



USAID | **CAUCASUS**
FROM THE AMERICAN PEOPLE

Country Development Cooperation Strategy

Fiscal Year 2013 – 2017



Georgia

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Cover photograph: *Old Tbilisi*
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Abbreviations & Acronyms

| | |
|---------|--|
| ABL | Administrative Boundary Line |
| ADB | Asian Development Bank |
| ADS | Automated Directives System |
| AIDS | Acquired Immunodeficiency Syndrome |
| CAF | Conflict Assessment Framework |
| CDC | Centers for Disease Control |
| CDCS | Country Development Cooperation Strategy |
| CEC | Central Election Commission |
| CPHRL | Central Public Health Reference Laboratory |
| CPR | Contraceptive Prevalence Rate |
| CSO | Civil Society Organizations |
| DCA | Development Credit Authority |
| DG | Democracy and Governance |
| DO | Development Objective |
| DOJ | Department of Justice |
| DTRA | Defense Threat Reduction Agency |
| EU | European Union |
| EUR/ACE | Office of the Coordinator of U.S. Assistance to Europe and Eurasia |
| FDI | Foreign Direct Investment |
| FSN | Foreign Service National |
| FSO | Foreign Service Officer |
| FTA | Free Trade Agreement |
| GAR | Georgia Assistance Review |
| GDP | Gross Domestic Product |
| GHG | Greenhouse Gas |
| GHI | Global Health Initiative |
| GIS | Geographic Information Systems |
| GOG | Government of Georgia |
| HIV | Human Immunodeficiency Virus |
| HMIS | Health Management Information System |
| IDP | Internally Displaced Person |
| INL | U.S. Bureau of International Narcotics and Law Enforcement Affairs |
| IR | Intermediate Result |
| JILEP | Judicial Independence and Legal Empowerment Program |
| LEDS | Low Emission Development Strategy |
| NATO | North Atlantic Treaty Organization |
| NCDC | National Centers for Disease Control |
| NGO | Non-governmental Organization |
| NED | National Endowment for Democracy |
| IDP | Internally Displaced Person |
| MCC | Millennium Challenge Corporation |
| MDG | Millennium Development Goal |
| MDR TB | Multi-drug Resistant TB |
| M&E | Monitoring and Evaluation |

| | |
|--------|---|
| MoES | Ministry of Education and Science |
| NDI | National Democratic Institute |
| NIT | Nations in Transit |
| OPIC | Overseas Private Investment Corporation |
| PMP | Performance Management Plan |
| RF | Results Framework |
| RHS | Reproductive Health Survey |
| SAA | State Audit Agency |
| SME | Small and Medium-sized Enterprise |
| SMR | State Ministry for Reintegration |
| SNC | Second National Communication |
| TB | Tuberculosis |
| UN | United Nations |
| UNDP | United Nations Development Program |
| U.S. | United States |
| USAID | U.S. Agency for International Development |
| USDA | U.S. Department of Agriculture |
| USG | U.S. Government |
| VET | Vocational Education and Training |
| WB | World Bank |
| WHO | World Health Organization |
| XDR TB | Extensively Drug-resistant Tuberculosis |

Map of Georgia



I. Executive Summary

United States (U.S.) policy in Georgia exemplifies how our approach to former communist states can succeed. Thanks in large part to U.S. political support and assistance, a country close to being a failed state eight years ago now is a strong partner in combating terrorism and nuclear proliferation, contributes substantially to North Atlantic Treaty Organization (NATO) missions, has constructive relations with most of its neighbors, and is one of the most democratic countries in the former Soviet Union. At the same time, Georgia presents challenges to which the U.S. is committed to respond. Georgia requires further democratic development, reforms in other areas need to be sustained, and the Russian occupation of the separatist regions of both Abkhazia and South Ossetia undermines their reintegration into Georgia and puts a brake on the overall reform process, a U.S. priority.

Building on 20 years of partnership, the U.S. Government (USG) proposes to allocate new USAID development resources over the next five years to achieve the goal, *Georgia's democratic, free-market, Western-oriented transformation strengthened and sustained*. To attain this goal, we will concentrate effort on the following three development objectives (DOs): (1) democratic checks and balances and accountable governance enhanced, (2) inclusive and sustainable economic growth, and (3) an increasingly stable, integrated and healthy society. Through smart investments, the USG will partner with the Government of Georgia and other host country entities to promote democratic checks and balances and more accountable governance that will contribute to more competitive and enduring democratic institutions. Through the application of a political economy lens to our economic growth efforts, we will advance inclusive and more sustainable growth. Through dedicated efforts to improve stability and integration, the USG will help to increase the security of the Georgian people. Programming under this strategy will develop and employ host country systems and champion USAID Forward reform goals. CDCS cross-cutting themes include gender equality, youth, human and institutional capacity development, and transparency and evidence-based decision-making.

This strategy represents a transition away from robust post-conflict programming funded by the USG's 2008 pledge of \$1 billion to a more normalized assistance package. A core principle for the USG will be the sustainability of post-conflict investments which will be fully implemented by the mid-term of this CDCS. As the Mission has focused from five objectives in the current post-conflict strategy to three objectives under this CDCS, assistance in key areas will graduate, including in large-scale infrastructure, basic education, and health. The strategy is aligned with host country priorities, U.S. foreign policy, and USG administration initiatives, including Feed the Future and Global Climate Change. USAID is prepared to be held accountable for the achievement of the development objectives outlined in this CDCS, though the effort will be reinforced by other USG actors and donors. Achievement of the CDCS goal will require both diplomatic and assistance effort on the part of the USG and broader donor community, and is subject to a number of host country-setting risks and assumptions.

By the end of this strategy period, we expect to see a Georgia that practices more accountable governance; achieves more broad-based and sustainable economic development; and has made tangible progress reaching out to people in the separatist regions, and in regions with significant minority populations.

II. Development Context

U.S. policy in Georgia exemplifies how our approach to former communist states can succeed. Thanks in large part to U.S. political support and assistance, a country close to being a failed state eight years ago now is a strong partner in combating terrorism and nuclear proliferation, contributes substantially to North Atlantic Treaty Organization (NATO) missions, has constructive relations with most of its neighbors, and is one of the most democratic countries in the former Soviet Union.

Since 1992, the USG has invested over \$3 billion in Georgia (including funds allocated in response to the 2008 conflict), with approximately half of these resources programmed through USAID. After the 2003 “Rose Revolution,” a pro-reform government began reforms across almost every sector of its administration. USAID worked with the Government of Georgia (GOG) to improve service delivery and reduce corruption through civil registry reform; improve management and operations at Georgia’s largest regional energy distribution company to allow consistent electricity in homes and businesses for the first time in 15 years; realize business enabling environment reforms, contributing to Georgia’s rise from 112th on the World Bank’s (WB) Doing Business 2006 survey to 16th in 2011; and, extend overall immunization coverage, including for Diphtheria, Measles, and Polio, resulting in Polio Free Certification.

At the same time, Georgia presents challenges to which the U.S. is committed to respond. Georgia requires further democratic development, reforms in other areas need to be sustained, and the Russian occupation of the separatist regions of both Abkhazia and South Ossetia undermines their reintegration into Georgia and puts a brake on the overall reform process, a U.S. priority.

This year the U.S. celebrated 20 years of diplomatic relations with Georgia, including 20 years of USAID assistance (see Annex 1). USAID assistance began in 1992 with humanitarian assistance programs which responded to the aftermath of Georgia’s civil war. Later assistance expanded to support Georgia’s nascent democratic, economic growth, energy and environment, and social sector reforms. Following the “Rose Revolution,” USAID focused assistance on economic and governance reforms, contributing to Georgia’s transformation during this period. In response to the war with Russia in 2008, the USG initiated a \$62 million humanitarian assistance program followed by \$1 billion in full spectrum assistance to enable Georgia to manage the economic shock of the conflict. USAID managed \$576 million of the \$1 billion, including a \$250 million cash transfer to the GOG. Many of the programs financed with these resources will continue through the mid-term of this CDCS.¹

Over two decades, the USG has learned valuable lessons regarding successful implementation of assistance in Georgia. First, expect the unexpected. Conduct strategic and annual program planning, but maintain the ability to be responsive to rapidly changing events as they unfold. As military planners acknowledge, plans do not survive first contact. Nowhere is this more true than in Georgia. Second, rigorous and timely activity design is critical. We must ensure that programs developed under this strategy are evidence-based and demonstrate technical

¹The majority of these funds will be used to finance ongoing construction of electrical transmission lines, gas pipelines, Internally Displaced Persons housing, and municipal infrastructure.

excellence, but we must also ensure that programs are brought to bear in a timely manner given the dynamic host country setting. Third, everything in Georgia is political, including U.S. assistance. We must be vigilant to prevent political actors, be they pro-government or pro-opposition, from taking advantage of U.S. assistance to advance their personal goals. Fourth, we cannot want it more than the Georgians. That is, to succeed, development efforts need host country demand and leadership. Where we have had strong GOG or host country champions in the past, for example in the case of the Civil Registration Agency, we have seen remarkable accomplishments through combined assistance and host country effort and commitment. Similarly, where we have lacked this political will, programs have failed to realize their full potential. Finally, the USG should and will continue to maintain its focus on the Georgian people as the beneficiaries of assistance and not any one administration or counterpart.

U.S. foreign policy seeks to help Georgia sustain progress to strengthen its democratic, free-market, Western-oriented transformation, the goal of this CDCS. This means consolidating and advancing democratic and economic reforms, strengthening institutional checks and balances, enhancing informed civic participation, ensuring a fair and open arena for political and economic competition, and promoting inclusion of women, ethnic minorities, and vulnerable populations in the country's development. A related objective is to support Georgia's territorial integrity, prevent any resumption of military conflict, and gradually expand interaction and cooperation between the Georgian government and people and the people living in the occupied territories of Abkhazia and South Ossetia. U.S. foreign policy objectives seek also to continue and strengthen the partnership between the U.S. and Georgia in support of our shared objectives, including in the areas of trade, security, counterterrorism, counter proliferation, disease detection and control, and law enforcement.

Embassy Tbilisi will work toward U.S. foreign policy and related CDCS objectives against the backdrop of a tight U.S. budget climate, the winding down of the \$1 billion post-war assistance package, and the upcoming 2012 parliamentary elections. These changes will necessitate tactical adjustments in our Georgia policy, but not to our top-line goals. While not an exhaustive list, USG assistance will include: USAID development assistance directly focused on the goals of this CDCS, U.S. Department of Agriculture (USDA) assistance focused on agricultural development and extension, Department of Justice training and technical assistance for prosecutors, a potential Millennium Challenge Corporation (MCC) second compact of support for education (TBD), State/Public Affairs and National Endowment for Democracy (NED) programming in support of civil society development, Defense Threat Reduction Agency (DTRA) support for the Central Public Health Reference Laboratory (CPHRL), and related Centers for Disease Control (CDC) work with CPHRL and Georgian partners to develop a CDC Global Disease Detection Regional Center in Tbilisi, as well as Treasury and Commerce related programming.

Consistent with Paris Declaration and Accra Accord goals, U.S. foreign assistance priorities are closely aligned with GOG priorities in democratic governance, economic growth, energy and environment, conflict mitigation, national integration, and inclusive development. As outlined in the Results Framework narrative, the GOG has established numerous sector specific strategies and action plans which will be advanced by USG assistance efforts undertaken in support of this strategy. In some areas, however, our assistance goals will require working outside of GOG

structures to promote reforms that are in the public interest. For example, we will continue to support civil society advocacy and watchdog efforts to improve oversight of government to help strengthen Georgia's democracy.

The Mission has well developed working relationships with other diplomatic missions, donors, and international organizations providing assistance to Georgia. As part of donor coordination efforts led by the Ministry of Finance, Mission personnel continue to participate in various donor coordination forums. Donor coordination remains strongest at the sector level, where donors and Georgian partners work together to address development challenges. Key donors in country include the World Bank which has a large transport infrastructure focused program that is coordinated with related Asia Development Bank investments. Programming of United Nations (UN) agencies, the European Union (EU), and EU member nations support democratic governance, economic growth, energy and environment, and conflict mitigation efforts which complement and are coordinated closely with USAID programming through sector working groups and regular working level donor to donor coordination.

Democracy and Governance

Georgia is a key ally of the United States in a strategically important region. Georgia's "Rose Revolution," its stated commitment to democracy, and its real progress in some areas of democratic development have made it a positive example for others in the Caucasus and Eurasia. Further progress on democracy and good governance will strengthen the basis of our bilateral relationship and advance Georgia's aspiration to join the North Atlantic Treaty Organization (NATO). Given the U.S.'s strong partnership with Georgia and its broader support for Georgia's aspirations for Euro-Atlantic integration, diplomatic engagement and encouragement on democracy and governance issues represent crucial elements supporting and enabling USAID's development efforts in this area.

Since 2003, political change in Georgia produced both positive and negative results with regard to the development of democracy. Parliament is dominated by the ruling political party, lacks institutional independence from the executive branch, and has fallen short of its potential to provide a genuine arena for political debate and deliberation. Opposition parties have suffered from volatile leadership, disunity, poor organization and outreach beyond Tbilisi, weak campaigns, and a lack of media access. Women and ethnic minorities are severely under-represented in political office at national and local levels. Civil society has been an active and influential player in pressing for constructive political change and for encouraging government accountability, but remains underdeveloped outside of the watchdog/advocacy sphere and outside of the capital. Media is highly politicized and dominated by pro-government outlets and monitored by a pro-government regulatory body. The GOG has been successful in largely eliminating petty corruption and improving administrative efficiency and transparency; however, accountability of state administration remains limited. Assessment findings indicate that judges have become less corrupt and better trained and judicial bodies have more capacity, however, the independence of the judiciary remains a significant challenge.²

² USAID Democracy and Governance Assessment of Georgia. 2011.

Perhaps the most important challenge for democratic development in Georgia has been the concentration of power in the executive branch, which has exacerbated long-standing problems of political competition and accountability. Three other central and cross-cutting developmental challenges in the democracy and governance sector are: a lack of public trust and confidence in some state institutions; insufficient government engagement and public dialogue; and, a wide gap in the development of democratic institutions between the center and the regions.

Strengthening the role of civil society to interact with citizens, objectively analyze policy problems, advocate for issues that concern women and other under-represented groups, and engage constructively with the state is critical for providing citizens with a participation channel beyond periodic voting. Independence of the media sector must be established if it is to provide true plurality of opinions, analysis, and information in a balanced, non-biased manner. Rule of law has improved, but increased judicial independence, consistency, and professionalization would allow the judiciary to act as more of a check on the executive branch.

Ratings and scores assessing Georgia's progress on democratic freedoms are fairly stagnant. Freedom House's *Nations In Transit* (NIT) index reports an overall democracy score for Georgia of 4.86 for 2011 (with 1 the highest and 7 the lowest possible index scores), slightly worse than the 4.83 score for 2003.³ The best NIT score for any sector in the democracy area is civil society, at 3.75, which is unchanged for three years. The worst sector is national democratic governance, with a score of 5.75, up from a score of 6.0 in 2010. Georgia fares slightly better in Freedom House's *Freedom in the World* survey.⁴ For 2012, Georgia rated as "Partly Free" with a Political Rights score of four and Civil Liberties score of three. As with NIT, these scores have not changed dramatically since 2003. The Economist Intelligence Unit Democracy Index for 2011 categorizes Georgia as a 'hybrid regime' (below 'flawed democracy' but above 'authoritarian regime') with an overall score of 4.74 (out of a possible 10).

The 2012-2013 period will be critical for Georgia's political development, as the country faces parliamentary and presidential elections, the movement of parliament from the capital to Kutaisi, and the implementation of constitutional reform, which will move the political center of gravity to the Prime Minister. While the manner in which these events will take place and their implications are highly uncertain, it is possible to suggest the likely opportunities and challenges they will present for the strengthening of democracy and governance in Georgia.

With President Saakashvili concluding his second, and final, five-year term, the 2012 parliamentary and 2013 presidential elections will represent a key moment for Georgians to select their political leadership and engage in a national discussion on key priorities. The strength and unity of the opposition in the next parliament could have a substantial impact on the potential for greater political pluralism, political party development, the institutional strength of parliament, and a range of other democratic institutions and processes. The pre-election environment, the conduct of the elections, and perceptions of the integrity of the electoral process will also influence the level of political polarization in Georgian politics.

³ Freedom House. *Nations in Transit* 2011. http://www.freedomhouse.org/sites/default/files/inline_images/NIT-2011-Georgia.pdf

⁴ Freedom House. *Freedom in the World* 2012. <http://www.freedomhouse.org/report/freedom-world/freedom-world-2012>

The relocation of parliament represents an historic change that will have important implications for how politics are conducted in Georgia. The parliament is moving in 2012 from the capital Tbilisi to Georgia's second-largest city, Kutaisi, some 100 miles west of Tbilisi. The GOG's stated reason for moving parliament is to enhance the development of Western Georgia. Taken together with the move of the Constitutional Court from Tbilisi to Batumi in 2007, as well as intensive commercial, tourism, and public service sector development efforts in Western Georgia, the relocation to Kutaisi can be seen as part of the GOG's concerted efforts to develop the region. The political impact of this change will depend heavily on how much the government and ruling party demonstrate a commitment to the parliament in Kutaisi and its composition. If that commitment is demonstrated, Kutaisi could become a true second locus of political and civic activity, attracting government officials, political party members, and civil society activists to engage in legislative and policy deliberations and debates. Alternatively, the move could result in the isolation and weakening of the legislature if the executive branch, ruling party, and parliamentarians themselves do not spend significant amounts of time in Kutaisi.

The effects of constitutional reform will also depend heavily on how those reforms are implemented. The reforms are expected to go into force on December 1, 2013, following the presidential elections in autumn of the same year. The amendments will reduce the powers of next president in favor of the prime minister, including with respect to the president's authority in foreign policy, in appointment of the chief of staff of the armed forces, and in the president's right to initiate laws. The amendments will also prevent the next president from holding an official post in a political party, although s/he will retain the right to be a member of a party. There is the possibility that the new system will lead to greater consultation by the government with parliament, especially if the Prime Minister is selected by a narrow majority of parliament. There is also the possibility that the constitutional amendments will result in more continuity than change, with predominant political authority simply shifting to the Prime Minister, and the executive continuing to dominate the legislature.

Economic Growth

Georgia has significant economic advantages. It occupies a strategic regional geographic location with proximity to international markets, has significant natural resources, and is endowed with fertile soil and multiple micro-climates. Georgia has or can achieve a comparative advantage in the areas of agriculture, agribusiness, tourism, clean energy, transportation, services, and manufacturing. For example, Georgia has an absolute advantage in water resources, but only utilizes 12 percent of its potential for hydropower⁵ and only six percent for irrigation.⁶ Labor is comparatively inexpensive. Even though the low quality of Georgia's training and education systems (ranked 119th among 134 countries⁷) affects its competitiveness and employment generation, existing human resources consist of resourceful (and creative) people willing to work hard, ready to improve their skills, and eager to provide a better life for their families.⁸

⁵ Galt & Taggart, *Hydro in Georgia: Undeveloped Potential*, 2007.

⁶ USAID/Georgia, *Analytical Foundational Assessment – Rural Productivity*, November 2011.

⁷ World Economic Forum, *The Global Competitiveness Report 2010–2011*.

