



Local Government Elections - 2010

Economic Visions of Political Parties



The Project has been performed with support "Open Society – Georgia Foundation"

LOCAL GOVERNMENT ELECTIONS - 2010 ECONOMIC VISIONS OF POLITICAL PARTIES

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1 INTRODUCTION

Since December, 2009 “Economic Policy Research Center” with support and cooperation of “Open Society Georgia - Foundation” has implemented the project: “Thematic Debates for Improving Capacity of Political Parties and Transparency of Local Elections”

The goal of the Project is organizing free debate space for the participants in local government elections, ensuring more transparency of the elections and presenting economic programs.

After six months of consultations, starting from December 2009 till June 2010 – five political unions presented their social-economic programs in the context of local governance: “National Council”, “Alliance for Georgia”, “Tortladze – the Democrats”, “Topadze – Industrial Party” and “National Movement”.

2 REPORT ON THE PROJECT “THEMATIC DEBATES FOR IMPROVING CAPACITY OF POLITICAL PARTIES AND TRANSPARENCY OF LOCAL ELECTIONS”

The goal of the project - “Thematic Debates for Improving Capacity of Political Parties and Transparency of Local Elections” implemented by “Economic Policy Research Center” with the support of “Open Society Georgia - Foundation”, was to organize a free debate space for the participants in local elections, to ensure transparency of the elections and to present their economic programs.

The project - “Thematic Debates for Improving Capacity of Political Parties and Transparency of Local Elections” began at the end of December 2009 and ended in June 2010.

Political parties, which expressed readiness to participate in Local Government Elections of May 31, were identified and communicated at the initial stage of the project.

Unfortunately, the process of final identification of the election participants was very complicated and prolonged because of the parties frequently changing their positions regarding their participation.

In parallel with the meetings and consultations with the political parties, the questionnaire for sending out to the political parties participating in the election was prepared. (See below).

Finally, the questionnaire was limited by 11 questions referring to the issues of economic grounds for local governance, independence, financial-economic decentralization and financial arrangement of local governments (by ranges), relationship with the central government and other important issues (questionnaire is attached to the Report).

Eighteen political unions had been contacted during 6 months of the project duration.

Five of them did not participate in the elections:

- ▶ Democratic Movement - United Georgia (Chairman – Nino Burjanadze);
- ▶ Georgian Labor Party (Chairman – Shalva Natelashvili);
- ▶ Political Entity National Forum (Chairman – Kakha Shartava)
- ▶ Movement for United Georgia (Leader – Irakli Okruashvili)
- ▶ Political Union of Citizens – Kartuli Dasi (Leader – Djondo Baghaturia)

The questionnaire was sent to the rest 14 political unions, which expressed readiness to participate in the elections.

According to the final report, the following political parties filled the questionnaire:

- ▶ United National Movement (Leader – Mikheil Saakashvili)

- ▶ Alliance for Georgia (Leader – Irakli Alasania)
- ▶ Democratic Party of Georgia (Chairman – Gia Tortladze)
- ▶ The Way of Georgia (Chairman – Salome Zurabishvili)

The following political unions have not answered the questionnaire:

- ▶ Conservative Party of Georgia (Chairman – Zviad Dzidziguri);
- ▶ Christian Democratic Movement (Chairman – Giorgi Targamadze);
- ▶ Movement – Justice for Georgia (Chairman – Zurab Noghaideli)
- ▶ Political Movement - Industry Saves Georgia (Chairman – Gogi Tophadze);
- ▶ National Democratic Party (Chairman – Bachuki Kardava);
- ▶ Political Movement - Tavisupleba (Chairman – Konstantine Gamsakhurdia);
- ▶ Peoples’ Party (Chairman – Koba Davitashvili)
- ▶ Political Union – We Ourselves (Chairman – Paata Davitaia);
- ▶ Political Union – Public Democrats (Chairman – Nikoloz Ivanishvili).

The following political unions presented their general economic programs during project implementation process:

- ▶ Political Union of Citizens – Public Alliance for Whole Georgia (Leader – Irakli Alasania)
- ▶ Democratic Party of Georgia (Chairman – Gia Tortladze)
- ▶ Party – The Way of Georgia (Chairman – Salome Zurabishvili)
- ▶ Conservative Party of Georgia (Chairman – Zviad Dzidziguri);
- ▶ Political Movement - Industry Saves Georgia (Chairman – Gogi Tophadze);
- ▶ Public Democrats (Chairman – Nikoloz Ivanishvili)

After six months of cooperation, five political unions presented their social-economic programs in the context of local governance: “National Council”, “Alliance for Georgia”, “Tortladze – the Democrats”, “Topadze – Industrial Party” and “United National Movement”.

2.1 STRUCTURE AND CONTENT OF POLITICAL PARTIES PROGRAMS FOR 2010 LOCAL GOVERNMENT ELECTIONS

Since the 90s of the 20th century in Georgia, like in all Post-Soviet countries, many political parties have been created. However, none of them was distinguished by strong values and ideology. Party leaders and their personal ideas played principal role, rather than values or ideological basic.

One of the main goals of political parties is entering the government with the aim of implementing their plans and visions. However, according to the volume and depth of the economic programs considered by the Project, majority of the parties do not have a clear program to achieve the main political goal. Their programs are primarily based on variable values and often resemble an attempt of immediate reaction to the concerns of the major part of society.

This tendency indicates that the main goals of the political parties is winning elections in the short perspective and, as a rule, have no short, medium or long-term development plans in case they win and gain the authority. As for the announced plans and programs, often they are very general (sometimes just oral) and are not substantiated by any specific calculations and justifications, almost never refer to existing economic conditions and opportunities.

It should also be noted that the representatives of political parties state that such reality is determined by electorate’s position. Namely, the society is less interested in the details of social-economic programs of any political union or anticipated results after implementing their economic programs. Such attitude of the constituency encourages political unions towards general formulation and slogan statements of the program.

The argument that Georgian society does not have a demand for detailed social-economic programs from the political parties, because of the lack of appropriate tradition, low political culture or other reasons is important. Georgian voters do not consider how realistic implementation of these programs is and political parties also rarely build their programs on political ideology and concepts and offer justified visions in any direction to the society.

Still it should be mentioned that the election campaign of 2010 local government elections turned out to be one of the most purposeful campaigns. It is also clear that the Parties unlikely to previous election cycles (2006, 2008, 2009 years), more or less tried to answer the society's social and economic questions. Taking into account this factor, political parties adjusted their programs to the most acute issues and concerns of the society and disregarded political content of election programs.

This is proved by the fact that almost all political unions participating in the elections emphasize the issues of unemployment, high utility payments, social and health care services.

The tendency of promising voters solving the problems, which are beyond the sphere of local government's authority and are within the competence of the central government (e.g. increase of retirement payments) or the regulatory bodies (e.g. defining utility tariffs) or depend on the activity of private companies (employment) was absolutely clear in the pre-election period.

Besides that, promises to diversify and extend the range of free services without indicating the sources, which would ensure them free of charge (e.g. utility, health-care, education, etc.)

The words "free of charge" were most frequently repeated in the promises of almost all pre-election programs and this aroused increased interest of the experts, how could the political parties explain the promises, like - water for free, medicines for free, which sources would finance these expenses, etc.

It was highlighted that political parties as well as the mayor candidates promised their voters to assume financing of many services, for example, the budget of health-care which was presented in the programs of all parties very extensively, in local government budgets is presented much less than required by the population's needs. I.e. the budget financing sources should be revised in terms of increasing financing of social and health-care sectors.

According to the special questionnaire, the political parties had to present their views about the topics like regional or city arrangement, how should the authority be separated between the center and the regions, which models can be applied in the context of existing social-economic and political circumstances regarding the conflict zones, how should the economic models be regulated after effectiveness of free economic zones, and all those issues, which are directly related to local governance economic grounds and are acute for Georgia.

Almost all political unions made emphasis only on Tbilisi and ignored regional levels. Political parties have not presented any detailed programs of implementation of the promises made by their candidates.

As for provincial and regional levels, the majority of political parties agree that their social-economic models are ineffective, economic basis of self-governance is insufficient with low level of development. Despite this, most of the political unions have no clear vision of which social-economic model must be applied for developing and increasing capacity of self-government entities - what should be changed in the existing model, how executive power and financial flows should be distributed between the central and local governments, etc.

It should be noted that during 6 months of implementation of the project "Thematic Debates for Improving Capacity of Political Parties and Transparency of Local Elections" communication with the political parties was quite complicated in terms of receiving and analyzing their social-economic programs.

Theoretically, none of the political parties refused to present its program, but only a few of them presented programs. Answering the questionnaire on economic basis of local governance turned out to be problematic for the participating parties and that is a separate issue in the Project. Though all parties agreed to fill in the questionnaire, it was sent out to them several times and finally only several parties filled it up. Their answers had mostly general and schematic character.

Proceeding from all mentioned above, the following highlights were made:

- ▶ Different to the previous election cycles, formally more attention was given to the social-economic topics in the election programs of the political parties participating in the 2010 local government elections;
- ▶ Political parties participating in the elections are not able or do not consider necessary to articulate their economic views in detail and their justification and corroborate this by lack of interest and political culture in the society;

- ▶ Political parties participating in any level of the elections often do not have any human or structural resources to work permanently on local governance issues and its economic grounds;
- ▶ Economic programs of the parties are still less focused on different ideas and values, they mainly meet only short-term political interests and reflect personal opinions of the parties' leaders;
- ▶ Lack of depth of the economic programs indicates that the majority of political unions have no consistent and clear plan of implementation of their promises;
- ▶ Main priority issues of the social-economic programs of these parties often have a short-term character and are acute only for the period of the election cycle;
- ▶ Pre-election programs of the political parties are very general that emphasizes that in case of coming to the government the election subjects either have no short, medium or long-term development plans, or have of a very obscure character;
- ▶ Declared plans and programs of the Parties are often very general, slogan-type with a pure declamatory character; rarely substantiated by detailed calculations and needs assessments;
- ▶ Economic Programs of the political parties presented at the local government elections, do not envisage economic, demographic, climate, or any other characteristics of various self-government opportunities;
- ▶ There is no forecasting of the terms and results anticipated with implementation of their economic programs, what financial resources will be required and which sources of financing will be used to cover their implementation costs;
- ▶ More attention was paid to socially sensitive issues (unemployment, utility service payments, health-care, education, pensions) in the programs of participating political parties;
- ▶ Promises of solving the problems, which went far beyond the competence of local governance, prevailed in the programs of the political parties participating in the elections.
- ▶ Great attention was paid at providing different social services for free of without indicating the sources of financing these services;
- ▶ Due to high political price of Tbilisi all participating parties were focused on the capital of Georgia;

In Conclusion, despite great emphasis on social and economic issues during 2010 local government elections the political parties did not include a detailed description of the ways of financing and implementing their social-economic programs or expected results from their implementation;

The programs of participating parties were much more general and did not provide the voters with necessary information about economic visions of the political parties or ways of their realization, chronology and cost effectiveness.

2.2 CONCLUSIONS AND RECOMMENDATIONS

During implementation of the Project "Thematic Debates to Improve Capacity of Political Parties and Transparency of Local Elections" intensive consultations with the political parties highlighted several important issues:

First, political parties frequently mentioned that the society had no political culture that greatly influenced communication and relationship of the participating parties with their constituency during the pre-election period.

After a few months communication with the political parties it was obvious that an incomplete and general character of their social-economic programs was the result of not only lack of desire, but also by lack of adequate knowledge, skills and qualification.

