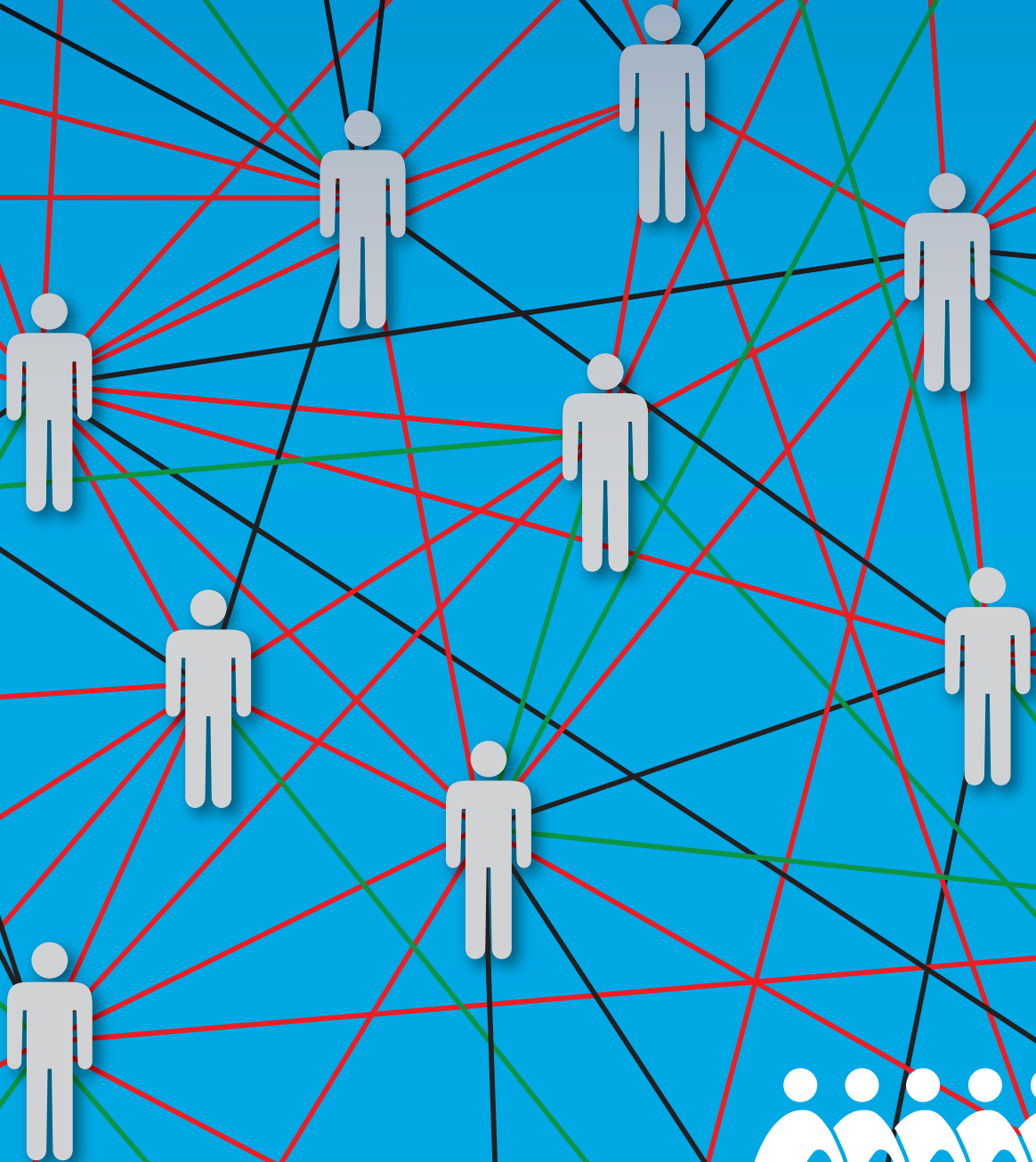


INCREASING DIALOGUE IN SOUTH CAUCAUS THROUGH LOCAL INITIATIVES: THE FEASIBILITY OF LOCAL GOVERNMENT UNIONS

PREPARED FOR PUBLICATION BY
ÖYKÜ ULUÇAY - LEVENT KOÇ



TESEV

**INCREASING DIALOGUE IN SOUTH CAUCASUS
THROUGH LOCAL INITIATIVES:
THE FEASIBILITY OF LOCAL GOVERNMENT UNIONS**

PREPARED FOR PUBLICATION BY
ÖYKÜ ULUÇAY
LEVENT KOÇ

DECEMBER 2010

TESEV

PUBLICATIONS

INCREASING DIALOGUE IN SOUTH CAUCASUS THROUGH LOCAL INITIATIVES: THE FEASIBILITY OF LOCAL GOVERNMENT UNIONS

ISBN: 978-605-5832-61-2

TESEV PUBLICATIONS

Prepared for Publication by: Levent Koç, Öykü Uluçay

Design Supervisor: Rauf Kösemen, Myra

Cover Design: Serhan Baykara, Myra

Page Layout: Myra

Printed by: Mega Basım



TESEV

**Türkiye Ekonomik ve
Sosyal Etüdler Vakfı**

*Turkish Economic and Social
Studies Foundation*

İyi Yönetişim Programı

Good Governance Program

Bankalar Cad. Minerva Han No: 2 Kat: 3

Karaköy 34420, İstanbul

Tel: +90 212 292 89 03 PBX

Fax: +90 212 292 90 46

info@tesev.org.tr

www.tesev.org.tr

Copyright © December 2010

All rights reserved. No part of this publication may be reproduced electronically or mechanically (photocopy, storage of records or information, etc.) without the permission of the Turkish Economic and Social Studies Foundation (TESEV).

The viewpoints in this book belong to the authors, and they may not necessarily concur partially or wholly with TESEV's viewpoints as a foundation.

TESEV Good Governance Program would like to extend its thanks to German Marshall Fund and TESEV High Advisory Board for their contributions with regard to the publication and promotion of this book.

İçindekiler

Executive Summary, 5

Introduction, 7

Situation Analysis, 8

The Position of Caucasia, 8

The Methodology of the Study, 8

1. Literature Review, 8

A. The Current Shape of Local Governmets in the Region, 8

B. Regional Economic Relations, 10

2. Meetings, 12

Preparatory Meetings, 12

Study Visits, 14

Azerbaijan Study Visit, 14

Armenian Study Visit, 16

Study Trip to Georgia, 17

Conclusions and Recommendations, 18

Appendix, 20

Executive Summary

South Caucasia has been increasing in importance with the fall of Soviet Russia, with its position on the major energy routes and with its big economic potential. It is of utmost importance to increase the dialogue between the countries of the region for this reason. Projects that are designed for this purpose will significantly contribute to the advancement of democracy in the region.

TESEV has previously invested much effort into the normalization of relations between Armenia and Turkey. This project builds on to this effort to ameliorate relations in the region. The purpose of this project is to contribute to the peace building process by investing into local government relations. More specifically, the possibilities of a municipal union between cities of Turkey, Azerbaijan, Armenia and Georgia were sought.

As part of our project, European Council reports were searched; individuals and organizations that work in this field were paid visits. Additionally, study visits were made and a roundtable meeting in Istanbul was organized with the stakeholders from the region.

The conclusion reached after the situation analysis is that the creation of a municipal union is immature at the moment considering the state of local governments in the region. The political problems in the region impede any effort for the creation of an official entity based on the union of local authorities. Additionally, the fact the local government system in Azerbaijan is not autonomous also makes it harder to create relations at the level of municipalities. Nevertheless, it is still possible to bring stakeholders from Turkey, Azerbaijan, Armenia and Georgia to the table under different arrangements. Arrangements other than official organizations can also be conducive for increasing dialogue in the region.

The topics of **Enhancement of Democracy, Promotion of Trade, Promotion of Tourism, Media Cooperation and Environmental Cooperation** become important for increasing dialogue in the region. The following methods can be utilized for this purpose:

- Creation of Caucasian Countries Civic Platform
- Commissions on Themes of Common Interest
- A Web site of Caucasian Countries

CONCLUSION

This platform can easily secure funding from international donors hence the creation of such a platform is considered highly feasible

Introduction

South Caucasia has been increasing in importance with the fall of Soviet Russia, with its position on the major energy routes and with its big economic potential. Turkey, on the other hand, with its neighboring position, with its cultural, historical and economic ties with the countries of the region, has an important role to play in the development of relations and the prevalence of peace in the region. TESEV has previously invested much effort into the normalization of relations between Armenia and Turkey. This project builds on to this effort to ameliorate relations in the region.

