentralization Process	
Planning	Implementation
○ Consider the local context	○ Political will
○ Define the definite goals	○ Right sequence
○ Incrementalism	○ Human resources
○ Create reforms Ownership	○ Financial resources
○ Choose the right time	○ Stipulation of the behavioural change
○ Involve all relevant actors	

⁷¹ Rondinelli D., Government Decentralization in Comparative Perspective: Theory and Practice in Developing Countries, International Review of Administrative Sciences, Vol. 47, № 2, 1981, 142.

⁷² Johannes J., Kauffman C., McDonnell I., Osterrieder H., Pinaud N., Wegner L., Decentralisation and Poverty in Developing Countries: Exploring the Impact, Working Paper, Development Center, № 236, 2004, 22.

⁷³ Litvack J., Ahmad J., Bird R., Rethinking Decentralization in Developing Countries, Washington DC, 1998, 3.

⁷⁴ Nemeč J., Decentralization Reforms and their Relations to Local Democracy and Efficiency: CEE Lessons, Uprava, Vol. 5, 2007, 33.

⁷⁵ Cheema S., Rondinelli D., Decentralizing Governance: Emerging Concept and Practice, Washington, 2007, 9.

5. Decentralization Process in Georgia (Problems and Challenges)

As it has been already mentioned in the Introduction the level of decentralization in Georgia is very low. Thus the potential promises of decentralization are not quite evident, however, there are no signs of the negative impacts too. Therefore this part of the paper will mainly focus on the decentralization process assessment and review in the country.

Decentralization process in Georgia can be divided into three main periods. Decentralization reforms in each period were characterized by specific features and can be called as three reforms' generations. The first generation of decentralization reform had begun in 1995 and continued until 2003.⁷⁶ This is the period when the basic institutional foundations of the local self-government formed. Second generation reforms emerged after the Rose Revolution in 2003. During this period Georgia ratified the main local self-government standard-setting international treaty – European Charter of Local Self-Government. Third generation reforms born in 2012 after the new coalitional government came to power. Strengthening of the local government was among its main pre-election promises.

Due to the range of the topic, it is impossible to do a complete and detailed analysis of the past period. Therefore, the paper has systematized and analysed the existing local and foreign scholars' studies and international organizations' reviews and conclusions referring this period. It worthy to mention that although some of this assessment and conclusion were made 10 years ago, they have not lost actuality even now. After the systematization and analysis of the collected information, 11 groups of challenges/problems of the decentralization process in Georgia have been identified. For simplification, each of them was granted its separate name. The analysis below will be presented according to these groups:

First, the challenge of the post-communist state. Hyper centralize model of governance inherited from the Soviet Union time still strongly persists in Georgia. Local government generally is understood as a part of the central government. Moreover, this perception is accepted both by the central and local governments. While studying decentralization processes in Eastern Europe Professor *Illner* admitted that in the post-communist country the local government “follows the practice inherited from the communist regime, accepting, if not seeking the direction and instruction of the upper levels of government.”⁷⁷ As it is evident, the challenge has not been losing its actuality in Georgia until now. “Local politics are still hampered by Soviet-era political mores. Local power brokers often dominate their areas, and many local

⁷⁶ The starting point for the beginning of discussions about the decentralization reforms in Georgia is 1995. During 1991-1995 Georgia undergone the civil war and territorial conflict provoked by the Russian Federation, thus during the period decentralization policy had a little attention and only a short-term purposes. There are a few studies about the assessment of the period too. From 1995 the overall situation in Georgia stabilized, which was followed by the adoption of the Constitution of Georgia. The constitution envisaged the first short article about local self-government. In 1997 the Parliament of Georgia adopted the first more or less codified law — the Organic Law on Local Self-Government and Governance of Georgia.

⁷⁷ *Illner M.*, Devolution of Government in the Ex-Communist Countries: Some Explanatory Frameworks, Local Democracy in Post Communist Europe, *Illner M., Wollmann H. Baldersheim H.* (eds.), Opladen, 2003, 327.

officials are accustomed to taking their cues from the central government.”⁷⁸ – wrote the *Freedom House* in 2015 report about Georgia.