⁸ Deloitte. *Georgia Competitiveness Assessment*. 2010

Significant achievements as well as severe setbacks have shaped Georgia's economy. Gross domestic product (GDP) per capita declined in the post-independence period from \$1,500 to around \$500 but gradually trended upward prior to the 2003 "Rose Revolution."⁹ Between 2003 and 2008, the economy grew at approximately nine percent per year. Having reached a high of \$3,000 in 2007-2008, per capita GDP fell after the 2008 conflict between Georgia and Russia and the global financial crisis, but gradually recovered, reaching an estimated \$3,200 in 2011. Much of the 2003-2008 growth was driven from increased foreign direct investment (FDI) resulting from a wide range of macro and microeconomic reforms, civil service reforms eliminating petty corruption, and a government campaign to attract foreign investors. Since the double crises, national savings have fallen off and FDI has been insufficient to achieve the previous rapid growth rates. Georgia has known "jobless growth" as: (a) it reduced the size of over-populated, rent-seeking bureaucracies; (b) the economic reform benefited the elite and a small but growing middle class; and (c) with foreign investment focused on sectors of the economy such as banking and real estate, which created relatively few jobs. Further, only one percent of FDI went to agriculture, and a small fraction of FDI was invested in other productive sectors, such as manufacturing, that have the potential to spur the development and growth of small- and medium-sized enterprises, the key "job-creators" in the economy. Pensions and social welfare payments remain low. A significant challenge will be to generate more and better jobs by accelerating growth in the tradable goods, agriculture, manufacturing and service sectors, which have shrunk or stagnated over time.¹⁰ Georgia's poorly developed workforce remains a challenge, with the disconnect between the supply and demand for skilled labor cited by the GOG as a binding constraint to economic growth.¹¹

Economic policy barriers also undermine Georgia's investment climate. Governance policy and practice have not prevented, and appear to encourage oligopolistic and cartel-like market behavior among politically connected private sector actors on the one hand. While there have been a number of positive reforms at the Revenue Service, some aggressive revenue collection practices by the tax authorities and plea-bargaining by prosecutors contribute to perceptions that commercial disputes are not settled fairly according to impartial application of the law. Together, these realities undermine market principles and act as barriers to business development, employment generation, and economic growth. While the Law of Georgia on Monopolistic Activities and Competition did not prevent adequately the abuse of market power, the newly introduced Law on Free Trade and Competition might represent the necessary next step in addressing this constraint. Businesses complain occasionally about harassment by the tax authorities and prosecutors, citing unexpected raids and harsh fines for what companies argue are minor legal breaches.¹² Anecdotal evidence suggests that the more viable businesses are pressured to pay fines for alleged legal breaches, and that the amount and use of these revenues is not transparent. Business-friendly reforms in the Revenue Service and the introduction of a tax ombudsman have improved the situation, but problems remain.

⁹ Figures in current dollars from the [World Bank, World Development Indicators](#), 2011.

¹⁰ World Bank, *Georgia: An Agenda for Sustaining Growth*, 2011.

¹¹ Government of Georgia, *Constraints Analysis*, April 2011.

¹² Transparency International Georgia, "The Georgian Taxation System—An Overview," May 2010.

Currently, out of around 4.2 million Georgians, about 1 million are “poor” or unable to afford necessities. About 400,000 of these are “extremely poor” or unable to meet basic food requirements. Poverty in Georgia has four major causes: lack of economic opportunity; isolation; insufficient skills, capabilities and assets; and, shocks to income through health failure or disasters resulting in the loss of a breadwinner. Poverty is most severe in mountainous, rural regions (around 50 percent) and less severe in urban areas (about 13 percent in Tbilisi).¹³ Female-headed households are more likely to be extremely poor than male-headed households.

However, it is unemployment rather than poverty that presents the deepest socioeconomic challenge to Georgia. The official unemployment rate hovers around 16 percent. However, National Democratic Institute (NDI) polling indicates significantly higher levels of unemployment. A large proportion of the unemployed are youth. Real unemployment is masked by subsistence farming involving around 500,000 farm households (Georgia’s de facto social safety net), welfare payments to various social categories, and intra-family assistance. In the public opinion, unemployment consistently tops the list of citizens’ concerns in NDI and International Republican Institute (IRI) opinion polls. In February 2012, 32 percent of respondents said that the job situation had worsened since January 2008 (43 percent said it was just as bad)¹⁴. Many believe about 70 percent of the Georgian population needs a job or a better paying job.

The GOG’s emphasis on economic growth and poverty reduction has made environmental considerations and low emission development secondary priorities. Due to the decline in Georgia’s energy and industrial activities and trade following the disintegration of the Soviet Union in 1991, Georgia’s national emissions in 2006 (12,220 ktCO₂e) represented only 26% of its 1990 levels. However, paralleling its economic growth, Georgia’s emissions have risen slowly but steadily since 2004. In the most recent national inventory presented in Georgia’s Second National Communication (SNC) to the United Nations Framework Convention on Climate Change, the energy sector accounts for approximately half of Georgia’s emissions (transport contributing approximately 10%), followed by agriculture (27%), industry (15%), and waste (9%).

Comprehensive macroeconomic models and projections for Georgia (and the resulting emissions impact) have not been developed. The SNC contains a business-as-usual model that forecasts emissions resulting from Georgia’s energy sector to increase from 5,964 ktCO₂e in 2006 to 16,397 ktCO₂e in 2025. The SNC also notes that emissions from the growth sectors of transportation and industry are likely to increase; however, a quantitative assessment of the magnitude of these increases has not been undertaken, nor have projections for the agriculture or waste sectors been developed.

In the absence of clear environmental laws and regulations governing pollution and natural resource conservation, the condition of Georgia’s natural resources has suffered. The country faces numerous environmental challenges and biodiversity threats including poor waste management, air and water pollution, coastal and marine pollution, inappropriate use of chemicals, erosion of soil on large areas of arable land, habitat loss, invasive species, and illegal

¹³ World Bank, Georgia Poverty Assessment, 2009.

¹⁴ National Democratic Institute, Public Attitudes in Georgia NDI Survey, February, 2012.

logging and hunting. The combined effect has been to undermine Georgia’s natural resource base and ecosystems, both critical natural endowments that the country will depend upon for sustainable economic development and increased resilience to natural disasters and longer-term climate change.

Several notable economic trends have started, or are soon likely to unfold. First, the global financial crisis has caused the GOG to adjust its liberal economic philosophy to reflect practical challenges. When foreign investment declined and jobs were not created in new industries, the GOG endeavored to jumpstart the growth process on its own. The most tangible sign has been to turn to domestic agricultural production, consistent with the GOG “10-Point Plan” for Modernization and Employment.¹⁵ The rapid succession of reforms and institutional changes since the “Rose Revolution” has been accompanied by instability in economic policy to the detriment of coherent, long-term strategic planning. Released in October 2011, the “10-Point Plan” may arguably be the first and most formal contemporary document communicating Georgia’s long-term economic development objectives. The plan targets Georgia’s two major challenges, namely, “how to create more and higher-paid jobs and how to improve the social status of [its] citizens.” The development hypothesis outlined in this CDCS supports the overall objectives of the “10-Point Plan,” but it selectively focuses only on specific areas based on resource projections, comparative donor advantage, and USG assistance objectives.

Second, as Russia completes the World Trade Organization (WTO) accession process, it may provide a new basis for Russian-Georgian commercial relations including lifting the Russian trade embargo against Georgian water, wine and agricultural products. With Russia as a member of a rules-bound organization, it can be called upon to respect those rules. This strategy aims to assist Georgia to take advantage of its WTO membership to regularize and improve its commercial relationship with Russia.

Third, the opening of a high level dialogue on trade between the U.S. and Georgia included the possibility of a free trade agreement (FTA) and Georgia’s effort to conclude a Deep and Comprehensive FTA with the EU offer important levers for continued policy dialogue and reform in Georgia. The USG should be ready to use these possibilities to motivate more informed and deliberative reforms.

Fourth, due to competing political and economic priorities, the GOG has only recently begun to shift attention to environmental issues. The Mission should be ready to capitalize on the GOG’s political will to reform Georgia’s weak environmental laws and regulations. For example, U.S.

- GOG “10-Point Plan”
for Modernization and Employment
(2011 – 2015)**
1. Macroeconomic Stability
 2. Improvement of Current Account Balance
 3. Creation/Maintenance of Favorable Investment and Business Environment
 4. Regional and Logistic Hub Development
 5. Improvement of Infrastructure
 6. Development of Agriculture
 7. Improvement of the Education System
 8. Fine-Tuning Social Policy
 9. Establishment of an Affordable, High-Quality Healthcare System
 10. Urban and Regional Development

¹⁵ Government of Georgia *10-Point Modernization and Employment Plan 2011*
http://www.mcla.gov.ge/cms/site_images/pdf/Strategic_10_point_plan.pdf

support can guide responsible reform of the forest code. Increasing public participation in policy debates will be an important focus of this approach. The GOG has recently made great strides in improving the Greenhouse Gas (GHG) inventories and has developed internal strategies for GHG mitigation through a variety of programmatic documents, including its draft National Environmental Action Plan. However, national policies and strategies focused on reducing emissions and promoting sustainable, low emission development are yet to be adopted. The Mission should be ready to provide comprehensive assistance to the GOG to formulate and implement a low emission development strategy (LEDS) to reduce emissions while promoting long-term, sustainable economic growth.

Stability and Inclusion

Georgia's stability is fundamental to the country's sustained economic and democratic development. Further, U.S. foreign policy goals seek the peaceful restoration of Georgia's territorial integrity within its internationally recognized borders. The 2008 conflict with Russia was the most recent and serious setback in an almost twenty year post-civil war period characterized by pervasive insecurity and periodic flashes of violence associated with Georgia's occupied territories of Abkhazia and South Ossetia. A difficult peace process has been complicated by entrenched positions, Russian influence and actions, and limited opportunities for meaningful interaction, dialogue, and confidence building among the parties. While Abkhazia and South Ossetia are often grouped, the nature of these conflicts, the history of these regions, and the avenues available for conflict mitigation are particular to each region.

The State Ministry for Reintegration (SMR) has continued to coordinate engagement efforts from the Georgian side and has introduced a number of conflict mitigation innovations in an effort to expand the space for engagement. These efforts include the establishment of a liaison mechanism for engagement with de facto officials to facilitate access for donor programming, and the introduction of Status Neutral Travel Documents and Status Neutral Identification Documents to facilitate cross-boundary and international movement for residents in the occupied territories. The GOG has placed a notable emphasis on the provision of public services in Georgia proper to residents from the occupied territories, recently reporting that 1,700 people from Abkhazia and South Ossetia received healthcare services from the Georgian government from 2010 to 2011, with the GOG expending 1.9 million GEL (\$1.15 million) for the provision of these and other public services to residents from the occupied territories.¹⁶ Looking ahead, the SMR will need continued technical assistance through the mid-term of this strategy as it refines these and other peace building initiatives and interacts constructively in the Track I Geneva process¹⁷.

Despite commendable efforts by the GOG to promote Georgian language training, recognize minority language instruction, and improve infrastructure connections to the capital, some members of the ethnic minority regions continue to feel isolated from Tbilisi and the

¹⁶ State Ministry for Reintegration Embassy/Donor briefing, Tbilisi, Georgia. February 23, 2012.

¹⁷ Lederach, John Paul. *Building Peace: Sustainable Reconciliation in Divided Societies*. 1997. Jean Paul Lederach outlined three levels at which engagement can take place in a coordinated effort to transform conflict, including the official leadership level (also known as Track I), key stakeholder/activist level (also known as Track II), and the grassroots community level (also known as Track III).

Government. Among the 95,000 ethnic Armenians in Samtskhe-Javakheti, research indicates persistent grievances related to poverty, unemployment, and education, and pervasive perceptions of unequal treatment.¹⁸

Instability and poverty have also adversely affected women and people with disabilities, and generated a large population of internally displaced persons (IDPs) in need of public services and support. Limited social assistance programs, lack of medical coverage and accessible schools, inadequate professional development and economic opportunities for youth, and negative stereotypes continue to marginalize people with disabilities. As a consequence of the 2008 conflict, an additional 20,000 IDPs were added to Georgia's 250,000 IDPs from the conflicts of the early 1990s. Women continue to be underrepresented in government, political parties, and other leadership positions. Of Georgia's 150-member parliament, only nine parliamentarians are women.¹⁹ Only ten percent of the members of local councils are female, and there are currently no female mayors. As a result, Georgia holds last place in the Gender Inequality Index in all of Eurasia, according to the 2010 UNDP Human Development Report. At the level of community decision-making, women's share of family and social obligations thwarts their ability to advance careers and participate in community projects and development work in general. Women also experience domestic violence at an alarming rate.²⁰ However, some recent GOG policy developments create a propitious legislative environment that presents opportunities for USAID to partner with the GOG in promoting women's rights, representation and participation, equal opportunities, and women's role in peace and security. These include the Law of Georgia on Gender Equality adopted in 2010; the Law of Georgia on Prevention of Domestic Violence, Protection and Assistance of Victims of Domestic Violence; and, the 2012-2015 National Action Plan for Implementation of the UN Security Council Resolution 1325 on, "Women, Peace, and Security." Going forward, further work will be necessary to support implementation of these laws and action plans.

Georgia has made important achievements in health service delivery and health sector reform. Data from the USG-supported Reproductive Health Survey (RHS) conducted in 2010 is encouraging. The use of prenatal care is almost universal in Georgia: 98 percent of pregnant women receive at least one prenatal examination, with 90 percent of women receiving at least four prenatal care visits. In 2005, eight percent of births occurred at home, while by 2010 this number had fallen to only two percent of births. Home births remain slightly higher among the Azeri population (five percent), but declined steeply from 40 percent among this ethnic minority group in 2005. The infant mortality rate has continued to decline steadily, from 41.6 per 1,000

¹⁸ International Crisis Group, Policy Briefing No 63. May 23, 2011. Georgia: The Javakheti Region's Integration Challenges.

¹⁹ Inter-Parliamentary Union data on women in parliaments., Situation as of August 31, 2011 (<http://www.ipu.org/wmn-e/arc/classif310811.htm>)

²⁰ National Research on Domestic Violence Against Women in Georgia (2010) carried out in the context of the UNFPA-implemented "Combatting Gender Based Violence in South Caucuses" project funded by the Government of Norway (<http://en.calameo.com/read/000713529cd3c3c574bad>) surveyed 2,391 women between the ages of 15 and 49. The survey revealed that 6.9 percent of women reported experiencing physical violence, 4.3 percent reported severe physical violence, and 3.9 percent reported experiencing sexual violence. The research went on to report that 14 percent of women reported experienced emotional violence, and that 78 percent of women believe that the home is a private sphere and that what happens within it should not be discussed outside of the house, a belief which may contribute to the cycle of violence.

live births in 2000 to 14.1 in 2010. If the trend continues, Georgia is on course to meet the USG Global Health Initiative (GHI) goal of a decline in the infant mortality rate to 8.1 by 2015. The child mortality rate also dropped from 45.3 in 2000 to 16.4 in 2010, a nearly 64 percent decline. Georgia is close to achieving Millennium Development Goal (MDG) 4 related to reducing child mortality.²¹ More elusive is MDG 5 related to maternal health and achieving a reduction in maternal mortality by three-quarters. The rate in 2009 was 51 deaths per 100,000. Intensive efforts are required to meet the USG GHI goal of 15/100,000 by 2015.

Women continue to experience unmet needs for family planning. However, significant progress has been made over the past five years in increasing the modern contraceptive prevalence rate (CPR) and lowering the rate of abortion. The 2010 RHS data shows a modern CPR of 35 percent, up from 27 percent in 2005, and a reduction in the abortion rate from 3.1 (RHS, 2005) to 1.6 per 1,000 women (RHS, 2010). If the current trend continues, Georgia is on course to meet the GHI goal of 40 percent CPR by 2015.

Access to essential health care services for vulnerable populations has significantly improved as a result of a GOG initiative to purchase health insurance for almost 900,000 Georgians living below the poverty line. This development recently has been accompanied by the opening of new small hospitals in nearly every district of Georgia constructed and equipped through partnerships between the GOG and private insurance companies. USG technical assistance has been instrumental in these improvements.

Institutional and systemic challenges that remain include Georgia's HIV/AIDS prevalence rate, which has grown at a slow but steady pace (most notably in the occupied territories), and the emergence of multi-drug resistant and extensively drug resistant tuberculosis (TB). The World Health Organization (WHO) case notification rate (new cases and relapses) in Georgia is 102 per 100,000, the fifth highest among the 53 countries of the WHO European Region.²² Multi- and extensively-drug resistant TB constitute about 15 percent of all TB patients in Georgia. Currently, 70 percent of all TB cases are treated successfully. The remaining 30 percent are not, which leads to drug resistance and spread of the disease. This falls short of the WHO recommended GHI target of 85 percent successfully treated cases.

In recent years, the GOG initiated privatization in the health sector aimed at reducing costs, improving services, and advancing financial sustainability, though regulation and oversight of private healthcare is a challenge. While the GOG recently announced a commitment to ensure health insurance coverage for all women over 60, all men over 65, and all children five and under, many Georgians still lack health insurance. Out of pocket payments still constitute more than two thirds of total health care expenditures.

²¹ United Nations, *Millennium Development Goals*. <http://www.un.org/millenniumgoals/>

²² World Health Organization, *Bulletin*, September 2011. <http://www.who.int/bulletin/volumes/90/1/11-092320.pdf>

III. Development Hypothesis

USAID/Caucasus engaged in a consultative, analytical, and deliberative strategic planning process over the past twelve months. The Mission conducted five sector assessments focused on democracy and governance, conflict mitigation, agriculture, the financial sector, and education to bolster existing analyses. The assessments were conducted in the summer/fall of 2011, and briefed to all staff during a Mission retreat in October 2011.²³ Subsequent sector consultations with stakeholders, counterparts, and other donors were convened, including senior level consultations with other donor agencies and GOG counterparts led by the USAID Mission Director. The results framework presented below was developed by USAID staff in December 2011. It was informed by the Georgia Assistance Review (GAR), conducted in the fall of 2011, which focused Mission-wide assistance on six core objectives and three areas of phase-out. USAID/Washington staff provided invaluable support during this process. The outcome of these combined efforts is a clear goal supported by three development objectives.

Goal: Georgia's democratic, free-market, Western-oriented transformation strengthened and sustained

As outlined in the draft Georgia Assistance Review (GAR), the U.S. Government's primary foreign policy goal in Georgia over the next five years is to sustain Georgia's progress in its democratic, free-market, Western-oriented transformation. This goal can be achieved over the next five years through the concentration of resources on the attainment of the following three development objectives: (1) democratic checks and balances and accountable governance enhanced; (2) inclusive and sustainable economic growth; and, (3) increasingly stable, integrated²⁴ and healthy society. The development hypothesis supporting the goal and each of the objectives is outlined below.

While these development objectives are necessary for the attainment of this goal, they are not sufficient. Additional related GAR objectives include: (1) support for the Georgian military's transformation into a capable and sustainable force that is interoperable with NATO forces, and (2) conclude development of law enforcement agencies as professional and ethical forces over the next three to five years. Further, in practical terms, achievement of the CDCS goal will require the coordinated advocacy of the diplomatic community in Tbilisi. The efforts of the broader USG, including sustained diplomacy and the assistance programs of the MCC, the USDA, Department of Justice (DOJ), Public Diplomacy, CDC, and others will make important contributions to the attainment of this goal. In addition, programs financed by other donors will contribute to the attainment of the CDCS goal and will reinforce DO level efforts.