The purpose of this project is to contribute to the peace building process by investing into the local government relations. More specifically, the possibilities of a municipal union between of Turkey, Azerbaijan, Armenia and Georgia were sought.

The project started with a situation analysis. Two kinds of studies were undertaken for this purpose. Firstly, Council of Europe Congress of Local and Regional Authorities Monitoring Reports of the four countries were analyzed thoroughly. Additional sources were also researched to find more about the local government systems of project countries.

TESEV has previously worked on these countries. Some of these studies are still being carried out by the Foreign Policy Program of TESEV. The project relied heavily on the insights of the experts of Foreign Policy Program. TESEV Good Governance (GG) Program had the opportunity to participate in the events on Caucasia as well. TESEV GG relied heavily on the views of civil society organizations taking part in these events as well as achievements of previous activities and research on the region.

TESEV GG gathered information on these countries in other occasions where there were participants from the region such as the GMF Black Sea Trust led “Black Sea Young Reformers Fellowship” program in Varna.

As part of our situation analysis, TESEV GG held a meeting with experts from DEIK (Foreign Economic Relations Council, a research institution of Turkish Chambers of Commerce) where we had the opportunity to discuss the economic ties between Turkey and the countries of the region.

After these preparatory studies, TESEV made study visits to the countries in the region. These visits and the persons contacted are listed in the appendix section.

This report is made up of three sections. Firstly, the report will dwell on the local government systems and economic relations of the countries in the region under the Current Situation Analysis section. In the second part, the study visits will be elaborated. In the last section, recommendations and conclusions will be stated in the light of our research and study tours.

Situation Analysis

THE POSITION OF CAUCASIA

The region between the Black Sea and Lake Hazar that has been traditionally referred to as Caucasia has been seen as divided into North and South especially after the dissolution of Soviet Russia. The countries to the south of Caucasian mountains are Azerbaijan, Armenia and Georgia.

These countries faced a series of social, economic and political problems as they made a transition from a totalitarian system to democracy and free market economy after the fall of Soviet Russia. The military disputes in the region also struck a blow on the political stability in the region. The problems of transition are still very much alive in these three countries in varying degrees.

The region also attracted the attention of USA, EU and Russia as it increased its strategic importance by virtue of being on energy routes. The region although very much suitable for being on the transit routes thanks to its natural resources and tourism potential, is very unstable due to insurmountable political barriers between countries in the region. The problems between Armenia and Azerbaijan, the fact that the border between Armenia and Turkey is still closed and the hostilities between Georgia and Russia is limiting the potential for cooperation in the region. As stated in the project objectives, raising the state of relations between countries will greatly contribute to the economic development in the region.

If one takes a look at the ethnic composition in the region, the barriers in front of cooperation takes a new form. While 98 % of Armenia is ethnic Armenians, it is 84 % for Georgia. In Georgia 6,5 % of population is Azeri, 5,7 % is Armenian, 1,5 % is Russian. The ethnic composition in Azerbaijan is like the case of Armenia. Only 1,8 % of the population is Russian while 1,5 % is Armenian.

THE METHODOLOGY OF THE STUDY

This project aims to improve relations at local government level and to make a contribution to the peace process. The potential for building a municipal union was investigated by testing whether political atmosphere, political climate and local initiatives are conducive.

The study was completed at two levels:

- i. Literature Review
- ii. Study trips to the region and a meeting in Istanbul

1. LITERATURE REVIEW

A. THE CURRENT SHAPE OF LOCAL GOVERNMENTS IN THE REGION

The project objective was to investigate the possibilities for the creation of a municipal union between Turkey, Azerbaijan, Armenia and Georgia. For this purpose, the local government systems in each region were investigated. The most important reference for this is the European Council.

The European Council was established by 10 founding member countries on 5th of May 1949. Turkey is one of the founding members. It was set up for promoting democratic principles in Europe by relying on foundational documents such as European Human Rights Convention.

The Council is made up of two organs. The first is the Parliamentary Assembly, the other is the Congress of Local and Regional Authorities. The countries are represented in these Committees according to their populations. The decisions pertaining to local governments are taken by the Congress of Local and Regional Authorities. The precondition for countries to become members to the Council is to declare their acceptance of the decisions taken by the Council. The Council drafted a document called "European Charter of Local Self-Government" to facilitate

the creation of an autonomous local government system in Europe in 1985. Turkey adopted this document in 1991. Council of Europe sends independent experts to member countries periodically to attest whether countries comply with the principles of the Charter. These experts later produce monitoring reports on the progress made by countries on the realization of the principles of the European Charter of Local Self-Government.

The following is an analysis of the monitoring reports published for the project countries:

Azerbaijan:

Azerbaijan gained its independence on 18th of October 1991. She became a European Council member on 25th of January 2001. Azerbaijan ratified the European Charter of Local Self-Government on 1st of August 2002. The first monitoring report was issued on the 15th of May 2003. There were no further reports prepared by the Council after this initial monitoring report.

According to this report the local government system in the country is not as desired by the principles of the Charter. The report underlined the lack of enthusiasm of the Central Government to undertake reforms. Municipalities have been established in the country and local elections were undertaken. The organs of the municipality have been established as well. The municipalities have their own budgets. But lack of funds is a prevalent problem. The Central Government has a big authority over Local Governments which is a limit not only on financial autonomy but also institutional autonomy as well. On top of this, Azerbaijan is not part of the European Council Overseas Cooperation Treaty. This situation coupled with the current local government system in the country is preventing overseas cooperation with other countries' municipalities. For further inquiries, the introduction and conclusion sections of the monitoring report for Azerbaijan are added to the appendix.

Armenia

Armenia became an independent state on 21 September 2001 and a member of Council of Europe on 25 January 2001 while it ratified the Charter on Local Governments on the 11 May 2001. Council of Europe prepared its first monitoring report in 1999 and its last monitoring report on member countries in 2003.

The report makes reference to constitutional changes and the laws prepared for increasing the autonomy of local governments since 2002. The process is depicted as half complete. Especially the legal changes carried out in May 2002 made the ratification of the original reform proposal a bleak possibility. The completion of these reforms are considered as a very important part of the democratization process in Armenia and it is pointed out that most of the chapters in the Charter are far from being realized in the country. Armenia is considered as rather weak in terms of local government autonomy. The two most important areas which are open to deep transformation is the management of the city of Erivan, the capital and the administration of rural areas. An urgent call is placed for Erivan to realize the preconditions for local democracy and to popularly elect a mayor for running the city. With regards to 871 rural units, it is pointed out that there is no autonomous local government system and where there is, it is not sustainable.

Georgia

Georgia gained its independence on 9 April 1991. It ratified its constitution in 1994 but due to its domestic political crisis, the current form of the constitution that guarantees its parliamentary system was put in place in 2004. Georgia became a member of Council of Europe in 1999. It signed the Charter on Local Governments on 29th of May 2002 and consequent to this it carried out its local elections in June 2002. However, these election results, due to their unfair execution, were considered dubious by Council of Europe.

After the study visit by Council of Europe, the problem areas of the local governments were stated as follows: The Georgian government has to improve its local government system with regards to the following aspects:

- i. the regional organization of the country
- ii. nomination of appropriate status for local government units according to their economic and geographical attributes
- iii. creation of a local government administrative structure
- iv. the definition of responsibilities of local government units with respect to decentralization of power, local budget system and property issues

The Council of Europe, after its first visit in 1998 made two additional study visits to the country and furthered its recommendations. Some of the most important of those recommendations, which can be further examined from the appendix section, can be stated as follows:

Georgian government is praised by its determination to carry out local government reform. However, there are some fundamental regulations to be made in this area. Especially, the election law should be implemented and it should be guaranteed that the principles stated in the election law will be executed fairly and accurately. It was emphasized that with further decentralization of responsibilities the mechanisms for autonomous local government systems will be strengthened. Additional emphasis was made on local taxation, local financial resources and the improvement of financial autonomy of the local budget system through better budget regulation.