Economic visions of the political parties are not grounded on certain values and economic theories and very often have obscure and controversial character that results in disorientation of voters and makes political programs less serious and inconsistent.

The majority of economic programs presented by participating political parties are not substantiated by relevant financial calculations, which are necessary to judge about their reality and implementation opportunities.

During elaboration of economic programs political parties do not really analyze or take into consideration existing legislative base, statistical or other data, forecasts of international institutions or other important documents.

Due to the above-described problems, the economic programs of the political parties have very scarce content and very often, the programs of the parties with different ideology look practically identical.

Proceeding from the above mentioned it is recommended that the problems detected during the implementation of the Project "Thematic Debates to Improve Capacity of Political Parties and Transparency of Local Elections" do not remain as pure findings, but are followed by adequate measures.

Final goal of these measures is supporting political parties in increasing their political culture, in building stronger relations with the constituency based on mutual respect, also, in elaborating more qualified election programs and other important documents.

First, the needs and weaknesses of the political parties in the above listed spheres should be identified. This is a main objective of the initial stage, as it will emphasize specific problems of different election parties, as well as the difficulties, which they face in stipulating and articulating their economic visions.

In this regard, it would be useful to organize a consultancy-training platform through gathering and activating legislative and other data (statistics, etc.), scientific, research, consultancy, as well as international financial institutions expertise.

Using these resources would enable political parties to work permanently on development of their economic programs, detailed elaboration and appropriate packaging of budgeting projects and delivery of these programs to the voters.

Implementation of such measures will better serve to the requirements of the political parties and enable them to elaborate more sound and compatible programs, to adapt them to the changes in the country and the World economy.

The above-mentioned findings will expand knowledge and impression of voters about the essence of the political parties as well as the reality and effectiveness of their programs that is particularly important for any election campaign.

Economic Policy Research Center, June 2010

3 QUESTIONNAIRE

Within the scope of the Project, the questionnaire was sent out to the political parties, which aimed at defining their positions regarding the following issues:

1

How to separate authority between central and local self-government entities? (Central authority, regional governments, etc.; the place and role of Sakrebulo, municipalities, governors' administrations levels in this process).

2

What is your vision of Tbilisi economic model? (Outline of the authority structure, implementation and modeling of the budgeting process, separation of taxes between local and central governments, determination of the projects to be financed from the Capital's budget, importance of Tbilisi long-term economic development plan).

3

Type of Tbilisi budget (mainly local), priorities and threats.

4

What is your vision of the economic model of self-governance entities?

5

What types of economic models can be introduced and developed for Georgian self-government entities? (Unified or different economic models for all local entities in accordance with their specifications; financing opportunities of self-governance entities taking into account their deficit level).

6

The possibility of symmetrical or asymmetrical models of relationship between self-governance bodies and central authority (is it possible that different self-government bodies coming from their specification have different legal and practical relationship models with central government.)

7

What is your position regarding separation of property between central and local government levels? (Which mechanisms can be used for separating property between center and local governments? What methods can be used by self-governments in managing this property and what are the goals to be reached through managing this property?)

8

What is your opinion about separating taxes collection and dividing generated income?

9

What kind of tax or other incentives can be created to stimulate the activity of self-government bodies?

10

How the alternative methods of generating local revenues can be developed under current economic circumstances (E.g. free economic zones, uncontrolled territories, etc.). (Due to introduction of free industrial zones "Tax Heaven" have been created in some regions of Georgia, where different economic regimes work, in addition, political and economic situation in the regions along the occupied territories of Georgia are totally different from other regions of the country. Which mechanisms can be applied to encourage their economic integration with the rest of the country?)

11

What is your vision of acting in force-majeure situations and dividing responsibilities between local and central governments in such conditions? (Calamities, technical accidents and other force-majeure situations).

4 ECONOMIC VISIONS PRESENTED BY POLITICAL PARTIES:

4.1 "NATIONAL COUNCIL"

"Economy and Decentralization"

Tbilisi Budget

The budget of Tbilisi should be developed according to 25 municipalities (as today 25 election precincts are presented in Tbilisi). Budgets should include all those problems concerning the residents of these municipalities in details. The budget should be developed and formulated clearly according to the expenditures needed for the rehabilitation and maintenance works in streets, blind allies, yards, lighting, roads and other municipal issues. This will enable us to make Tbilisi budget transparent and understandable for all Tbilisi citizens, which will express desire to read it.

Separation of taxes between Central and Tbilisi budgets is very important. There is no such separation currently and all budget revenues are directed to the Center (two local taxes excluding gambling business and use of natural resources) and only afterwards, according to corruptive agreement between the President and his employee, the Mayor of Tbilisi, the funds are transferred to Tbilisi budget for financing different projects (including the Institute of the President's mother), which are not aimed at regulation of the population's urban life. Therefore, it is necessary to clearly define the structure of authorities, strictly formulate the projects to be financed from the Capital's Budget (according to the legislative changes) leaving certain part of the central budgetary revenues in the local budget without by passing the central budget and use it on exclusive bases.

Tbilisi economic development model should not be unified with the economic development models of other cities as it is today. Under the one-party, strictly centralized system, economic modeling of all Georgian cities is made according to one person's considerations. This does not reap as Georgia has a great natural-geographic diversity and Georgian people –clearly distinguished individualistic character. However, these features will be advantageous in terms of positioning the country in contemporary multifarious economic world and finding optimal ways of development.

Taxes

High tax and penalty tariffs hamper economic development. Notwithstanding Saakashvili's declared tax liberalization, the tax rates in the country, like the level of unemployment are very high. Income tax in one generated Lari is 20%. If we add a value added tax on this (VAT 18% is not flexible and every business no matter its volume and potential is taxed similarly), which is calculated from total cost of production at every stage of sale or purchase, also high penalty sanctions (minimum 1000 Gel, maximum 10000 Gel) it becomes obvious that economic development is impossible. People have no incentive to start economic activity and continue living in drudgery.

Paying taxes by taxpayers is related to extremely complicated and strict administration that nearly always ends by violating legal rights and interests of a taxpayer. At the same time, Georgian Tax Code stipulates such sanctions in case of tax violations, which unconditionally result in bankruptcy of the entrepreneurs at an initial stage of development or with a small capital turnover, which do not represent large organizational entities. Under such administration conditions, almost all small or new businesses are forced to avoid control and inspection and act illegally.

Local Property

Lack of separation of Central and local property makes negative impact on economic development of Tbilisi that allows the President (one of the sources of his autocratic leadership) be involved in the process of selling or buying immovable property as a real estate agent. This is a heavy burden for free economic development of the Capital. Moreover that there is no legal investment, business oriented climate in the country and it limited by investments "attracted" by our President, Government Officials and Ambassadors.

Perspectives

The only remedy to prevent this curved development process and move to normal economic policy based on individual initiatives is to restrict the President's autocracy by Constitutional Law, to deprive the President of the rights of a head of executive authority, the function of a leader of Parliamentary majority and economic decentralization of the country. At this stage, the process should start immediately, during local government elections, through elections, by separating the National Movement from local authorities that will be beneficial for every voter, as in case of separation of authority, principle human rights will be protected. This will be followed by alleviation of the Presidential authority (supporting one-party governance in the country) and moving to multi-party parliamentary system.

4.2 "TORTLADZE – DEMOCRATIC PARTY"

2010 Local Government Election Program of David Iakobidze

Introduction

Georgia and all its territorial-administrative entities are to live in the global development environment created by the World community. Integration in the World community is the only rational way for Georgia. Proceeding from the State function of Georgia the most important instruments for active participation in the dynamic globalization process are NATO and EU. Therefore, the NATO and the EU memberships are necessary preconditions for Georgia's integration into the World Community. This target is a strategic idea and main orientation for evaluating the effectiveness of political activity.

Georgia current situation and the fact that our territorial integrity is violated, Georgian historical and integral parts are occupied by Russian federation. The occupied territories covered by separatist, marionette regimes create a threat for Georgian State Sovereignty. The main national goal of Georgia is to recover the State integrity and strengthening sovereignty.

In this context development of civil society and solidification of democratic values at all levels of State, functioning has a vital importance for Georgia. Accordingly, all territorial and administrative units together with the national unity of Georgia must become participant and initiator of this active, creative process. Challenges of the administrative-territorial entities are achievement of recovery and territorial integrity, strengthening the country's sovereignty, creation of favorable conditions for Georgia's integration into the World Community to reach national synergy. The goal of the territorial-administrative entities is protection of national interests through vigorous use of existing resources.

Institutional Characteristics of Tbilisi Local Municipal Government

All administrative-territorial units of the country are designated to protect Georgian State development interests and support to its sustainable development. Main function of Tbilisi as a principle social-political unit of the country is active and creative participation in formation of open society, creation of democratic environment and establishment of free human development institutions in Georgia. Freedom of the citizens and protection of their rights, creation of democratic conditions and development institutions are prerequisites for ensuring dynamic activity of civil society. Georgia's State development objectives and global development tendencies require the same from Tbilisi.

In the context of democracy, open society and equal rights for all Georgian citizens Tbilisi requires power, which will ensure fulfillment of the above-mentioned conditions. In a democratic environment city governance is the force stimulating civil society formation, democratic development, creation of the institutional bases for resourceful development of citizens.

Tbilisi local government (power) and citizens' development process (necessity) based on freedom, democracy and equal opportunities are the preconditions for the role and place of Tbilisi in general development of Georgia and

its culture. Protection of citizens' rights requires power and this power should be the city self-government, a Mayor should become the guarantee of balance between the necessity and the power, which should be elected through open democratic elections.

We do participate in the Mayoral Elections of Tbilisi with this consciousness. We promise the citizens of Tbilisi that if they vote for me and I become a Mayor of the Capital, I will become the warrant of their active, creative, liberated life and development, supporter of their activities within the scope of Tbilisi Local Government, State Constitution and Law. I shall not allow acting of a power in the name of freedom or chaos and disorder.

Tbilisi Mission in the State Development of Georgia

Tbilisi is a capital of Georgia that means that Tbilisi is the creator and initiator of geopolitical, social, economic-cultural processes ongoing in Georgia. Tbilisi has borne this mission historically for 1500 years of Georgia' 3000 years of State existence.

Today when Georgian Diasporas are in many countries of the World and many different ethnic nationalities live in Georgia, Tbilisi has to assume integration of economic and cultural activities of all ethnic Georgians and other ethnic citizens living in Georgia and coordination of their development.

Tbilisi should become an integrating and unifying force of the efforts of the whole Georgia and all Georgians.

Today, when Georgian territorial integrity and sovereignty are violated and our historical territories are annexed, integrity and sovereignty of Georgia should be of particular concern of the Capital.

Tbilisi must be a guide and orienteer of all territorial and administrative regions of Georgia including Tskhinvali and Abkhazia, initiator and supporter of establishing democracy and civil society values in the country.

Now when Georgia is gaining its place in global environment and the World community, when integration in the European Union and NATO has no alternative, Tbilisi has to become the guide of Georgian business, science and culture in the World, the main link with the World cultural and economic centers.

Strategic Directions of Tbilisi Development

First of all the term strategy is understood not only as the unity of program directions defining long-term measures, but in view of a quality characteristic of using available resource potential. Hence, the action program that envisages maximum utilization of resource potential in a long run should be considered as a strategic decision.

Strategic program of sustainable development of the town shall become a main program document, the Constitution of Tbilisi development. It shall reflect the opportunities of rational utilization of the resource potential Tbilisi and its areal aimed at meeting the appropriate living requirements of Tbilisi citizens.