²³ The 2010 Gender Assessment was updated in January 2012.

²⁴ For the purposes of this CDCS, integration refers to the inclusion of Georgia's ethnic minorities in Georgia's democratic, economic, and social development. Integration is intended to promote increased understanding and tolerance among Georgia's various distinct ethnic groups. For the purposes of this CDCS, however, integration does not refer to Georgia's European aspirations and should not be conflated with the concept of European integration.

Development Objective 1: Democratic checks and balances and accountable governance enhanced

Theories of democracy, including theories of deliberative democracy developed by prominent thinkers such as Amy Gutmann,²⁵ point to the inherent resilience of accountable governance systems characterized by the competition of ideas among educated equals within a just and competitive political system. Accountable governance systems are based on the separation and constraint of political power and on citizen oversight of government. Even with positive reforms in a number of areas and a more capable, active government since the “Rose Revolution,” Georgia still lacks adequate checks on executive authority and sufficient opportunities for accountability. Enhancing democratic checks and balances and accountable governance over the life of this strategy will help to strengthen and sustain Georgia’s democratic transformation.

Increased societal demand for democratic checks and balances and accountable governance is premised on future results in two strategic areas – a more informed and engaged citizenry and a more competitive, deliberative, and transparent political and electoral processes. Increased government commitment to democratic checks and balances and accountable governance is predicated on future results in two supply-side strategic areas – independent, consistent, and professional application of the rule of law; and, transparent and effective governance and service delivery.

Because well-functioning democratic systems are made up of interdependent and mutually reinforcing sets of institutions and processes, this development objective is multifaceted by design. Progress in one area, such as a more independent, balanced, and reliable information environment, is expected to contribute to progress in other areas, such as political and electoral processes. However, as the Development Objective itself and the ordering of intermediate results suggest, those elements that focus on providing institutional support for citizen ‘demand’ are of the highest strategic priority.

Development Objective 2: Inclusive and sustainable economic growth

Equality, justice, and competition also shape our proposed approach to economic growth. If entrepreneurs have equal opportunity to enter the market, access capital and skilled labor, and can operate within a fair and predictable business environment, then Georgia should experience economic growth that provides for sustained increases in employment and incomes. Furthermore, our hypothesis is that if all groups of society, including men, women, and minority members, across all social classes and regions benefit from economic growth, then most likely the society will be stable and productive.²⁶ Sustainability comprises the notion that economic growth needs to be viable at different levels: in a commercial sense (firms need to make a profit to be justifiable), in a political sense (institutional capacity needs to survive from one administration to another), in an environmental sense (strengthened environment protection leads to social, health and economic benefits), and in a social sense (growth needs to contribute to the human capital development of a country).

²⁵ Gutmann, Amy and Dennis Thompson. *Why Deliberative Democracy?* 2004.

²⁶ Income inequality was identified as a significant constraint to economic performance in the USAID/E&E Georgia Gap Analysis. October 2011.

This DO is based on strong theoretical and empirical underpinnings including the analysis of the most important drivers of economic growth within the economy.²⁷ (Please refer to the text box). The development hypothesis linking the DO2 to the overall goal is as follows: more inclusive and sustainable economic growth will contribute to Georgia’s democratic, free-market, and Western-oriented transformation.

In turn, achieving “inclusive and sustainable economic growth” is premised on results in four strategic IRs: Improved economic governance, increased competitiveness and employment, responsible management of Georgia’s natural endowments, and increased access to quality education.

First, improved economic governance will reduce the risk of investment, and, in conjunction with the successful reforms Georgia has already made, will greatly increase private sector led growth, both local and foreign driven. Second, increased competitiveness and employment in targeted sectors such as agriculture will lead to increased job opportunities. Third, responsible management and development of Georgia’s natural endowments, including agriculture and eco-tourism related to Georgia’s micro-climates, will contribute to sustainable commercial utilization of these endowments for growth and the benefit of the people of Georgia on an environmentally sustainable basis. In turn, this will also result in mitigation of man-made and natural disasters, potential economic “spoilers.” Fourth, the changes in competitiveness will require the development of human capital to fuel the economic growth and meet the demands of the modern market-based economy. As a virtuous circle develops, increased competitiveness will stimulate improvements in human capital. If we succeed in these four focal areas, Georgia is more likely to experience inclusive and sustainable economic growth.

Development Objective 3: Increasingly stable, integrated and healthy society

A stable, integrated, and healthy society, capable of participating in the democratic process and contributing to Georgia’s economic growth is essential for Georgia’s continued development. Increased engagement and confidence building efforts will reduce tensions with the separatist regions of Abkhazia and South Ossetia and may help Georgia to make progress toward peace and eventual reconciliation. Greater integration and inclusion of Georgia’s minorities, women, peoples with disabilities, and internally displaced persons will contribute to inclusive economic

Achieving rapid, inclusive and sustainable economic growth

The World Bank’s “The Growth Report: Strategies for Sustained Growth and Inclusive Development,” identifies 16 high priority areas closely associated with rapid, inclusive and sustainable growth. Based on assistance priorities and USAID comparative advantage, DO2 supports the following key determinants of growth:

- Effective Government (IR 2.1)
- The Quality of Debate (IR 2.1)
- Equity & Equality of Opportunity (IR 2.1)
- The Environment & Energy Use (IR 2.2)
- Competition & Structural Change (IR 2.3)
- Export Promotion & Industrial Policy (IR 2.3)
- High levels of Investment (IR 2.3)
- Regional Development (IR 2.3)
- Technology Transfer (IR 2.3; IR 2.4)
- Labor Markets (IR 2.4)

²⁷ The World Bank’s “The Growth Report: Strategies for Sustained Growth and Inclusive Development.”

growth and citizen participation in governance. Improved health outcomes will benefit all Georgians and contribute to an increased sense of personal security. These three crosscutting areas are mutually reinforcing and help Georgians continue to move toward accomplishing the goal of Georgia's democratic, free-market, Western-oriented transformation strengthened and sustained.

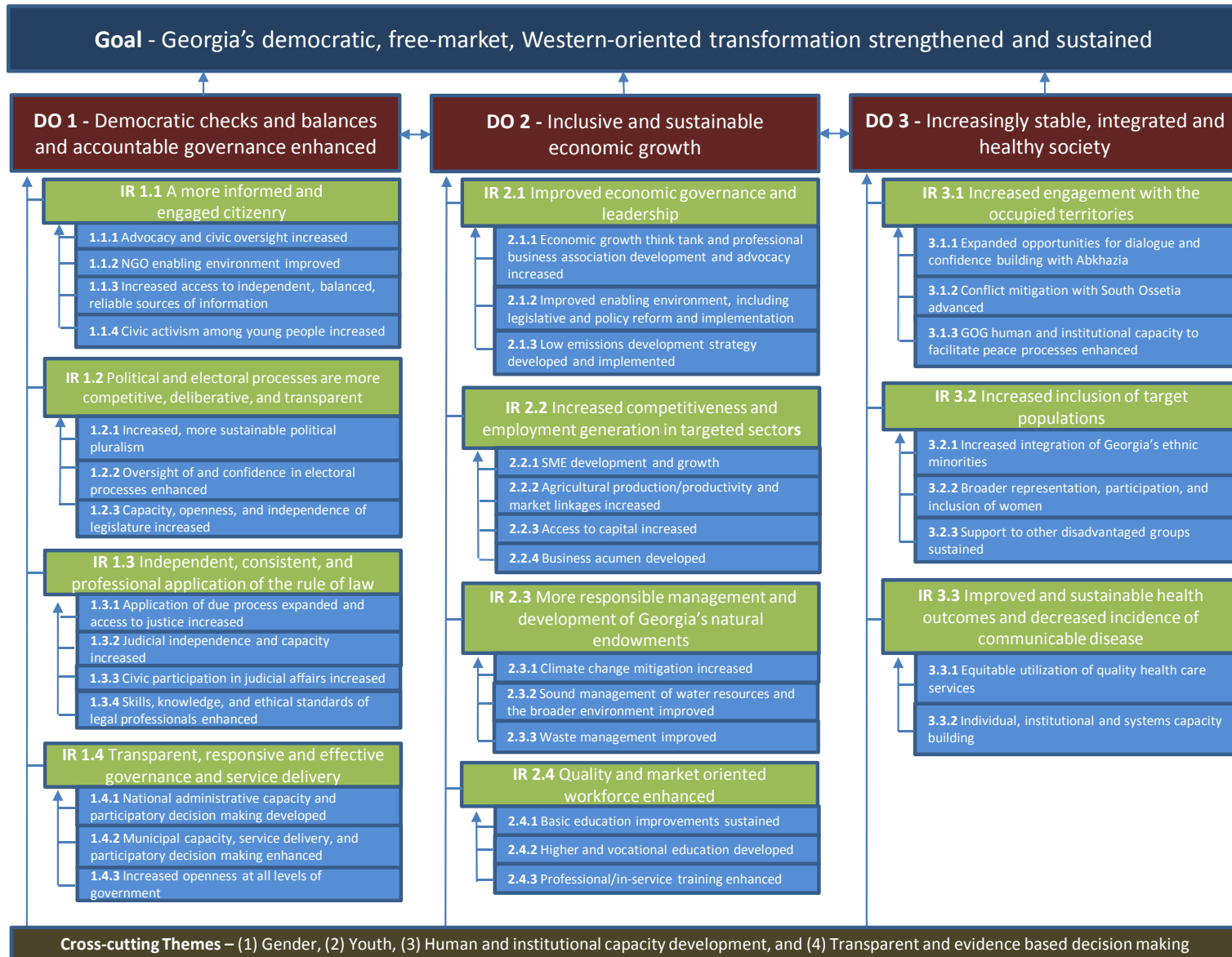
The USAID Bureau for Democracy, Conflict, and Humanitarian Assistance Conflict Assessment Framework (CAF) cites the isolation of groups and the persistence of ethnic grievances as contributors to instability (and causes of conflict). Theories of conflict transformation and peace building, including theories developed by eminent writers and practitioners such as John Paul Lederach, emphasize the importance of bottom-up confidence building efforts and Track II diplomacy in conjunction with official peace building efforts.²⁸ The Georgia conflict assessment applied these theories, proposing interventions that would increase interaction and gradually build confidence among conflict affected parties and marginalized groups. While the CAF approach is applicable to Georgia's occupied territories of Abkhazia and South Ossetia, it is also relevant to the integration and development needs of Georgia's ethnic minority regions of Samtskhe-Javakheti and Kvemo Kartli. With USAID's assistance, the GOG's ability to guide the peace and reintegration process can be enhanced.

The Mission's approach to gender equality and female empowerment is based on a premise that an equal inclusion of men and women is key to achieving effective and sustainable development outcomes. Therefore, the increased participation and inclusion of women in our activities will be directly correlated with achieving the DO of an increasingly stable, integrated, and healthy society. The Mission will work with a range of institutions (GOG, parliament, NGOs, media, private sector, and donor agencies) to enhance the role of women in decision-making and peace building at the national, regional, and local levels. The Mission's gender-related activities will be informed by the 2010 Georgia Gender Assessment and its 2012 Update, as well as the USAID Policy on Gender Equality and Female Empowerment. The integration of minorities, women, IDPs, and other vulnerable groups is central to the long-term stability of the Georgian state and to the sustainability of Georgia's democratic, free-market, and Western-oriented transformation.

Progress in the health sector is critical to achieving our goal, as a healthy population, besides being a goal in itself, is also required for an economically and politically stable society. However, USAID assistance in this sector will be phased out by the mid-term of this CDCS, necessitating greater spending by the Georgians, themselves. The aim under DO 3 is to improve the health status of the population through strengthened stewardship and responsiveness of the health sector, by supporting the twin pillars of increasing demand for quality services and improving the local capacity to supply those services. Through work to build the management and technical capacity of the public sector health care system as well as the private health care sector and insurance providers, the USG will support and help to sustain the GOG goals of reducing maternal and infant mortality and reducing the incidence of critical infectious diseases such as TB and HIV/AIDS.

²⁸ Track II diplomacy refers to informal diplomacy and engagement efforts through which academics, civil society leaders, stakeholders, and activists support official diplomatic efforts through confidence-building initiatives.

IV. Results Framework



V. Results Framework Narrative

USAID/Caucasus proposes to focus and concentrate resources to assist Georgia to sustain and strengthen its democratic, free-market, and Western-oriented transformation. Through smart investments, the USG will promote democratic checks and balances and more accountable governance that will contribute to more competitive and enduring democratic institutions. Through the application of a political economy lens to our economic growth efforts, we will advance inclusive and more sustainable growth. Through dedicated efforts to improve stability, integration, and healthcare, the USG will increase the security of the Georgian people. This proposed strategy will represent a clear transition in the USG development assistance relationship with Georgia away from a post-conflict period of robust assistance across multiple sectors and toward a leaner strategic plan with more limited goals and resources. Assistance in the areas of gas and electrical infrastructure development financed through USAID's portion of the post-war \$1 billion will not carry forward into this strategy, and ongoing investments in basic education and health will graduate during the mid-term of this strategy period.

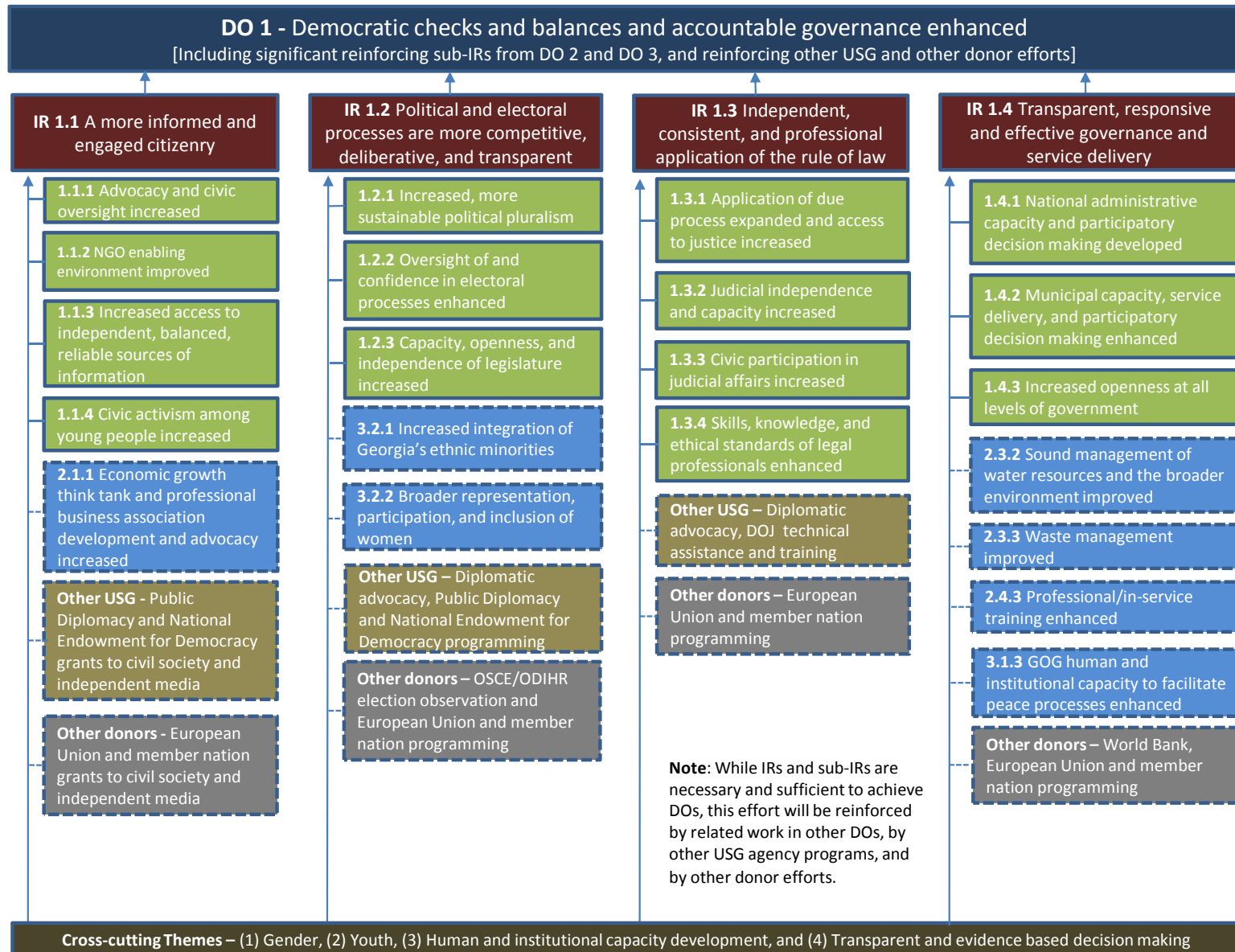
DO 1: Democratic checks and balances and accountable governance enhanced

The challenges associated with executive branch dominance can be addressed by enhancing democratic checks and balances and making governance more accountable - the core of DO 1. This DO will directly strengthen democratic institutions and processes through its intermediate results, described below. If successful, an increased percentage of Georgians will more actively participate in the governance of their nation. Government will become increasingly responsive to Georgians' aspirations, preferences, and needs. More broadly, with stronger and more vital links between state and society, and greater institutionalization of mechanisms for change and accommodation, Georgia's political system will become more democratic. Programs financed by other donors, including the EU and member nations and UN agencies will reinforce DO level efforts. Public Diplomacy, Department of Justice, and National Endowment for Democracy programming is linked to this DO.

Intermediate Result (IR) 1.1: A more informed and engaged citizenry

Citizens who actively participate in their nation's public affairs play perhaps the most important role in a vibrant democracy. Groups of citizens, in non-governmental organizations and associations, also play a vital role in educating the public and the government on important local and national policy issues. Their presence and activities help assure that the government and citizens comply with the rule of law. An informed and engaged citizenry provides both a check on government power and valuable feedback the government can use to become more responsive. Programs under IR 1.1 will strengthen civil society, increase access to quality independent news sources, and enhance civic education. As a result of this IR, youth, women, and minorities will play an increased role in the governance of their communities; citizens will be better informed about the political, social, and economic issues of their country; and CSOs will help citizens' voices to be heard, having a positive impact on government policies.

DO 1 Detailed Results Framework



1.1.1 Increased advocacy and civic oversight

To encourage effective civic engagement, the USG will assist Georgian CSOs to become more objective and effective advocates and watchdogs and to improve their abilities to carry out policy analyses that influence government decisions. It will also help build the capacity for advocacy and civic oversight by assisting CSOs to develop networks with other CSOs and strengthen their connections to media and other constituencies to advocate for changes or issues that make the government more accountable.

USG assistance will support CSOs both as mechanisms for public participation as well as to provide oversight and monitoring of the public sector. Besides focusing on building CSOs' technical capacity, i.e.: advocacy, networking, research, and monitoring skills, the Mission will also work to develop their internal organizational capacities. These CSOs will include groups and networks that advance women's and minorities' empowerment and rights, both political and economic. Activities will also foster links between women's NGOs and other CSOs, such as human rights and advocacy groups, watchdog organizations, think tanks, and media outlets.

