

INTER-AGENCY TASK FORCE

Response to the Transparency International Report on the Use of Administrative Resources During the May 30, 2010 Campaigns (report dated March 29, 2010)

The Georgian authorities are committed to the highest standards of democracy and to the organization of fully free and fair elections.

The Georgian Inter-agency Task Force on Free and Fair Elections (IATF) welcomes the extremely important watchdog-role played by the Georgian civil society. It is not only a proof of the young and vibrant Georgian democracy. It is also essential to guaranty that the election process is being run according to the best international democratic standards and is constantly improving year after year.

The IATF thanks Transparency International (TI) Georgia for its long engagement on issues of democratic reform and for its leadership in Georgia's vibrant civil society. The IATF welcomes the publication of the TI report titled "Use of Administrative Resources for Election Campaign – Local elections 2010 – 29 March 2010".

In the present document, the IATF tries to address and answer the main issues formulated in this IT report by clarifying facts and figures.

1. Transfers from State Budgets to Local Self-Government Budgets

TI Statement:

- There has been an unprecedented increase in the funding allocated to local government entities in Georgia's state budget ahead of the 2010 local elections. According to the report, the 2010 state budget has allocated GEL 836.9 million for transfers to local self-government entities, which is 34% more than in 2009.

IATF Factual Response:

Transfers from Georgia's national government to local government entities increased by 14% from 2009 to 2010, and not by 34% as mentioned by TI. This increase is not "unprecedented": it is actually less than the increase between 2008 and 2009. This continues a trend of increases in expenditures observed in previous years.

Below we analyze the components of the increase:

- Change of transfer-allocation system: The increase over the previous year's budget is due to a reallocation of income-tax revenue to the central government, which also had to be passed on to local governments. The allocation of income tax changed in 2008 so that the full amount of income tax was allocated in the central budget, rather than the local ones. Consequently, transfers to local government entities increased. **(Please see table 1 below)**

	2006 Actual	2007 Actual	2008¹ Actual	2009 Actual	2010 plan
Financial assistance to the regions	217.3	178.6	706.3	847.2	967.9
Increase from previous year	40.5	-38.7	527.7	140.9	120.8
Increase from previous year in %	22.9%	-17.8%	295.5%	19.9%	14.3%

Table 1: Financial Assistance to the Regions

It is worthwhile to note that the amount of equalization transfers are defined by a fixed formula defined in the Organic Law on Local Self-government from 2010. By implementing this reform, the independence of local governments was increased, and this approach raised the sum of the transfers to the regions. However, the total sum of the transfers allocated for regions did not increase significantly due to the fact that there was a decrease in sums for other budget lines, i.e. for the Fund for the Realization of the Projects in the Regions of Georgia. Consequently, all transfers from Georgia's national government to local government entities increased by 14% from 2009 to 2010 **(Please see table 2)**

	2008 ²	2009	2010
Total sum allocated for regions	706. 3	847. 2	967. 9
Among them: Balance transfer	321.0	276.6	522. 5

¹ 2008 is without GEL153.1 mil allocated to address the consequences of the August war

² 2008 is without GEL153.1 million allocated to address the consequences of the August war

Transfer for special projects	10.9	14.7	10.3
Special transfers	148.2	331.3	30.4
The Fund for the Realization of the Projects in the Regions of Georgia	197.8	156.5	91.0
Reserve Fund of the President of Georgia	13.1	24.2	
Reserve Fund of the Government of Georgia	8.6	8.8	
Program to support water companies	6.5	5.4	
Village Support Program		20.0	40.0
Liabilities		9.8	

Table2: Financial assistance to the regions

An increase in regional funding was one of the main recommendations made by international experts to augment the financial sustainability of local self-government entities. This reform increases the autonomy and capacity of local self-governments in order to ensure both a greater decentralization of power and guarantee that priorities are addressed effectively and in a timely fashion.

2. Tbilisi Budget Expenditures

TI Statement:

- Tbilisi received GEL323 million in balance transfers, which amounts to 61.8% of the total balance transfers to all self-government entities.