Strategic program of sustainable development of Tbilisi shall include general development city plans, various programs, which shall reflect long-term development issues, the ways and schemes of solving these issues, resource potential of the city. This envisages human capital, scientific and technological opportunities, natural resources, capital stocks, cultural heritage, historical traditions and the citizens' ability of adaptation to new progressive norms, etc.

Tbilisi shall become a focal point of the Strategic Program of Sustainable Development:

1. City Development Planning - shall represent the result of joint activity of architects, economists, sociologists, geography and environment specialists, geologists, geodesists, lawyers and other specialists of city development.

Tbilisi general plan will be expanded with other structural elements of sustainable development of the town, namely:

2. Environmental Sustainability Program of Tbilisi, which is defining the place and role of the city in the country's ecological processes based on general tendencies of Tbilisi ecosystem development. According to the studies of climate conditions, surface and atmospheric changes the trends and mechanisms of rational use of minerals, drinking, technical and recreational waters, and optimization of a green cover of the city.

3. Strategic Directions of Economic Growth and Stability - this part of the program is aimed at elaboration of Tbilisi development directions as of a main economic-territorial unit of the country. Methodological bases of these directions should be solving the problems of unemployment and poverty. Taking into consideration the fact that Tbilisi is a scientific center, orientation should be taken towards the development of high technology, science-consuming enterprises, introduction of energy effective technologies, rationalization of construction processes and enactment of modern systems of urban industry and social infrastructure.

4. Social Development Strategies of Tbilisi – the main characterizing terms of this program - "social" – that in this context is the characteristic of the town as of the unity of great diversity of human beings. Tbilisi, as the place of permanent residence of its citizens, shall represent a social environment organized in accordance with the modern progressive norms. Quality parameters of the citizens' human development and living standards shall create an entire dynamic urban system where the integrity of interests of every single citizen and the whole town determines the synergy of the city. The systems of all education levels and the systems of health-care, which will create equal opportunity conditions, shall become essential elements of this system.

5. Tbilisi – Cultural Center of Georgia and Georgian Citizens – UNESCO has recognized Tbilisi the capital of polyphony music of the World. The system of specific measures of caring of national cultural heritage should be elaborated to advance this success. The main cultural heritage determining national identity of Georgians is Georgian language and the main goal of the program should be the language. Tbilisi shall become a strong supporter of arts – promote popularization of the World cultural achievements and transmission of Georgian cultural values abroad.

6. Program of Tbilisi Demographic Development, Utility Services and Healthy Living Standards – special program of deliberate increase of the population of the town should be elaborated where stimulating and restricting factors of natural and technical increase of the number of population will be defined, also, the possibilities of improving living standards taking into account migration tendencies. The city should have an advanced utility economy. The reform of utility services has been hampered at this stage and should be pushed forward. Proper relationship between the externalities of the town and the ownership of citizens should become the basis of the utility economy development. All conditions determining adequate and healthy living conditions for the population should be created.

7. Program of Strengthening Historical Role of Orthodox Religion, Religious Compassion and Civil Tolerance – proceeding from a historical role of orthodoxy in Georgia and according to the abilities of religious confessions equal opportunity environment must be created for functioning of all religious confessions. Tbilisi is the center of Georgian Orthodox Church and Patriarch of Mtskheta and Tbilisi Eparchy, Illia the Second is based in Tbilisi. This is a very important fact to be taken into consideration. Not any important decisions shall be made without Patriarch's blessing. The forms of collaboration with national minorities and the mechanisms of their fast adaptation to social life of Tbilisi should be developed by observing modern, civilized norms of respecting their national identity and self-realization.

8. Program of Structural Advancement of Tbilisi Self-government as a Territorial-Administrative Unit – Tbilisi is not just the capital of Georgia, but is a very important, constantly developing territorial administrative unit, accordingly, the program of capacity building of Tbilisi local government should be elaborated. The Program should envisage the challenges of the town and the regions, as well as their representative bodies.

9. Program of Big Tbilisi (Tbilisi Areal) Settlement and Communication Development – The areal of big Tbilisi should encompass the regions of Mtskheta, Dusheti, Kaspi, Rustavi Gardabani and Marneuli. In other parts of the country also can be defined the regions, which will be involved in the economic activity of Tbilisi. Big Tbilisi, (Tbilisi Areal) will represent a conditional territorial unit required for continuous use of the country's resources. This program shall include the schemes of transport communication bypassing Tbilisi, systems of Tbilisi drinking water, electricity and fuel supply main lines, objectives related to the clean air and environment, food supply of the town industry, etc.

Strategic program of city management will enable us to use available scientific potential effectively and create justified solid bases for solving tactical issues related to the city management.

Tactic - Ongoing Issues of City Management

Current requirements of the city management are transparency and publicity of the decisions and other efforts taken by the team of government. The whole civil society, administrative and social organizations, unions of entrepreneurs and labor unions, all local government units of the city must participate in the city management. Concerns of temporary immigrants and visitors should also be considered. To achieve this goal, Tbilisi needs a strong informational system. Creation of local electronic and other media means is also possible. All means of formation of public opinion should be used. The citizens of Tbilisi must feel transparency and be informed of all city problems and actively involved in decision-making process.

Tbilisi will have a system of economic and social political development indicators approved by City Sakrebulo, which will become a factual basis for making decisions. After determining and defining these indicators a priority list of the city's future problems, immediate objectives and current issues will be developed, which will be implemented by Local Government of the town.

Tbilisi local government will permanently work on elaboration of development indicators of three groups: preliminary period, e.g. applications for constructions, creation of entrepreneurs units, reconstruction of buildings, converting foreign currency, etc.; current period, e.g. employment level, exchange rate, cash transfers, production volume, etc. and GDP, balance of import and export, GDP per capita, average length of life, level of education etc. This data will enable us to make proper forecast of the town economic and social-political development trends and react adequately.

To solve current tactic issues of Tbilisi four activity directions should be followed:

1. Recovery of ecological system of the city;
2. Generation of contemporary mechanisms in economic relations of their city for integrating Tbilisi in the World economic centers;
3. Development of the city as a historically originated united social;
4. Development of Tbilisi as a cultural center of global importance.

1. Recovery of ecosystem of Tbilisi and its surroundings includes:

- ▶ Historical "enemy" of Tbilisi is a high rate of dusting, therefore, to neutralize harmful influence of wind strong green lines must be created to protect the town and weaken wind flows. This is one of the preconditions of improving the climate. To solve this issue, it is necessary to create strong plantation economies. Greening activities should be implemented reasonably. It is inadmissible to establish such inappropriate landscape design in Tbilisi, as in the recent period. Tbilisi needs a traditional, historically established green cover. The types of trees and bushes acceptable for its landscape match with its climate conditions and create favorable climate according to the seasons.
 - ▶ More attention should be paid at providing healthy water supply to the town and we must effectively use the available resources for this purpose. Tbilisi can have the best quality and cheap drinking water and Tbilisi water supply system shall solve the problem of water supply of Mtskheta, Rustavi and Gardabani. Water is one of the main economic resources of Georgia and Tbilisi shall demonstrate the possibilities of presenting this product to foreign consumers.
 - ▶ Traditions of the 50s of last century must be recovered regarding recreation of lakes and water reservoirs nearby Tbilisi. The works of cleaning Mtkvari and its inflows must have a permanent, reasonable form.
2. Implement the measures of discovering thermal waters of Tbilisi for elaborating advanced forms of utilization and reserving these thermal waters. Conditions for using solar and wind energies should be created in Tbilisi in order to achieve ecologically clean and healthy atmosphere in every street, yard and house.
 3. Tbilisi economic system should represent a main indicator of Georgia's involvement in global economy, though at the same time it should have a certain degree of self-affirmation and separation.

To this end:

- ▶ Tbilisi local government should elaborate a special employment program of the citizens envisaging employment issues of temporarily immigrated persons:

Experience of rapidly growing cities like San-Francisco, Rio de Janeiro can be shared with regard to citizen's employment, but the most important factor is a real urban sector arranged on modern technical and technological basis, which at the same time will be the entity of active enterprises acting at the World market.

- ▶ Due to strong scientific potential Tbilisi must develop science industry that requires active involvement of high educational institutions and the academy of science in the development of economic processes in the city. The system of techno parks should be created where local scientific achievements would have the conditions of practical application. Programs of cooperation with the advanced World technology centers will be developed and the mechanisms supporting these directions will be created.
- ▶ Main direction of developing a real sector in the city – construction – should be implemented based on modern development science and practice. Designs of buildings made according to new modern materials using advanced engineering practices as well as in construction materials and structures, will be supported.

Recovery of Georgian national traditions in the sphere of construction mechanics is very important. Famous Georgian scientists N. Muskhelishvili, I. Vekua, V. Kupradze, G. Kakushadze and others greatly contributed to the development of this sector. Very important constructions were fulfilled due to their endeavors. e.g. "Sport Palace". Brutality towards unique relief of Tbilisi shall be stopped immediately, when architectural interventions change the unique mountaineer – climatic areal of the town. Balanced rationalized industrial process shall determine all directions of urban constructions – reconstruction of old Tbilisi historical buildings, rehabilitation and reconstruction of the so-called "Khrushchovkas", erection of new modern expensive architectural ensembles, etc.

- ▶ Special measures aimed at promoting capital markets and monetary-and credit policy will be implemented. In this view, favorable conditions of supporting communication of Tbilisi with the World capital market centers should be created. This will support presenting Georgia's interests completely and constructively to the World community. Electronic communication means should be used completely in order to make Tbilisi an international investment center. Tbilisi must become a focal point of economy of the Trans-Caucasian region in the shortest possible time. To this end, strong support should be provided to the banking sector. Great attention will be paid at insurance of citizens and development of insurance market. Development of insurance and capital markets challenge Tbilisi to become a financial center of Southern Caucasus;
- ▶ Principle management document is the city budget, which as the main financial plan should be developed based on economic and social-political development indicators and come out of the strategic program requirements of the city development. Strictly defined basis for formation of the revenues as well as well probated spending mechanism of Tbilisi budget should be created in accordance with the relevant legislation;

Currently Tbilisi budget practically has no sources of replenishment, as the city local government does not carry out any normative activity aimed at mobilization of revenues from residents or legal persons moved in Tbilisi from other places. Spending part of the Budget lacks transparency – the citizens understand about displacement of cultural monuments post factum, strange designs unacceptable for our landscape have become very frequent, in addition are quite expensive. Decisions of the Mayor's office are spontaneous and unrealized, for example, painting houses in different colors, building fountains, repairing lifts and roofs, displacement of monuments and fountains, etc. The budget should be created on the bases of preliminary defined articles and should be observed as a law. No one has the right to violate it. The Mayor shall not admit a case of deviation.

It is quite possible to organize a budgeting process by the World modern standards for Tbilisi and its management publicly and transparently in coordination with Tbilisi citizens;

- ▶ According to specialization of Georgian economy, Tbilisi is becoming one of the important centers of tourism industry that requires proper organization of wholesale and retail sales in the city; adequate organization and placement of loudly discussed "bazrobas" (markets); allocating and arranging special places for trading agricultural products; promotion of hotel and restaurant business and arrangement according to the modern standards.

Local government of the city should combat smuggling (falsified, unhealthy and hazardous production); ensure strict observation of sanitary, hygiene and labor intensity norms; prepare conditions for establishing the standards proposed by European Union; promote export of Georgian agricultural goods; establish the standards of alcohol and non-alcoholic beverages consumption.