This sub-IR will contribute to the development of civic leaders and organizations that will: (a) become more objective and effective advocates for an empowered citizenry, and (b) provide viable policy options to the government, reflecting citizens' interests and priorities. The expected end result of this sub-IR are better public oversight of the government; increased participation of citizens in developing feasible and specific solutions to the problems facing Georgia, and more effective and constructive interaction between citizens and the government. This sub-IR will also reinforce IR 2.1 efforts to improve economic governance and leadership, and reinforce oversight of privatized healthcare services and efforts under IR 3.3.

1.1.2 Improved CSO enabling environment

USG assistance under this sub-IR will work to create a legislative and regulatory environment more conducive to growth, development, capacity and sustainability of the non-governmental sector in Georgia. Although a handful of national level advocacy and watchdog NGOs have negotiated with the government on a range of policy issues, providing effective oversight of certain government actions, the non-governmental sector is not as highly developed in other sectors. It is also poorly developed outside of the capital. Many of Georgia's most active CSOs still rely heavily on foreign donors. Under this sub-IR, USG assistance will create a more favorable enabling environment for CSO development by supporting legislative and regulatory changes affecting CSOs. These efforts could include analysis of laws regarding economic activity, tax breaks, and advocacy for further refinements to the legislative and regulatory framework. To enhance sustainability of CSOs, assistance will promote the nascent GOG practice of outsourcing to local civil society service providers. Further, USAID will work with local NGOs to incentivize financial management capacity development and promote diversified revenue streams. This sub-IR will also reinforce economic growth think tank and business association development under sub-IR 2.1.1.

1.1.3 Increased access to independent, balanced, reliable sources of information

Activities under this sub-IR will contribute to the development of a more politically balanced, reliable, editorially independent, and professional media sector, able to deliver news, information, and analysis to audiences throughout the country. USG assistance under sub-IR 1.1.3 will address the internal functioning of Georgian media as a sector, to create higher quality, professional content; and, build sustainable media enterprises.

USG assistance will support the development of media content and its distribution, including cross-platform content, to provide more diverse viewpoints, expand access to new ideas and technology, and provide better media service to Georgian society, particularly outside of Tbilisi. USG assistance will also work to improve the public's level of media literacy and increase societal demand for better media. It will help increase the level of professionalism among journalists through practical, hands-on education of journalists at the university level, and targeted skills training in investigative and specific issue reporting for working journalists. It will strive to depoliticize the regulatory environment, and to strengthen journalists' capacity to monitor and respond to infringements of their rights from outside the profession and breaches of professional ethics from within. In addition, it will work with individual media outlets to build their financial sustainability and address barriers to attracting revenue.

These activities will contribute to higher levels of professionalism among journalists; increased capacity of media associations to police membership to maintain journalistic standards among members of the profession, and to monitor infringements on free expression from external sources. Activities will also improve the financial viability of media outlets.

1.1.4 Enhanced civic participation among young people

During the Soviet era, independent civic initiative was stifled and citizens were encouraged to believe that the state had the sole responsibility for providing for its citizens. Since the "Rose Revolution," there has been a renewed sense of civic pride, but this is manifested more in nationalist awareness than civic activism. While family and neighbor bonds have always been strong, there is still only limited civic organizing above the most basic community level. Historical legacies and other factors contribute to the sense in individuals that they have neither the responsibility nor the ability to compel their government institutions and leaders to consider their needs and institute more democratic ways of governing. Georgians have not been shy to take to the streets in demonstrations to express dissatisfaction with the government, but this is often the only means of civic participation.

Activities in this area seek to jump-start the process of democratic socialization and civic participation by promoting support for democratic behaviors and values among ordinary citizens. In this view, civic education is designed to achieve three broad goals:

- To introduce citizens to the basic rules and institutional features of democratic political systems and to provide them with knowledge about democratic rights and practices;
- To convey a specific set of values thought to be essential to democratic citizenship such as political tolerance, trust in the democratic process, respect for the rule of law, and compromise; and,

- To encourage responsible and informed political participation—defined as a cluster of activities including voting, working in campaigns, contacting officials, lodging complaints, attending meetings, and contributing money.

A central goal under this IR is to use civic education as a means to increase the skills and commitment of youth to participatory democracy. Programmatic efforts in this area will create a foundation for constructive and effective citizen participation in Georgia’s political processes by expanding young people’s knowledge about democratic institutions, principles and practices.

The expected end result will be changes in attitudes and behaviors, as a consequence of greater knowledge of how citizens can effectively engage with other citizens and the government to influence public policy and ensure greater government responsiveness.

IR 1.2: Political and electoral processes are more competitive, deliberative, and transparent

IR 1.2 aims to improve the processes whereby citizens make their voices heard by supporting a competitive and pluralistic political environment with stronger political parties, improved election administration, and a more capable parliament that is more open and accountable to Georgia’s citizens. These efforts will bolster checks on the executive branch and create stronger channels for conveying citizen feedback. Programs under IR 1.2 will promote the further development of Georgia’s political parties, so that they better represent their constituents’ interests; move towards professional, platform-based campaigns; and, increase the civic and political participation of underrepresented populations, including women, youth, and ethnic minorities (reinforcing efforts under IR 3.2). Programs will also improve the administration and oversight of electoral processes, decreasing the potential for post-election instability; increase parliament’s transparency; and, develop its ability to utilize citizen feedback, helping it become an independent and effective legislative body. Public Diplomacy, National Endowment for Democracy, and the other donor programming is linked to IR 1.2.

1.2.1 More sustainable political pluralism

Activities under this sub-IR will work directly with willing democratic political parties to strengthen their capacity and their ability to represent constituencies more effectively and actively, with particular focus outside of Tbilisi. They will provide training to political parties on more effective ways to develop issues-based platforms, communicate with constituencies, and to improve research and analysis, outreach, and campaign skills. Political parties in Georgia still lack the analytical and research capacities required for informed and specific policy debates and constructive policy and issue discourse. To serve their constituencies effectively, parties need to develop area-specific expertise for policymaking in issue areas including economics, finance, agriculture, social issues, health, defense, and the environment. The activities supporting this sub-IR will assist parties in developing, presenting, and debating new policies and issues both internally and publicly and may include ongoing but more limited funding in support of civic engagement centers that provide a venue for political parties, civil society, and other activists to meet and discuss issues of local importance.

It is anticipated that this move toward issue-based discussions will also shift constituents' attitudes, and that demand for issue-based discussions, platforms, and policies will increase. The goal is for citizens to begin evaluating and voting for parties less on the basis of their leaders and more on their programs.

Based on a change to political party finance legislation in December 2011 that provides parties with a financial incentive to include more female candidates on their party lists, USAID has the opportunity to maximize the benefit of this incentive and to improve the gender balance in Georgian politics. Under this sub-IR, the USG will work with political parties on gender equality issues and gender empowerment as well as provide assistance to qualified women, reinforcing efforts under sub-IR 3.2.2. In parallel, the USG will work to improve the skills and knowledge of those women engaged in politics. Assistance programs under this sub-IR will put greater focus on the development of regional branches and regional leaders of political parties. A specific focus will be put on areas with significant ethnic minority populations.

The new political party finance regulations also introduced restrictions on donations and imposed sanctions for violations of provisions of the law. Activities under this sub-IR will support political parties to comply with the law on the one hand, and to devise sound alternatives and lobby for legislative relief to ensure an improved political finance regime on the other. Achievement of this sub-IR will be indicated by a more balanced, responsive, and representative political party system. More parties will be able to aggregate and articulate the needs of their constituencies and better represent them at local and national levels in upcoming elections scheduled for 2013, 2014, and 2016.

1.2.2 Oversight of and confidence in election processes enhanced

In developing democracies such as Georgia, where the political sphere is highly polarized, the conduct of electoral processes as well as the perception of the fairness of elections are crucial for both the legitimacy and stability of the state. Transfer of political power through free and fair elections has been a major challenge in Georgia since independence. Lack of trust in the electoral system and in decisions made by the Central Election Commission (CEC) resulted in the "Rose Revolution" in 2003. During 2013-2017, Georgia will face three more elections: presidential in 2013, local in 2014 and parliamentary in 2016. If the Georgian people and international partners assess the next two elections in 2012 and 2013 as improved, it will further strengthen democracy in Georgia.

Under this sub-IR, assistance programs will continue to work with the CEC on improving transparency, election-related dispute resolution procedures, and outreach capacity. In upcoming years, assistance will put more emphasis on the work of regional branches of the CEC and on improving the effectiveness and transparency of district election commissions. The Mission will work with the CEC to utilize better modern technologies and innovations to improve transparency of election administration and results tabulation. Improving systems and procedures may also help Election Management Bodies become more independent, unbiased, and professional. Assistance will help the CEC to apply gender equality policies internally within the institution and promote it among political parties as well.

In addition to Election Management Bodies, assistance under this sub-IR may also work with other state agencies involved in elections, such as the Voter's List Commission, to ensure voters' lists are accurate and easily accessible; the State Audit Agency of Georgia, to ensure equal application of the political finance law; and the interagency task force for free and fair elections, to ensure public awareness of cases of the misuse of administrative resources. Depending on political developments and the results of the next elections, work with state actors may be diminished, as their capacity may be improved and they might be able to implement required regulations with less assistance. While diminishing assistance to state actors, it is important to strengthen civil society to ensure that CSOs are able to conduct quality monitoring and hold state actors accountable. Thus, work under this sub-IR will strengthen CSO capacity to ensure quality monitoring and oversight.

Finally, a commitment from the GOG to free and fair elections is crucial for the successful achievement of this sub-IR. Significant broader USG and diplomatic community advocacy and assistance efforts may be needed to encourage the government to improve the electoral legislation and environment to achieve improvement in this area.

1.2.3 Capacity, openness, and independence of the legislature increased

The parliament of Georgia still remains relatively weak as an institution, compared to the executive branch and the ruling party. In October 2010, parliament adopted amendments to the constitution, which will significantly reduce powers of the next president in favor of the prime minister and the government. The new constitution will go into effect with the inauguration of the next president in 2013. In addition, from 2012 parliament will move to Kutaisi, the second largest city of Georgia, and this may result in a high staff turn-over. If the 2012 elections produce a more representative parliament, in terms of broader party representation as well as gender and ethnic diversity, and if the constitutional amendments coming into effect in 2013 do indeed strengthen the role of parliament vis-à-vis the other branches of government—even with Parliament's new location in Kutaisi, some 100 miles from Tbilisi—then continued U.S. assistance will be critical to helping strengthen the new legislature.

Assuming a favorable working environment, activities under this sub-IR will provide technical assistance that promotes good governance practices and parliamentary reform across multiple areas related to the role of the legislature, how it relates to the other branches of government, and how it connects and relates to the citizens of Georgia. Specifically, efforts under this sub-IR will make parliament more open, effective, accountable, independent, and representative. Planned activities will increase the effectiveness of the new parliament by institutionalizing connections between parliament and the voters, improving the skills of newly elected MPs and staff, facilitating intra-parliamentary dialogue on key reform issues, facilitating working groups on reform legislation and research and analysis, and by offering tools and mechanisms for increased women's participation in parliamentary work and improving the skills of elected women MPs. In addition, activities under this sub-IR will further strengthen parliament's oversight, research and analysis functions. Under sub-IR 1.2.3, assistance programs will assist parliament to utilize modern technologies and innovations to generate data, statistics, and to improve outreach to constituencies. Strengthening parliament's outreach capacity, enhancing the substance of political discourse, and promoting the inclusion of CSOs in decision-making processes will

subsequently increase the capacity of civil society organizations. The potential for achievement of this sub-IR is greatly contingent on the success of sub-IRs 1.2.1 (political pluralism) and 1.2.2 (electoral processes), as only strong political pluralism in the context of democratic elections creates the context for a legislative body in Georgia that fully exercises authorities granted by the constitution.

IR 1.3: Independent, consistent, and professional application of the rule of law

A justice system that provides for the protection of human rights, and allows for the constructive and equitable resolution of disputes may be one of the most fundamental services a government provides its citizens. If, by expanding access to justice, increasing judicial independence, and promoting more knowledgeable, skilled legal professionals, Georgia's rule of law can be strengthened, then governance in Georgia will be more responsive to its citizens' needs for an equitable arena in which to operate, and an important check on government power will be established. Consistent and predictable application of the rule of law would also greatly reinforce efforts under DO 2. Programs under IR 1.3 will expand access to justice. To achieve this, they will improve judicial capacity and independence, creating a more effective and objective court system, and enhance the capability of civic organizations in judicial affairs, including legal rights NGOs and the Georgian Bar Association. The U.S. Bureau of International Narcotics and Law Enforcement Affairs (INL) and DOJ programming is linked to this DO through their efforts to promote law enforcement, prosecutorial reform, and support the introduction of jury trials.

1.3.1 Application of due process expanded and access to justice increased

Due process is a legal value that can be explained as “an exercise of the powers of the government as the settled maxims of law permit and sanction, and under such safeguards for the protection of individual rights as those maxims prescribe.”²⁹ According to established case law of the European Court of Human Rights, due process can only be achieved when the law enshrines several legal guarantees like fairness and openness of court hearings, reasonable time for proceedings, and qualification and impartiality of judges.

Under the sub-IR 1.3.1, the Mission will work closely with government stakeholders, including the Ministry of Justice, High Council of Justice, and the Supreme Court to refine Georgian laws and to ensure they provide protection for individual rights and liberties. USAID assistance will support civil society to closely monitor application of the laws and promote consistent and equitable implementation of these guarantees.

Moreover, the Mission will build on the achievements of its current rule of law program, the Judicial Independence and Legal Empowerment Program (JILEP, 2010-2014) and promote better access to justice through eliminating barriers that prevent people from understanding and exercising their rights, and will continue support to strengthened mechanisms for the protection of rights and resolution of disputes.

²⁹ Definition of Due Process of Law from the Black's Law Dictionary, <http://blackslawdictionary.org/due-process-of-law/>

1.3.2 Judicial independence and capacity increased

After 70 years of the inquisitorial system of justice, Georgia is shifting over to the adversarial system. It is moving from a system where prosecutors and judges worked hand in glove to convict suspects, to a system where judges seek to help the accused receive a fair trial. This is a new and different approach to justice that will take time to implement and sustain. Under this sub-IR, USAID will work with the High Council of Justice (HCOJ) and High School of Justice (HSOJ) and will focus on promoting the improved qualification of judges and judicial personnel. It will assist in institutionalizing the specialization of judges and set up a systemic mechanism for court personnel training.

Building on the work of JILEP, the strategy will promote stronger legal safeguards for judicial independence and their fair implementation. It will promote legal ethics and principles of judicial independence as a core pillar for the judicial training mechanism. The strategy will focus on cooperation with judicial institutions to strengthen their capacity and make them more transparent and proactive while engaging with citizens directly as well as through CSOs. The Mission will work with the HCOJ to upgrade it into the lead strategic and policy institution of the judiciary.

1.3.3 Civic participation in judicial affairs increased

Under sub-IR 1.3.3, the strategy will support legal rights NGOs to actively interact with justice system players and participate in policy discussions on court system development. USAID's assistance will promote civil society players to closely monitor activities of judiciary institutions and make sure fair trial practices are observed. Moreover, USG assistance will provide the legal community with the tools of conducting effective advocacy and monitoring.

1.3.4 Skills, knowledge, and ethical standards of legal professionals enhanced

With USAID's assistance and support, legal practice standards have improved and opportunities for continuing legal education have expanded. Despite these positive developments, the state of legal practice in Georgia remains problematic. Practicing lawyers often lack the professionalism and legal skills to ensure effective defense in court, damaging the rights of their clients to get a fair trial, and by extension harming the principle of adversarial court proceedings and the image of the justice system. Under this sub-IR, USAID will further strengthen the Georgian efforts to enforce and protect high practice standards of all its lawyers. USAID will work also to raise awareness on legal ethics among attorneys.

Since education is at the core of USAID's support to improve legal practice and judicial qualification, this sub-IR will contribute to development of Georgian law schools through the introduction of more practical legal skills training for law students, improving law teaching methodologies, and developing and supplying textbooks and teaching materials in the Georgian language.

IR 1.4 Transparent, responsive and effective governance and service delivery

To fulfill its duties and maintain a secure populace, a government must provide for the needs of its citizens. To deliver effectively what was promised and avoid crises, governments at both the national and local levels must establish a culture of dialogue and have the administrative capacity to turn ideas into reality. Enabling government officials with this capacity for successful service delivery will greatly increase the responsiveness of government to its citizens. Potential programs under IR 1.4 will develop national and municipal administrative capacity, to help ensure government agencies follow carefully considered and evidence-based strategies that optimize resources; increase agencies' ability to incorporate inclusive, gender-sensitive, and participatory decision-making mechanisms into their planning processes, to better account for the needs of all citizens; increase e-governance and ease of access to information; and, enhance government policy formulation, regulatory functions, and service delivery, to help increase citizens' satisfaction with the day-to-day operations of their government. Progress under this IR will reinforce related efforts under DO 2 (sub-IRs 2.3.2, 2.3.3, and 2.4.3) and DO 3 (sub-IRs 3.1.3 and 3.3.1). U.S. Department of the Treasury programming is linked to this DO.

1.4.1 National administrative capacity and participatory decision making developed

Under the 1.4.1 sub-IR, the Mission will build the capacity of state institutions to plan, implement, monitor, and evaluate strategies and action plans that are based on factual analysis, budget realities and public participation. It will build on previous work under the Good Governance in Georgia (G3, 2011-2014) and Human and Institutional Capacity Development Plus (2011-2015) programs. Programming will address the issue of women's limited role in public decision-making by building the skills of female and male civil servants, promoting the values of diversity, and supporting equitable employment and career opportunities for female civil servants. Additionally, the Mission strategy will focus on the Open Governance Partnership to increase transparency; build public trust in government institutions; support institutionalized implementation of Georgia's Freedom of Information Act; and, ensure an increased availability and improved quality of information regularly made public to inform citizens about government budgeting, procurement activities, planning, and other activities.

Focusing on developing national administrative capacity and participatory decision-making, the Mission will assist national agencies to improve the overall professionalism of the civil service and further advance innovative service delivery. The Mission will increase agencies' abilities to analyze and develop policy options, encourage stakeholder feedback, and continue targeting human resources systems to improve and institutionalize administrative reform within target agencies. Assistance will strengthen also the GOG's regulatory functions and practices, for example, by promoting enhanced government oversight of privatized sectors such as health, and improve oversight and management of government programs, such as, entitlements and social assistance programs, particularly with regard to people with disabilities.

1.4.2 Municipal capacity, service delivery, and participatory decision making enhanced

Under the 1.4.2 sub-IR, the Mission will work with local and regional authorities to build administrative and municipal capacity. The Mission will build on the G3 program's success in

working with ten selected municipalities. The strategy will focus on increasing municipalities' representation of and responsiveness to the concerns of women and men and improving municipal performance. This will include upgrading skills of mayors, elected officials, and staff; and increasing the capacity of the municipality to mobilize local, national, and international resources for local development purposes. Programming will increase the participation of civil society in local decision making, improve municipal service delivery through performance management and program budgeting, and assist local and regional authorities to maximize their effectiveness by integrating analysis of men and women's different needs into their planning and activities.

1.4.3 Increased openness at all levels of government

Under the 1.4.3 sub-IR, the strategy will support initiatives to help national and local government to better connect with its citizens by improving governmental transparency and openness to citizens and non-governmental actors. By supporting e-governance and Information Communication Technology under this sub-IR, the strategy will assist national and local government entities in improving their use of electronic communications for transparency, more efficient service delivery, sound contracting and monitoring practices, and constituent outreach. Technical assistance activities will help national and local government bodies improve public participation in their budget audit and monitoring systems.