Local government has no initiatives and involvement in the central decision-making process. This problem is underlined in the recommendations of the Council of Europe’s Congress of Local and Regional Authorities in 2015, which emphasize the need for the establishment of a more effective and comprehensive mechanism for enhancing the local government’s participation in the central decision-making process concerning to local affairs.⁷⁹

It should be specified that the centralized governance model is not an “evil” itself and it can be used in the process of governing the democratic state. However, the view presented by American scholar *Treisman* should be taken into account: “centralized governance is not a “bad” itself, especially when it is used to improve the governance efficiency and effectiveness in providing public services. However, its positive effects are not quite evident when it becomes the mechanism of the ruling elites’ political dominance,”⁸⁰ Unfortunately, in “Eastern Europe, it remains true even now that the most important influence is not” Western European model of governance “but the Russian/Soviet model.”⁸¹

Second, the syndrome of the post-communist society. Within Georgian society, the knowledge about the importance and role of the local government stands very low. Usually, people don’t even distinguish between local and central governments. “Local autonomy is not a typical Georgian tradition. Consequently, Georgian citizens do not pay proper attention to local self-government, and they do not differentiate between central and local administrations.”⁸²

According to the *National Democratic Institute (NDI)* survey results conducted in 2015: 60% of citizens admit that they don’t know the functions of the local government and 83% of respondent don’t know their Local Council Members. Only 6 % of Georgians report having contacted with the Local Council’s officials, 3 % of Mayors’ offices.⁸³ What is more, the majority of the local residents have the problem of distinguishing between the local and central government. The same conclusions were made by other independent studies.⁸⁴ As one Georgian expert indicated in 2010: “People still believe that

⁷⁸ *Mitchel L.*, Nations in Transit, Georgia, Freedom House Report, 2015, 258-259, <https://freedomhouse.org/sites/default/files/NIT2015_Georgia.pdf>, [20.09.2018].

⁷⁹ *CLRA*, Congress of Local and Regional Authorities, Post-monitoring Georgia, Final Roadmap Chamber of Local Authorities, Rapporteurs: Nigel Mermagen, United Kingdom and Helena Pihlajasaari, Finland, CG/MON/2015(27)15, 2015, <https://rm.coe.int/16807195fd#_ftn1>, [20.09.2018].

⁸⁰ *Treisman D.*, The Architecture of Government: Rethinking Political Decentralization (Cambridge Studies in Comparative Politics), Cambridge, New York, Melbourne, Madrid, Cape Town, Singapore, São Paulo, Delhi, 2007, 40-41.

⁸¹ *Pollitt C.*, An Overview of the Papers and Propositions of the First Trans-European Dialogue (TED1), NISPACEE Journal of Public Administration and Policy, Special Issue: A Distinctive European Model? The Neo-Weberian State, Vol. 1, № 1, 2008, 10.

⁸² *Melua D.*, Local Government Reform in Georgia, Territorial Consolidation Reforms in Europe, Local Government and Public Service Reform Initiative, *Swianiewicz P.* (ed.), Budapest, 2010, 182.

⁸³ *NDI*, National Democratic Institute, NDI Poll: Low Awareness and Approval for Constitutional and Legislative Changes; Average Assessment for Local Government, Tbilisi, 2015, <<https://www.ndi.org/August-2015-Public-Opinion-PressRelease-Georgia>>, [20.09.2018] (in Georgian).

⁸⁴ *Salamadze V.*, Citizen Participation in Self-Governance, Civil Society Institute, Tbilisi, 2009; *Swianiewicz P.* Public Opinion about Local Government in Georgia, Tbilisi, 2011.

everything that should be done, even in the small villages somewhere in the mountains, by the president. If they don't have power, if they don't have a water supply, if a local shop doesn't work, they are ready to write a letter to the president of the country; "he should take care of us."⁸⁵

Third, the syndrome of the post-conflict society. Usually, the term decentralization causes negative perceptions within the politicians and citizens in Georgia, as it is associated with the division of the country. "Georgian society historically has always faced the danger of territorial disintegration, and all Georgian culture and ideology are based on the idea of a unitary and strong state."⁸⁶