- ▶ Modern regulating legal basis for gambling business should be created in Tbilisi separate gambling and gambling business from each other; define the status and conditions of business participants and adjust consumers' service.
- ▶ One of the difficult objectives of Tbilisi is municipal transport development.

This problem is related to ecosystem development of the town as well as to the issue of its social system, but the most critical factor is that municipal transport belongs to the main social and industrial infrastructure of municipality development and plays significant role in terms of employment of citizens. Therefore, we have to discuss it in the light of economic development of Tbilisi. Particularly active in this sector are people emigrated from different regions of Georgia to Tbilisi. Local Government should provide living and other necessary conditions for them.

Although, natural ventilation of the city is not bad, negative influence of transport fuel burning is still significant. Automobile transport faces difficulties because of poor arrangement of the streets, poor technical conditions of transport means, etc. Therefore, the problems must be resolved on systemic, scientific bases. Construction of ropeways so characteristic for our town in the past, more attention should be paid at the development of underground transport.

- ▶ Local government of the town should create budgetary funds and promote cooperative credit organizations with the aim of providing availability of credit resources to small businesses. Development of small business is one of the main sources of increasing employment rate. In this context, municipal government should support businesspersons financially, create training and qualification upgrading centers for Tbilisi citizens, where interested citizens will be acquainted with the advanced practices of small business development, and be encouraged to run their own business.

4. Tbilisi, as a historically formed and constantly developing social entity of citizens, shall represent a balanced environment for coexistence of multinational population with different religious beliefs. In this direction:

- ▶ Constructions are principle means of reserving and developing historical image for Tbilisi as well as for any other town. Construction is a main condition for organized process of production and labor the instrument to provide necessary conditions for living, working, moving and resting of citizens. Concerning urban construction, we should separate constructions of industrial and administrative buildings, or spaces for living.
- ▶ Common property values are principle material conditions of entity and co-existence of any social community, particularly city. In terms of institutional development, they represent externalities, which in the gross make a pillar of production and social infrastructure, and a material basis for individual development of citizens. Therefore, development and refurbishment of streets, yards, gardens, sidewalks, parks and squares as well as other socially important buildings or communications means shall become a primary objective of the city;

Installing different facilities on sidewalks, closing passages, arranging different facilities for economic activity in squares is inadmissible. Such attempt of appropriation of externalities is an elite corruption that introduces market relations in such spheres of policy and democracy, where it has no place.

- ▶ Development of utility services is one of the main goals of city construction. Creation of normal sanitation conditions without strong canalization system and flood preventing constructions is impossible therefore; great attention should be paid at construction of underground engineering facilities. Recycling industrial complex should be created to solve the city cleaning issue in a civilized way. Utility reform needs to be extended in the residential area of the town. Since privatization of living apartments by citizens, practically no viable measures have been implemented in this direction. This resulted in waste of externalities. Lack of coordinated heating system is particularly penetrating. All above-mentioned problems can be solved only through further implementation of a housing reform, elaboration of proper system of interrelation with common property owned by residential buildings, industrial facilities, social and municipal facilities (lifts, roofs, stairwell, entrances, facades, etc.);
- ▶ Education system of Tbilisi is a pillar of adequate functioning of its social system, which includes a wide range of the population beginning from preschool children to elderly people. Tbilisi Local Government should not re-

main neutral to ongoing reforms in the Georgian education system. Tbilisi as a nest of qualified human resources should be leading the reforms educational system and creating best conditions for study. It is necessary to recover functioning of specialized schools for talented children. Such schools are prerequisites for high qualification human resources;

- ▶ Currently Tbilisi residents are dissatisfied by health-care system. It is not affordable for all citizens. Tbilisi Local government must realize that the market of health-care services is limited and accordingly, requires particular support from the State. It is impossible to protect the rights of life and health without specially developed insurance systems. In this respect, it is necessary to transform the existing utilitarian health care system into the system where utilitarian attitude is merged with the principles of humanity (Bismarck System). Creation of such health-care system is possible only with the support of municipal budget and adequate organization of insurance system;
- ▶ New initiative of the president and the Mayor of Tbilisi regarding introduction of co-financing elements in health-care service is very outdated and makes room for corruption. Solution must be sought in the essence and characteristics of a limited market. Limited market means that the third factor impacts correlation of demand and supply in this sphere, i.e. the factor a doctor rather than the cost of service is determining in health-care system. Due to this, patients are unprotected – medical service becomes unavailable.
- ▶ The priorities listed below should be considered for organizing advanced medical care system and increasing its availability for consumers:

a) Development of alternative medical directions, particularly in terms of organizing supply of traditional Georgian treatment and medical means to patients under modern civilized standards;

b) Tbilisi municipality must declare war on drug dealers and users create an adequate system against this social disease.

c) Tbilisi as a medical center of the country is obligated to introduce the mechanism of implementation recent scientific achievements on the sphere of medicine;

d) Special issue of concern of the local government is the system of medical care of mothers and children. Activities on this area starting from neonatal care ending with children's feeding should become the subject of the strictest State control.

e) Medical and rehabilitation programs for disabled and limited ability persons should be elaborated;

f) Creating healthy living conditions and constant propaganda of healthy life.

- ▶ Tbilisi has to pay more attention at internally displaced persons, create conditions for their employment and social activity in the town. Special conditions should be created for accommodating the refugees from Abkhazia, Tskhinvali and migrants due to ecological or some other calamities in Tbilisi. Tbilisi local government should not be a passive observer of the activity of the Ministry of Refugees and IDPs in this direction;

- ▶ Historically Tbilisi has always been a multinational town that requires developing of the municipal program of relations with different ethnic groups living in Georgia. All nationalities should have the opportunity of self-realization of their culture. To this end, the measures of their rapid and effective adaptation and integration in Tbilisi social life should be implemented. Particular attention should be drawn at the so called national minorities, they must feel at home in Tbilisi;

5. The process of globalization is persistent and it caused migration of many our citizens aboard. A lot of them have been lost in the search of better social-material conditions. Tbilisi is the only administrative unit of Georgia, which has the capacity of accounting Georgian emigrants according to their professional, gender and ageing classification and if needed returning them to their countries; creating the mechanisms of cooperation with them and involve them in our social life through advanced electronic communication means.

6. Providing cultural development and supporting popularization of Georgian culture internationally:

- ▶ Complicated and diversified process of globalization has sent new challenges to Georgian cultural development. Tbilisi ought to lead cultural dialogues with other Capitals of the World as it plays the main role in integration of Georgian culture with global cultural diversity, in supporting the development of cultural hearths. This envisages finding forms and mechanisms that will coordinate the national cultural values and norms defined by Brut land Committee, ensuring favorable conditions for their mutual development. In parallel with supporting arts and culture the priorities of mass-culture development will be defined with the particular emphasis on study and demonstration of Georgian folk culture;
- ▶ Main cultural heritage of all Georgian citizens is Georgian language. Tbilisi local government shall support Georgian language scientists' centers; create favorable conditions for the development of Georgian literature and writes. Promotion of Georgia literature and writing shall become a fundamental point of cultural mission of Tbilisi. In this respect, it is very important to pay attention at translation activity and interpretation in Georgian language of the terms of modern science, technology, business and other spheres formed in foreign languages. Effective control of using and learning Georgian language must be implemented so that learning Georgian language become obligatory and available for all Georgian citizens;
- ▶ Tbilisi became the World capital of polyphony music due to great endeavors of Georgian cultural sphere representatives, rather than municipal government. Unique Georgian polyphonic music has been recognized all over the World; therefore, Tbilisi local government should become active in further development and popularization of Georgian folk music. Adequate forms and means of introducing the priorities of Georgian polyphonic music to the World should be elaborated;
- ▶ The issues of reservation and recovery of material cultural heritage have always been of great importance in Tbilisi, but life issues new challenges and new initiatives should be taken to make rational decisions. In this regard, the fund of cultural-historical heritage of the town should be revised.

Classic example of inappropriate attitude of the municipal government is rehabilitation of the last century buildings in the Old Town and neglecting of the Monastery of ancient times of Davit Aghmashenebeli's ruling. There are many of such examples. Often the interests of different businesses are sacrificed to pseudo-cultural values;

Revising Streets Names

- ▶ Science has always been one of the main priorities of Georgian culture. Global importance of Georgian scientists is widely known. Currently our scientists successfully work in the World scientific centers. However, unfortunately, recently we have had a lack of young scientists especially in physical sciences. Although science is the issue of State concern Tbilisi self-government is liable to facilitate return of the temporarily immigrated Georgian scientists in Georgia; create favorable conditions for their realization in original research practices; promote young scientist to join the World scientific education centers.
- ▶ Local Government of the city is obligated to develop the system of special measures for promoting theater; cinematography, fine arts etc. Development of fine arts and design is directly related to construction and reconstruction activities in the town.
- ▶ One of the main functions of Tbilisi local government is creation of religious co-existence, supporting tolerance principles of Georgian Orthodox Church, taking care of religious buildings and improving their conditions through effectiveness of religious confessions participation mechanism in economic activity. In this view Tbilisi local government shall highly recognize historical role of the Orthodox Church in State development of Georgia;
- ▶ The places for spending leisure times for Tbilisi citizens and its guests should be expanded; uncontrolled behavior to green plantings should be stopped.

Effective and continuous measures in the above-described four directions will ensure sustainable development of Tbilisi, reserving its historical image and make Tbilisi the World cultural and economic center.

In addition to this program, direction special programs should be elaborated taking into account the characteristic features of the current historical moment. For example, now we consider necessary preparation of the municipal program of combating drug addiction aimed at implementing the efforts for eliminating the results of this destructive power and confining it.

Tbilisi Local Government should fully support the courses of Georgian Governments in foreign relations, defense and security policies. In this regard, it should establish wide contacts with friendly towns, different regional unities, take efforts of strengthening Georgian State sovereignty within the sphere of its competence.

Current objectives of improving Tbilisi management

In respect to ongoing activities, the main objective of municipal government is appropriate and rational coordination of disciplinary and controlling functions, which envisages preventive and administrative measures and severe control on fulfillment of economic and other activities. Particular importance should be drawn at ensuring reasonable and effective budget allocations taking into consideration public opinion.

It is necessary to eliminate particular approach in human resources and select and appoint appropriate staff on decision-making positions; attract professionals for working with the relative functions and competence; introduce contemporary, market-oriented methodology of administration in the municipal services.

Organizational structure of local government is the guarantee for solving ongoing economic and administrative issues. Properly and rationally built organizational structure of Tbilisi Local Government with appropriate human resources will determine timely and adequate solution of current issues.

We see the organizational structure of Tbilisi Municipality as follows:

1. Chief Architect of Tbilisi shall have the competence of a Vice-Mayor and shall coordinate collegial organ consisting of a main painter, a main designer and a main archeologist of Tbilisi working in the related spheres. 1) Chief engineer and the service of underground facilities, communications and construction; 2) Chief engineer and the service of operation transport means and communications; 3) Construction Department.
2. Head of Department of School, Preschool, High and Professional Education. He / She will also have the competence of a vice-mayor supervising the Department of Culture, Sport and Leisure.
3. Chief Doctor of the Town and his/her service, which will supervise 1) Department of Secure Food and Sanitation Norms 2) Department of Improving Living Conditions and Social Assistance of Retired and Disabled Persons.
4. Department of Statistics, Indiciary Planning and Budgeting.
5. Department of Foreign and Internal Affairs, supervisor of Big Tbilisi (Tbilisi Areal) Program, Vice-mayor;
6. Department of Civil Order and State Criminal Investigations; Tbilisi Sheriff.
7. Chancellery

I am sure our visions of the city development will be beneficial for voters as well as for the candidature of a Mayor. I am ready to accept all suggestions and comments regarding this program, I will understand strict criticizing as well.