The strategy will focus on engaging local governments in the Open Governance Partnership to increase civil society's participation in local governments' decision-making processes, and will facilitate dialogue between government and non-governmental actors. The Mission will promote civil society participation techniques with the targeted municipalities. The strategy will facilitate adoption of participatory public hearings, public meetings to discuss local priorities, public auditing mechanisms, and creating additional channels and strengthening existing avenues of communication and information between local governments and civil society, including through the use of information communication technology.

DO 2 – Inclusive and Sustainable Economic Growth

Predictable enforcement of existing laws and regulations, greater transparency and fairness in exchanges between public and private sector actors, substantial adoption of global best business practices, increased productivity and employment generation, effective protection of natural endowments and expanded linkages between the education sector and economic actors will be addressed by the core of this DO. Significant post-conflict funded programming will contribute to economic governance and competitiveness results through the mid-term of this strategy. Successful implementation of this DO will provide Georgian and foreign owned businesses with a predictable business environment in which laws, rules and regulations are fairly and transparently applied. Enhanced dialogue between the public sector and private enterprises will promote formulation and reform of policies necessary to drive economic development in a manner that remains regulated under transparent and accountable oversight of the state and its institutions. Greater adoption of global business practices, norms and standards will position key enterprises and industries to look beyond regional markets and enter farther reaching and much more advanced economies. Greater care in the management and protection of Georgia's natural

endowments will ensure the longevity and sustainable use of its forests, lands, water systems and mitigate impact on the global climate. Market-oriented development of educational materials and systems will promote a cadre of Georgians with skills to compete at levels commensurate with employers' needs. Programs financed by other donors, including the World Bank, Asian Development Bank, EU and member nations, and UN agencies will reinforce DO level efforts. MCC, U.S. Department of the Treasury, USDA, U.S. Department of Commerce, and Overseas Private Investment Corporation (OPIC) programs are also linked to this DO.

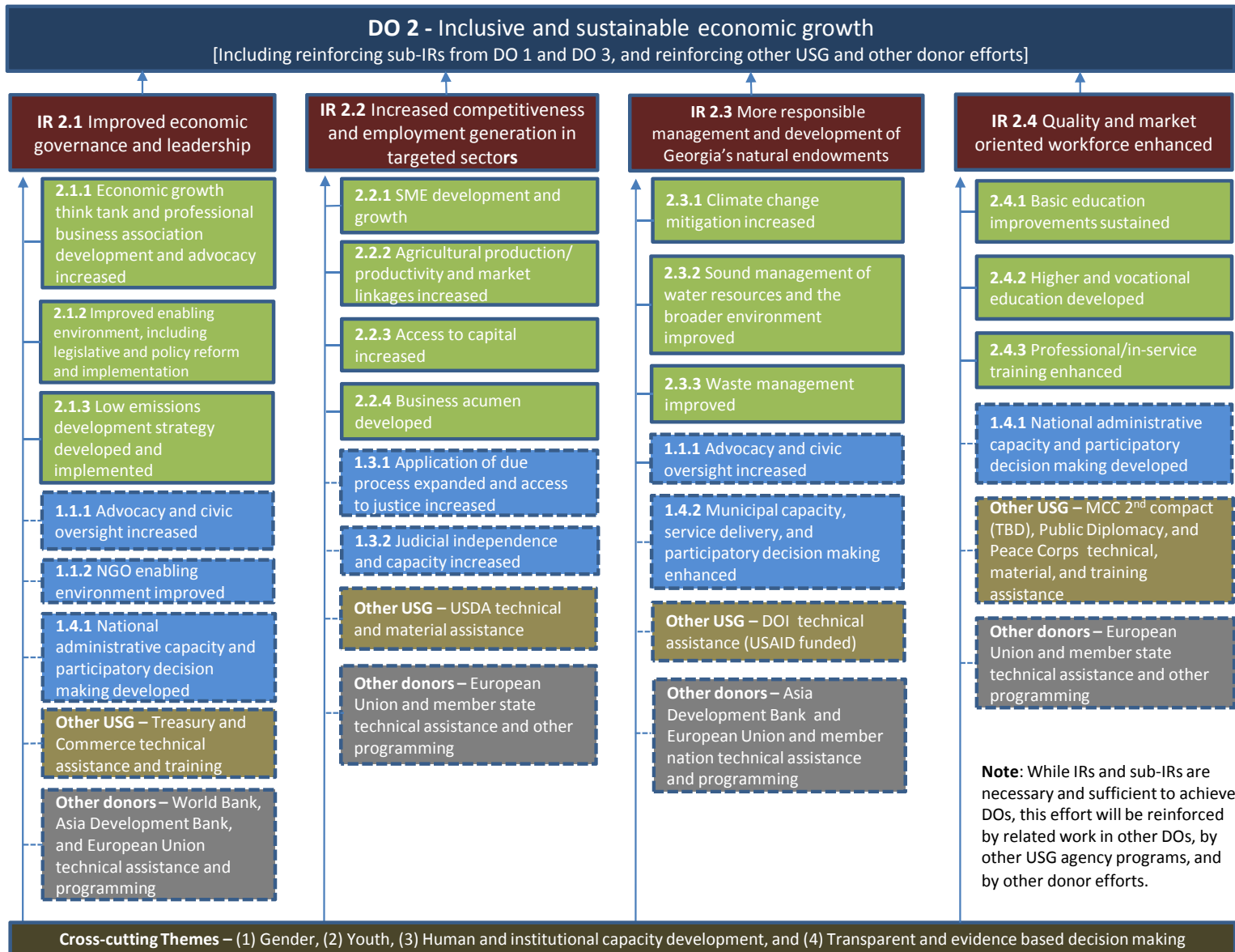
IR 2.1: Improved economic governance and leadership

The government is responsible for establishing and sustaining a country's business environment by effective regulation and dialogue with non-government actors that provide a voice to the private sector. Non-governmental actors, including think tanks and professional associations, play a key role bringing to the attention of the government constraints or opportunities that if addressed would benefit the economy as a whole. Improved and regular engagement between the government and the private sector should facilitate collaboration to grow the economy. Government can then best utilize its capacity to develop, implement and incentivize a business enabling environment. Programs under IR 1.1 will strengthen the capacity of think tanks and professional associations, and strengthen their voice in dialogue with the GOG. Assistance will also be provided to the GOG to help with developing and implementing new laws, regulation, and policies. Technical support will be provided to the government to assist with developing and implementing a low emission development strategy.

Economic governance includes the implementation of reforms and/or enforcement of laws that: protect property rights; facilitate commercial dispute resolution; provide predictable regulatory frameworks; promote transparent and consistent tax enforcement; and promote competition. Economic governance also relates to public financial management, including revenues, expenditure and procurement. Effective economic governance will require mechanisms that encourage public-private dialogue to inform economic policy and expand the role and influence of civil society and the private sector with respect to research and advocacy in economic reform USAID will continue to work to address the issue of concentration of economic policy authority in the executive branch. The European Union, through a currently under negotiation prospective Deep and Comprehensive Free Trade Area, offers privileged access to the EU single market in return for institutional reform such as antimonopoly legislation. USAID's comparative advantage is to work with the private sector and civil society to encourage them to cooperate with the GOG on this matter. Public-private dialogue in policy formulation and implementation will increase and result in shared participation and transparency in economic policy formulation and decision-making. USAID in close cooperation with the U.S. Department of the Treasury will continue to work with the Georgian Revenue Service to develop and implement new, more transparent, and risk based audit practices through the mid-term of this CDCS.

Georgia will sustain growth in production, employment and investment on a lower than currently projected emissions pathway. This will be achieved by building the capacity of the government to formulate and implement a low emission development strategy to reduce Greenhouse Gas

DO 2 Detailed Results Framework



(GHG) trajectories while promoting long-term, sustainable economic growth. The result will be reduced GHG emissions, increased flows of climate change-related finance, and the resulting social, economic, and environmental benefits. These outcomes are inter-connected and will contribute to increased checks and balances consistent with DO 1 and stronger rule of law in the emerging democratic system, which is essential for increased investments, business start-ups, and growth in business size. Efforts under this sub-IR will benefit from improvements in the rule of law flowing from sub-IRs 1.3.1 and 1.3.2.

2.1.1 Economic growth think tank and professional business association development and advocacy increased

This sub-IR will develop constituencies that can provide business-minded thinking and analysis to the GOG. At present, Georgia needs to strengthen fora for deliberation, consultation, vetting of current policy and for recommending acceptable, responsible policy from the business perspective. Likewise, there is no developed mechanism for assembling responsible, informed participants from business, government, academia, labor, and business service professions to adopt a long-term perspective of business development in the public interest. Fostering the ability of think tanks and business associations to analyze root causes of issues or disputes, clarify laws or other proposals, and suggest fair and predictable ways for the GOG to enforce rules for business compliance would greatly improve/strengthen economic governance in Georgia. As one example, the Mission's Economic Prosperity Initiative (EPI), identified a significant number of women's NGOs that deal with economic growth issues. They could be affiliated through a network to provide grassroots feedback to policy makers and help establish an effective business dialogue with the GOG at all levels.

International experience demonstrates that successful democracies, such as the Baltic states, create an environment where all ideas – good and bad – are exposed to review and deliberation. The GOG in particular needs to embrace evidence-based and transparent policy formulation and implementation to include non-government circles so that it can develop sound policy with broad stakeholder acceptance. A related constraint to effective dialogue between the public and private sectors is the limited capacity to conduct economic and policy analysis. To offset this gap, assistance will be provided to increase the economic and policy analysis capacity of existing think tanks, including creating awareness of the value of quantifiable data to demonstrate existing or planned policy agendas. Progress toward this sub-IR will be reinforced by efforts under sub-IR 1.1.1 which will increase civic advocacy and oversight.

2.1.2 Improve enabling environment, including legislative and policy reform and implementation

Activities under this sub-IR will provide assistance to the government to help in formulating laws, regulations and policies that create new opportunities in the Georgian business environment while ensuring appropriate regulatory oversight. The GOG has made great strides improving its ranking in the World Bank's Doing Business Indicators, a success that can and should continue to be supported. The impact of these reforms not only benefits Georgia, it serves as a catalyst to other former Soviet Union countries. Activities will include providing technical assistance and advice to the GOG, parliament, and judiciary on developing reforms that complement the interests of the private sector and the government. In targeted areas, activities

will result in increased administrative capacity and substantive and technical expertise of the bureaucracy, legislature and judiciary. Progress toward this sub-IR will be reinforced by efforts to develop national administrative capacity and participatory decision-making under sub-IR 1.4.1.

2.1.3 Low emission development strategy developed and implemented

Development and implementation of a low emission development strategy, which remains subject to final commitment by the GOG, will be achieved by supporting the proposed Clean Production strategy drafted by the Ministry of Economy and Sustainable Development and a Low Emission Development work program being developed by the GOG, in partnership with the USG. Programming may include low emissions municipal economic development planning. In addition, this sub-IR will develop Georgia's capacity to examine the impact of policies and programs on the evolution of national energy systems, using the latest computer models. These models will assess the costs and benefits of implementing energy efficiency and renewable projects and assist policy-makers and executives to better plan and manage Georgia's economic development with a lower GHG emissions trajectory. Employing clean production and energy efficiency standards will allow Georgia to compete in global markets that require these standards, and will move toward integration with the broader European community, while correcting the very high inefficiency of the Georgian market, which increases business costs and creates a drag on growth. These will also set the stage for potential free trade agreements with larger markets that require these standards.

IR 2.2: Increased competitiveness and employment generation in targeted sectors

Further improvement in Georgia's national competitiveness represents a critical element of increased job creation. Increasing national economic competitiveness and employment generation in targeted sectors will include activities designed to accelerate the development of the Georgian small- and medium-sized enterprises (SMEs), expand the manufacturing and services sector, unleash Georgia's under-utilized agricultural potential, increase access to capital, and develop greater business acumen. Targeted sectors through the mid-term of this CDCS include agriculture, manufacturing, services, and related value chains. Sector selection will be reevaluated at the mid-term of the CDCS resulting in a possible course correction.

Potential activities under this IR will improve the ability of Georgian firms and farms to supply products in response to the demands of the international marketplace for quality, quantity and timeliness. Activities will pursue both export-oriented and import-substitution strategies, not through advocacy for trade barriers but through increased competitiveness. Georgian firms and farms will be encouraged to position themselves not only as individual competing entities, but also as entities cooperating to achieve efficiencies created by well-developed value chains. These value chains will include future incentives identified by the Ministry of Economy and Sustainable Development for clean production technologies and methods. Additionally, these efforts will comprise measures to accelerate the adoption of appropriate scientific and technological approaches to achieve increased competitiveness. Efforts under this IR will be guided by the development and implementation of Georgia's LEDS strategy (sub-IR 2.1.3). USDA and OPIC programs are linked to this DO.

2.2.1 Small- and medium-sized enterprise development and growth

Activities in this sub-IR may focus on Georgia's economic potential for growth in manufacturing and service sectors. Georgia has, currently and historically, a strategic advantage as a logistics and transportation hub for the region. Given its reform successes against petty corruption, Georgia may better serve as a trade platform for exports to neighboring countries. Georgia has a rich potential in tourism attractions to which the GOG has given high priority. There is significant potential for agribusinesses and the food processing industry in conjunction with improvements in the rural areas and the agriculture sector. There is a burgeoning information and communications sector which the GOG seeks to further develop based on the creative vitality of the Georgian workforce. The current role and potential for women as heads of companies and the negative or positive impact upon women in the workforce in different sectors frequently include a number of the following gender gaps that this sub-IR will seek to close. On average males in the Georgian private sector earn 84 percent more than females. In agriculture, men and women often have distinct and often unequal roles. Farms are generally owned and managed by men; although women undertake a large share of farm work, such as managing crops and livestock, dairy production and processing.³⁰ Women are also more likely to own micro-businesses and least likely to own large businesses.

The development and expansion of small- and medium-sized enterprises (SMEs) are the most viable objectives for Georgia to create off-farm employment. Activities under this IR will complement the Mission's agriculture development program by supporting SMEs that are necessary actors for agriculture development. Examples could include packaging manufacturers, transport and logistics companies, storage facilities, business and financial service providers, and agriculture inputs retailers. The focus will be on assisting SMEs with strengthening and expanding business networks to diversify their sources of inputs and sales markets. Emphasis will be placed on the adoption and implementation of internationally recognized standards to support improvement in the delivery of quality products on a predictable and consistent basis. Programming under this sub-IR will be closely coordinated with EU and member nation business development efforts.

2.2.2 Agricultural production/productivity and market linkages increased

Agriculture holds the promise of great economic potential for the overall economy while providing the largest economic up-lift to the greatest number of socio-economically disadvantaged households. After two decades of decline, the GOG has now turned greater attention to developing the agricultural sector. This sub-IR will support the development of commercial agriculture and agribusinesses in Georgia to maximize potential impact on the entire economy, create jobs and reduce persistent poverty in the rural areas. The approach will focus on investing in a judicious mix of agricultural inputs - extension, transportation, water, mechanization, finance, farm-level inputs (fertilizer, seeds, pesticides) - targeted in the major geographical areas with the greatest agricultural potential that will have the most development impact on the largest number of farm households, including Western Georgia, Kakheti, Shida

³⁰ USAID, Georgia Gender Assessment, USAID, 2010, pp 26-27.

Kartli. In addition, this assistance will benefit the ethnic minority regions of Georgia, including Samtskhe Javakheti and Kvemo Kartli. As women less frequently own or manage farms, less often work in high value agricultural chains, and experience other relative disadvantages, specific efforts are needed to reach and empower women in agricultural programs. This IR is consistent with the Feed the Future strategy since it will increase agricultural production, the incomes of the rural population, and as a result, their food security and job creation. A consideration of this sub-IR will be to support the preservation of native varieties of fruits and crops, preventing loss of Georgia's agro-biodiversity.

2.2.3 Access to capital increased

The GOG has maintained a well-regulated commercial banking sector and conservative financial sector policies. While the GOG intends to develop further the financial sector by decreasing banking interest rates, extending loan maturities and increasing small- and medium-business financing, the lack of access to capital, in the broadest sense, will continue to be a primary concern for firms and farms. Leasing, insurance schemes, various forms of equity financing, public private partnerships and Development Credit Authority loan guarantees, among other measures, may be considered to address these needs. These interventions will most likely be selectively chosen, aimed toward reform of the appropriate legal and regulatory environment which would pave the way for effective use of the private sector and funds from other donors or the GOG rather than large capital outlays of U.S. assistance. Since financial sector development can impact women favorably or unfavorably at a number of different levels, keen attention will be paid to the consequences on women and other disadvantaged groups. Mission-supported activities will seek to enable women to have an equal access to credit and business loans. Most banks in Georgia require high levels of collateral for loans. Although there are no legal barriers to women's right to own property, in practice women are generally not owners of real property; therefore, they face an additional burden in finding the collateral needed to obtain credit and business loans.

2.2.4 Business acumen developed

In terms of business skills, knowledge and attributes, the concept of business acumen strikes at the heart of a key sub-IR that needs further development in Georgia. Business acumen refers to the knowledge of financial and operational management coupled with a keen ability to make good judgments. A commonly experienced constraint in the Georgian private sector is the limited knowledge and understanding of financial record keeping and reporting, and limited to no experience operating a business in the global economy. Additionally, most business practices reflect a cash-flow based perspective where having cash on-hand overrides long-term growth considerations. Activities under this sub-IR will focus on developing targeted firm-level capacity to understand how the operations of a business affect its financial status and growth potential. Targeted businesses will come from value chains targeted for assistance by USG funds.

IR 2.3: More responsible management and development of Georgia’s natural endowments

Catalyzing more responsible management and development of Georgia’s natural endowments will include activities to increase utilization of its unparalleled water resource endowments, natural resources (both timber and non-timber), and conservation of ecological services so important to continued economic growth.³¹ Given the importance of agriculture-based value chains and hydropower to economic growth, it is imperative that natural resources such as water are managed in a healthy sustainable way. Likewise, soil must be properly conserved to ensure future production and waste managed properly. This will require integrated watershed management which includes evaluating irrigation and hydropower potential. This holistic approach will include building communities’ capacity in sound natural resource management. Georgia has an absolute advantage in water resources, but it utilizes only 12 percent of its potential for hydropower³² and only six percent for irrigation.³³ The utilization of natural resources carries an obligation for the inclusive, economically sustainable, and environmentally judicious management of their development. Consequently, this IR will include activities to improve management of wastewater and develop clean and renewable energy sources.

Activities designed to promote the more efficient and broader utilization of water resources, including irrigation, may include improved water-application and water-saving technologies, appropriate pricing strategies, and increased investments to refurbish irrigation systems, including leverage of financing from donors and other investors. This IR will result in increased investments in hydro and other clean energy technologies, and improved energy efficiency in the public and private sector that, in turn, will enhance the competitive advantage of Georgian firms through lower energy costs and allow Georgia to sell green energy on global and regional energy markets. Environmentally sound management of Georgia's natural resources through policy reform, improved oversight, economic incentives for clean production and increased participation of stakeholders of all genders, and both rural and urban stakeholders, will ensure predictable and long-term inputs for economic growth, including energy supply, tourism, and agriculture. Lastly, this IR will promote greater resilience to natural disasters and address health, environmental and economic issues through better management of natural resources and waste, including recycling initiatives.