There is a dominant belief within the society that decentralization could stipulate separatism. The country lost two regions at the beginning of the 1990s. Thus the fear of decentralization has become a kind of phobia in Georgian society.⁸⁷ However, this cautious is mainly exaggerated and far from reality. The situation is usually wrongly interpreted also by politicians. As Polish experts once admitted that it is "more of an excuse than a real obstacle to the devolution of powers and is very well used by the ruling political elites for their own political interests."⁸⁸

The low knowledge and misunderstanding of the mission and importance of the local government caused extremely wrong interpretations. During the last decentralization reform in 2013, even the Georgian Orthodox Church, which has a very high level of trust in the country, came against the decentralization reform. "The culmination of the public debates was a statement made by the Patriarch Ilia II on December 4, 2013, according to which 'the implementation of the Local Self-Government draft Code will entail the disintegration of Georgia'."⁸⁹ This statement had a great public resonance. In the end, the reform's opposition within the government managed to change the initial draft law, which almost transformed decentralization reform into the facade reform. We meet this wrong perception in Georgia while in many countries decentralization is considered as a preventive mechanism for ethnic conflicts.⁹⁰

Fourth, the phobia of losing control. One of the most problematic obstacles for the decentralization is a fear to lose political control over the local government. This is partially rooted in the syndrome of the post-communist state. After the second generation reform government abolished a lot of legal regulations which allowed the exercise of the direct control over the local government, however,

⁸⁵ *Swianiewicz P.* Public Opinion about Local Government in Georgia, Tbilisi, 2011, 20.

⁸⁶ *Melua D.*, Local Government Reform in Georgia, Territorial Consolidation Reforms in Europe, Local Government and Public Service Reform Initiative, *Swianiewicz P.* (ed.), Budapest, 2010, 182.

⁸⁷ See *Swianiewicz P., Lielczarek A.*, Georgian Local Government Reform: State Leviathan Redraws Boundaries? *Local Government Studies*, Vol. 36, № 2, 2010, 292; *Kandelaki K., Losaberidze D., Orvelashvili N.*, Local Government in Georgia Developing New Rules in the Old Environment, *Developing New Rules in the Old Environment, Local governments in Eastern Europe, in the Caucasus and in Central Asia, Local Government and Public Service Reform Initiative, Popa V., Munteanu I.* (eds.), Budapest, 2001, 309-310; *Bolashvili P.*, Fiscal Autonomy Problems of Local Government in Georgia, *Davey K.* (ed.), *Fiscal Autonomy and Efficiency: Reforms in the Former Soviet Union*, Open Society Institute, Budapest, 2002, 61-64.

⁸⁸ *Swianiewicz P., Lielczarek A.*, Georgian Local Government Reform: State Leviathan Redraws Boundaries? *Local Government Studies*, Vol. 36, № 2, 2010, 293.

⁸⁹ *Losaberidze D.*, Local Self-Government Reform in Georgia 2013-2014, *Local Self-Government in Georgia 1991-2014, Losaberidze D., Bolkvadze T., Kandelaki K., Chikovani T.* (eds.), Tbilisi, 2015, 190 (in Georgian); *Rimple P.*, Report Georgia, Annual, Freedom House, 2014, <<https://freedomhouse.org/report/nations-transit/2014/georgia>>, [20.09.2018]; *Skorupska A., Zasztowt K.*, Georgia's Local Government Reform: How to Escape from the Soviet Past, Policy Paper, Polish Institute of International Affairs, Vol. 4, № 87, 2014.