I would like to express gratitude to everybody who will be acquainted with the presented program visions of further development of Tbilisi.

4.3 TBILISI EMPLOYMENT PROGRAM PRESENTED BY IRAKLI ALASANIA AND “ALLIANCE FOR GEORGIA”

„Twenty Thousand New Family and Small Enterprises in Tbilisi”

I. „CREATION OF FAMILY AND SMALL BUSINESS DEVELOPMENT FUND”

„Alliance for Georgia” program of employment “Twenty Thousand New Family Businesses and Small Enterprises” envisages creation of twenty thousand family and small enterprises in Tbilisi by means of Family and Small Business Development Fund.

95% of the World business consists of small and medium enterprises and their production amounts to 50% of GDP. More than 90 % of enterprises operating in the United States are small enterprises where only about 10 employees, in the European Union counties two-third of private sector employees works at small and medium enterprises.

Share of small and medium-sized business in Georgia is approximately 4 times less than in the EU countries. Due to reduced business activity, the country is facing constant increase of unemployment and decrease of the revenues of employed people, but the State continues legalized racket of business. Instead of making business climate more liberal, it is increasing the burden over business by organizing tax terror of small and medium business.

According to the official statistics, the rate of unemployment in Georgia increased and reached 17%, though by experts’ assessment the figure is much higher, around 30%.

This problem much more acute Tbilisi. According to the official statistics, the level of unemployment in Tbilisi was up to 20 % by 2000, and reached 30% by 2010. However, major part of the labor force has immigrated abroad; according to the experts, real rate of unemployment, in light of temporary and half time employment, exceeded 40% in Tbilisi.

Unemployment has increased significantly during the recent years

Today more than 40% of Tbilisi population is unemployed

Only 20% of new small enterprises are capable of maintaining and developing business due to the practices established in Georgia, while globally 85% of new small businesses are on the market due to the assistance of business development centers.

Economic crisis developed in the country significantly hampered crediting procedures. Notwithstanding great resources of the commercial banks, the majority of them avoid crediting starting businesses as collaterals and high-risk rate are serious are big issues. In addition, high interest rates made credits unprofitable.

To meet current challenges we implementing Municipal Program - Twenty Thousand New Family and Small Enterprises in Tbilisi aimed at solution of unemployment problem stage by stage and increasing social-economic welfare of Tbilisi citizens through the development of family and small businesses.

For program implementation, Municipality of the city should create “Family and Business Development Fund” and non-profitable organization with the status of a legal person of public law where not less than 120 million Gel will be accumulated at the initial stage. The source of the Fund will be:

- ▶ Municipal budget transfer – 50 million Gel (up to 10% of local budget expenditures)
- ▶ Long-term municipal bonds – not less than 50 million Gel;
- ▶ Funds attracted from donors – 20 million Gel

Such funds are established in many developed countries of the World, for instance, Estonia, Finland, Poland, Lithuania, Hungary. They serve as the best instrument of making banking and other crediting resources available for small and family businesses.

Family and small business development fund proposed by us will promote implementation of new business projects and creation of new jobs.

„Family and Small Business Development Fund will ensure family and small business entrepreneurs with credit guarantees and low interest rate.

Terms and conditions of taking loan from “Family and Small Business Development Fund”:

1. Credit amount – up to 20,000;
2. Interest rate – 8%;
3. Concessional, 50% - credit guarantee;
4. Repayment period – up to 36;
5. Grace period – up to 6 months.

20 thousand family and small enterprises will get loans with 8 % interest rate

Functioning Mechanism of the Fund

Version (A): Accumulated resources in the Fund will be issued through several micro-finance organizations by tenders arranged in accordance with the Georgian Law on “State Procurements”.

According to the prior determined conditions by the Fund, the microfinance organizations will issue credits to family and small enterprises and receive commission fees defined by agreement.

Version (B): Accumulated resources in the Fund will be issued through several commercial banks by tenders arranged in accordance with the Georgian Law on “State Procurements”.

By means of commercial banks the Fund will issue 100 million Gel to guarantee 50% of credit to 20 000 creditors for the loans amounting to 20 000 Gel. This means that if the credit amount is 10000 GEL, half of the amount 5000 Gel will be guaranteed by the fund.

100 million Gel will be deposited in commercial banks with the interest rate existing by that time, approximately 8%. Deposits will be transferred to the banks every month by 8-10 million Gel allotments. Meanwhile, this Fund allocation represents co-participation to cover 50% of the risk of 200 million Gel to be issued by banks in the form of a credit.

As an example, in condition of 10 000 Gel loan half of the loan – 5 000 Gel – represents 50% of risk guarantee provided by the Fund, and another 5 000 the bank's participation in risk (pledge of the creditor's property can be used for this purpose). Interest rate of the credit will be defined by current market rates, assumingly up to 16%.

Half of the interest rate of the loan, 8% will be paid by the creditor with the interest rate accrued on the deposits opened in commercial banks and the rest 8% will be subsidized by the Fund.

As a result, the starting small and family businesses will have the possibility of taking concessional loan with 8% interest rate instead of existing market rate (16%). Repayment period will last for 36 months. If necessary, the creditor will be able to benefit with a 6 months grace period and start repayment of the loan after six months from taking the loan.

The scale of Fund activity will increase every year, mobilization of investments to Fund will that will ensure dynamic and sustainable development of the program. 20 million Gel received in the form of a grant will be used for Fund activities including establishing and strengthening consultation centers and the institute of business ombudsman.

In parallel, leasing instruments may be offered to certain part of business. Financial or operational leasing will enable the creditors to reduce capital and tax expenses. This will also make a foundation for establishing the leasing practices in Georgia.

Fund Administration

To implement the program administration group of the Fund should be created. The Group's functions will be defining crediting criteria in cooperation with the partner banks, coordination of the activities of consultation centers created under the Fund, monitoring and evaluation of the program implementation.

Supervisory Board of the Fund will supervise quality and transparency of Fund activities. The Board will consist of the members of Sakrebulo and Mayor's office (including the representatives of opposition parties), representative of small business associations, banking and civil sectors.

Intellectual Assistance of Entrepreneurs through Consultation Centers

Ten consultation centers will be created in Tbilisi to provide intellectual support to beginner businesspersons.

Start-up business entrepreneurs will get consultations on preparation of business-plans and advices on legal, financial and marketing issues in the consulting centers. Consulting centers will be located in municipal buildings.

The Fund will establish informational bank, which will gather information about the applicants, their views and proposals. Together with high qualification consultants, valuable innovations and interesting proposals will be selected as the basis for a "Bank of Ideas".

Consulting center will also provide intellectual support to the applicants, which ideas go beyond the category of family and small business and assist them to attract investors.

The Centers will also provide training courses for upgrading qualification on a free basis, in addition, different programs will be organized for applicants and other interested persons.

II. PROTECTION OF ENTREPRENEURS AND BUSINESSMEN THROUGH INTRODUCTION OF BUSINESS-OMBUDSMAN'S INSTITUTE

The policy of terrorization of business have been carried out by Georgian Authorities in recent years significantly damaged many entrepreneurs. There are no institutional leverages of protecting private business owners. To ensure effective development of small and medium business it is necessary to provide solid security and stability guarantees to entrepreneurs.

We shall create Business-ombudsman's Institute, which will protect the rights of entrepreneurs and promote development of family and small businesses in Tbilisi. Ombudsman's representatives will work in Consultancy Centers open in all ten districts of Tbilisi. Business-ombudsman and his/her representatives will help businesspersons in solving administrative disputes including the issues aroused in relation with the Municipality Services.

More than 50 thousand people will get jobs in a year after effectiveness of the Fund

In addition, implementation of the program will result in:

- 1) Growing economic activity and accordingly GDP of the country
- 2) Business –ombudsman of Tbilisi will protect the rights of entrepreneurs and private property owners in the Capital
- 3) Entrepreneurs will get intellectual assistance by means of Consultancy Centers;
- 4) New business culture of family and small business will be established

III. SOCIAL PROGRAM

Georgia still does not have a declared and legalized social conception and policy. Therefore, reforms are implemented chaotically and digressively.

As the level of social assistance and benefits to vulnerable people below poverty line is very low (does not satisfy even "basket of goods" requirements) none of the social problems has been solved. Social background in Tbilisi is terrible. The number of people below poverty line has been increased 3 times and reached 87,000 families, i.e. 270,000 people.

Every fourth person in Tbilisi is poor and his or her monthly assistance amounts to 30 Gel.

Issues faced:

1) lack of transparency of the budget

No obscurity of Tbilisi social expenditures budget is a "solid tradition":

- ▶ In 2008 – 27,9 million out of 52,8 million was non-transparent, i.e. 52,8%;
- ▶ In 2009 – 21, 3 million Gel from 63, 5 million Gel was non-transparent, i.e. 33, 4%.

2010 Tbilisi social budget amounts to 120 million Gel. 67 million is none-transparent – 56% of the total budget.

As a result:

Sakrebulo of the town, as an elected organ, approves only half of the amount of social budget and another half is legalized at the discretion of the Mayor and his employees!

We will achieve:

100% transparency of the social budget of Tbilisi based on target programs:

- ▶ Each target program will be elaborated and approved by active, open and transparent participation of Sakrebulo and public.
- ▶ Fulfillment of the budget will be subject to strict control of the related committees of Sakrebulo and public organizations;

2) Pension Insurance:

State pension insurance acting currently in Georgia has no analogy. Globally recognized principles since 19th century like justice, solidarity and differentiation of pension insurance are neglected in Georgia.

We do not have even an adequate international term for State pension and it is analogized with the state allowance. Its amount is differentiated according to "merit" that defined only by years of a person's employment rather than "insurance contribution" like in other countries of the World.

Furthermore, according to acting Georgian legislation, resulted from elimination of accounting system in future it will be impossible to determine even a person's length of service. Regretful but the fact is that since 2010 the terms of "length of insurance" and "insurance contribution" and personified accounting system have been legalized and effective even in Kirgizstan.

In all countries of the region, including post-soviet countries, except Georgia, financial source of pension payment is social input. In the above-mentioned countries, its amount ranges from 15 to 32 per cent of payroll. For instance, in Lithuania it is 30,8% of payroll, in Russia – 27%, Azerbaijan – 22%, Kirgizstan – 17,25%, Armenia – 15% and etc.

Formation of sustainable financial sources for social insurance resulted in 2-5 times more pensions in NIS countries than in Georgia.

State pension in Georgia - \$45; Uzbekistan, Moldova -\$78; The Ukraine -\$120; Azerbaijan -\$140, Belarus – \$165, Russia– \$280, Lithuania– 300, Latvia – \$310.

The amount of State pension in Georgia depends only on the Government's will that is unsecure from the State point of view as people **are deprived of the legal right of demanding deserved amount of pension** and must be satisfied by the Government's **"donated pension"**.

The Law on "Non-State Pension Insurance Systems" has been adopted in Georgia since 1998; it has not been effective as there is no political will for that. **Private pension system encompasses less than 1% of the employed.**

International practices proved that State and private pension insurance are guarantees for worthy old age and is one of the pillars of Social equality from State point of view.