IATF factual Response

- **Tbilisi received 53.8% of the total transfer from the state to local governments in 2010, and not 61.8% as mentioned by TI. There has not been a significant increase in the sums allocated for Tbilisi in 2010.**

In 2008, Tbilisi received 51.4% from total sums allocated from the central budget to the local governments. Growth in 2010 is 3.8% compared to 2009 (50.0% in 2009) and 2.6% compared to 2008. Moreover, this increase continues a trend seen in previous years. (*See Table 3*)

	2008	2009	2010 plan
Total sum allocated for local governments from central budget	706.3	847.2	967.9
Total sum allocated for Tbilisi from central budget	362.8	423.3	521
Percent of total sums allocated from central budget for Tbilisi	51.4%	50.0%	53.8%

Table3: Financial assistance to Tbilisi

- This growth is not significant taking into consideration the fact that the two most important projects begun in 2009 (the construction of the Vake bypass road and the construction of the Rikhe Park) were partially financed from the budget of Tbilisi. Both of the projects were announced and launched in the beginning of 2009 and could not have been announced in anticipation of the May 2010 local self-government elections.
- There are other objective factors that contribute to Tbilisi receiving the largest portion of state transfers. Tbilisi is the biggest city in Georgia, with a population of approximately 1.3 million. It has the highest concentration of economic activity, which in turn requires significant public expenditures.

TI Statement:

- There has been a considerable increase in the number of employees in the Tbilisi Mayor's Office (by 410 employees) and the salary fund for them increased by GEL 5.5 mil.
- The budget was amended on 22 February 2010 and the expenditures grew by GEL 58.1m. Through these amendments, the number of the Mayor's Office employees increased by 410, while GEL 5.5m was added to the salary fund.

IATF Factual Response:

Tbilisi Mayor's Office hired 5 new direct employees. 150 additional employees were recruited in order to manage the new 30-municipality system in Tbilisi (which replaces the former 5 district system). The

255 other job positions mentioned by TI are not new: they were just existing positions, which have been simply reassigned organizationally into the Mayor's Office.

The apparent total increase was partially determined by the change of status of certain employees or changes in the structure of Tbilisi municipalities, as explained below:

- The Architect Service, previously an autonomous agency, was fully integrated into the Tbilisi Municipality in 2010. It has 112 employees. So while the employees of the Architect Service became staffers of the municipality of Tbilisi, they were not new hires but existing government employees.
- The "Law on the 2010 State Budget" changed the status of employees working on a contract basis to full-time staff; 143 contractors thus became staffers. This was determined by the changes detailed in the legislation.

Therefore, 255 of the 410 listed "new employees" were existing employees reassigned organizationally into the Mayor's Office.

- Additionally, the territorial organization of Tbilisi changed and, as a result of this reform, Tbilisi was divided into 30 municipalities (previously there were 5 districts). This required the hiring of 150 employees to manage the municipalities and augment existing managerial capacity [was this determined by law? By the city council? By the Mayor's Office?].

Therefore, 255 employees were already employed by the government, 150 new employees were hired to manage the administrative changes mandated by the new organizational law, and the Mayor's Office expanded only by 5 new employees.

3. Rural Aid Programs

Ti Statement:

- Funding for the state program of rural aid doubled in the 2010 state budget compared to the previous year, growing from GEL 20 million to GEL 40 million.

IATF Factual Response:

The change in the rural aid program was the result of political consultations between the parliamentary opposition party CDP (the Christian-Democratic Party of Georgia) and the UNM in 2009. The CDP demanded several times that the government increase the sums allocated for agricultural projects. As a result of political dialogue, the decision was made to allocate GEL40 million for such projects in 2010.

4. Growth in Expenditures of Governors' Administrations

TI Statement:

- Administration employees increased by 22 in every administration of a state representative/governor, which resulted in a bigger salary fund. This is probably linked to the creation of emergency services, however, it is an exclusive power of the self-government bodies to deal with fires and other emergencies and they have relevant services too.

This change is at odds with the president's proposed policy of "tightening the belt" and reducing bureaucracy, which implies optimization of administrative costs, staff numbers and salary funds. Those who oppose these initiatives believe that the changes are linked to the May elections. According to them, the government is using budget funds to employ the people who will participate in the ruling party's election campaign.