B. REGIONAL ECONOMIC RELATIONS

South Caucasian countries, due to being on energy routes, have strategic importance. Azerbaijan, by virtue of being an oil rich country has increased its trade magnitude significantly but this has not been enough for it to become an affluent country. According to IMF's GDP figures Azerbaijan's economy is 74th, Georgia's 117th and Armenia's is 125th world economy. The neighboring Russia and Turkey, on the other hand, are leading economies in the world occupying the 12th and 17th position in terms of GDP magnitudes.

At this point, we should also take a look at the relations of South Caucasian countries with Turkey, USA and EU. According to EUROSTAT figures Armenia stands out as the country that has the most limited economic relations with the EU, Turkey and USA. Most of its trade activity consists of imports. The most important trade partners of the country are EU and Russia. The only South Caucasian country that Armenia has a considerable trade relation is Georgia, occupying the 10th position. Azerbaijan, on the other hand, due to having political problems with the country, does not occupy any place in the top 50 trade partners of Armenia. However, Turkey with which Armenia has equally significant political problems, occupies the 6th place among its trade partners.

Georgia, on the other hand, with a trade magnitude of 4,5 million Euros, has close trade relations with all the countries in the region. Georgia's second biggest trade partner is Turkey. Additionally, all the Caucasian countries are in the top 10 of country's trade partners which is very positive for Georgia. Even Russia, which was at war with Georgia recently, turns out to be the 6th trading partner of the country.

Azerbaijan has a bigger trade magnitude compared to its neighbors and most of this trade comprises of exports. The biggest proportion of these exports belong to oil and oil related products. 98 % of imports of EU, Azerbaijan's biggest trade partner, consist of oil and oil related products. Turkey, an important economic player in the region, has trade figures that are incomparably higher than those of countries in the region. At this point, we should dwell on Turkey's trade relations with the countries of South Caucasia.

As can be seen from the table below, Russia is Turkey's second biggest trade partner while Azerbaijan is the 18th, and Georgia is 29th. Armenia is not in the top 50 trade partners of Turkey.

	Armenia	Georgia	Azerbaijan	Turkey
Total Trade (mio €)	2.846	4.327	19.648	172.487
Export Ratio (%)	17,5	22	70	42
Import Ratio (%)	82,5	78	30	58
Main Trade Partners	1- EU	1- EU	1- EU	1- EU
	2- Russia	2- Turkey	2- Turkey	2- Russia
	5- US	3- Azerbaijan	4- US	4- US
	6- Turkey	5- US	5- Russia	18- Azerbaijan
	10- Georgia	6- Russia	11- Georgia	29- Georgia
	Azerbaijan is not in top 50	10- Armenia	Armenia is not in top 50	Armenia is not in top 50

Tourism sector, by virtue of opening up countries to external effects, increasing dialogue between citizens, promoting intercultural exchange and learning, deserves a deeper analysis. Turkey's increasing performance in the last couple of years, has encouraged the countries in the region. In visits to South Caucasia, TESEV gained the impression that increasing cooperation with Turkey with regards to promoting touristic exchanges, occupies a central place, especially in Georgia. The fact that foreigners visiting Turkey exceeded 30 million tourists, triggered neighboring countries to prepare packages to attract these tourists to their countries and to forge cooperation in this area with neighboring countries. The tourism potential of countries of the region is quite high given the rich history of the region. Yet, according to the Tourism Competitiveness Report, published by World Economic Forum, Azerbaijan ranks 75th, while Armenia and Georgia rank 91th and 73rd respectively. The index which ranks Switzerland as the first and Turkey as the 56th, includes attributes such as economic power, environmental sustainability, security, human capital, transportation facilities in addition to natural beauty and historical heritage of countries.

When analyzed deeper, Azerbaijan stands out as a country which started to make bigger investments in the area of tourism. Some of these investments are the tourism portals that were established under the auspices of Azerbaijan Ministry of Tourism and Cultural Affairs, investments in the capital city of Baku on renovations of historic sites and the building of large hotel chains. In 2009, the number of tourists entering the country reached 1 million and their contribution to the national economy was 8,5 million dollars. When the origins of tourist arrivals are analyzed, one can see that the majority of these tourists are coming from CIS (Commonwealth of Independent States). When analyzed deeper, the majority of former Soviet bloc tourists are coming from Russia and Georgia. Iran, which has a significant Azerbaijani minority, ranks third. In 2009, more than 300,000 Iranians paid visit to Azerbaijan alone. Turkey ranks fourth after these countries, with visitors exceeding 170,000. Considering the very amicable relations between two countries, these figures are rather low.

Countries	Number of arrivals to Azerbaijan, person				
	2005	2006	2007	2008	2009
Total	1.282.100	1.262.000	1.332.700	1.898.900	1.830.400
Touristic Purpose	692.700	681.800	731.700	1.042.500	1.005.400

	2009, Tourist Arrives		2009, Tourist Arrives
Russia	598.894	Korea	2.082
Georgia	529.613	Canada	2.036
Iran	329.913	Norway	1.921
Turkey	177.308	Netherlands	2.595
Kazakhstan	16.048	Belgium	2.389
UK	25.699	Bulgaria	1.351
Ukraine	28.606	Kirgizstan	1.921
ABD	11.663	Poland	1.699
Germany	10.695	Moldova	4.289
Uzbekistan	7.067	Philippines	1.216
China	6.322	Japan	1.076
Israel	6.516	Sweden	1.126
Turkmenistan	3.687	Latvia	1.281
Belarus	5.308	Lithuania	1.133
India	3.721	Switzerland	1.429
France	3.994	Bosnia	1.301
Italy	4.066	Romania	1.039
Pakistan	5.416		

Number of departures from Azerbaijan, person					
Total	1.141.014	1.376.303	1.473.496	1.829.765	1.835.928
CIS countries	1.136.935	18.513	14.765	1.104.995	1.094.624
Turkey	-	-	-	154.359	154.761
Iran	4.079	5.564	4.792	215.833	199.810
Other countries	-	1.352.226	1.453.939	354.578	386.733

Source: <http://www.azstat.org/publications/azfigures/2007/en/index.shtml>

There is limited information with respect to information on tourism in Armenia. According to the information gathered, there were 382240 tourists arriving Armenia in 2006, in 2007 the figure was 510,622 and in 2008 this figure was 558,443. 34,9 % of the tourists came from Russia while 28.1 % came from Georgia. The arrivals from other countries in the region remain at a dismal 3,1 %. After these two important tourist sender countries comes West European countries with 21,1 % of the arrives which is followed by 11.2 % of Middle Easter countries and 5.2 % with North American countries.

When the countries in the region are compared, it will be seen that it is Georgia that has the biggest tourism potential. In 2004, there were 350,000 tourists coming to the country while this figure jumped to 1,5 million in 2009. Below you can find figures on the number of arrivals of non-resident visitors at national borders of Georgia, by country of citizenship. As can be seen from the table, tourists to Georgia come from three sources. These are EU, Commonwealth of Independent States and Turkey. In 2009, the biggest proportion of the arrivals is from Azerbaijan. Again, from the table, one can see that Armenians have a significant share. Russians, which had the same proportion with Armenians and Azerbaijanis seem to have decreased a bit.

Country	2004	2009
TOTAL	368.312	1.500.049
Europe without CIS	123.831	496.973
CIS	218.548	950.951
Armenia	71.261	351.049
Azerbaijan	63.663	418.992
Russia	61.400	127.937
Turkey	74.700	384.482
USA	9.609	16.934

Source: Border Police of Georgia

II. MEETINGS

PREPARATORY MEETINGS

As part of our preparatory meeting and for finding out possible project partners in the business world TESEV GG contacted DEIK (Foreign Economic Relations Council of Union of Chambers of Commerce) on 3rd of March 2010. The participants to this prep meeting were Eurasia Regional Coordinator of Serdar Arıkan and Vice Coordinator Mustafa Oğuz, as well as Fikret Toksöz and Öykü Uluçay of TESEV. In the meeting, the names of businessmen who could be contacted as part of this project were mentioned as well as the Business Councils in Azerbaijan and Georgia which could be involved in this project. As there were no direct business relations with Armenia, there was no Business Council but there were Turkish businessmen who had dealings with Armenia that acted as honorary business contacts for Turks who wanted to take on new business opportunities in the country.