Acting pension system in Georgia as well as in its capital does not correspond to "European Social Carty" and the social conventions, which are signed by Georgian Government. **Therefore, Georgia is unhelpfully and disapprovingly separating form European Social Sphere;**

Current system is threatening for the State as **human rights and freedoms are clearly violated primarily in the sphere of social insurance.**

We will ensure:

- ▶ Proceeding for the State interests of Georgia elaboration of the legislative basis for State and private social, including pension, insurance, which will be based on Georgian reality and unified systems of the European Union countries;
- ▶ Legalization of social including pension insurance tariffs, the terms of “length of insurance” and “insurance contribution”, objective schemes for defining pension amounts;
- ▶ Separation of this sphere from political management so that pension payments should depend on a person’s insurance history ;
- ▶ As a result of effectiveness of a personified accounting system citizens will know the guarantees and level of pension insurance in advance to their retirement age;
- ▶ Creating a sustainable pension insurance system through rational correlation of the State and private pension insurance schemes.

People will know why, how much and from where are they getting pensions!

Prior to social system, reform:

Financing of additional allowance on Tbilisi State retirement payment will be continued; in addition

1. Every pensioner living in Tbilisi:

- ▶ Will get additional 100 Gel to pay gas and electricity costs during winter (December, January, February, March – 25 Gel each month). Cost – 20 million Gel.
- ▶ Free medical insurance from 2011 (see. Health Program of “Alliance”);
- ▶ All Tbilisi pensioners above the age of 65 will get basic medicines prescribed by a family doctor free of charge in the amount of 100 Gel on average; (see. Health Program of “Alliance”);

2. All refugees living in Tbilisi:

- ▶ Will receive 50% discount on municipal transport payment; Cost – 2 million Gel.
- ▶ All refugees registered under the poverty line (36,200 persons) will receive additional allowance of 10 Gel per monthly cost – 4, 4 million Gels.
- ▶ Will get free medical insurance; (see. Health program of “Alliance”);
- ▶ We will achieve legalization of living spaces in the municipal buildings under private ownership of the refugees, which occupy these facilities;

3. Disabled persons:

- ▶ We will ensure their easy and safe movement by creating standard conditions in the city infrastructure (roads, passages, pavements, entrances etc.);
- ▶ Disabled persons registered under the poverty level will get additional allowance of 10 Gel per month. Cost - 3 million Gel
- ▶ Will get a police of free medical insurance; (see Health Program of “Alliance”);

▶ War veterans, warriors for territorial integrity, veterans of military forces, persons equal to war participants will receive 100 Gel voucher to cover gas and electricity costs in winter. (December, January, February March – 25 Gel monthly) cost – 2 million Gel. .

4. Families with three and more children:

5. Single material assistance will be increased by birth of the third child and more (800 Gel – for third child; 1000 Gel – for fourth child; 1500 Gel for fifth child and so on every next child the assistance will be increased by 500 Gel); Cost – 2 million Gel.

6. After a child's birth the family will be get a monthly allowance of 50 Gel during a year; Cost – 1 Million Gel.

IV. TBILISI MUNICIPAL HEALTH CARE PROGRAM FOR 2010 –2014 “MEDICAL SERVICE FOR ALL TBILISI CITIZENS”

Because of irrational reforms implemented in the health care system in Tbilisi as well as in the rest of Georgia, the majority of population has been left without available medical service.

Medical care is not available for 80% of Tbilisi population

Prices of medicines are extremely high. Pharmaceutical companies are imposing monopolistic prices on drugs. Majority of the population is spending great part of their family budget on drugs and doctors. Many of them cannot afford treatment costs at all.

Current problems:

Organizational:

- ▶ The State has no clear health care policy and conception;
- ▶ No targets, action strategy and conditions;
- ▶ Fragmented measures implemented in the health care system are based and operated in the system that is unreliable and have no standards;
- ▶ State, namely Municipality does not/is not able to provide proper administration, monitoring and evaluation of the program fully or partly subsidized from its budget;
- ▶ The sector is managed inadequately, qualification level is very low at every stage of administration and management;
- ▶ The State is not able to provide availability of basic medical service for the population;

Financing:

- ▶ 80% of the population is left without available medical care;
- ▶ Cost of medical care is extremely high and inadequate;
- ▶ The State particularly, Mayor's office is not able to control health care system financing expenditures;
- ▶ Pricing mechanism and principles are neglected at all levels of medical market regulation.

In 2005 –2009, Tbilisi budget allocations were spent on a fare basis:

**In 2009 less than 4% of the Budget was spent on health care (23 million Gel) that amounts
18 Gel per one Tbilisi citizen annually – 1.5 Gel per month;**

**While 7% (43 million Gel) of the budget was spent on maintenance of the bureaucratic
apparatus of the Mayor’s Office.**

Medical Care Supply:

- ▶ Lack of the united national policy of health care quality and standards;
- ▶ Lack of assessment criteria of medical service providers defined at the State level;
- ▶ Lack of financial or other stimulation mechanisms for medical service providers;
- ▶ The system is not divided according to regional and functional principles and levels. Accordingly, their rights and obligations are not determined;
- ▶ Lack the reporting system of insurance companies to municipality and public;
- ▶ The forms of regulating behavior, such as: contemporary standards/guidelines and protocols, continuous medical education and development, are not applied;
- ▶ There a room for irrational spending and corrupted deals.

**Result: The State, namely Municipality, as a large consumer of the service, does not know
the quality and price of this service.**

V. CONCEPT OF FORMATION MUNICIPAL HEALTH CARE SYSTEM

Concept of formation municipal health care system envisages:

- ▶ Availability of medical service for different age and social groups;
- ▶ Introduction and promotion of results-oriented, effective and flexible medical insurance instruments;
- ▶ Establishment of a sound system regulated by competitive environment and transparent monitoring, which will provide high-level medical care and medicines for Tbilisi citizens through municipal medical programs.

Main Goals of Municipal Health-Care Program are

- ▶ Radical improvement of the population’s health conditions through preventing diseases and promoting healthy way of life;
- ▶ Improve geographical, financial and informational access to medical services;

- ▶ Increase the quality of medical service;
- ▶ Protect the population from financial risk related to health deterioration.

Strategic Objectives:

- ▶ Perfection of Municipal Health Care System;
- ▶ Effective management of Municipal health-care system based on the population's needs;
- ▶ Increase of municipal health-care financing

State Expenditures

State expenditures on health-care equal to 1.5% of GDP and 5% of total state expenditures. Due to this, expenses of the population on health care increase and amount to 73%. This is the highest rate in Europe and NIS countries where average figure of population's costs on health care amounts to 46%.

State expenditures of Georgia on health-care are 2-2, 5 times less than similar state expenses in Baltic States (Lithuania - 14, 7%; Estonia - 11, 2 %; Latvia - 9, 4%). Hence, it is obvious that health-care is not a priority sphere of Georgian State.

Our objective is to make health-care a primary State priority. We will implement the recommendations of the World Health Organization, which envisages defining the share of health care expenses at 15% of total State expenses in order to ensure availability of minimal primary health-care service for the whole population of the country.

Instead of existing 33 million Gel we will allocate 117 million Gel from Tbilisi local budget to finance medical services for Tbilisi citizens.

Effective functioning of municipal health-care system will result in:

- ▶ Development of a universal minimal basic package;
- ▶ Encompassing the whole population by insurance system;
- ▶ Facilitating regulated competitive environment of medical market (managed competition);
- ▶ Operation according to a reliable and standard informational system;
- ▶ Making justified decisions regarding:
 - introduction of hospital guidelines and protocols;
 - introduction of administrative and operation standards;
 - separation of financial and medical decisions;
- ▶ Protection of the rights and interests of patients and medical personnel.

Tbilisi municipal health-care program will be based on 4 principle program components:

1. Family doctor – to all Tbilisi citizens;
2. Medical insurance – to all Tbilisi citizens
3. Free and cheap medicine - to all Tbilisi citizens
 - ▶ free medicine for children and elderly
 - ▶ Cheap medicine for all Tbilisi citizens
4. Free maternity and delivery patronage.

1.Family Doctor for all Tbilisi citizens

According to current medical practices, Tbilisi citizens pay for ambulatory-polyclinic service. This is a critical social issue for the majority of population.

This Program component envisages provision of basic health-care by a family doctor for all Tbilisi citizens notwithstanding their social or economic conditions.

Basic ambulatory health-care will be provided by a family doctor assisted by a nurse at family medical centers and ambulatory clinics.

Basic ambulatory services include:

1. Medical consultations at a clinic or, if necessary, at home;
2. Basic functional –diagnostic and ambulatory analyses, which do not require complicated diagnostic-laboratory facilities;
3. Small invasion procedures;
4. Emergency ambulatory assistance;
5. Measures targeted at protection of public health –care;
6. Preventive vaccinations;
7. Prescribing free and low cost medicines envisaged by Program;
8. Issuing various medical notifications and receipts at an ambulatory level;

Organizational forms of ambulatory service supply are:

- a) Family health-care center staffed by several doctors and nurses;
- b) Ambulatory clinics, where several specialists with different profiles work simultaneously (mainly on the bases of present polyclinics).

Location of these institutions will be determined according to the principle of geographic availability of medical service.

Team of service providers (family doctor and one or two nurses) will provide medical assistance to 2500 patients.

Purchasing drugs prescribed by a family doctor will be possible based on the doctor's prescription. The family doctor will conduct medical practices according to the methodology and standards based on evidences.

The work of a family doctor and nurses will be evaluated by special criteria and requirements determined by municipal health service preliminary.

To ensure a high quality medical service permanent education and professional development of medical personnel will be conducted. This Program component will be implemented through direct financing from Tbilisi budget that is more effective and economizing from financial point of view. The united administration network and informational management of primary health-care will be created.

Forecast budget of this Program component and the number of population involved are given below in the Table:

Forecast budget of the component counted on 500 family doctors and nurses

Nomination	Amount (Unit)	Amount on 500 units (monthly)	Total amount per month
Budget of a family doctor's office (including office expenditures)	3500	1,750,000	21,000,000
Diagnostics and laboratory analysis	2000	1,000,000	12,000,000
Total	5500	2,750,000	33,000,000

2. Medical insurance for all families

Current situation – by 2010 the State has not assumed responsibility for health care of 80% of Tbilisi population. The State is financing medical insurance expenses of only 10% of Tbilisi low-income families and certain professional categories (teachers, military servants, law enforcement personnel, etc.)

Because of irrational changes implemented in the health care system Tbilisi, as well as the rest of Georgia, have been left without qualified medical service. Only a small part of the population is an exemption, which is included in the State Health Program. Age categories below 6 and above 65 left without social guarantees are in need of special care.

Strategic objective of the first stage of municipal healthcare reform program is providing the whole population of Tbilisi with **a universal minimal basic medical service package**. This package will ensure availability of medical care, protection from financial risks, prevention of diseases, general coverage of emergency treatment.

The main goal of our program is providing Tbilisi citizens with a comprehensive medical insurance. Encompassing the whole population will promote young and elderly or healthy and diseased insured patients being in one pool that from one hand will increase distribution of insurance risks from healthy to diseased, from young to aged, and from rich to poor.

Program component "Medical Insurance to All Families" includes the following directions:

1. Providing free public medical insurance for all Tbilisi citizens below 6 and above 65. This age category will be included in the program free of charge. The cost of medical insurance will be covered by municipal budget.
2. Providing all Tbilisi citizens with medical insurance, which will fully cover the costs of emergency medical assistance (in case of accident, urgent stationary and ambulatory services)? The cost of this package will be fully covered from the municipal budget.
3. Every Tbilisi citizen will be able to purchase full medical insurance package in case of adding 6-8 GEL. This package together with urgent medical assistance will provide planned hospital treatment (including chemical and ray therapy).