IATF Factual Response:

In the aftermath of Russian aggression in August 2008, Georgia recognized the need to enhance its crisis management system (CMS), which will be based on the principle of inter-agency cooperation—bringing together efficient means of communication and effective command structures.

To pursue this goal, the Parliament of Georgia, on July 31, 2009, adopted amendments to the "Law on Protection of the Population and Territories from Natural and Man-made Emergencies" that ensured a basic legal framework for the autonomous and regional dimensions of the CMS. The responsibility of local authorities to ensure municipal fire protection has remained under local self-governments' own competence exclusively, while regional authorities were responsible for providing regional coordination in case the scale of disaster/crisis spills over the boundaries of any single local self-government unit. Regional crisis management is passed on to central authorities if the disaster/crisis becomes interregional/ national with its scale and/or nature.

In order to implement the above-mentioned provisions of the law, amendments were made to the Ordinance of the President #43 and #44 to increase the staff of regional governors' offices by 22 persons respectively. The resources have already been allocated to equip and train these individuals to meet the tasks of coordinating field operations and participating in the rescue operations themselves.

5. Funding for Social Programs

TI Statement:

- According to the report, the pension for pensioners in Tbilisi increased by GEL 10 following a decision of the Mayor's office. The report considers this decision at odds with the Georgian Organic Law On Local Self-Governance (whereby the pension policy is not part of the self-government powers) as well as being discriminatory towards pensioners in other regions.

IATF Factual Response:

The increase of pensions by local governments is clearly authorized by the Organic Law on Local Self-Governance. There is no discrimination between the regions as all local governments can implement such a discretionary policy. The increase of the level of pensions is not new and has been constant over the last years, as in most European countries.

The general policy of the Government of Georgia is socially oriented. Year by year, the state budget as well as the budgets of local governments are more socially oriented.

- The decision of the Tbilisi government to allocate financial aid to certain categories of society is authorized by the Organic Law of Georgia on Local Self-government. According to article 16, paragraph 2 of the Law, local governments are responsible for "mobilizing resources in the spheres of health and social protection/social welfare on the territory of the self-governing unit." Consequently, the decision of the Tbilisi Sakrebulo (city council) allowing the Tbilisi government to provide pension holders with GEL 10 social aid is not at odds with the Organic Law of Local Self-government.
- Furthermore, since the above-noted provision of the Organic Law enabling local governments to introduce social-assistance programs is a universal norm applying to all such entities, it is inaccurate to claim that this initiative of the Tbilisi Sakrebulo is discriminatory. Local governments have the right to have local social policy aiming at introducing social programs. This is not a discriminatory but a discretionary exercise.
- It is noteworthy to mention that providing Tbilisi pensioners with social aid is a general practice of previous years. In 2003-2004 Tbilisi pensioners were provided with additional financial aid of GEL 3. In 2006-2007 Tbilisi pensioners were paid additionally from GEL 2 to 10 depending on their years in service. Providing pensioners with a financial aid package is the continuation of already existing trends.

TI Statement:

- The Tbilisi Mayor's Office has also passed a decree whereby the 167,271 pensioners residing in the capital are to receive personal transport cards. The Mayor's Office has decided to spend GEL 4 million from the city budget to provide all pensioners with 25-lari medication vouchers.

IATF Factual Response:

Providing personal transport cards and medication vouchers to pensioners has been a constant social policy; it has been implemented in 2007, 2008, 2009 and 2010, no matter if there were elections or not these years.

- Introducing social assistance programs is legal under the Organic Law of Georgia on Local Self-government, which enables local governments to introduce social assistance programs. The program to provide Tbilisi pensioners with medication vouchers was included in the Tbilisi budgets in 2007, 2008, and 2009.
- Transparency International claims that social programs have only been implemented in Tbilisi during election years. In fact, there were many social programs in 2007 and 2009, which were not election years. Please refer to the below list of social programs in 2007 and 2009.
- The fact that 2007 and 2009 were not election years did not change the number of social programs carried out by the Tbilisi Government.
- Moreover, the policy of assisting socially vulnerable layers of society remains to be the top priority together with helping various categories of citizens. This detail once again reaffirms the fact that the social policy of the government is in line with its commitments of contributing to the welfare of citizens. Please refer to the below list of social programs in 2007 and 2009.