Although not part of this project, another activity that contributed to our project activities was TESEV's participation to Black Sea Young Reformers Fellowship Program. The Varna meeting held between April 15th and April 18th of 2010, which was one of the first series of events of the program, involved the participation of young participants including those from South Caucasia and the greater Caucasia and Black Sea. The participants discussed issues related to security, institutional development, regional cooperation in the Black sea Region. This event helped TESEV secure contacts in the region and preliminary advice was taken from the participants of the region with respect to how our project should proceed.

Study Trip to Baku

Our study trips to the region culminated in a series of partnerships with various organizations of the project countries. The first of these was Baku Political Studies Program. The program members came to Istanbul for a TESEV event between 1 September-4 September 2010. One of the observations we made during the meeting was that the time is not ripe for the creation of a Municipal Union of South Caucasian countries. But, the meeting gave clues as to areas in which cooperation between the countries of the region can be improved. The participants to this meeting included municipal councilors from cities of Azerbaijan which is provided in the appendix as a list. Their participation to the meeting shaped our insights about the local government system in Azerbaijan which was mostly based on theoretical knowledge. In addition to the meeting at TESEV, the participants made study visits to two Urban Councils and various civil society organizations in Istanbul. In all these meetings, Azerbaijan's local government system's major deficiencies and how Turkish-Azerbaijani relations could help ameliorate this situation were discussed from various angles.

According to these discussions some of the important conclusions drawn were the following:

- Municipal Council positions in Azerbaijan have little prestige as councilors are losing their power and authority in municipalities.
- Those who are to run for local government positions are mostly determined by central state.
- Elected municipal councilors have no real authority in municipalities.
- Municipalities are not independent entities, they do not have substantial administrative or financial autonomy.
- Azerbaijan and Turkey should cooperate more in this area (Consequentially, the study visit helped forge a cooperation between Youth for Habitat and an Azeri Youth Organization. The two organizations made a joint project application).
- Turkish local government system constitutes a good example for Azerbaijan, Caucasia and Turkish Republics in the greater Asia. Studies in this area should accelerate.

Istanbul Meeting

The most important piece of activity of this project was the Istanbul meeting of participants from South Caucasia. The meeting took place on 27th of September 2010 with the participation of two Azerbaijanis, 2 Armenians and 1 Georgian participant.

The major theme of the meeting was to discuss the issues that emerged during the study visits of TESEV to the region. The alternatives to the municipal union and possible areas of cooperation were sought during the meeting. Another intention was to collect the suggestions of participants about the feasibility report and to reflect their opinions into the final product. Most of the recommendations of this feasibility report rely on the opinions and discussions raised during this roundtable meeting in Istanbul.

Some of the most important points raised during this meeting were:

- The idea of a local government focused cooperation strategy should be abandoned at least in Azerbaijan where the local governments are under the strain of central government pressure administrative and financial wise.
- The fact that there are no diplomatic ties between Azerbaijan and Armenia and that there are border issues during entries from Azerbaijan to Armenia (and vice-versa) the creation of official organizations that include state institutions is highly unlikely.
- It is of utmost importance to increase initiatives that will improve dialogue and cooperation between four countries. It would be very valuable to create networks that involve local governments, NGOs and business (especially tourism industry) from Turkey and South Caucasia.
- This network should meet at least twice a year to look for areas where joint projects can be carried out that would improve and ensure the maintenance of sectoral relations in the region.

STUDY VISITS

The first of the study visits were made to Azerbaijan. There were various obstacles encountered in the country with respect to our project. The municipal officials whom we contacted made it explicit that they would only take part in this project with the permission of the central government. They could not get this permission. TESEV opted to meet with experts that give consultancy to the government with respect to local governments and have been able to gather enough insight and information.

There was another problem encountered in the Armenian visit. The passport type that the project consultant carried (green) necessitated the permission of the Ministry of Foreign Affairs so the consultant could not take part in the study visit to Armenia.

Georgian visit compared to the other two was carried out without major difficulties.

AZERBAIJAN STUDY VISIT

The first study visit was made to Azerbaijan. During the study visit, TESEV had the opportunity to meet local and international organizations, experts giving consultancy to local governments and various independent experts. The first visit in Baku was made to Mireli Huseynov, the leader of Coalition for Supporting Local Democracy, who gave utmost support to the format of the study visit. During the visit, it was emphasized that municipalities, which were created under the pressure of candidacy to Council of Europe, have immense deficiencies in securing autonomy in administration and finances from the central government. TESEV was informed about two alliances that were formed to secure more democratic structures at local level and that is composed of various civic associations. These alliances operate for a range of activities from advocacy for changes in the municipal code to more participatory schemes at local government systems.

The study trip gave a shape to our ideas on the Azerbaijan's local government system. It became certain that the real powers at the local level belong to governors and district governors rather than municipalities in Azerbaijan. According to the constitution, budget is allocated to various tiers of government, whereas municipalities can only enjoy the collection of land and estate taxes. Although there are various draft proposals for democratizing local government system in Azerbaijan's local government system, the only significant legal change made was related to decreasing the number of municipalities. It has been pointed out by the experts that since 1995, it has only been the nominees of central government that were elected to local government positions. TESEV has been informed that despite every pressure of Council of Europe, the central government is reluctant to relinquish powers at local level and municipalities are far from even providing basic infrastructural services. They pointed out that the support of Turkey and Turkish NGOs is central to be able to change this picture.

In the meeting it was emphasized that South Caucasian countries should invest in new alliances and Turkey should take part in these. However, such alliances should be formed without Azerbaijani municipalities since they have to get permission for every conduct from the central government and that would hinder efforts to improve dialogue between local governments. To opt for an alliance between local NGOs from the four countries would serve local democracy better than an alliance between municipalities. Such a platform could also include business associations. To include Turkish Republics into this platform in the long run would be even more beneficial.

In the meetings, it was re-emphasized that initiatives that involve a dialogue between citizens of the countries would be more beneficial. Platforms of NGOs or student exchanges are some of the ways in which this can be achieved.

In the visit to the second alliance called "Belediyyelerin İnkişafı Namine" QHT Alyansı (Union for Development of Municipalities) TESEV dwelled again on the position of municipalities, what kind of cooperation can be forged and the methodology for this. This second alliance also mentioned the lack of results in the area of democratizing the local government systems as the system regressed rather than improved in the last couple of years. With regards to their methodology, this alliance prepared reports, shared these with the government, tried to influence the policy process by producing policy papers, informed the citizens about the deficiencies of local governments and tried to keep this issue at the headlines. In addition to these activities, they held roundtable meetings with the participation of municipal councilors, yet the number of these councilors diminished significantly in the last couple of years. They have informed TESEV that it is hard to make significant gains about the local government system in the short run. What is needed is a broader democratization and reform movement that would also show its effects on local governments. Nevertheless, it is still important to make piecemeal improvements in the local government system by transferring at least some of the duties of central governments to local level and by making the audits stricter to measure local government performance. The alliance informed TESEV that any measure that would

democratize the local government system in Azerbaijan would have positive repercussions in the region. There are three important areas through which this can be achieved:

- i. Agglomeration of smaller municipalities
- ii. Introduction of a sounder financial structure to municipalities
- iii. Devolving more responsibility to local government level

The alliance also admitted that their campaigns did not have a direct effect on local governments. They usually achieved an indirect effect through national advocacy campaigns.

Another expert, TESEV contacted in Azerbaijan was Vügar Tofiqli. Tofiqli is an expert that gives advice on local governments to the central government and audits their conduct. He is based in an organization called AVCIYA that is part of the Ministry of Justice. AVCIYA had an important role in decreasing the number of municipalities from 2735 to 1718 in 2008. TESEV was informed by AVCIYA that there are 30 draft laws on local governments in the parliament that involve parceling of land for local governments and granting of more financial resources. If the amount of financial resources (4 million dollars) granted is divided to the number of municipalities (1718) one can see that the municipalities operate with very limited resources. The central government is also aware of this limitation but has not taken any measures to counteract this problem.

In the meeting with Mehriban Rahimli and Ilgar Mammadov, democracy movement in Azerbaijan, the state of civil society organizations and relations with Armenia were put to the table. There are 300 active NGOs in Azerbaijan although the number of registered NGOs is around 4000.

There is active dialogue between NGOs of Armenia and Azerbaijan but the magnitude of economic relations between two countries is quite low. There is some amount of smuggling at the border but the magnitude of this trade is dismal.