⁹⁰ See part 3.1.

this led to the emergence of a new informal control mechanism. It also should be noted that from 2003 almost all local elections (elections of the Local Councils and the Mayors) were won by the ruling political party.⁹¹

After the second generation reforms, many scholars and international organization indicated the increase of informal political control mainly exercised through the line ministries and the Governors. They also pointed out that after the municipal amalgamation reform in 2006⁹² the bigger and fewer local units made central control much easier.⁹³

After the third generation reforms, the problem of informal political control still remains.⁹⁴ This fact is proved by the former Deputy Minister of Regional Development and Infrastructure of Georgia when he officially declared the need to “overcome of the practice when Governor or the Minister perceives himself/herself as a chief of municipalities”.⁹⁵

Fifth, the low trust in local government. Local government has a low trust in the country, and this position is shared both by the central government and the local community. There is a dominant perception that local government has a weak human capacity to be responsible for something important in the country.⁹⁶ The human capacity of the local government is a real problem. However, there is no any study results available in the country which would provide us with the comprehensive analysis of the situation. The recent survey referring the issue conducted by *NDI* in 2017 gave the following result: “the majority believes there is a lack of professionalism in local government ... While a few people have interacted with local government institutions, the majority of those who have reports that they were

⁹¹ Exemption was 2017 local election when non-ruling party won the position of the Mayor (In Tianety Municipality) and majority in the local council (in Borjomi municipality).

⁹² In 2006 the government abolished 1004 municipalities and instead created 64. As a result of this amalgamation reform, Georgia is one of the first ranked countries according to the size of the self-governing units (under the average population) in Europe with Denmark, Lietuva, and the United Kingdom of Great Britain.

⁹³ *Swianiewicz P., Lielczarek A.*, Georgian Local Government Reform: State Leviathan Redraws Boundaries? *Local Government Studies*, Vol. 36, № 2, 2010, 297-298; *Melua D.*, Local Government Reform in Georgia, Territorial Consolidation Reforms in Europe, Local Government and Public Service Reform Initiative, *Swianiewicz P.* (ed.), Budapest, 2010, 184; *Losaberidze D.*, Local Self-Government Reform in Georgia 2013-2014, *Local Self-Government in Georgia 1991-2014*, *Losaberidze D., Bolkvadze T., Kandelaki K., Chikovani T.* (eds.), Tbilisi, 2015, 12-13 (in Georgian); *Freedom House*, Report Georgia, Annual, Freedom House, 2010, <<https://freedomhouse.org/report/nations-transit/2010/georgia>>, [20.09.2018]; *Freedom House*, Report Georgia, Annual, Freedom House, 2009, <<https://freedomhouse.org/report/nations-transit/-2009/georgia>>, [20.09.2018].

⁹⁴ *Mitchel L.*, Nations in Transit, Georgia, Freedom House Report, 2015, 258-259, <https://freedomhouse.org/sites/default/files/NIT2015_Georgia.pdf>, [20.09.2018]; *Rimple P.*, Report Georgia, Annual, Freedom House, 2014, <<https://freedomhouse.org/report/nations-transit/2014/georgia>>, [20.09.2018].

⁹⁵ *Shergelashvili T.*, Interviewed by *Morgoshia T.*, Its Time for Local Self-Government, International Center for Civil Culture, Bulletin № 8, Tbilisi, 2015, <<http://www.ivote.ge/images/doc/merve.pdf>>, [20.09.2018] (in Georgian).

⁹⁶ *Losaberidze D.*, Local Self-Government Reform in Georgia 2013-2014, *Local Self-Government in Georgia 1991-2014*, *Losaberidze D., Bolkvadze T., Kandelaki K., Chikovani T.* (eds.), Tbilisi, 2015, 92-94, 116; *Salamadze V.*, Citizen Participation in Self-Governance, Civil Society Institute, Tbilisi, 2009, 58-68 (in Georgian).

treated with respect and that officials were competent.”⁹⁷ Thus the mistrust to the local government in some degree is a kind of “cliché” and the sheer breadth of the assessments is often far from objective reality. According to the survey low degree of community participation in the local government activities, mistrust to the local government and a mere importance of the local authorities still remains as unresolvable challenges.⁹⁸

Sixth, unresolved dilemma – administrative-territorial reform. The administrative-territorial reform of the country was a part of all three reforms’ generations. However, still, the issue is not losing its actuality. As Professor *Swianiewicz* in his study indicated, the current administrative borders of the municipalities are not adequately responding to Georgia’s social and geographical realities. Thus, there is a need for finding an effective balance between the local government’s efficiency, local context, and local community interests. The fact is that the formation of larger municipalities has not resulted in a more effective and efficient local government.⁹⁹