General Note:

Parliament of Georgia introduced additional safeguards in legislation to prevent abuse of administrative resources. According to amendments introduced to Election Code in March 2010 from the moment of setting election date until rendering final results it is prohibited:

- to implement those projects not envisaged by central or local budgets before setting election date or
- increase funding of program envisaged before setting the election date

Therefore, during election campaign new programs not planned well in advance cannot be initiated and implemented.

Selected 2007 Tbilisi Social Programs

- Research and prevention of Oncological diseases for the Tbilisi population
- Tbilisi ambulance program
- Financial aid program for socially needy families (GEL60 of aid yearly to cover communal payments)
- GEL200 financial aid for every newborn child for socially needy families of Tbilisi
- GEL10 financial aid for socially needy large families (4 or more children) for each member under 18 years old
Payment of 50% of the telephone bills of socially needy families
- Free dining halls for socially needy persons
- The Tbilisi government organized holidays in mountainous or sea health resorts for children with disabilities and from socially needy families
- Burial program for unclaimed deceased persons
- Financial aid program for the citizens of Tbilisi over 100 years old
- Financial aid program to cover, partially or fully, the education costs for students from socially needy families
- Financial aid for the pensioners of Tbilisi from GEL2 to GEL10, depending upon their number of years in public or private service
- Program to provide care for socially vulnerable persons
- Social protection program for deaf-and-mute persons
- Program to build almshouses for elders and disabled persons
- Social aid for first-year pupils in schools
- Partial or full payment of municipal transport for select categories of society

Selected 2009 Tbilisi Social Programs

- Financial aid program for socially needy families to partially cover communal costs
- Financial aid program for socially needy families having 3-4-5 and more children (GEL600 for families with 3 children, GEL800 for 4 children, GEL1000 for 5 children and additional GEL200 for each additional child)
- Rehabilitation program for disabled children
- Financial aid program for citizens over 100 years old
- Program to provide socially needy persons with information regarding social protection issues
- Burial program for unclaimed deceased persons
- Social aid program for war veterans
- Screening program for mammary diseases (with co-financing from the UN Fund)
- Immediate ambulance program
- Epidemiologic control program for contagious diseases
- Medical insurance-assistance program
- Program to provide deaf persons with translators/dactologs
- Program to provide Tbilisi pensioners with medicines
- Partial or full payment of municipal transport for different categories of society
- Partial payment of water supply costs for socially needy families
- Program to increase qualifications of the directors of the Tbilisi schools
- Program to provide first-year pupils with books free of charge

6. Participation of Public Officials in the Election Campaign

TI statement:

- According to the report there have been instances of active involvement of ruling-party representatives in the implementation of social and healthcare programs (including free programs) financed from the state and local budgets.

IATF Factual Response:

Such a practice, if confirmed, should indeed be sanctioned and the IATF will seriously examine it. The President of Georgia in his “Address to The Nation” on February 26, 2010 warned civil servants and gave strict instructions to obey election legislation. Similar statement was made by speaker of parliament David Bakradze at Parliamentary bureau meeting on April 12, 2010. Any accusation of violation of the rule of the Election Code should be thoroughly investigated by the CEC and violators should be punished. The IATF will play a role in gathering complaints.

Conclusion:

The IATF thanks TI for its report and for opening the very important debate about the use of administrative resources in the up-coming local elections.

The IATF thanks TI for having noticed a possible abuse of administrative resources due to the possible involvement of ruling party representatives in the implementation of social and healthcare programs (paragraph #6 in the present document). If this was to be confirmed, sanctions should be taken.

Apart from that, and after close examination of all the facts and figures, it appears that there has been so far no use of administrative resources for the election campaign.

The IATF wishes to further engage with TI and other leading civil society organizations, exchange information, cross check facts and figures and contribute to a high-quality vigilance and scrutiny of the election process. This is extremely important to guaranty that the upcoming elections will be fully free and fair. It is also indispensable in order to build trust within the society around the election process and common democratic values.