During the meeting with Council of Europe's "Congress of Local and Regional Authorities" independent expert, TESEV was informed that the government is pushing for even more centralization and due to this reason municipalities have meager authority. There are reports issued by Council of Europe on this theme that point to areas that need improvement in the local government system. There were three monitoring reports issued until 2006 but there have been no new reports prepared since that time. The meeting also involved a discussion as to why the municipalities are kept at a fragile financial position. The municipalities do collect land and estate taxes on their own in addition to resources flowing from the central government. However, the land under the jurisdiction of most of the municipalities is not fertile and does not bring substantial yield. In terms of administrative autonomy, despite the number of 23000 elected positions in the local government system, there is no democratic system to determine the candidacies for such positions.

In conclusion, media and NGOs enjoy a bit of an autonomy in Azerbaijan although civic actors find it hard to find donors for their activities. Municipalities, lacking financial and administrative autonomy and being under the constant pressure of central government are far from engaging in a dialogue with their counterparts in foreign countries. In lieu of this, alliances should be forged between NGOs to promote local democracy.

MEETINGS;

Yerli Demokratiyaya Destek" QHT Koalisiyası	
Mireli Huseynov	Yerli Demokratiyaya Destek" QHT Koalisiyası
Hafiz Hasanov	Hüqeeqova İnruşaf İctimai Birliđi
Ilgaz Huseynli	Sosial Stratejik Araştırma Birliđi
Ahmed N. Abbasbaylı	Cemiyetin ve Vatandaş Münasebetleri İnkişafı
İlham Hüseyinli	Demokratik İnkişaf ve İktisadi Araştırma
Vügar Tofiqli	AVCIYA
Mehriban Rahimli	GMF - Azerbaycan
Ilgar Mammadov	
Aydın Aslanov	Avropa Şurasının eksperti
Sabit Bağirov	Ex-CEO, Oil Company

Belediyelerin İnkişafı Namine” QHT Alyansı	
Abil Bayramov	Belediyelerin İnkişafı Namine” QHT Alyansı
Azer Mehtiyev	Belediyelerin İnkişafı Namine” QHT Alyansı
Samir Aliyev	Belediyelerin İnkişafı Namine” QHT Alyansı
Fuad Suleymanov	OSI - Azerbaijan
Fariz Ismailadze	Azerbaijan Diplomatic Academy, Executive Dean

ARMENIAN STUDY TRIP

On the first day of TESEV’s study trip to Armenia, TESEV participated to a meeting of “Analytical Center on Globalization and Regional Cooperation” in partnership with Italian organization “The Association Rondine Cittadella della Pace”. The title of the event was “Second track diplomacy and peace in the South Caucasus”. The aim of the conference was to train youth in conflict zone countries for peace building in their region.

The second meeting was with Eurasia Partnership Foundation. In the first part of the meeting, TESEV had a discussion with Artak Ashakaryan, the Armenia-Turkey Project Manager which includes Turkey-Armenia Rapprochement Process and Armenia-Turkey Media Bias Project. The common observation was that the ties between Turkish and Armenian NGOs are getting stronger in the last couple of years. In contrast to this, this organization could not achieve the desired level of cooperation with Azerbaijani NGOs, government or the local governments for a media project that involves Armenia and Azerbaijan. In the second part of the meeting, TESEV met with Alice Ter-Ghevondian, the Media and Local Governments Project Coordinator of the same organization. In the meeting TESEV had the opportunity to discuss the ways in which dialogue and cooperation between Caucasian countries can be increased. The suggestions we came up with can be summarized as the following:

- Media should be effectively utilized to eradicate prejudices between citizens of South Caucasian countries. For this purpose:
 - i. Youth films from neighboring countries can be invited to Armenia’a annual Golden Apricot Film Festival
 - ii. Joint productions
 - iii. Inclusion of artists from all of the neighboring countries to the Golden Apricot Film Committee
 - iv. Joint documentaries
 - v. Increasing the number of bloggers who write blogs on the web about Turkey and Armenia
- Promotion of touristic exchanges between the citizens of border cities and the involvement of local NGOs and local businesses in such promotions.

In the meeting with Stepan Grigoryan, the president of Analytical Center on Globalization and Regional Cooperation, the possibilities for the creation of a platform or union of local authorities of the South Caucasian countries were put to table. New recommendations were made. It was emphasized that the political problems between Azerbaijan and Armenia are significant enough to impede such a union. In addition to this, the local government systems of Armenia and Azerbaijan are far from being autonomous which adds to the infeasibility of creating such a platform. On top of this, the political situation in South Armenia blocks such initiatives. The following recommendations were made during the meeting:

- In each South Caucasian country, units should be created that include local businesses, local NGOs and an NGO that has broader, regional influence. These units should be in constant contact with each other. The local businesses should include tourism related ones. These units should engage in joint projects, prepare policy papers for their countries that involve influencing general public and local governments in a positive direction.
- Using media more effectively for curbing prejudices of citizens of these four countries.

In other meetings, a local government union was considered too immature for the time being. At a time when Armenian passengers have difficulties in entering Azerbaijan, and there are grave political problems between these two countries; it is highly unlikely that such a union can function. Especially at the level of relations between Azerbaijan and Armenia, citizens have deep prejudices towards each other. For this reason, NGOs from each country should lead the coalitions that aim increased cooperation between countries in the region. Additionally, local businesses, especially tourism industry should be included in such efforts. Media would also play a constructive role in such efforts.

MEETINGS

Artak Ashakaryan	Eurasia Partnership Foundation
Heghine Muselyan	School for Young Leaders
Artak Khachatryan	Turkologue - Historian
Stepan Grigoryan	Analytical Center on Globalization and Regional Cooperation
Tevan Poghosyan	International Center for Human Development, Executive Director
Gayane Sargsyan	Forum for the 21st Century Leaders, Director

STUDY TRIP TO GEORGIA

In our meeting with Tbilisi Municipality, we were informed that Tbilisi is sister city with Ankara and they have joint projects with TIKA, Turkish Development Agency. Tbilisi has a population of 1.2 million people, but it only has one mayor. Tbilisi Municipality is in the process of preparing a new strategic plan. According to this new strategic plan, partner and competitor cities were identified. According to this study, Baku stands out as a partner city. In the strategic plan, there is also an emphasis on environmental impact analysis, historical renovations, creation of free zone areas, campaigns to promote the image of the city of Tbilisi as well as social development programs.

The Georgian local government system has gone through a significant transformation in the last couple of years. The local government system which was three tiered was reduced to a two tiered system and the villages were completely abolished. Different criticisms were raised to these changes. Although a small proportion of critiques argue that this has been beneficial for local government system, the majority of the opinion is that the recent changes led to increased centralization. The devolution of powers and responsibilities to cities is a rather slow process whose primary reason is the fact that 47 % of the Georgian population still live in rural areas. In Georgia, like in Azerbaijan, local governments are responsible for collecting estate taxes. The rest of the resources come from central government revenues. The major difference in Georgia is that the proportion coming from central government is greater than in Azerbaijan. There have been changes with respect to elections as well. Before, citizens were electing municipal councilors and these councilors were choosing their mayors. With current changes, citizens are directly electing their mayors.

In our meeting with Georgian Employers' Association which has around 1000 institutional members, commercial partnerships were pointed out to be the most practical solution for resolving regional problems. It was also suggested that a Trade Center that would facilitate the animation and improvement of economic relations and trade between countries of the region, including Turkey, would be highly beneficial for South Caucasia. The improvement of trade would contribute significantly to resolving problems in the region. In this vein, businessmen can put pressure on central and local governments for furthering democratization efforts in their countries in the long run. The creation of mechanisms that would ease the trade of small sized enterprises with bordering countries is of utmost importance as well.

In our meetings with Civil Society Organizations, new and different suggestions were made. They pointed out that it is not practical at this point to aim a Municipal Union, but partnerships between different institutional players would be more feasible, such as the strengthening of the communication between local NGOs. For a variety of issues, coalitions can be built. Georgia turns out to be more democratic compared to the two other countries in the region and Georgia's fight with corruption can constitute a good case study for the rest of the region. The difficulty with creating a Municipal Union is the hardship involved in bringing Azerbaijan to the table, while Georgia and Armenia had prior dialogue and relations developed at the local level.