Seventh, the territorial disparities. It is noteworthy to mention that in Georgia high fiscal centralization level is one of the main causing factors for local disparities. The central government’s grants distribution system stipulates greater inequality and also leaves a wide margin for central manipulation. Capital – Tbilisi and the administrative centre of Adjara autonomous republic – Batumi is getting much more from central budget per resident than other municipalities. Despite the fact that the experts, international organizations are constantly indicating to the problem the government of Georgia is failing to find effective response to address it.¹⁰⁰

Eighth, the low motivation to perform better. High dependency of local revenues to the central transfers reduces the local efficiency. Local government has no interest in local economic growth, as it doesn’t affect local revenue. Local government still has only one local tax – property tax. As the World Bank in its report indicates, this environment limits the local government’s efficiency and causes demotivation.¹⁰¹

Ninth, mere functions. Local government lacks the functions to have a significant impact on the local community’s development.¹⁰² According to the Charter, the local government should have the right

⁹⁷ *NDI*, National Democratic Institute, NDI Poll: Low Awareness and Approval for Constitutional and Legislative Changes; Average Assessment for Local Government, Tbilisi, 2015, <<https://www.ndi.org/August-2015-Public-Opinion-PressRelease-Georgia>>, [20.09.2018] (in Georgian).

⁹⁸ Ibid.

⁹⁹ *Swianiewicz P., Lielczarek A.*, Georgian Local Government Reform: State Leviathan Redraws Boundaries? *Local Government Studies*, Vol. 36, № 2, 2010, 298, 309.

¹⁰⁰ *The World Bank*, Georgia Public Expenditures Review, Strategic Issues and Reform Agenda, Vol. 1, Washington, 2014, 63-66; *Murgulia S., Toklikishvili G., Gvelesiani G.*, Fiscal Decentralization In Georgia, Project - Strengthening Local Authorities – The Way Towards Decentralization, Project Founded By EU, The Center for Strategic Research and Development of Georgia, Tbilisi, 2011, 20-21, 55, <<http://www.alda-europe.eu/newSite/public/eap/6-georgia-Fiscal-Decentralization-in-Georgia-study-eng.pdf>>, [20.09.2018].

¹⁰¹ *The World Bank*, Georgia Public Expenditures Review, Strategic Issues and Reform Agenda, Vol. 1, Washington, 2014, 63-64.

¹⁰² See *Ladner A., Keuffer K., Baldersheim H.*, Measuring Local Autonomy in 39 Countries (1990-2014), *Regional and Federal Studies*, Vol. 26, № 3, 2016, 321-357.

and ability “to regulate and manage a substantial share of public affairs.”¹⁰³ When the local government have no power to provide or regulate local water supply in the cities or cannot repair school building in the village than it should not be surprising that local people don’t know much about local government and don’t distinguish it from the central government.

“A ship without the sail” – the failure to have the successful decentralization policy. More than 20 years have passed after the first generation of decentralization reforms, however, the country still has been failing to develop an effective long-term vision of decentralization policy. The analysis of all three generations of decentralization reforms indicates that the government never had the true commitment to achieve the real decentralization of the country. Moreover, the answer to the question: what is the country’s decentralization policy? – It is not evident.

During the first generation of decentralization reforms in Georgia the government faced the dilemma to find a balance between two controversial interests: On the one hand the government’s mission was legitimization of the power through the democratic system, and foster the process of European integration, on the other hand, there was the high interest to preserve the dominance of the ruling political elite. Thus, the decentralization reform was more seen as a mean to creating democratic façade than the tool of formation the effective governance system at the local level.¹⁰⁴

After the second generation of decentralization reforms, the president of the National Association of Local Authorities of Georgia wrote the following conclusion: “An analysis of the existing situation shows that implementation of local government reform went out of control and results are contrary to the initial goals. At the starting point, the goal was to establish strong, self-sustainable, and effective local self-government units of a proper scale, but, at the end of the day, Georgia created large municipalities with restricted autonomy, resources, and limited efficiency.”¹⁰⁵ Despite the officially declared high readiness and political will the actual result of the second generation reforms was a local government with marginal functions and under the informal political control. This conclusion was also made by different studies and reports.¹⁰⁶

¹⁰³ Article 3.1., *Council of Europe*, Explanatory Report, European Charter of Local Self-Government, European Treaty Series, №122, Strasbourg, 1985, <<http://conventions.coe.int/Treaty/EN/Reports/HTML/122.htm>>, [15.09.2018].