Program implementation:

Program – „Medical insurance to All Families“– will be implemented as a municipal program. Tbilisi Municipality will announce a tender to select the insurance companies, which will participate in the Program.

Quantitative and financial characteristics of the Program:

- ▶ Tbilisi population below 6 – 65 000 persons;
- ▶ Tbilisi population above 65 – 150 000 persons;
- ▶ Population to be insured by emergency medical assistance package - 600 000 persons.¹

Age group	Number (one thousand persons)	Insurance premium (Gel)	Budget (one thousand Gel)
Below 6	65	120	7,800
Above 65	150	120	18,000
Insurance of emergency medical service	600	40	24,000
Total			49,800

3. Free and cheap medicines to all Tbilisi citizens

- ▶ Free medicines for all Tbilisi residents below 3 and above 65 age; Medicines for concessional price to all Tbilisi residents

Retail pharmaceutical market of Georgia, particularly Tbilisi, is not the subject to State nominal antimonopoly or anti-trust regulations and is practically in monopolistic conditions. Under such circumstances, major part of the population cannot afford medical means that significantly increases the risk of lethality.

This program component envisages provision of all Tbilisi residents below 3 and above 65 with drugs prescribed by a doctor free (within the price of 100 Gel).

In addition, all Tbilisi residents will have the opportunity to buy medicines prescribed by a family doctor in a low price.

Medicines prescribed by a family doctor will be delivered to Tbilisi citizens through a specially created municipal pharmaceutical enterprise (municipal drug stores network).

Trading prices of medicines will be determined by adding trading costs to the costs of goods purchased through international tenders.

In addition to improving medical supply of the above-mentioned groups of population, this will create a healthy competitive environment at the pharmaceutical market and facilitate the process of optimization of medicines' prices in a private pharmaceutical retail-trading network.

Forecasted budget of this Program component and the number of the population involved:

Age group	Number (one thousand persons)	Average annual cost of a medicine (Gel)	Budget (one thousand Gel)
Below 3	50	50	2,500
Above 65	150	100	15,000
Total			17,500

¹ Number - 600 000 persons is based on the fact that different categories of the capital's population (vulnerable groups, persons insured by the Ministries of Internal Affairs and Defense) are already insured under the State insurance program. Additionally, free insurance program will cover the population below 6 and above 65 (about 200 000 persons).

4. Pregnancy patronage and parturition for free

Before 2007, the costs of pregnancy and parturition had been financed by the State through an 800 Gel voucher, which has been cancelled without any justification. This seriously damaged stimulation of birth increase and budgets of young families.

Recently the cases of standard pregnancy and birth giving without medical interventions have been very frequent that resulted in increase of fatal cases. Proceeding from this Program component envisages financing pregnancy and birth expenses by 800 Gel for all pregnant women living in Tbilisi despite their social and economic status. This includes the following:

Pregnancy patronage – financing of expenses during pregnancy period (monitoring, determining treatment) – 200 Gel voucher.

Covering birth expenses (including complications) 600 Gel voucher for all pregnant women.

Forecasted budget of the Program:

Item	Number (thousands)	Limit (Gel)	Budget (thousand Gel)
Pregnancy expenses	20	200	4,000
Birth expenses	20	600	12,000
Total			16,000

Program implementation will result in:

Tbilisi population will be fully provided with a universal minimal basic package of medical service and medical insurance guarantees that includes:

- ▶ Providing all Tbilisi residents with a family doctor's service;
- ▶ Providing every family with medical insurance;
 - Providing all Tbilisi residents with free and low cost medicines;
 - Free medicines for children and elderly people;
 - Medicines at a low cost for all Tbilisi residents
- ▶ Free parturition and pregnancy patronage by giving out 800 Gel voucher.

VI. EDUCATION

1. Implementation of preschool education reform

- ▶ Certification of kindergartens and introducing standards
- ▶ Increase of financing
- ▶ Opening new kindergartens in the districts, where the population's demand is great, but kindergartens do not function

Preschool education system has another important role, it allows parents to work and continue personal development, helps them to improve economic conditions of families.

According to the research conducted by UNICEF in 2009, 12 percent of Georgian children live in poorest conditions, 28

percent – beyond general poverty line. In wider perspective, 64 percent of children are poor.

Poor children are not able to attend preschool education institutions, inequality in education affects children's welfare and development, reduces their chances in future life and increases the risk of poverty transferred from one generation to another.

Tbilisi Municipality will make preschool education available for all parents willing to take children to kindergartens. Time by time the network of preschool education institutions will be expanded. In addition, establishment of a qualified preschool education system is a high priority that envisages improved equipment of kindergartens and adequate standards of care for children.

- ▶ Supply of school children of the first four classes and school libraries with textbooks

Tbilisi schoolchildren of first four classes will get textbooks free of charge. In addition, Tbilisi school libraries will get the 30-30 textbooks obligatory for all classes from the Mayor's office free of charge. These textbooks must have a 5-year shelf life and the schools will select them. This will make school textbooks available for poor families.

- ▶ Creation of Municipal cultural-educational youth centers in the regions of Tbilisi

Mayor's Office will establish and finance cultural-educational centers in the suburbs of Tbilisi. Different artistic and science centers will be created in these centers. Pupils will deepen their knowledge in fundamental sciences, history, geography, literature and foreign languages. They will also study music, dance, painting, etc.

- ▶ Schoolteachers will get 100 GEL additional allowances to cover gas and electricity expenses. Cost – 1, 5 million GEL
- ▶ Children of persons dead in the battles for Georgia's territorial integrity, which pass national exams for high education State institutions accredited in Tbilisi, will receive scholarships to cover 50% of education cost.
- ▶ Municipality will introduce the system of incentive bonuses for advanced students.

4.4 UNITED NATIONAL MOVEMENT²

1) How to separate authority between central and local self-government entities? (Central authority, regional governments, etc.; the place and the role of Sakrebulo, municipalities, governors' administrations levels in this process).

The issue of separating authority and generally the issue of defining authority is one of the most critical issues for State formation and recovery. However, these principles have been effective only since 2004–2005. The measures implemented before, like introduction of State Attorney's Institute and 1998 elections of local government bodies only formally envisaged allocation of authorities. Separation of authority includes distribution of authority (distribution of power between different levels of State governance) as well as decentralization (allocation of power to local government bodies).

Initially State Attorney's Institute represented only a supervisory body without any regulatory functions. Accordingly, decentralization of authority, i.e. distribution of power between central government and administrative-territorial entities (conditionally regions) was not really implemented. Real steps in this direction have been taken only since 2007: the institute of a state attorney was transformed into the institute of a governor. According to the changes made to the Constitution this institute, received full legitimacy of the Attorney's Institute had always been under question before). State Attorney – Governor became not only the representative of the president but also the representative of the Georgian Government and accordingly equipped with certain executive power. Primarily this was the authority to supervise the activities of local government in the name of the State and in accordance with the Law of Georgia on "State Supervision over Local Authorities Activity". This was the first regular function delegated to the State Attor-

² As per the Project requirements "United National Movement" presented its economic visions in the form of a questionnaire.

ney – Governor. This function had a principle importance in terms of protection of State as well as local governments' interests. Normative Documents adopted by local government bodies in 1998–2004 were left without any control. Sometimes local Government entities made decisions controversial to the Law (E.g. Sakrebulo introduced a commission beyond the regulation of acting legislation), though no or late measures were taken against. Effectiveness of the Law on "State Supervision over Local Governments' Activity" and introduction of the Institute of a State Attorney practically eliminated the room for such cases. On the other hand, before introducing this institute any organ of the State Authority had the right of interference in the activity of local government. The above-mentioned Law determines that only the State Attorney has the right to supervise the activity of local government bodies. The same Law stipulated the procedures, forms and rules of supervision aimed at structuring local government activities and protecting them from discretionary interference.

In addition to supervision of local governments' activities, the designation of the State Attorney is implementation of the regional programs assigned by the Government and coordination of the activities of local governments' territorial entities. This very important authority envisages further distribution of power. Although, this authority is not fully effective as its implementation is related to adopting the regional development strategy. Regional development programs will be elaborated based on the regional development strategy. Georgian Government is planning to approve Regional Development Strategy in the nearest future. Afterwards further distribution of authorities will be carried out. To ensure preparation and implementation of regional development programs Central Government will delegate additional authority to the State Attorney – Governor. This will be a new step of distribution of power aimed at transferring certain rights of Central Government to the lower level of State governance. Distribution of power is the process envisaging selection of optimal levels of implementing authority and gradual distribution of rights and obligations among them. Since 2007, the process of distributing power has been effective and consecutive. For example, in 2009 amendments were made to the Law, which defined another regular authority of the State Attorney-Governor - protection of population and territory from natural and technological emergencies and coordination of rescue corps' activity on the regional territory. It is obvious that the process of distribution of authority is sustainable and after approving the State Regional Strategy, distribution of authorities will become more distinct.

As for decentralization of authority, this means transferring the State Government authority to Local Government entities. This process was actually initiated in 2005. However, local government bodies were created in 1998 allocation of power cannot be considered a real decentralization without transferring the mechanisms of its implementation. Formation of legal financial and economic basis for implementing local government's authority has begun in 2005. At the same time, the Laws on "Budget of Local Governmental Entities" and on "Property of Local Governmental Entities" were adopted. These Laws made grounds for establishing local governments' financial and economic basis to initiate the process of decentralization. The process was originated by new organic Law on "Local Self-governments" adopted in 2005. By the organic law, State Government on regional level (local government bodies) was eliminated and this level was announced as a self-governance entity. Implementation of the reform eliminated the room for overlapping authorities by local and self-government bodies. Separation of power has been realistic. Optimal level of decentralization cannot be achieved by a single action. Decentralization, like distribution of power, is the process that should meet all emerging challenges. Therefore, the process will evolve further. As an illustration, we can bring the changes related to the authority of self-government entity made to the organic Law on "Local Self Government" in December 2009, which will become effective after Local Government Elections.

Due to this amendment self-government entities obtained new authority of preparing and approving municipal employment programs. Self Government Bodies elected in 2006 did not have this authority. Due to high importance of employment problem, the State considered involvement of self-government entities in this issue. This is a natural way of increasing the authority of self-governments. Capacity building of self-government entities envisages perfection of the mechanisms required for implementing self-governments' authority and gradual increase of their power and obligations.

What is your vision of Tbilisi economic model? (Outline of the authority structure, implementation and modeling of the budgeting process, separation of taxes between local and central governments, determination of the projects to be financed from the Capital's budget, importance of Tbilisi long-term economic development plan).

Type of Tbilisi budget (mainly local) – priorities and risks.

According to the Article 10 of Georgian Constitution Tbilisi is the capital of Georgia. In accordance with Article 2, point 3 of the Georgian Constitution, Georgian territorial state setup is defined by the Constitution based on the principle of “separating authority on the country’s territory after full recovery of Georgian jurisdiction”. Hence, due to State territorial issues of the country, the status of the capital city in light of the State territorial setup is only partially regulated by Constitution. Notwithstanding the constitutional problems according to the acting legislation, Tbilisi represents a self-governing entity. As per Article 3, Point 2 of Organic Law on “Local Self-Government”: “The rules of implementation local self-government in Tbilisi and the authority of self-government bodies shall be defined by this Law and the Law on “Capital of Georgia – Tbilisi”. Hence, the status of Tbilisi differs from the status of other self-government entities. The organic Law on “Capital of Georgia – Tbilisi” stipulates additional regulations, which specify the status of a capital city. However, further sophistication is still required in this direction for reflecting the role and status of Tbilisi as a capital with special self-government authority.