2.3.1 Climate change mitigation increased

Global climate change mitigation is an Agency priority goal and a Presidential Initiative for the USG. The emphasis of activities under this sub-IR is to create a supportive market and enabling regulatory climate for investment in renewable energy and clean production. Activities under this sub-IR will incorporate best practices in mitigation, and focus on increasing energy efficiency at the local and national level (thus reducing projected increases in emissions). This will include deployment and use of alternative energy sources (solar, hydro, biofuels) and energy efficiency technologies, assisting the largest municipalities in the preparation of Sustainable Energy Action Plans to meet their commitment to the EU Covenant of Mayors to lower GHG

³¹ Georgia’s principal natural endowments include water, timber, non-timber forest products, minerals and hydrocarbons, historical/cultural resources, and adventure/eco-tourism potential.

³² Galt & Taggart, Hydro in Georgia: Undeveloped Potential, 2007.

³³ USAID, Agricultural Sector Assessment, 2011.

emissions by at least 20 percent, and developing eco-labeling standards and procedures for buildings. In Georgia, the transport, agriculture, and energy sectors are the principal sources of GHG gas emissions. These emissions increase pollution, average annual temperatures and eventually result in climate change. Although emissions over time are scheduled to increase, the USG will assist the GOG to develop and implement a strategy for Georgia to maximize economic development while lowering GHG gas emissions by promoting efficiencies and alternative (and lower) emissions pathways in these sectors. The design and implementation of a “smart grid” program to modernize energy generation, transmission, and the distribution system is critical to reduce losses and increase preferential access to the grid for renewable hydropower. This sub-IR will also build the capacity of Georgian regulatory bodies to improve the policy and operating environment governing energy and water resources. In the agriculture sector, mitigation measures may include no-till harvesting, agroforestry, and improved and/or reduced use of fertilizers. We anticipate graduating this sub-IR at the end of the strategy period, with final funding for climate change mitigation in FY17.

2.3.2 Sound management of water resources and the broader environment improved

Irrigation and hydropower are two of Georgia’s high priorities, as laid out in the GOG Strategic “10 Point Plan,” to support economic growth into the future. By rationally managing watersheds for all ecological services, these goals can be achieved for the future with the least irreparable damage. Sustainable timber management in upper watersheds, protection of water sources and downstream water efficiency practices will be employed to ensure long-term supply of this critical resource. Public participation and decision-making on the use of these resources and outreach and engagement strategies will ensure stakeholders can influence how these resources are managed and allocated. Proper fee structures will ensure that protection of, maintenance and operational costs for the use and distribution of water resources will be established and means of collecting them implemented.

Resilience to natural and human caused disasters increases stability and protects investments in economic development. By incorporating climate resilient practices into new economic growth activities, small and medium investors and their livelihoods will be protected over the long term. Such practices may include increased efficiency designs for crop production and processing, insurance against climate change impacts, use of climate resistant varieties of key crops, utilizing internationally accepted models for agricultural production predictions, and diversification of renewable energy sources to support value-added processing.

2.3.3 Waste management improved

A Mission waste assessment conducted in 2010 identified key barriers and opportunities to improving waste management in Georgia. Weak waste management is a growing threat to water supplies and human health. Along with the physical management of waste, a public outreach campaign must complement efforts to incorporate “reduce, reuse, recycle, repurpose” attitudes over time. Appropriate development and management of landfills will also reduce GHG emissions, and analysis of possible Waste to Fuel projects will identify an additional source of renewable energy. This sub-IR will improve policy formulation and strategic planning related to waste management at national and local levels, enhance the capacity of targeted municipalities to

establish and sustainably manage, monitor and maintain waste facilities and services, and support the development of Georgia's nascent recycling sector. The results will be reduced environmental pollution, reduced emissions from landfills, and improved sanitation. Efforts under this sub-IR will be reinforced by efforts to enhance municipal capacity, service delivery, and participatory decision-making under sub-IR 1.4.2. We anticipate graduating this sub-IR at the end of the strategy period, with final funding for waste management programming in FY17.

IR 2.4: Quality and market oriented workforce enhanced

The quality of education affects competitiveness and the lack of quality and market-oriented skills is an obstacle to employment in Georgia's economy. Basic education funding in Georgia remains low, at 2.7 percent of GDP. Annual per student expenditure is approximately \$280. Poverty and economic migration are the most noticeable factors influencing demographics and educational participation of student population. The vocational education and training (VET) sector is now small, between two and three percent of the Ministry of Education and Science (MoES) budget. However, demand for VET is projected to grow because of growth in construction, tourism, energy and other sectors, driving demand for additional skilled workers. During CDCS stakeholder consultations, business executives in Georgia identified an inadequately educated labor force as a significant problematic factor for doing business in Georgia. In 2011, whereas Georgia's official unemployment rate was 16 percent, approximately 34 percent of entrepreneurs could not find the required personnel. In terms of professional training, Georgia's energy, construction, communication, IT, transportation, and other growing sectors require highly qualified engineers and advanced technology specialists.

This IR will advance Goal One and Goal Two of USAID's Education Strategy³⁴ and strive to narrow the gap between the growing demand and currently insufficient supply of a well-educated, economically productive workforce. In basic education, activities will support the fundamentals of literacy and math, which will have a long-term impact on Georgia's human capital. Basic education activities will improve the country's literacy and math outcomes and bolster the development of a better-qualified generation of Georgians. The market-driven vocational and in-service training programs and improved university teaching will enhance employability of graduates. The programs that advance university-level teaching in Georgia's most promising competitive sectors will underpin upgraded workforce training for immediate employment. On December 15, 2011, MCC's Board of Directors re-selected Georgia as eligible for MCC assistance for a second compact. An analysis of economic growth in Georgia conducted by the GOG in 2011 identified human capital as a constraint to continued growth. MCC is considering a GOG proposal for a \$100 million package of investments in: (1) general education, including facility improvements in rural schools and teacher training; and, (2) technical/vocational training and higher education. If a second MCC Compact is ratified in FY 2013, we can expect MCC educational investments to come online by FY 2015, helping sustain USAID's investments in the sector and easing USAID's phase out of basic education programming. MCC programming the areas of vocational and higher education will be complementary of related programming outlined in this strategy.

³⁴ USAID. *USAID Education Strategy 2011-2015*. 2011

2.4.1. Basic education improvements sustained

The education reform in Georgia, led by the MoES, emphasizes reading and math learning for students and professional development of teachers. US assistance will support host country priorities and advance Goal One of the USAID Education Strategy by continuing to invest in primary education to improve reading skills and numeracy competencies for girls and boys in primary grades, including those receiving instruction in ethnic minority languages. Activities will support instructional improvements, improving testing standards, and the development of subject experts in reading and math. This sub-IR will continue to introduce a sustainable and effective model of the school-based professional development of teachers needed to achieve sustainable improvements in basic education in Georgia, with final funding in FY 2015.

Educational quality improvement and consequent economic enhancement should be inclusive of all vulnerable groups and population. To achieve such inclusive development, the Mission will support the Teacher Professional Development Center to develop policies and start using best practices for induction, retention, and development of a professional teacher cadre for rural, mountain, and ethnic minority schools. This may include development of incentive programs, as well as improvement of the learning and living environment in disadvantaged communities. The Mission will support the MoES to develop and implement policies that reach out and integrate vulnerable groups of students such as IDP children and children with disabilities, including provision of mobile classes and teaching laboratories, alternative programs of enrollment, and enhancement of educational resources in rural schools in particular.

USAID efforts in basic education will focus on the education of girls. The sub-IR will support an intensive education and literacy campaign in the regions of Georgia where ethnic minorities are concentrated and where the rate of girls' drop-out from school is high. Supplementary instructional materials developed through the basic education and health activities will conform to Committee on the Elimination of Discrimination Against Women recommendations and promote healthy lifestyles.

The basic education funded activities will be complemented by assistance to support the development of eco-clubs, environmental education, and healthy lifestyles curriculum in schools and other basic education organizations in support of other CDCS objectives. Supplementary materials and instruction about climate change will improve the young generation's knowledge of climate challenges. Consistent with USAID Forward Implementation and Procurement reforms, the Mission will continue to match its resources with those of the GOG and other donors. Jointly funded programs may include professional development for teachers by the MoES and the purchase of printable and electronic readers. As indicated above, matching resources may also support the MCC second compact proposal, currently under negotiation, to improve the education infrastructure and learning outcomes in science, math, and English language teaching.

2.4.2 Higher education³⁵ and vocational education developed

USAID will continue support to university programs for teachers. This sub-IR will improve the quality of future teachers, especially those engaged in teaching reading and math. In the energy sector, support will strengthen the curriculum and faculty of the Ph.D. masters and bachelor's degree programs at the Georgian Technological University in Tbilisi.

USAID will continue supporting the targeted vocational training programs in the areas where high employer demand exists. The programs that advance university-level teaching in Georgia's most promising competitive sectors will enhance the workforce with competitive skills and higher paid job opportunities. The market-driven vocational training programs and improved university teaching will enhance employability of graduates and contribute to the stable and inclusive growth of economy

In conjunction with other regional economic development efforts, USAID will support market-oriented vocational training for beneficiaries in 84 target communities with the highest density of vulnerable households in Georgia. In these regions, vocational training through grant-funded apprenticeships programs will be keyed to the needs of employers and linked to specific job opportunities.

USAID programs would be complementary to MCC priorities in education under the proposed second compact. While MCC invests in the infrastructure rehabilitation and equipping of vocational schools, USAID will refer its program beneficiaries for vocational education and support their apprenticeship activities. In university programs, the proposed second compact would focus on the competitiveness of Georgia's workforce in the field of engineering and technology; USAID activities will focus on teacher education programs and training in public policy, business, agriculture, and health.

2.4.3 Professional/in-service training enhanced

While there is a cadre of highly trained and capable professionals in Georgia, there are also frequently glaring – and debilitating – gaps in the national skills profile across the public and private sectors. This sub-IR will support professional and in-service training in a crosscutting manner. For example, in economic growth there is a need for trained professionals proficient in international accounting standards, economic analysis and planning, and other fields. In democracy and governance, there are gaps to be closed in training high-level and specialized civil servants. In energy and environment, there is a need for specialized professional training activities in energy efficiency, in the parks and recreations sector, and other areas. In coordination with other initiatives of the CDCS, this sub-IR will serve to establish an important development relationship between the USAID programs, GOG in-service training capabilities, and the Georgian university and academic community. If we can close the gap between the skills employers need and the skills employees have through market-driven in-service training and professional development opportunities, we will enhance the effectiveness of the Georgia's workforce and increase the productivity of its economy.

³⁵ The Georgia program is not a recipient of Higher Education earmark funding. Higher education related results under this sub-IR will be achieved through the related efforts of sector programs under DO 1, DO 2, and DO 3.

DO 3: Increasingly stable, integrated and healthy society

DO 3 will reinforce progress in the first two DOs by promoting Georgia's stability and integration. Success in economic growth and democratic reform is reliant, in part, on efforts to build a more cohesive and integrated Georgia that is taking meaningful steps to move beyond a legacy of violent conflict and marginalization of ethnic minorities, women and girls, and other disadvantaged groups. An increasingly stable, integrated, and healthy society will be advanced through efforts under three IRs that will promote increased engagement with the occupied territories, increase inclusion of target populations, and advance the goals of Georgia's Global Health Initiative (GHI). Programs financed by other donors, including the EU and member nations and UN agencies will reinforce DO level efforts.

The Georgia GHI strategy³⁶ is located within DO 3 due to the crosscutting character of the health approach, which includes linkages to good governance, improved service delivery, and private sector development results within both DO 1 and DO 2. Health programming is addressed at the IR level as a consequence of our expectation that phase out targets in maternal and infant mortality, contraceptive prevalence, and other health benchmarks will be achieved over the next five years, and the diminishing relative importance of USG health programming in Georgia vis-à-vis the three DOs. The draft GAR and the GHI strategy for Georgia foresee the graduation of health programming over the next five years as progress is made against benchmarks including the percentage of population with access to modern facilities, TB treatment success rates, and the quality of healthcare provider care.

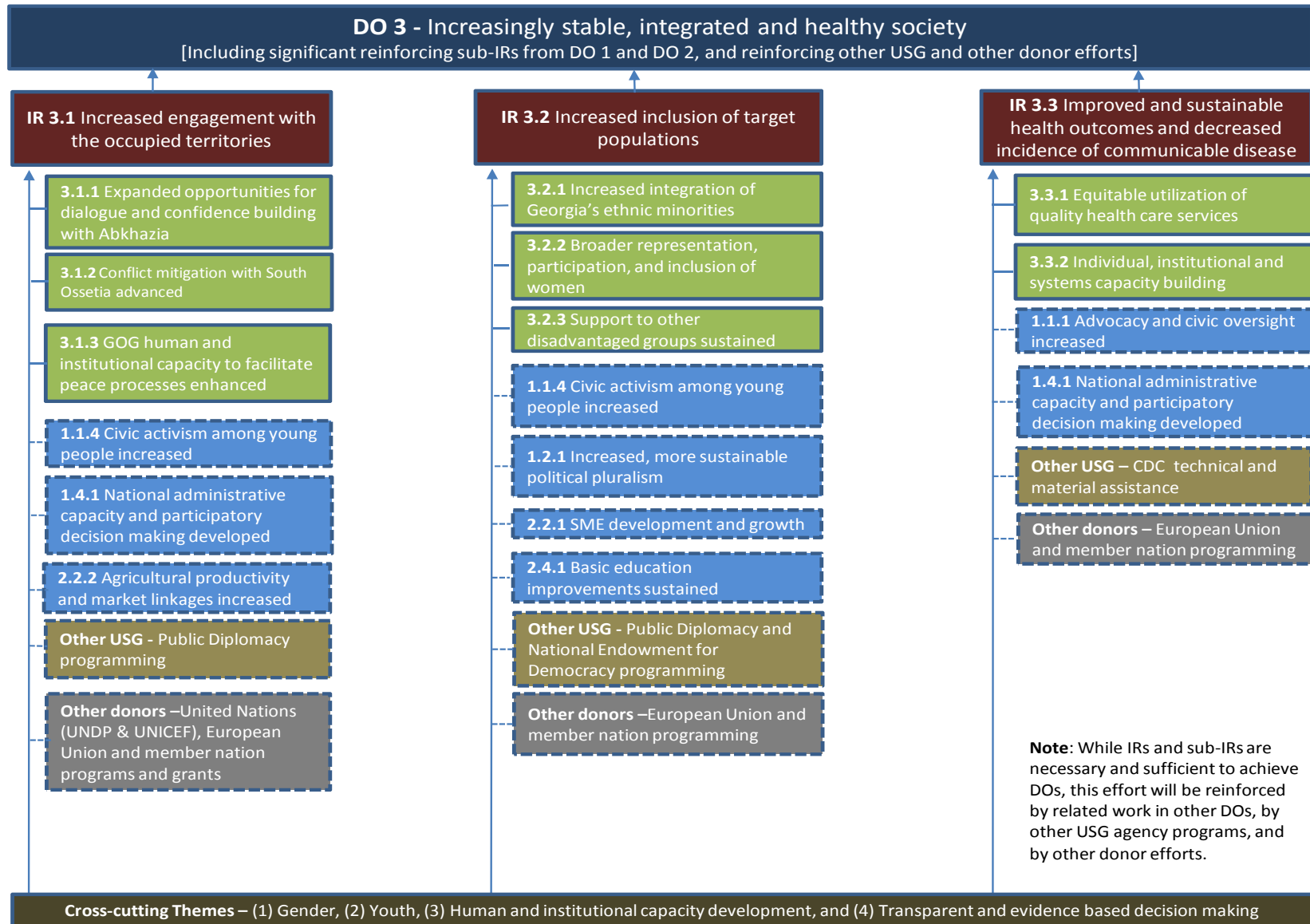
IR 3.1: Increased engagement with the occupied territories

Increased engagement between undisputed Georgia and the occupied territories is a critical next step in Georgia's conflict mitigation and management transition. Immediately following the 2008 conflict, opportunities for engagement diminished significantly, most notably in South Ossetia where the USG and broader donor community have had little to no access. The USG proposes to capitalize on opportunities to promote renewed engagement across the Administrative Boundary Lines (ABLs) with Abkhazia, and, when possible, with South Ossetia as a critical element in achieving and maintaining stability.

The principal results from this IR will be the development and implementation of grassroots, people-to-people, and Track II mechanisms through which communities and key actors across the ABLs can interact and collaborate; increased opportunities for groups including civil society organizations and associations to meet and cooperate with one another; and, expanded opportunities for joint trainings and workshops for professional groups, possibly including young professionals, academics and university administrators, and journalists. Youth and professionals will develop relationships and engage around topics of common interest, such as vocational and civic education, science and technology. Collaboration on joint projects such as youth media programming may be possible. Increased dialogue and training opportunities may result in

³⁶ The GHI in Georgia is part of the U.S. Mission in Georgia's "whole-of-government" approach to development, diplomacy and defense, and represents a standalone whole-of-government health strategy that is incorporated into this CDCS.

DO 3 Detailed Results Framework



heightened professional interaction, knowledge exchange, networking and the utilization of web-based technologies and e-learning tools. Work in this area may also include support for polling and survey activities to monitor attitudes and perceptions on all sides of the Georgia conflict. Participation of women in decision-making and peace building will be an integral part of these activities by ensuring their targeted participation in dialogues and exchanges. Anticipated results include changes in behavior, attitudes and institutions, and contribute to Georgia's longer-term peace and reconciliation efforts.

3.1.1 Expanded opportunities for dialogue and confidence building with Abkhazia

USAID's conflict assessment identified specific opportunities for conflict mitigation and management related to Abkhazia. Building on prior assistance efforts, including current programming focused on health, the assessment proposed short-, medium-, and longer-term recommendations. Focusing on the short- to medium-term as the most salient to this CDCS, USAID will responsibly and deliberately expand opportunities to support Track II dialogue, and support media outreach, including new media, to raise awareness and support the Track II process. Youth dialogue efforts will be enhanced, including through educational programs and summer camps focused around the themes of healthy lifestyles, the environment, math/science, and civics. Established youth centers such as Sokhumi Youth House and a network of existing youth clubs will be utilized and developed. Recognizing the informal trade and interaction which takes place along the ABL each day, USAID will explore opportunities to support this process by improving markets in Zugdidi and Gali, and possibly through support for small-scale infrastructure that supports cross ABL contact and exchange. USAID will explore development of conflict resolution curricula to be taught in universities, and the Mission may explore the expansion of media-related training and programming, including youth reporting workshops and joint study tours for journalists. Over the medium-term, and subject to demonstrable progress on engagement and confidence building, USAID may consider support for community development programs across the ABL. These efforts could be similar to successful community action/mobilization programs that have brought together divided communities around shared priorities in Iraq, Serbia, Lebanon, and Central Asia.

3.1.2 Conflict mitigation with South Ossetia advanced

Access to South Ossetia was closed off following the 2008 conflict and has yet to be reestablished. While some limited access is afforded the EU Monitoring Mission and the International Committee of the Red Cross and the State Ministry for Reintegration reports small numbers of South Ossetians travelling to Georgia proper for health and other public services, assistance efforts and diplomatic access are essentially stalled. The USG's limited assistance goal with regard to South Ossetia is to reinstate assistance and engagement that can help to manage the conflict through confidence building efforts and dialogue. Ongoing support to facilitate dialogue between Georgians and South Ossetians will continue, and confidence-building efforts will be explored.