¹⁰⁴ Kandelaki K., Losaberidze D., Orvelashvili N., Local Government in Georgia Developing New Rules in the Old Environment, *Developing New Rules in the Old Environment, Local governments in Eastern Europe, in the Caucasus and in Central Asia, Local Government and Public Service Reform Initiative, Popa V., Munteanu I.* (eds.), Budapest, 2001, 291.

¹⁰⁵ Melua D., Local Government Reform in Georgia, *Territorial Consolidation Reforms in Europe, Local Government and Public Service Reform Initiative, Swianiewicz P.* (ed.), Budapest, 2010, 184.

¹⁰⁶ See Bolkvadze T., Kandelaki K., Chikovani T., Losaberidze D. (eds.), *Local Self-Government in Georgia 1991-2014*, The International Centre for Civic Culture, Tbilisi, 2015; Freedom House, Report Georgia, Annual, Freedom House, 2010, <<https://freedomhouse.org/report/nations-transit/2010/georgia>>, [20.09.2018]; Freedom House, Report Georgia, Annual, Freedom House, 2009, <<https://freedomhouse.org/report/nations-transit/2009/georgia>>, [20.09.2018]; Swianiewicz P., Lielczarek A., *Georgian Local Government Reform: State Leviathan Redraws Boundaries? Local Government Studies*, Vol. 36, № 2, 2010, 395. Melua D., *Local Government Reform in Georgia, Territorial Consolidation Reforms in Europe, Local Government and Public Service Reform Initiative, Swianiewicz P.* (ed.), Budapest, 2010, 184.

There are not much more positive conclusions about the results of the third generation of decentralization reforms too. The third generation reform had a long list of the ambitious goals. Initially decentralization Strategy of Georgia was motivated by more revolutionary changes than the simple modification, however, finally, we observed the moderate and mainly cosmetic changes of the existing system. The result of the reform is the formation of the limited local government.¹⁰⁷

In addition, all three reforms were characterized by a strong top-down approach. The local community, NGOs, and local government involvement in the process were limited. Therefore, the reforms' ownership had only the central government, to be more precise only the ruling political elite. Thus the failure to achieve broad political consensus frequently led to the situations when the reform was completely restarted by each new government.¹⁰⁸

Eleventh, the battle of two visions. As one of Georgian scholars, which has been studying decentralization processes in the country from 1991, admitted: we have been observing the battle of two visions in the country. "Supporters of the first vision argue that the establishment of democratic principles is critical for the country's development and that there is no alternative to active civil participation in governance and granting effective rights to citizens. Moreover, this is the only way to successfully finalize the integration with the western democratic world." "The supporters of the second vision hold that the Georgian society is not yet ready to take over the country's management which requires a long-term preparatory measure to be undertaken by the country's elite (under political elites the supporters of this vision obviously imply themselves). As for the western integration, this seems to be a time-consuming process and apparently less important than maintaining authority (for the purpose of the presence of good governance)."¹⁰⁹

To summarize all above discussions we could add, that although the local self-government's autonomy is already guaranteed by the Constitution of Georgia, the central dependence of the institution is still very strong. This situation is acceptable both for the central and local governments. In the case of local failures, the local political elite can simply readdress political accountability to the central government. Considering above, it is not surprising that local community cannot distinguish between the central