MEETINGS

Name	Institution
Valerian Gremelashvili	Director of Kakheti Regional Development Agency
Elguja Meladze, Mr. Konstantine	President of Georgian Employer's Association
Ketevan Tsikhelashvili	Director of European Initiative of Liberal Academy Tbilisi
Zviad Archuadze	Head of Economy Policy Agency Tbilisi Mayor House
Ivane Chkhikvadze	IOM, International Organization for Migration

Conclusion and Recommendations

The main conclusion we have drawn after the research, study visits and meetings is that the creation of a municipal union would not work at this point. The political problems in the region are a stumbling block in front of the creation of a dialogue between local governments in the region. However, it is not impossible to bring stakeholders (NGO's and private sector representatives) from Armenia, Azerbaijan and Turkey to the table. The meeting in Istanbul is a good illustration of this proposition.

Even if there were no political problems between South Caucasian countries, the current state of local governments still make it unlikely to create such a union. The local governments in Armenia, Georgia and Azerbaijan are not financially and administratively autonomous by the standards of Council of Europe. For this reason, it will not be meaningful to create a formal partnership between local governments in the region.

After depicting the current picture, we can dwell more on what can be done in lieu of a local governments union. The common conclusion drawn during the study visits and meetings was that the current dialogue should continue no matter what. All the sides have freely expressed their opinions and used a respectful language towards each other during the meetings. Many recommendations were made as to the possible areas of cooperation despite the political problems in the region. The following are the major areas where improvements can be made:

Enhancement of Democracy

All the countries in the region are members of Council of Europe. The major aim of Council of Europe is to improve the status of democracy and human rights in member countries. The Council of Europe should take a more active role in strengthening democracy and should put more effort into promoting the autonomy of local governments in the region. The countries in the region can make use of each other's experience on this issue. To ensure experience sharing, private sector organizations and civil society organizations and the donor agencies promoting democracy should engage in joint efforts. The significance of a joint effort can draw the attention of international media and public opinion to the problems in front of democratization in these countries. The promotion of best practice examples on relations with Turkey as well as in between Caucasian countries and with EU, would contribute to the dissemination of the idea of democracy in this region.

Improvement of Trade Relations

Caucasian countries have a lot of opportunities for cooperation among small and medium sized enterprises. It would be very useful if these countries can exchange more information as to the investment opportunities in neighbor countries. Turkey turns out to be one of the biggest trade partners for the countries in the region. However, due to diplomatic problems between the countries, the border trade is not at the desired level. It is of utmost importance to set up regulations that would clear the barriers in front of the trade of small and medium sized enterprises. The initiative by Georgia to set up trade centers can give guidance to small enterprises on increasing their investment. In addition to this, chambers of commerce and businessmen associations can work on projects that would improve trade relations.

Improvement of Tourism Relations

It would be more beneficial for South Caucasian countries to engage in joint tourism campaigns than individual tourism promotion campaigns. They should develop package tours and rely on Turkish experience to improve their tourism strategies. Turkey has improved its competitiveness in tourism industry in the recent years. Experience sharing on tourism can significantly contribute to the promotion of this sector and increase the number of arrivals to Turkey. Tourism unions such as TURSAB have major responsibility in such an initiative. Diversification of package tours, and creation of tours that integrate the northern provinces of Turkey would significantly raise the number of tourist arrivals both to Turkey and South Caucasian countries. The visits by Turkish citizens to South Caucasia can also be increased by national campaigns. The fact that visas have been lifted by Georgia and the simplification of visa procedures for Turkish visitors are underway in others, creates a big tourism potential that has to be made use of.

Media Cooperation

South Caucasian countries are not particularly skillful in drawing global attention. They should strive for more coverage in global media. Media cooperation would especially prove useful for improving media freedom in these countries. Media cooperation is also important for eliminating reciprocal prejudices. It was observed during our field trips that media projects between Armenia and Turkey have significantly contributed to the decrease in prejudices between the two countries. However, such efforts are still not carried out at the desired level. Any media cooperation especially between Azerbaijan and Armenia would significantly contribute to the dialogue in the region. Media cooperation can also contribute to the increase in trade and tourism that would feed into the political stability in the region.

Environmental Cooperation

Environment is an area that does not recognize national boundaries and it involves huge externalities. South Caucasian countries inhabit the same geographical area and because of the oil industry, they face the same environmental risks. Countries have to leave aside the political problems and craft common policies and have a cooperative attitude when it comes to the issue of environment. Environmental cooperation would in turn contribute to the enhancement of dialogue between the countries of the region.

Another issue that has to be considered is which organizational structure or methodology will be utilized to ensure the cooperation in the areas stated above. In the light of research and study visits, a three tiered methodology is offered for increasing dialogue in the region:

1. Caucasian Countries Civic Platform

A platform should be created between Caucasian countries. The platform should include civil society organizations, media, tourism and commercial representatives. This platform should also include municipalities at the level of mayors or municipal councilors.

The Board of this platform should meet once a year in Istanbul and determine a common agenda. TESEV can serve as the facilitator of these meetings. The presidency of the Board can rotate from one country to another each year.

2. Creation of Theme Based Commissions

Commissions created according to the common agenda developed during the Board meeting can also have their separate meetings once a year. i.e Tourism Commission

3. Creation of Website of Caucasian Countries

An online platform where member countries and their representative can exchange their ideas would also be very useful. The working rules of this online platform can be determined during the Board meeting each year. This website can be made more interactive.

CONCLUSION

This platform can easily secure funding from international donors hence the creation of such a platform is considered highly feasible.

Appendix

THE LIST OF INSTITUTIONS AND PERSONS VISITED

AZERBAIJAN:

Yerli Demokratiyaya Destek” QHT Koalisiyası	
Mireli Huseynov	Yerli Demokratiyaya Destek” QHT Koalisiyası
Hafiz Hasanov	Hüqeeqova İnruşaf İctimai Birliđi
Ilgaz Huseynli	Sosial Stratejik Araştırma Birliđi
Ahmed N. Abbasbaylı	Cemiyetin ve Vatandaş Münasebetleri İnkişafı
İlham Hüseynli	Demokratik İnkişaf ve İktisadi Araştırma
Vügar Tofiqli	AVCIYA
Mehriban Rahimli	GMF - Azərbaycan
Ilgar Mammadov	
Aydın Aslanov	Avropa Şurasının eksperti
Sabit Bağirov	Oil Company, ex-CEO

Belediyyelerin İnkişafı Namine” QHT Alyansı	
Abil Bayramov	Belediyyelerin İnkişafı Namine” QHT Alyansı
Azer Mehtiyev	Belediyyelerin İnkişafı Namine” QHT Alyansı
Samir Aliyev	Belediyyelerin İnkişafı Namine” QHT Alyansı
Fuad Suleymanov	OSI - Azərbaycan
Fariz İsmailadze	Azerbaijan Diplomatic Academy, Executive Dean

ARMENIA

Artak Ashakaryan	Eurasia Partnership Foundation
Heghine Muselyan	School for Young Leaders
Artak Khachatrian	Turkologue - Historian
Stepan Grigoryan	Analytical Center on Globalization and Regional Cooperation
Tevan Poghosyan	International Center for Human Development, Executive Director
Gayane Sargsyan	Forum for the 21st Century Leaders, Director

GEORGIA

Name	Institution
Valerian Gremelashvili	Director of Kakheti Regional Development Agency
Elguja Meladze, Mr. Konstantine	President of Georgian Employer’s Association
Ketevan Tsikhelashvili	Director of European Initiative of Liberal Academy Tbilisi
Zviad Archuadze	Head of Economy Policy Agency Tbilisy Mayor House
Ivane Chkhikvadze	IOM, International Organization for Migration

AZERBAIJAN – Council Of Europe Congress of Local and Regional Authorities Monitoring Report - 2003

CONCLUSION AND PROPOSALS FOR IMPROVED APPLICATION OF THE PRINCIPLES OF LOCAL SELF-GOVERNMENT

4.1. SUMMARY OF OBSERVATIONS

92. To sum up:

The legislative initiatives taken after a slow and somewhat late start should be acknowledged. However, there is a need for greater precision to ensure that the legislative provisions are in conformity with the Constitution (which appears to be acceptable). The effort should be placed more on precision and realism rather than on an attempt to be exhaustive, particularly with regard to the respective powers of central government and local authorities. The more favourable budgetary prospects, if not compromised by international events, should result in a budgetary margin for manoeuvre which the government should undertake to use as a matter of priority to enable local authorities to “take off” .