3.1.3 GOG human and institutional capacity to facilitate peace increased

The State Ministry for Reintegration will likely continue to play a key role in the Track I Geneva process, in tracking donor assistance efforts focused on conflict mitigation through its “modalities” notification process, and in coordinating the provision of public services to residents of the occupied territories. To ensure that the SMR is able to effectively fulfill these roles, USAID will continue to provide technical assistance and policy advice to GOG leadership, strengthen the quality of outreach materials, and ensure that GOG initiatives are informed by advice from conflict mitigation and management experts through the mid-term of this CDCS. As a result, the GOG’s ability to engage in the peace and development process will be enhanced and become more effective as it is further informed by international experience and best practice.

IR 3.2: Increased inclusion of target populations

This IR will further integrate Georgia’s marginalized groups, including ethnic minorities, women and girls, people with disabilities, and IDPs in political, government, private sector, and non-governmental organizations and institutions. Recognizing the inherent linkages among the three DOs, the purpose of this IR will be to focus resources and results on the particular needs of Georgia’s most marginalized groups to advance their inclusion in Georgia’s democratic processes and economic growth. The increased inclusion of women and marginalized groups in Georgian society is a major priority for the USG reflected in the specific, high-level focus afforded through this IR. Additionally, given USAID’s elevated policy focus on gender equity, attention to gender issues will be cross-cutting across the entire portfolio during the strategy period. Results under this IR will be achieved through the protection of rights; legal and regulatory reform; expanded representation of target populations in all three branches of government at national and local levels; targeted economic development opportunities; and, efforts to increase awareness and education on diversity through the media, educational institutions, and through GOG in-service training curricula and courses. As a result, Georgia will see increased inclusion and representation of women, minorities, and other target populations at national and local levels in political, government, private sector, and non-governmental organizations and institutions. Activism and advocacy on behalf of target populations will be expanded, for example, through more capable minority rights NGOs, women’s business associations, and think tank policy papers on issues of disability and inclusion.

3.2.1 Increased integration of Georgia’s ethnic minorities

A number of development challenges are pervasive in Georgian society and are particularly problematic in ethnic minority areas. They include low levels of civic activity, low levels of ethnic minority inclusion in broader Georgian public life, incomplete implementation of governmental policies to promote integration, and low levels of political participation among these populations beyond voting. These communities have not often seen clear pathways to integration into Georgian social, economic and political institutions, and they may fear attempts at assimilation and the loss of their ethnic, cultural, and linguistic identities.

This sub-IR will strengthen integration processes in Georgia, with a particular focus upon ethnic minorities. Key objectives include increasing public awareness and education on the value of

ethnic, cultural and linguistic diversity in Georgia through the media, and facilitating interaction between the Government and ethnic minorities.

Activities will include programs for youth including civic integration youth clubs, camps, youth exchanges, and social media mechanisms that will target young people across Georgia, especially in the ethnic minority regions of Samtskhe-Javakheti and Kvemo Kartli. Assistance will facilitate public private partnerships and engage ethnic minority diaspora community representatives and investors. Assistance programs will provide people with practical experience in civic activism, and help them build connections to people in other regions of Georgia. Activities will encourage greater youth activism in the regions, create stronger horizontal connections between young people and families across Georgia, build a broader appreciation of diversity, reduce stereotypes, and improve government responsiveness and commitments to these communities.

USAID will support the Council on National Minorities of the Tolerance Center of the Public Defender's Office as an important mechanism for interaction between the government and ethnic minorities, a means of monitoring GOG implementation of the National Concept and Action Plan for Tolerance and Civic Integration, and a way to manage issues of diversity. As a result of these efforts, we hope to see greater youth activism in minority regions; broader understanding of diversity, its management, and conditions of daily life across the diverse regions; and, NGOs across Georgia with improved capacity in diversity management, civic engagement, and youth work.

3.2.2 Broader representation, participation, and inclusion of women

As per the recommendations of the 2010 Gender Assessment and its 2012 Update, USAID will work with the GOG, civil society, political parties, and local communities to increase women's political participation and their role in decision-making. USAID will work with the GOG to encourage full implementation of gender equality action plans. For example, USAID will partner with the GOG to implement aspects of the *Gender Equality Action Plan* in relation to empowering women entrepreneurs, enhancing women's role as peacemakers, and increasing the political participation of women. Similarly, USAID will partner with the GOG to implement the *Action Plan on Women, Peace and Security* that was adopted in 2011. This will enable the Mission to partner with a proactive government in promoting women's participation in this sector and to support a major USG initiative at the same time. In addition, the Mission will identify and work with women's groups, as well as male champions of gender equality. Some activities will be implemented through identified female leaders and decision makers willing to mentor and support emerging female leaders. Working with media will be important to augment the existing policy and institutional developments with attitudinal changes that make them work for women. USAID will also support research and analysis on gender issues. Basic education efforts under sub-IR 2.4.1 will ensure a specific focus on the education of girls, reinforcing progress toward this sub-IR.

3.2.3 Support to disadvantaged groups sustained

USAID will continue to provide assistance to support the inclusion of disadvantaged and vulnerable groups, including IDPs, people with disabilities, vulnerable youth, and victims of domestic violence, through the mid-term of the strategy. Activities will promote the rights, skills/workforce development, and civic participation of Georgia's large IDP population, with a

focus on isolated IDP communities and vulnerable youth. Assistance will support GOG reforms intended to expand inclusive education strategies to all schools of Georgia and to improve early identification of children with disabilities. Assistance will support GOG efforts to review and implementing classifications of disability status and related entitlements and social services packages which will enable people with disabilities to more fully participate in education, employment, and social integration opportunities. Domestic violence continues to be a pressing issue.³⁷ USAID will support public awareness activities related to gender-based violence. In collaboration with State/INL and DOJ programming, support will strengthen the capacity of service providers and NGOs working on this issue and the legislative framework for addressing family violence will be reviewed together with procedures for handling select cases via referral mechanisms.

IR 3.3: Improved health outcomes and decreased incidence of communicable disease

The objectives of Georgia's Global Health Initiative (GHI) strategy will directly contribute to the achievement of a stable, integrated, and healthy society. The first objective of the Georgia GHI strategy (which was developed by an inter-agency team including USAID, CDC, DTRA, and State/Public Diplomacy), is to increase the equitable utilization of quality health services to reduce maternal and neonatal mortality, increase the use of reproductive health and family planning services, and decrease the burden of infectious diseases in Georgia. This objective will be achieved by improving health infrastructure to increase demand, increasing health promotion practices in public and private sectors and improving the use of insurance schemes to cover health care costs.

The second objective of the GHI strategy is to build the capacity of individuals, institutions, and systems in Georgia. This objective will be achieved by strengthening human resources for health by providing training to healthcare providers to learn and adhere to evidence-based clinical guidelines, by improving access to clinical equipment, by improving management of physical facilities, by increasing evidence-based decision-making by supporting the development of an effective national health information system to provide timely, reliable service use and financial information needed to monitor the health reforms, inform decision-making, ensure continuity of patient care and permit the efficient management of the privatized health system. The principal result from this IR will be improved service delivery in targeted areas, such as disabilities and health and improved outcomes in the areas of health, education, and childcare. Health programming will graduate during the mid-term of this strategy period.

In order to graduate all areas of USG health assistance in Georgia successfully and ensure sustainability of USG achievements, it is vitally important that the USG exit the sector in an orderly fashion. The USG health program and transition plan in Georgia is on track to achieve sustainable change in the health sector, with final USG funding in FY 2015.

3.3.1 Equitable utilization of quality health care services

Improvement of health outcomes in Georgia remains a continuing challenge, especially for the most vulnerable populations. Appropriate, equitable and timely utilization of quality health

³⁷ Update of the Mission 2010 Gender Assessment, February 1, 2012

services is a key proximate determinant of health status. Health services utilization rates in Georgia are the lowest in the World Bank's Europe and Central Asia region with less than two outpatient visits per capita and less than five inpatient visits per 100 people per annum. Private out-of-pocket payment for treatment still constitutes about 70 percent of total health expenditure and is considered to be a major barrier to seek care. Illness is one of the causes of falling into poverty, as share of households incurring catastrophic health expenditure is around 11 percent.

The first objective of the GHI strategy is to increase the equitable utilization of quality health services to reduce maternal and neonatal mortality, increase the use of reproductive health and family planning services, and decrease the burden of infectious diseases in Georgia. Increased utilization of quality health services will also help protect against catastrophic out-of-pocket expenses to individuals due to illness and reduce costs to the entire healthcare system. As USG assistance moves toward phase-out, we will focus our efforts on the most vulnerable populations throughout the country. This objective will be achieved by:

Improved health quality to increase demand. Currently, many health services in Georgia are outdated and ineffective. If the quality of such services is improved, people will utilize them more. Quality improvement activities will include changing provider attitudes and norms and partnering with the private sector to upgrade infrastructure throughout the country through a Development Credit Authority (DCA) loan guarantee. In addition, health workers will learn and adhere to evidence-based clinical protocols with better managed services and quality assurance systems in place.

Increased health promotion practices in public and private sectors by assisting health insurance companies to include health promotion incentives in insurance plans and by disseminating evidence-based clinical practice guidelines and drug prescribing practices to healthcare providers. The USG will also continue to support national communication campaigns in the areas of HIV/AIDS, family planning and reproductive health, and tuberculosis. The USG will continue to build the capacity of the Georgian National Centers for Disease Control (NCDC) to plan and manage these campaigns independently in the future.

Improved use of insurance schemes to cover health care costs by strengthening the capacity of private insurers and health care providers to provide quality health insurance and health care services; strengthening the capacity of the GOG to guide and monitor the health reform process; and educating insurance and health care consumers on their rights and responsibilities. Work under this sub-IR will be reinforced by efforts to strengthen government oversight and regulation supported under sub-IR 1.4.1.

3.3.2 Individual, institutional and systems capacity building

Despite the efforts by the Ministry of Labor, Health, and Social Affairs of Georgia (MOLHSA) and international donors, major gaps remain in the capacity of individuals, institutions, and systems to deliver high quality services in Georgia. Malpractice results in high case-fatalities, sub-optimal health outcomes, and high costs to the healthcare system.

Georgia lacks an effective national health information system to provide timely, reliable demographic, epidemiological, clinical, service use and financial information needed to monitor

the health reforms, inform decision-making, ensure continuity of patient care and permit the efficient management of the privatized health system. To date, the USG has addressed gaps in the capacity of individuals, institutions and systems through strengthening the provision of quality perinatal health services, building family planning/reproductive health modules and practicums into medical and nursing school curricula, creating modern training opportunities for emergency physicians and nurses, providing technical assistance and supportive supervision to infectious disease healthcare providers, and strengthening the capacity of professional medical and hospital associations to play a more active role in setting up health care standards and ensuring higher quality services. The USG assists insurance companies and health service providers to standardize their relationships; set up payment and reporting schedules; develop and introduce standardized disease classification, coding systems and treatment guidelines; and incorporate health promotion and preventive examinations into insurance policies. All of these interventions have demonstrated that evidence-based optimized care can significantly improve health outcomes and reduce costs. For example, through implementation of effective perinatal care practice methodologies at several maternity hospitals across Georgia, birth complication rates decreased dramatically and costs were reduced by 25 percent. In another example, training of emergency physicians from Kipshidze Central University Hospital led to a significant reduction of hospital-acquired infections in its emergency wards.

The second objective of the GHI strategy is to build the capacity of individuals, institutions, and systems in Georgia. This will be achieved by:

Strengthened human resources for health by providing training to healthcare providers to learn and adhere to evidence-based clinical guidelines; improve access to clinical equipment; and better managed physical facilities.

Strengthened strategic information for evidence-based decision-making by assisting the GOG to develop and operationalize its “Healthy Georgia for You” health management information system (HMIS). Once developed and operational, the system will allow for greater efficiency, transparency, and accountability in the health care sector, support evidence-based decision-making, and ensure better continuity of patient care across different levels of the system. HMIS allows the GOG to have reliable and timely information about the population’s health status and medical services use, and to monitor and evaluate state health programs. It also provides the basis for evidence-based decision-making, which contributes to the optimal use of scarce health care resources.

Global Health Initiative

In 2011, a USG team completed an inter-agency, five-year Global Health Initiative (GHI) Strategy for Georgia covering FY12-FY16. Recognizing that Georgia is in a position to initiate development of a graduation/phase-out plan for its health programs, implementation of the GHI strategy over five years is viewed as critical to maximizing the sustainability of current and past USG program investments. The GHI approach is to improve the health status of the population through strengthened stewardship and responsiveness of the health sector, by supporting the twin pillars of increasing demand for quality services, and improving the local capacity to supply those services. In doing so, the USG will work to build and sustain the management and technical capacity of both the public sector healthcare system as well as the private healthcare sector and insurance providers.

Strengthened healthcare management in public and private sectors by implementing more transparent and accountable medical intervention classification systems and more efficient provider payment systems; strengthening the management skills of health insurance and healthcare providers; and strengthening the capacity of insurance companies to detect and prevent fraud. The USG will support institutionalization of systems to support service provision at national and local levels. At the national level, there will be improved policies, standards, and quality assurance programs for family planning/reproductive health, infectious diseases (including STI/HIV/TB), and maternal health, as well as nationwide information/education activities that promote behavioral change and healthy lifestyles. The capacity of MOLHSA and other Georgian health sector institutions will be strengthened to take a leadership role in policy development and analysis, management, health economics and planning in order to implement the reform process. The NCDC's capacity to issue small grants to civil society organizations providing HIV prevention services will also be developed.

Cross-Cutting Themes

The following four cross-cutting themes stand out in the proposed CDCS approach and are mainstreamed throughout the document:

1. **Gender Equality**: In addition to establishing a sub-IR dedicated to broadening women's representation, participation, and inclusion, this CDCS will mainstream gender equality across the Results Framework. The Mission's approach to the democratic governance, inclusive growth, and stability/integration objectives will be gender sensitive, assuring that development benefits deliberately accrue to Georgia's women and girls. As noted in sub-IR 3.2.2, CDCS programming will support the GOG to implement the *Gender Equality Action Plan* and the *Action Plan on Women, Peace and Security*. Programming across portfolios will seek to empower women entrepreneurs, enhance women's educational attainment, increase the number of women in leadership positions in government at national and local levels, support the role of women as peacemakers, and increase the participation of women in political parties and the legislature. In doing so, the CDCS will implement and advance the goals of USAID's new Gender Equality policy.
2. **Youth**: Youth is a cross-cutting theme for this CDCS that will be addressed through programming within each DO. Political participation, employment generation, and ethnic minority oriented programming will all target youth beneficiaries. Further, youth will be a focus of conflict mitigation, higher and vocational/technical education/training, and health programming with a focus on healthy lifestyles. The Mission's cross-cutting focus on youth recognizes the future role that youth will play in the ongoing development of Georgia and the need to invest in that future now.
3. **Human and institutional capacity development**: Human and institutional capacity development is the third cross-cutting theme of this CDCS, with each DO addressing this issue. DO 1 will build the human and institutional capacity of the GOG at national and local levels, the judiciary, legislature, civil society, and political parties. DO 2 will develop the human and institutional capacity of business related think tanks and

associations, SMEs, and educational institutions. DO 3 will strengthen human and institutional capabilities related to the peace process, ethnic minorities and other disadvantaged youth, and healthcare.

4. Transparency and evidence based decision-making: While Georgia is known for its fast paced reforms, the GOG's transparent and evidence-based decision-making could be strengthened. To improve the quality of public policy making, effort across the Results Framework will seek to improve the transparency and evidence base of public sector decision-making. As a result, we expect to see more grounded public policy that is informed by international best practice, and has been vetted through a process of public and civil society engagement and dialogue.

VI. Critical Assumptions & Risks

The CDCS critical assumptions and risks outlined below apply generally to the strategy as a whole. To avoid redundancy, these assumptions and risks are presented together in this section rather than repeated in each DO narrative. Where assumptions and/or risks relate to specific DOs, this is identified below.

CDCS assumptions:

1. *A pro-U.S., Western-oriented government:* The approach elaborated in this CDCS assumes that a pro-U.S., Western-oriented government will continue to be in place in Georgia and will actively collaborate with the USG in the implementation of this strategy which reflects the goals of the GOG and people of Georgia.
2. *GOG momentum for reform is sustained:* The reform accomplishments of the GOG over the past eight years have enabled significant development progress for the Georgian people, including governance, infrastructure, and utility improvements. This CDCS assumes sustained reform by the GOG, including with regard to policies for vulnerable populations.
3. *Improved elections:* The upcoming parliamentary and presidential elections are critical to Georgia's continued democratic development. This CDCS assumes that the electoral environment will be contentious but that the GOG will improve the administration of the elections and the electoral environment, thereby ensuring that Georgians and international observers respect and accept their outcome.
4. *A highly politicized environment:* This strategy assumes that Georgia's highly politicized environment will continue through the CDCS period. As noted in the Development Context section, USG lessons learned from implementing assistance in Georgia reinforce the point that everything in Georgia is political, including assistance. This strategy assumes that all assistance efforts will be grounded in a thoughtful political/economy analysis to clarify political interests and actors and manage programs to prevent political actors, be they pro-government or pro-opposition, from taking advantage of U.S. assistance to promote their personal goals.

CDCS risks:

1. *Sustainability of post-conflict investments:* A significant risk for the USG relates to the sustainability of investments made as a result of the \$1 billion post-conflict program. Current programming includes large-scale energy, irrigation, and housing infrastructure activities; a sub-grants portfolio with over 300 active awards to local NGOs, associations, and private sector organizations; and, well resourced technical assistance programs, notably in the democracy and economic growth fields. These programs will be fully implemented by the mid-term of this CDCS. Consideration of sustainability and legacy will be front and center in the management of these programs over the coming years and

in the design of a new generation of programming which will come online in the second year of this CDCS as the post-conflict programs wind down.

2. *Political instability and violence*: Political competition in the run up to and during the 2012 parliamentary and 2013 presidential elections has the potential to flare into civil unrest. Street protests over fraudulent elections in 2003 led to the “Rose Revolution,” and political violence has occurred in the streets of Tbilisi in 2007 and 2011.
3. *An enduring global recession*: An ongoing global recession with limited foreign direct investment and export market opportunities for Georgia could slow efforts to achieve more inclusive and sustainable growth.
4. *Institutional Memory*: The rapid pace of turnover among civil servants tied to the movement and reassignment of ministers and other senior executives poses a risk to the implementation of this CDCS. Investments in building the human and institutional capacity of a particular government entity, for example, can be undermined with a change of minister and a replacement of the management team. Assistance will mitigate this risk through a focus on procedures and systems that maximize the preservation of institutional memory.

Given the political and international relations nature of many of the assumptions and risks, and in addition to internal stock-taking through the Mission’s semi-annual portfolio reviews, USAID will work with Post’s broader Country Team and Assistance Coordination Committee to monitor the assumptions and risks on a periodic basis and discuss implications for the implementation of this strategy. Through both internal and Embassy-wide reviews of assumptions and risks, USAID will reevaluate and, as necessary, clarify refinements to goals, objective, and approaches outlined in this CDCS.

VII. USAID Forward Implementation

The values of local ownership and partnership, sustainability, donor coordination, measuring results, learning, and informed decision-making are central to our approach in this CDCS. USAID/Caucasus will build on a strong platform of USAID Forward efforts, including over \$350 million of direct implementation through host country systems since the 2008 conflict.