Recently certain steps have been taken in this direction. More than 15 changes and additions have been made to the Law on “The Capital of Georgia – Tbilisi” aimed at increasing the authority of Tbilisi as a self-government entity. According to the amendment made in 2009 the mayor of Tbilisi shall be elected by direct votes. This has a crucial importance. Direct elections of the Mayor will increase the status of not only the mayor but of the self-government unit as well. Direct reporting of the Mayor to Tbilisi population will increase the responsibility of the Mayor and will determine a special role of the Mayor as of the head of a self-government entity. Particularity of his/her role is preconditioned by the fact that Tbilisi is not only a self-government body, but also a capital of the State. This is revealed in the functions of Tbilisi. If Organic Law on “Local Self-government” when classifying the authorities of self-governing entities defines the authorities owned by a self-government entity and the authorities delegated to a self-government entity, while the Law on “the Capital of Georgia – Tbilisi” together with these two types of authority determines the united authority of the State and the Capital. If the authorities of the State and other self-government entities can be clearly separated, in the case of Tbilisi, as the Capital city of Georgia, this is practically impossible. Common self-governance authorities in the Capital obtain State importance. This is why more emphasis is made to increasing independence of institutional structures of Tbilisi self-government. Proceeding from all mentioned above, it was decided to elect the Mayor of Tbilisi through direct voting.

Such dual status of Tbilisi – the Capital of State and the self-government unit – determines specifications of defining its development priorities. In Tbilisi, as in the Capital of the country, the issues of local importance, like roads, water supply, drainage systems, infrastructure, are of State importance. Hence, it can be said that there are not more or less acute problems in Tbilisi, all those issues that can be neglected a little in other self-government entities, are very acute in Tbilisi. This why, Tbilisi development priorities have much wider spectrum.

What is your vision of self-governance entities (regions) economic model? (its place in the system between central and regional levels, the role of Governors’ Apparatus and its load in economic and budgeting processes, the possibility and mechanism of regional budget formation. The possibility of symmetrical or asymmetrical models of relationship between self-governance bodies and central authority (is it possible that different self-government bodies coming from their specification have different legal and practical relationship models with central government.)

Georgian Law does not define any region (but Autonomous Republics of Adjara and Abkhazia) as administrative-territorial units as, in accordance with the Georgia Constitution, the issue of territorial entities is related to the recovery of Georgian jurisdiction on the whole territory of the country. Therefore, today regions can only be considered as “planning regions”, i.e. a unity of administrative-territorial entities, which have common natural-climate conditions or social status. The need of such “planning regions” is obvious and it is preconditioned by the requirement of solving common problems territorial entities. Development of self-government units is directly related to implementation of the regional development program. Solving majority of the country’s social and economic problems is ineffective on the central level as well as on local level. These are the issues, which should be solved on the level of “planning regions”. The institutes of a governor – state attorney – which have been created in the groups of administrative territorial entities, represent critical instrument of “planning regions” management and implementation of regional development programs. Main direction of further development of this institute is related to preparation and implementation of regional development programs. Meanwhile, regional

development cannot be imaged without a country regional development strategy. First step in this direction was taken in 2007, when regional development fund was defined as a separate article in the State budget and working for formation the State regional policy began. Based on this by assignment of the Government of Georgia State Strategy of Regional Development has been elaborated, which will be approved in the nearest future. This will be the most important document that will define conceptual basis for the country's regional development, create institutional mechanisms for preparation and implementation the appropriate programs the Regional Development Program. The Institute of a Governor – State Attorney – obtains additional role in this process. Governor becomes not only a State representative, but a mediator between the State and self-governance, his/her function is coordination of the State and Self-governments interests and outline the issue of mutual interest to be implemented under the regional development program. These programs can be financed not only from the State budget, co-financing of self-government units can also be considered (in particular, when the issues of local importance related to implementation of self-government authority are considered. For instance, building a recycling factory in the region, this will serve to self-governance entities). Such tight links of self-governance with regional development will precondition creation of the institutional mechanism representing self-government entities in development of the programs. However, this does not mean creating a representational body and forming a budget on a "regional" level. Both these institutes are characteristic only for administrative-territorial entity, rather than for a "planning region". The above-mentioned issue can be resolved only after restoration of the State jurisdiction of the whole territory of Georgia.

In your opinion, what types of economic models can be introduced and developed for Georgian self-government entities? (A single unified model for all local entities or different according to their specifications; financing opportunities of self-governance entities considering the degree of their deficit).

The Document of Municipal Development Priorities is based on specific need of these municipalities. Therefore, every municipality will have different priority documents. In addition, standardization should also be carried out i.e. stipulate the issues to be regulated with the development priorities documents of local government unites in the legislation. Envisaging this minimum requirement, every self-government unit can determine a wider spectrum of the issues reflected in the Priority Document. Such approach allows a self-government unit to define independently main trends of its development. It is also desirable, though not necessary, that the priorities of self-government entities were in concordance with the related regional development programs. This is why the "Budget Code" envisages State Attorneys - Governors involvement in the process of preparing priority documents. However, this involvement should be expressed only by presenting recommendations. Self-Government entities shall make decisions about their development trends and priorities independently. This is a principle stipulated in the Georgian Legislation in accordance with the requirements of the European Charter on "Local Self-governance".

As for the deficit of the budget prepared according to the priorities of local self-governments, this issue should be resolved by introduction of a leveling (equalizing) transfer mechanism.

What is your position regarding separation of property between central and local government levels? (This issue is more or less regulated by acting legislation; however, practical execution is complicated or prolonged. Which mechanisms can be applied for separating property between central and local governments? What methods can be used by self-governments in managing this property and what are the goals to be reached by managing this property?)

The issue of property separation between the State and local self-government entities is directly related to the issues of separating authority. Solving this one of the most critical issues of self-government has begun since 2005 when the Law on "The Property of Local Self-Government" was adopted. According to this Law the State shall transfer to self-government unites under their ownership the property required for effectiveness of their authority. The issue of property transfer has been resolved on a legislative level (generally on a practical level too). Main issues related to transfer of property are related with inventory of the property and preparation of the appropriate documentation. This requires time as well as material resources. This hinders transferring the whole range of property to self-government entities, e.g. wood fund that has a local importance. (Inventory of woods is a very time-consuming and long process).

What is your opinion of separating taxes and dividing shares? (According to the recent tendency, the majority of taxes have been the source of replenishing the central budget. A tax base of the regions is shrinking - only taxes with scarce resource base, which are difficult to administer remain under the management of local governments. Do you have an idea of more effective distribution of taxes or sharing them between the central and regional budgets?)

The country already applied a practice of dividing taxes in 1998-2004 years. However, the budget formation process of the recent years has proved ineffectiveness of this practice. Significant part of the State taxes (including VAT) used to remain in the regional budgets. As a result of this the central organ authorized to collect taxes was naturally interested in collecting only the State share of taxes, as it was less interested in collecting the share of taxes to be left in the regional budget. The types or number of taxes remaining in regional budgets was not an issue, but the question was if local tax revenues were enough to cover implementation of self-governments authority. In terms of administering taxes, it is much more effective when all tax revenues accumulate in the State budget and later distributed among self-government entities. We can only raise the issue - how perfect and effective is leveling transfer formula, which determines allocation of State tax revenues to self-government entities. The State's obligation is to take care of the development of all municipalities and towns despite the size of their tax bases. This can be achieved only when the State has enough resources to allocate funds to self-government units by leveling transfer enough to carry out their authority. Leaving taxes at the places of their collection will not only reduce the fund of leveling (equalizing) transfers, but will create inequality among self-government entities. There will be great disproportion among different self-governing units in terms of supplying citizens with services. This may cause exhaustion of some municipalities. Hence, the problem is not which tax or what share of a tax should remain in a self-government entity, but the issue is: how objectively are tax revenues distributed among self-government entities through an equalizing transfer. The formula of a leveling transfer has been changed several times. It can be noted that this formula is being constantly developed, however only perfection of the formula is not enough – statistical data need to be fully corrected. The quantity of a leveling formula is calculated based on statistics, which are not perfect. This clearly influences objectivity of the formula.

What kind of tax and other incentives can be applied to stimulate business activity in the regions? (Business activity in the regions is quite low. What are the stimulating schemes that can be used to improve the situation in the regions for securing businesses there, creating jobs, generating local production, services and tax revenues, strengthening local budgets?)

The issue is really very important and problematic. Although, reducing unemployment and encouraging business are main concerns of the State and transferring this authority component to local government entities - "generation of taxes locally and strengthening local budgets" - would not be reasonable and would not resolve the problem. In fact, business activity is high only in the Capital and in several big cities. This is not favorable for business development in the country. Equal development of the regions is one of the principle priorities of the State. To this end, a protectionism policy should be carried out in the so-called depressed and less developed regions. Investment policy as well as tax incentives should become principle components of such policy. This will promote local business development. However, implementation of such measures will not reap without the appropriate strategic plan of regional development. Georgian Government has already prepared State Regional Development Strategy. Based on it preparation of strategic programs of developing separate regions should be initiated. The measures (including tax incentives), which will really create favorable environment for business development in the regions, will be implemented in accordance with the above-mentioned programs.

How the alternative methods of generating local revenues can be developed under present economic conditions (E.g. free economic zones, uncontrolled territories, etc. Due to introduction of free industrial zones "tax heaven" have been created in some regions of Georgia, where different economic regimes work, in addition, political and economic situation in the regions along the occupied territories of Georgia are totally different from other regions of the country. Which mechanisms can be applied to encourage their economic integration with the rest of the country?)

The goal of establishing free industrial zones is creation of such "tax heaven" to encourage business activity that is directly proportional to economic growth of the surrounding territory. Naturally, these zones are within administrative boundaries, but not within the jurisdiction of self-government units. Hence, neither local, nor State taxes can be collected from business activity carried out in these zones.

As for the territories in proximity with the occupied territories, their business and economic development is certainly hampered. Their economic integration with the rest of the country is not an issue, but it is practically impossible to attract investments to develop business on these territories. To resolve this problem the State should increase investments. Namely, the projects of infrastructure rehabilitation implemented by the Government of Georgia are being increased year by year and local population is actively involved in the process. It is also possible to introduce certain tax exemptions that would partially offset the issue of proximity with occupied territories.

What is your vision of acting in force-majeure situations and dividing responsibilities between local and central governments in such conditions? (Regions have no resources to eliminate the damage caused by calamities, technical accidents and other force-majeure situations and are fully dependant on the central authority. This often delays implementation of responsive measures. What kind of mechanisms can be used to solve this issue?)

Responsibility for liquidating damage caused by natural and technologic emergencies is distributed incorrectly between central and local government bodies. Elimination of the results of calamities is covered from the State budget expenditures (special transfer). Local Government participates in hazard liquidation activities, mostly by assisting the Center. This is understandable as local government entities are not able to assume the responsibility for eliminating the hazard caused by calamities as in most cases their total budgets are less than the required expenses. Regarding the role of a State Attorney – Governor, he/she is a central Government’s representative and acts on behalf of the Central Authority when combating natural disasters and managing damage liquidation measures. Changes and amendments were made to the Law on “Protecting Population and Territories from Natural and Technological Disasters”, which stipulate a special additional article on a Governor’s authority in such situations. Based on the Law a special service will be created under Governor’s Administration, which shall coordinate rescue parties and hazard liquidation measures.



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