¹⁰⁷ *Cecire H. M.*, Freedom House Report, Georgia, Annual Freedom House, 2016, 8-9, <https://freedomhouse.org/sites/default/files/NiT2016_Georgia.pdf>, [20.09.2018]; *Skorupska A., Zasztowt K.*, Georgia's Local Government Reform: How to Escape from the Soviet Past, Policy Paper, Polish Institute of International Affairs, Vol. 4, № 87, 2014; *Transparensy International*, Georgia, Local Integrity Systems Assessment, Transparensy International Georgia, Tbilisi, 2015, <http://www.transparency.ge/sites/default/files/post_attachments/lis_report_2015_eng.pdf>, [20.09.2018]; *Losaberidze D.*, Local Self-Government Reform in Georgia 2013-2014, Local Self-Government in Georgia 1991-2014, *Losaberidze D., Bolkvadze T., Kandelaki K., Chikovani T.* (eds.), Tbilisi, 2015, 133, 171-178 (in Georgian).

¹⁰⁸ See *Melua D.*, Local Government Reform in Georgia, Territorial Consolidation Reforms in Europe, Local Government and Public Service Reform Initiative, *Swianiewicz P.* (ed.), Budapest, 2010, 169, 183. *Swianiewicz P., Lielczarek A.*, Georgian Local Government Reform: State Leviathan Redraws Boundaries? Local Government Studies, Vol. 36, № 2, 2010, 295. *Losaberidze D.*, Local Self-Government Reform in Georgia 2013-2014, Local Self-Government in Georgia 1991-2014, *Losaberidze D., Bolkvadze T., Kandelaki K., Chikovani T.* (eds.), Tbilisi, 2015 (in Georgian).

¹⁰⁹ *Ibid.*, 167-168.

and the local governments and the responsibility for all sort of local problems falls either to the Prime-Minister or to the Government of Georgia or to the President of the country. This should be warning also for the central ruling political elite itself.

In addition during the political debates mainly the political arguments for decentralization prevail. The economic arguments, which consider the decentralization as an instrument for local development and local public services improvement have a little attention. It is not also fully realized the decentralization potential as the mechanism of conflict prevention. Therefore, besides the political arguments making more accent to the other advantages of decentralization may create additional consensus opportunities between the above mentioned rival positions.

6. Conclusion

The views about the pros and cons of decentralisation are often controversial and even contradictory. The process of decentralization meets a lot of challenges in the developing countries and today there is not exaggerated expectations towards its positive effects. The good practice from the developing countries indicates that decentralization should not be considered as a definite goal but as a tool for achieving certain desirable goals. With this standpoint, decentralization presents a substantial list of the promises, beginning from the development of the civil society and insurance of the vertical balance of power to improved local public services, equal territorial development and conflicts prevention.

Choosing the right policy design is the most complicated issue during the decentralization process. “Decentralization is ... a complex process whose dimensions and prerequisites are not just political, legal and administrative, but also economic and cultural... Practicable approaches to decentralization are to some degree country-specific and they heavily depend on time and context.”¹¹⁰

The presented article indicates that the historical past has the huge impact on the country’s future development. Although about 30 years has already passed from the collapse of the Soviet Union, its shadow still is strongly sensible in the country. Hyper-centralized governance model stays as an unresolved challenge for Georgian State and Society.

Like all other public sector reforms, the decentralization reform is never ending process. In 2018 the Government of Georgia announced the start of the new decentralization reform. Thus, considering the past experience and learning from the mistakes can be a decisive factor for future reforms success.

Finally, I want to end the article with the following citation. Once, the World Bank’s expert *Andrew Parker* compared successful decentralization reform policy to the cooking of a soufflé and he proposed “soufflé theory” of decentralization. “Like a soufflé that requires just the right combination of milk, eggs, and heat to rise, so a successful program of decentralization will need to include just the right combination of political, fiscal and institutional elements.”. Decentralization is a learning process, and the results come through the trial and mistakes.¹¹¹

¹¹⁰ *Illner M.*, Issues of the Decentralization Reforms in Former Communist Countries, Informationen zur Raumentwicklung, Vol. 7, 2000, 391.

¹¹¹ *Parker N. A.*, Decentralization the Way Forward for Rural Development, Policy Research Working Paper 1475, The World Bank Agriculture and Natural Resources Department Sector Policy and Water Resources Division, 1995, 44.

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