93. However, prior to drafting any new legislation, it is essential to specify the concept of local self-government at legislative level and pursue the debate at political level. This presupposes drawing up a programme for future co-operation with the competent Council of Europe’s bodies.

4.2 RECOMMENDATIONS VIS-À-VIS THE AZERBAIJANI AUTHORITIES

94. The recommendations to be made to the authorities could be based on a desire to help them achieve gradually the objectives laid down by the European Charter of Local Self-Government, and, subsequently, the draft European Charter of Regional Self-Government.

95. The first objective is for political clarification and for more detailed information. Political clarification concerns, obviously, the question of local self-government and the question of compatibility between the latter and the principles of organisation and in particular the institutional strategy of the President and parliament of Azerbaijan.

96. The more detailed information requested should concern:

- a list of powers actually exercised,
- replies to the observations made concerning the various forms of interference by central state representatives and the measures which the government intends to take to address these,
- a detailed description of the apportionment of the finances transiting the local budgets.

97. The second focus is more legal. Parliament should be asked to supplement existing legislation, particularly in the following fields: distribution of powers, relations between elected representatives and representatives of the executive, statute of elected representatives and conditions under which their office can be exercised. It would also doubtless be profitable, in the absence of a national association, to organise an institutional dialogue with representatives appointed by the municipalities.

98. The delegation also draws the attention of the Azerbaijani authorities to the advantages it could derive from developing genuine local democracy despite the reluctance for which there are a variety of reasons and which it would be unrealistic not to take into account: Azerbaijan is in a difficult transition phase in which a notable feature has been the fairly rapid arrival of international society in its economic and institutional sectors. The policy pursued by its President would appear to take broad account of these international challenges and apparently intends to use them to ensure the stability of the country despite its disadvantages, in particular concerning its size.

99. This opening up has to be accompanied by a liberation of the widest possible variety of means of communication, an ability to adapt the public system as a whole, and recognition of the consequences that accelerated privatisation of the economy will doubtless have. Far from being a disadvantage, local self-government could be a real asset, particularly in terms of political training and also as a means of encouraging the involvement of the better educated sectors of the population and civil society in general.

100. Such could not be achieved unless there is a firm and clear policy to that effect. Such a policy should in particular seek to put in place a large-scale training system in liaison with the international organisations and the many non-governmental organisations (almost 1,500) which wish only to help disseminate the fundamental elements of a democratic culture.

101. Far from being an indictment of the policy pursued, this report is intended to provide an inventory of the difficulties and to call for the continuation of a frank dialogue in order to be able to bring about a new stage in co-operation.

ARMENIA – Council Of Europe Congress of Local and Regional Authorities Monitoring Report – 2003

CURRENT PROPOSALS FOR CONSTITUTIONAL AND LEGISLATIVE CHANGE IN ARMENIA

51. It will be apparent from earlier sections of this report that there is a widely felt sense of “unfinished business” in relation to arrangements for local self-government in Armenia. In particular, the amendments made to the draft which became the Law of 7 May 2002 left many of the original reforming proposals unimplemented - a position not rectified by the amending Law of 26 December 2002. And secondly, the abortive referendum of 25 May 2003 also leaves in place many of the constitutional barriers to further reforms. There are, however, strong indications in official quarters that these issues will be revisited. The Memorandum of Political Coalition, according to which the present Government operates, contains a commitment to constitutional amendments and to “political and in particular election system reforms”. In addition, progress is currently being made (as earlier noted) towards the drafting of a new Municipal Civil Service Law.

CONCLUSIONS

52. It is to be hoped that, if the reforms just mentioned are duly proceeded with, the condition of local democracy in Armenia will be greatly enhanced. In this report, however, it is on the realities of the present situation that we have to focus and the overall conclusion has to be that local self-government in Armenia currently remains very weak and it is clear that large elements of the European Charter on Local Self-Government remain unimplemented. Across Armenia as a whole, but especially in the rural communities, local government bodies, although their profile has undoubtedly risen, have few substantial powers and their autonomy is compromised by an unsatisfactory financial regime and a lack of other resources such as a strong municipal civil service. This general diagnosis points towards three broad areas of reform:

- (a) Across the system as a whole, there is a need for reforms to enable communities to make a reality of the powers given to them by the Law of 7 May 2002. Communities need a revenue source of their own and under their own control; they need to be assured each year of a guaranteed percentage of the gross national income of the state; grant equalisation should be reformed to take better account of differing local needs; and state payments to communities should be made on time. Communities need the benefit, as mentioned, of a reformed municipal civil service and substantially improved staff training opportunities. The intrusive control of communities by marzpets and central departments should be lifted and the government’s power to dismiss chiefs should be removed or further reformed to give greater control to the courts on specified grounds. The periods of office of both chiefs and councillors should be, as already proposed, extended to four-five years and consideration should be given to lifting the restriction of chiefs to two successive terms. . Electoral reforms (as in para 31 above) should be made. In these ways the overall strength, autonomy and morale of local government may be lifted.
- (b) Special attention needs to be paid to Yerevan. Whilst its position as capital city needs continuing recognition, the condition of local democracy in the city urgently needs reform. The ambition to achieve an elected mayor within five years should be operationalised and the structure of (probably two-tier) local self-government across the city needs urgent attention.
- (c) Just as importantly, special attention must also be paid to the 871 rural communities where, at present, local self-government is at its weakest and, in many areas, virtually non-existent. Whilst the reforms already mentioned would contribute in a general way, there can be no possibility of the powers in the Law of 7 May 2002 ever being discharged by the large numbers of tiny rural communities, with populations of under 3000. Three different solutions may be suggested:
 - (i) A radical restructuring of the territorial division of the country to produce a small number of larger communities. Reduction to one third of the present number has been canvassed.
 - (ii) The staged creation of a two-tier system of local self-government in Armenia with upper-tier responsibility (perhaps but not necessarily at the level of the current marzer) for the large-scale functions. There seems to be enthusiasm for this, both within and outside Government.
 - (iii) A substantial strengthening of the existing provisions in the Law of 7 May 2002 to enable (and indeed require) the combination of local authorities into unions of communities for the discharge of their main functions. All three solutions, with variants on each, are already under discussion in Armenia and it is important that the momentum of reform in general should be maintained, especially where this can be achieved without the need for constitutional amendment which may not be possible until a referendum in 2005.

53. In addition to these core suggestions, we would further commend:

- (a) Further strengthening the role (including a regional and international role) of local authority associations.
- (b) The encouragement of efforts by border communities (and also border marzeran) in the direction of better relations and shared activities with their cross-border neighbours.
- (c) The revisiting of the Articles and paragraphs of the Charter of Local Self- Government with a view to Armenia's adherence to all of the Charter's provisions, ie to add to those mentioned in para 2 above.

Source: <https://wcd.coe.int/ViewDoc.jsp?id=887559&Site=Congress&BackColorInternet=eocee1&BackColorIntranet=eocee1&BackColorLogged=FFC679>

GEORGIA – Council Of Europe Congress of Local and Regional Authorities Monitoring Report – 2004

V. THE CONCRETE FUNCTIONING OF LOCAL AND REGIONAL DEMOCRACY: PROBLEMS AND PROSPECTS

1. COMMENTS COLLECTED DURING THE RAPPORTEURS' OFFICIAL VISITS TO GEORGIA

46. On the occasion of their first official visit (Tbilisi, 12-15 March 2003), the Rapporteurs collected important information on the functioning of local self-government and democracy in Georgia as well as on the ratification process of the Charter. On the occasion of the second visit (14-18 September 2003), they were able to gather more detailed information, especially on the day-to-day environment of local self-government units and the progress in attaining compliance with the Charter.

At their meetings at the State Chancellery during the first visit, the Rapporteurs were informed of plans to ratify the Charter. In this context, they were also informed that there is an ongoing process of drafting a number of laws related to local self-government, most notably the laws on local property, local budget, taxation and financial resources. More generally, the representatives of the State Chancellery expressed the view that there is a need to strengthen the financial autonomy of the local self-government bodies in connection with their developing responsibilities.

