

# Good Governance for Local Development South Caucasus – Georgian Component

**Commissioned by:** German Federal Ministry for Economic Cooperation and Development (BMZ)

**Partner Agencies:** Ministry of Regional Development and Infrastructure of Georgia (MRDI), Ministry of Finance of Georgia (MoF)

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**Budget:** 6.8 million EUR

## Challenges and Opportunities

During recent years, Georgia has significantly improved in the area of public service delivery. However, it still faces major challenges when it comes to effective local self-governance structures, a balanced regional development and territorial cohesion. There are for instance regional disparities in quality and access to social and administrative services, particularly in rural and remote areas. Legal, financial and administrative framework conditions are not adequate for providing services to citizens in line with the Agenda 2030 and the level of citizen participation in local decision-making processes is low.

Georgia has committed to improving local self-governance according to international standards by adopting national policies into its Decentralisation Strategy 2020-2025. The Decentralisation Strategy foresees a transfer of more competences and finances to local governments as well as the promotion of transparency, accountability and participation at the local level.

Georgia also ratified the European Charter of Local Self-Government and its additional protocol on the right to participate in the affairs of a local authority. The country is committed to fulfill further obligations to strengthen local self-governance on the basis of the EU Association Agreement and the Agenda 2030.

## Approach, Objective and Key Outputs

Good Governance for Local Development (GGLD), South Caucasus is a regional technical assistance project operating in Armenia, Azerbaijan and Georgia. It is designed to strengthen institutional and human partner capacities, particularly at the sub-national level. Its objective: public institutions in the South Caucasus are better able to provide citizen-oriented public services.

GGLD is part of the regional Good Governance South Caucasus programme following a holistic approach to strengthen good governance principles. GGLD specifically promotes gender equality and citizen participation in local decision-making processes and thereby aims for needs-based, systemic and sustainable reforms. The project also supports the implementation of the Agenda 2030 on the local level through all its outputs.

### Anticipated Key Outputs:



**Output 1:** Legal and institutional framework conditions of local public institutions for citizen-oriented service delivery are improved.



**Output 2:** Capacities of key actors for citizen-oriented service delivery and their funding are strengthened.



**Output 3:** Citizen participation mechanisms in the provision of services, including complaint mechanisms on administrative decisions at the local level, are introduced.



**Output 4:** Institutional prerequisites (procedures, instruments, institutions) for local and regional development are developed.



**Output 5:** Cross-border exchange and learning on citizen-oriented public service.

The Georgian GGLD component contributes specifically to SDG 5, 11, 16, 17 and to the localisation of all SDGs.



## Success Stories of GGLD Georgia

### Transparent, Effective and Participatory Public Financial Management



**"For the first time in the history of Georgian municipal self-governance there is a direct link between receiving additional funds as a reward for improved public finance management in municipalities" - says Mr. Levan Kavtashvili, Head of Finance and Budget Division of Rustavi municipality.**

In a nutshell, municipalities are assessed via internationally acknowledged Public Expenditure and Financial Accountability (PEFA) standards. The municipalities then work on the identified gaps and the more they improve, the more funds they receive from the central government to finance local development projects. This system is transparent, incentive-based and therefore highly sustainable to safeguard public assets and strengthen local self-governance structures. In 2021 for instance, seven municipalities received additional 1,530,000 GEL ( $\approx$  385,000 EUR) in total. Thus, the amount of capital transfers from central budget to the mentioned municipalities increased significantly (for instance, Marneuli municipality received approximately 7% more funds for its development projects).

The reform of the financial equalisation system likewise increased the municipalities' own revenues by 10 -13% in the fiscal year 2019, which equals to 174 Mio. GEL ( $\approx$  43.5 Mio. Euro) and further strengthens municipal self-governance abilities.

To increase transparency and ownership of budgetary processes, GGLD also supports the introduction of participatory budgeting in Georgian municipalities. Citizens of three pilot municipalities (Keda, Rustavi and Sagarejo) were called to submit ideas for local development projects. Through transparent voting procedures the citizens selected 16 project ideas. These projects amount to 750,000 GEL ( $\approx$  190,000 EUR) of the municipal budgets and the respective municipalities already started their implementation.

### Economic Empowerment of Female Entrepreneurs



**"Due to the pandemic and economic downturn, I lost my job and income. Now I can fulfill my childhood dream. Currently, I do my favorite job and derive an income from it. Orders have already started coming in. I produce scarfs, hats and accessories." - says Ms. Gvantsa Spanderashvili, a female entrepreneur from Lagodekhi municipality.**

Because of COVID-19 many women, especially in rural areas, faced severe economic and social challenges, i.e. the loss of jobs and income. To enhance their economic resilience and provide income opportunities, GGLD promoted an open call for contributions addressing women in the Kakheti region (Sighnaghi, Dedoplistskaro and Lagodekhi municipalities) to submit proposals for setting up or extending their own businesses. Out of these, a commission (including GGLD, the Georgian Human Rights Secretariat, MRDI and the NGO "Farmer of Future") selected 12 business plans based on predefined criteria. The selected entrepreneurs received trainings, consultations and equipment to successfully implement their business ideas. All 12 women were soon able to turn their ideas into solid businesses.



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