On their second trip, the Rapporteurs were unable to register any progress whatsoever, either with respect to the ratification of the Charter or the drafting of new laws regulating the areas of focal interest for a functioning system of self-government. Instead, the representatives of the State Chancellery referred to an overall plan to be drafted concerning the initiation of such legislative work.

During its third visit, the Congress Delegation took note of a considerably strengthened commitment of the new government to take the necessary legislative measures in order to accommodate the Georgian municipal administration with the requirements of the Charter. As the most urgent legislative measures were indicated the adoption of laws on municipal finance and municipal property, as well as a complete overhaul of the financial transfer system.

47. At the Ministry of Justice, the Rapporteurs collected information on the ratification process of the Charter. They were informed that a study on the compatibility of the legislation in force with the Charter had been completed. During the Delegation's first visit it was foreseen that the ratification documents would be submitted to the Parliament before the elections in November 2003. The Ministry saw no need for a major revision of the law in force as a prerequisite for ratification. On their second visit, the Rapporteurs were informed that ratification could take place at the earliest in Spring 2004 after the parliamentary elections. Under the new administration, the deadline for ratification was tentatively set at June or July 2004 but then again was postponed to September 2004.

The question of Georgia's ratification of the Charter was also broached in the discussions between the Rapporteurs and the representatives of the Ministry of Foreign Affairs. In general it was agreed that early ratification of the Charter would be necessary to help speed up the reform of local institutions. The discussion also concerned the appointment of a new Georgian delegation to the Congress in compliance with the Congress statutes. The importance of such procedure was mutually stressed.

48. On the occasion of their meeting with the Chairperson of the parliamentary committee responsible for local and regional self-government, the Rapporteurs were informed of draft laws on local property and budget authority.

During their first visit, the Rapporteurs were able to hold discussions with the representatives of the parties on a range of questions relating to the legislation regulating local self-government and on problems encountered in their application.

49. During their first two visits, the Rapporteurs had informative discussions with the Mayor of Tbilisi, the Chair of Tbilisi Council and Council members, as well as with Deputy-Mayors of Kutaisi, Batumi and Poti.

50. The Rapporteurs also met with the representatives of local associations and NGOs. The significance of the work of such associations and organisations was emphasised. It was also pointed out that their role should be stronger and more active.

51. During their meetings with the representatives of local and regional authorities (on both visits; see lists appended to the visit programmes), the Rapporteurs noted the following considerations and recommendations:

- a) Ratification of the European Charter on Local Self-Government is of central importance; it should be supplemented by making the necessary revisions to the Local Government Law and other laws regulating local self-government;
- b) The proper application of the Electoral Code as well as adherence to its provisions and principles should be guaranteed. This would also necessitate a change in the current composition of the Central Election Commission and the District Election Commissions and revision of the method of their appointment to ensure their non-partisan functioning;
- c) Decentralisation of functions and responsibilities should be increased with a view to strengthening the role of the self-government bodies.
- d) A clearly defined legislative framework on local financial resources, local taxation, and local budgets should be introduced to guarantee the independence of local financial decision-making, to ensure citizen participation in the budgetary process and to assign responsibility for supervision of the local budget to local self-government officials;
- e) A law on local property is necessary to clarify which property belongs to the central government and which to local self-government; at the same time, the legal procedures for ownership, use and management of local property should be regulated;
- f) An equitable, impartial, transparent and predictable formula for the transfer of government subsidies and grants should be devised and regulated by law;
- g) Local and district self-government authorities should be consulted directly by the central authorities concerned on the basis of ad hoc procedures;
- h) The appointment of the Mayors of Tbilisi and Poti as well as the district Gamgebeli by the President of Georgia is highly problematic from the viewpoint of the Charter; instead, direct or indirect democratic election of the Mayors/Gamgebelis should be introduced;
- i) The distribution of responsibilities of local self-government in the local interest, on one hand, and those of local governance in the state interest, on the other, is unclearly defined by law. The responsibilities should be more precisely and clearly differentiated. Georgian legislation should therefore divide powers more distinctly between the State and local self-government authorities and separate the administrative systems of elected local organs and decentralised services of the state;
- j) At present, local self-government has no voice at national level, and therefore there is no real local government influence on national policy except through international organizations and NGOs; a national association or body representing the local authorities would be necessary for the purposes of influencing national policy and legislation, sharing best practices, providing training and similar services to the local authorities, developing personal networks and promoting cooperation in the provision of services;
- k) Considering the importance and extent of the responsibilities of local self-government bodies, they lack sufficient and qualified staff; the appointment and promotion of public servants by local authorities on the sole basis of competence should be introduced by law;
- l) Principles of good governance such as transparency, accountability and legality should be strengthened in all public administration and also at the local level.
- m) The supervisory activities performed by central authorities is mainly limited to controlling the legality of local decisions, but the power to invalidate *rayon* level decisions is unlimited; this calls for more precise legislation;
- n) A programme should be developed for determining the territorial and administrative organisation of Georgia. Prior to the adoption of relevant legislation, the role and responsibilities of the *rayon* representative body should be increased.

VI. MAIN CONCLUSIONS AND PROPOSALS

This report provides information and analysis highlighting issues relevant to the current situation in local and regional democracy in Georgia. In general terms, the rapporteurs are of the opinion that though of late certain progress has been made in the elaboration of the legislative framework for local government, much more remains to be done to bring the legislative provisions fully in line with the principles of the European Charter of Local Self-Government. With this in mind, the rapporteurs conclude with the following recommendations:

- 1. With regard to the implementation of the obligations and commitments entered into by Georgia on accession to the Council of Europe:**
 - a. Ratify as soon as possible the European Charter of Local Self-Government (signed in 2002), the European Outline Convention on Transfrontier Co-operation between Territorial Communities or Authorities and its additional protocols, the Framework Convention for the Protection of National Minorities (signed in 2000) and the European Convention on Regional or Minority Languages;
- 2. With respect to the domestic legislative framework on local self-government:**
 - a. Revise the Organic Law on local self-government so that it will ensure full implementation of the principles of the European Charter;
 - b. Make the necessary amendments to the existing legislation in order to ensure that all mayors and all local and regional councils in the country are elected;
 - c. Adopt as soon as possible a draft law governing local government property;
 - d. Adopt as soon as possible a draft legislative package governing local government finance (i.e. draft law on local budgeting, draft law on revenue assignment and draft law on tax-sharing);
 - e. Take all the necessary measures to guarantee the implementation of the enacted legislation on local government.
- 3. With respect to the relationship between the State and local authorities:**
 - a. Encourage a positive attitude towards institutional co-operation between State authorities and local government bodies;
 - b. Introduce institutionalised forms of consultation with local government bodies and NGOs on matters that directly concern local and regional governments;
 - c. Develop good leadership and enhance the capabilities of local politicians and staff;
 - d. Undertake measures to facilitate the creation of a National Association of Local and Regional Authorities of Georgia;
- 4. With respect to regional government:**
 - a. Continue active negotiations with the respective authorities of Abkhazia and South Ossetia with a view to finding a mutually acceptable and peaceful solution to the conflicts;
 - b. Elaborate on the concept of an asymmetrical federation;
 - c. Review the Constitutional law on the Status of the Autonomous Republic of Adjara, in co-operation with the Venice Commission's experts, with a view to achieve a proper distribution of powers and responsibilities between the central government and regional authorities. This will contribute to consolidating the present institutional nature of its autonomy and dissipate the existing tension and misapprehensions on its part towards the central authorities and serve as a sign of good will with respect to Abkhazia and South Ossetia;
- 5. With respect to the appointment of a new national delegation to the Congress:**
 - a. Undertake urgent consultations with local government bodies in order to appoint a new national delegation;
- 6. Education and training of local representatives and staff:**
 - a. Encourage awareness-raising about local democracy among the population, local elected representatives and staff;
 - b. Facilitate the creation of a consensus about decentralisation and regionalisation;
 - c. Support education and awareness activities of local and regional NGOs;
 - d. Implement a national training strategy at local and regional levels;
- 7. With respect to the relationships with the Council of Europe structures:**
 - a. Undertake active steps to strengthen co-operation with the Congress of Local and Regional Authorities of Europe and the Directorate of Co-operation for Local and Regional Democracy on a number of bills and proposals which have been recently drawn up or are being drawn up in order to ensure full compatibility of Georgian legislation with the Organisation's principles and standards;
 - b. Encourage Transfrontier co-operation of local and regional authorities in the Caucasus