During the first two years of the strategy, USAID will focus on building the capacity of the local NGO and private sector, expanding an existing portfolio of direct grants to local organizations. These efforts will improve the legal enabling environment for NGOs, provide capacity building for NGOs, and support institutional capacity building for government entities, such as the Ministry of Refugee Affairs, Georgian State Electrosystems, Central Election Commission, Georgia National Communications Commission and continued capacity building for the Georgian Oil and Gas Corporation and the Municipal Development Fund of Georgia.

Over the full strategy period, the Mission will prioritize using the local Georgian private and non-governmental sector to directly implement a significant portion of its portfolio wherever possible. Local implementing partners, including NGOs, will increase from a baseline of 2 percent of the portfolio to 10 percent by 2015 (excluding host government systems). The Mission will conduct a CDCS mid-term evaluation of local implementing partner programming, make any mid-course corrections to our approach, and possibly further expand our use of local implementing partners in the out years of the strategy. There are significant opportunities in Georgia to partner with NGOs, civil society, watchdog organizations, political parties, universities, media, businesses, trade and professional associations, and think tanks doing direct implementation. Graduating many of these historical recipients of USAID capacity building assistance and sub-grants to direct implementation will have a meaningful and sustainable impact, and supports IRs 1.1, 1.2, 1.3, 2.1, 2.3, and 2.4.

As noted above, the strategy period follows a high level of implementation through host government systems with a baseline of 41 percent in 2011, slowly decreasing to a steady 10 percent annually for 2013-2017 (additional to local private sector/NGO assistance). The surge in post-war funding included large infrastructure projects that are being implemented through the host government. As the surge funding dissipates, the portfolio will return to smaller traditional technical assistance and training programs, reducing the proportion of direct host government activities. Even so, the Mission fully intends to seek out opportunities for host government implementation where appropriate. In particular, the Mission plans to conduct a rapid appraisals of selected ministries, and target municipalities in 2013 to explore the possibility of government-to-government (G2G) programming in the out years of the strategy.

This CDCS will also advance agency goals related to evaluation, talent management, and innovation/science and technology.

Regarding evaluation, the Mission plans to increase the consistency of quality and the quantity of its evaluations using the new tools provided by USAID Forward, and will conduct five high quality evaluations annually for the duration of the strategy, in addition to continuing

assessments. The number of performance evaluations will be higher than the number of impact evaluations due to the complexity and higher cost of impact evaluations. However, the Mission will work with its implementing partners and other stakeholders in the country to identify opportunities for impact evaluations. Additional information on performance management is included in Section VIII.

The Mission will have established and exceeded mentor-mentee relationships for two FSOs and three FSNs each year from 2013-2017. In 2012, 29 percent of FSOs and 51 percent of FSNs will have 'Direct Engagement' as part of their approved annual work plans. For 2013-2017, 50 percent of FSOs and 51 percent of FSNs will have 'Direct Engagement' as part of their approved annual work plan. Direct engagement will involve Mission staff advising counterparts on reform and development issues, conducting training, and providing technical assistance in support of the three DOs. Mission staff will increasingly serve as development advisors, moving beyond the established USAID roles related to contract and grant administration.

Regarding innovation, the use of Development Credit Authority funds and public private partnerships will be sustained and expanded. As increasing access to capital is a key part of DO 2, the Mission will sustain commitment to DCA mechanisms during this strategy period. The Mission also intends to embrace public-private partnerships with both local and international resource partners over the period of the strategy. Thus, funds committed to public private partnerships will increase from a baseline of one percent of portfolio in 2011 to five percent annually from 2015-2017. Key opportunities are likely to arise in support of IRs 2.2 and 2.3, in support of which USAID will seek to leverage private investment to build the economy. The use of Geographic Information Systems (GIS) will be further integrated across all Mission programs to help decision-making and analysis. All implementers have started to report required GIS information. The Mission will also utilize the Partnership for Enhanced Engagement in Research program or other available mechanisms to maintain one to two ongoing science exchange programs throughout the strategy period. Supporting the development of the LEADS strategy is a likely candidate for support through such exchange.

VIII. Performance Management

Key to the success of this CDCS will be the development of a strong performance management system. Consistent with CDCS guidance, the Mission will develop a new Performance Management Plan (PMP) for Georgia within four months of CDCS approval. The PMP will enable the Mission to monitor and manage a core set of performance indicators that reflect appropriate targets, baselines, and data collection and analysis approaches. The PMP will be updated once a year – in October, when previous fiscal year performance information is collected. As outlined in section VII, GIS technology will be utilized as a component of the performance management system.

Consistent with USAID’s Evaluation Policy, the Mission will perform a series of impact and performance evaluations for each DO over the course of the CDCS. The number of performance evaluations will be higher than the number of impact evaluations due to their complexity and higher cost. However, the Mission will work with its implementing partners and other stakeholders to identify opportunities for impact evaluations. All evaluations will examine whether interventions are achieving the intended results and generate learning opportunities that will inform future program designs. The Mission has planned to conduct five evaluations each year for the duration of the CDCS. The Mission plan for implementing the evaluation policy has identified the “large projects” that will require at least one evaluation during their lifetime. The list will expand as new projects and/or activities are designed as part of CDCS implementation.

Examples of evaluations that will be conducted during the CDCS period include the impact evaluation of the New Economic Opportunities (NEO) project. The evaluation is being implemented in three parts/components, the first of which is planned in May, 2012, with the last component to be implemented in FY 2015. Examples of other evaluations planned during FY 2012-FY 2015 include: the mid-term evaluation of Judicial Independence and Legal Empowerment Project; mid-term evaluation of the Economic Prosperity Initiative; and a mid-term evaluation of the Good Governance in Georgia (G3) project. The Mission will update the evaluation implementation plan annually.

In line with USAID Forward, efforts are already being made to increase involvement of local organizations/experts in implementing evaluations. The Mission will continue to work with and build the capacity of the Georgian Evaluation Association. The Mission will ensure wide dissemination of evaluation results both among stakeholders in country and by submitting reports to the Development Experience Clearinghouse. In terms of funding for evaluations, the Mission has adopted the target set by the evaluation policy of 3% of annual program funds.

In response to USAID’s evaluation policy, the Mission revised its Mission Order (MO) on Performance Management in December 2011 to make it fully consistent with the policy. The revised MO defines roles of the Mission’s various offices and sets standards for evaluation practices. The MO also addresses the monitoring part of the performance management system, and describes various tools used for monitoring as well as requirements for documenting these (monitoring site visits, portfolio reviews, etc.). Performance management and learning is incorporated into the Mission’s semi-annual portfolio reviews that facilitate discussion of portfolio performance and the major findings of assessments and evaluations and any course

corrections needed based on those findings. Separate meetings to discuss each evaluation's findings and to identify next steps will be organized with the Mission leadership and technical offices. The activities will be adapted as needed.

The Mission has identified a list of illustrative indicators and evaluation questions under each DO to track performance progress towards targeted results and determine the effectiveness of activities as well as the impact of program interventions.³⁸ A list of illustrative indicators, which would measure achievement of the results and evaluation questions that could inform impact and performance evaluation planning are included in Annex 2.

³⁸ Indicators will be disaggregated by gender when possible and appropriate in the CDCS.

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Annex 1: 20 Years of Partnership for Progress



USAID
FROM THE AMERICAN PEOPLE

20 Years of Partnership for Progress



U.S. – GEORGIA
CELEBRATING TWENTY YEARS

USAID began operating in Georgia in 1992. Over the last twenty years, the American people have provided over \$1.5 billion in assistance to Georgia through USAID. USAID supports Georgia's continuing transition to a free and prosperous democracy. Our programs include initiatives to stimulate economic growth, develop democratic institutions, and improve health and education.



1992

USAID begins operations in Georgia after a bilateral agreement on assistance is signed in July. The original program focus was humanitarian assistance in response to conflict in South Ossetia and Abkhazia.



2003

Following the Rose Revolution, USAID adjusted its priorities to assist a dynamic new government focused on aggressive reforms. Assistance strengthened the Government of Georgia's ability to implement reforms affecting education, healthcare, energy, and governance.



2008

Immediately after the August conflict, USAID was a leader in the international humanitarian response, providing critical assistance to populations affected by the conflict. On September 8, Secretary of State Condoleezza Rice announced a \$1 billion United States economic support package to help meet Georgia's pressing humanitarian needs and to facilitate its economic reconstruction.



1998

USAID expands its presence in Georgia with a full mission and greater funding of projects on democratic reforms, economic growth, energy and social development. These projects laid the foundations for reform and development.



Today

USAID's projects continue to strengthen and sustain Georgia's democratic, free-market, Western-oriented transformation by using assistance to enhance democratic checks and balances and accountable governance, stimulate inclusive and sustainable economic growth, and foster an increasingly stable, integrated and healthy society.

Post-Soviet transition and stabilization

- Provided emergency food, clothing, medicine and other equipment to those displaced by conflicts
- Launched micro-credit program aimed at women entrepreneurs and small business owners
- Financed community-level projects to promote income generation and economic growth
- Supported immunization of children for diphtheria, polio, measles and tuberculosis, reaching sustained immunization rates of over 80%

Building a foundation for reform and development

- Supported the passage of the Unified Election Code, increasing the transparency of the election process
- Assisted Georgia's accession to the World Trade Organization in 2000
- Supported the mapping and registration of two million newly privatized land plots and helped new landowners to sell, lease, mortgage or develop their parcel
- Provided technical assistance for the sustainable development and protection of national parks in Georgia
- Provided energy subsidies over five years to 20% of the population otherwise vulnerable to winters without heating

Supporting aggressive reform

- Made Georgia more business and investment friendly by helping the government streamline its business regulations and procedures
- Helped to strengthen anti-human trafficking legislation and enforcement
- Increased access to quality health care through health sector reforms, financing for hospitals, and the introduction of modern, effective maternity care tuberculosis treatment
- Helped turn the lights back on in households and businesses across Georgia through investments in infrastructure and assistance for the reform and privatization of the primary energy distribution company

Post-conflict assistance

- Funded \$250 million in social payments to pensioners, IDPs and other vulnerable groups soon after the conflict.
- Provided \$56 million for emergency food, clothing, housing and medical needs for over 200,000 people
- Subsidized winter utility costs for over 4,000 displaced families living in new settlements
- Provided agricultural assistance to nearly 40,000 households and long-term assistance to farmers through the funding of 21 privately owned farm machinery service centers for small farmers
- Renovated 16 deteriorated and damaged schools in the conflict-affected areas of Shida Kartli to improve the learning environment for over 8,600 students

Strengthening democracy and economic growth today and into the future

- Implementing major projects to provide housing for displaced people, improve infrastructure in smaller communities, and rehabilitate irrigation canals
- Created 10 Centers for Civic Engagement in regions across Georgia to promote democratic participation
- As a part of ongoing gas and electricity infrastructure improvements to deepen energy security and boost economic activity, completed construction of the 30 km Poti-Senaki gas pipeline, which will benefit 17,000 customers, business, and industrial users in Poti by the end of 2012
- Trained more than 5,600 vocational education students in trades related to construction and tourism
- Contributed to a significant reduction in abortion rates in Georgia by expanding access to modern contraceptive methods

Annex 2: Illustrative Performance Indicators and Evaluation Questions

Goal: Georgia’s democratic, free-market, Western-oriented transformation strengthened and sustained

- Freedom House’s Nations in Transit Democracy score
- GDP per capita
- World Economic Forum (WEF) Global Competitiveness Index
- Country political stability and absence of violence point value score
- Infant Mortality Rate³⁹
- Poverty (% of population below national poverty line)

DO 1: Democratic checks and balances and accountable governance enhanced

- Freedom House’s Nations in Transit Judicial Frameworks and Independence score
- Percent of citizens who feel the judiciary and parliament act independent of the Executive (polling data)
- World Bank Government Effectiveness score
- Freedom in the World Score for Free, Partly Free or Not Free on Freedom House Survey

IR 1.1: A more informed and engaged citizenry

- Dimension of NGO Sustainability: advocacy (annual USAID NGO Sustainability Report)
- Dimension of NGO Sustainability: public image (annual USAID NGO Sustainability Report)
- Media Sustainability Index: free speech
- Media Sustainability Index: plurality of news sources
- Freedom House’s Nations in Transit Civil Society score

Sub-IR 1.1.1: Increased advocacy and civic oversight

- Percent of citizens surveyed who participate in civic activities (advocacy and civic oversight)
- Number of policies that have been influenced by CSOs

Sub-IR 1.1.2 Improved CSO enabling environment

- Dimension of NGO Sustainability: legal environment
- Dimension of NGO Sustainability: financial viability
- Dimension of NGO Sustainability: service provision

Sub-IR 1.1.3 increased access to independent, balanced, reliable sources of information

- Percent of citizens who receive their news from alternative media sources (polling data)
- Media Sustainability Index: professional journalism
- Media Sustainability Index: business management
- Media Sustainability Index: supporting institutions

³⁹ Reducing by two-thirds by 2015, the under-five mortality rate is the Georgia’s national MDG Goal 6 target (http://undp.org.ge/index.php?sec_id=65&lang_id=ENG).

Sub-IR 1.1.4 Enhanced civic participation among young people

- Number of schools that adopt practical models of civic education
- Percent of youth demonstrating civic knowledge
- Percent of youth reporting participation in youth-initiated civic activities (e.g. advocacy, environmental protection, peer education, etc.)

IR 1.2: Political and electoral processes are more competitive, deliberative, and transparent

- Percent of citizens who trust the electoral processes (polling data)
- Freedom House’s Nations in Transit Electoral Process score

Sub-IR 1.2.1 More sustainable political pluralism

- Freedom House Freedom in the World Political Rights sub-score for political pluralism and participation
- Number of constituent outreach consultations conducted by parties receiving USG funding
- Number of political parties receiving USG assistance to help them develop more programmatic platforms and policy agendas

Sub-IR 1.2.2 Oversight of and confidence in election processes enhanced

- Number of electoral administration procedures and systems strengthened with USG assistance
- Number of individuals receiving voter and civic education through USG-assisted programs

Sub-IR 1.2.3 Capacity, openness, and independence of the legislature increased

- Number of executive oversight actions taken by legislature receiving USG assistance
- Number of public forums resulting from USG assistance in which national legislators and the public interact

IR 1.3: Independent, consistent, and professional application of the rule of law

- Percent of citizens who feel their criminal and administrative cases would be fairly handled by the court system
- Percent of citizens with access to state-sponsored justice services (polling data)
- World Economic Forum Global Competitiveness Index’s Protection of Property Rights ranking

Sub-IR 1.3.1 Application of due process expanded and access to justice increased

- Level of satisfaction among court users
- Change in Georgia’s ranking for the indicator “Enforcing Contracts” from the World Bank and IFC’s annual Doing Business Report

Sub-IR 1.3.2 Judicial independence and capacity increased

- Change in opinion of public and leaders of legal community regarding independence of the judiciary
- Number of judges, judge-candidates, and court personnel trained with USG assistance

Sub-IR 1.3.3 Civic participation in judicial affairs increased

- Number of new policies adopted as a result of a dialogue with civil society
- Number of USG-assisted campaigns and programs to enhance public understanding, NGO support and media coverage of judicial independence and accountability
- Numbers of legal institutions, associations, domestic human rights NGOs receiving USG support
- Number of advocacy and monitoring campaigns conducted by USG-supported NGOs

Sub-IR 1.3.4 Skills, knowledge, and ethical standards of legal professionals enhanced

- Percent of legal professionals surveyed who feel there is effective balance between parties in court hearings and trial is adversarial
- Number of new curricula developed and training courses delivered with USG assistance
- Change in opinion of leaders of legal community regarding quality of legal education
- Change in opinion of leaders of legal community regarding effectiveness of the Bar
- Number of law professors trained with USG assistance
- Number and type of educational materials developed with USG assistance used in law schools
- Number of bar members trained with USG assistance

IR 1.4: Transparent, responsive and effective governance and service delivery

- Freedom House's Nations in Transit: National Democratic Governance
- Freedom House's Nations in Transit: Local Democratic Governance

Sub-IR 1.4.1: National administrative capacity and participatory decision-making developed

- Percent of citizens who believe they have opportunities to share their opinion with the government
- Number of GOG agencies with institutionalized public comment periods
- Number of governmental and nongovernmental mechanisms supported with USG assistance for oversight of the executive branch

Sub-IR 1.4.2: Municipal capacity, service delivery, and participatory decision-making enhanced

- Percent of citizens who believe they have opportunities to share their opinion with the government
- Number of GOG agencies with institutionalized public comment periods
- Number of sub-national entities receiving USG assistance that improve their performance

Sub-IR 1.4.3: Increased openness at all levels of government

- Percent of citizens who believe they have opportunities to share their opinion with the government
- Number of GOG agencies with institutionalized public comment periods

DO 2: Inclusive and sustainable economic growth

- GDP real growth rate
- Metric tons of CO₂ per thousand US dollars of GDP (carbon intensity)

- Number of jobs created as a result of USG assistance

IR 2.1 Improved economic governance and leadership

- World Economic Forum Goods Market Efficiency Index
- Percentage of business operators perceiving economic governance as fair and transparent (disaggregated by regions).

Sub-IR 2.1.1 Economic growth think tank and professional business association development and advocacy increased (demand side)

- Number of reforms drafted by USG-supported public-private mechanisms and/or civil society groups and implemented by the GOG
- Number of documented (media, publications, court records) cases of business and property rights abuses
- Number of trade, professional and business associations, and women's groups providing quality services to their members as a result of USG assistance

Sub-IR 2.1.2 Improve enabling environment, including legislative and policy reform and implementation (supply side)

- Number of commercial laws and regulations simplified and implemented in accordance with international standards as a result of USG assistance (EPI)

Sub-IR 2.1.3 Low emissions development strategy developed and implemented

- Number of laws, policies, strategies, plans, agreements, or regulations addressing climate change mitigation officially adopted, or implemented
- Number of institutions with improved capacity to address climate change issues as a result of USG assistance
- Value of clean energy investment by public and private sectors

IR 2.2: Increased competitiveness and employment generation in targeted sectors

- Number of innovative trade break-throughs (new products, new markets, etc.) sustaining increased growth in commodity specific sectors (tradables)
- WEF Technological Readiness Index
- WEF Business Sophistication index

Sub-IR 2.2.1 Small- and medium-sized enterprise development and growth

- GDP Share of SMEs (Geostat)
- Number of SMEs that have improved management practices as a result of USG assistance
SME share in total employment

Sub-IR 2.2.2 Agricultural production/productivity and market linkages increased

- Value of incremental sales (domestic and exports) of USG-assisted businesses (this includes value of incremental sales collected at farm-level) attributed to FTF implementation
- Number of jobs attributed to FTF implementation

- Value of new private sector investment in the agriculture sector or food chain leveraged by FTF implementation
- Number of hectares of agricultural land (fields, rangeland, agro-forests) showing improved biophysical conditions as a result of USG assistance

Sub-IR 2.2.3 Access to capital increased

- Outstanding domestic credit to the private sector as a percent of GDP
- Value of loans disbursed to the private sector as a result of USG assistance (disaggregated by agricultural/rural loans vs. other)
- Amount of private sector financing mobilized with DCA guarantees

Sub-IR 2.2.4 Business acumen developed

- Percent of entrepreneurs and farmers who report improvements in business management (perception indicator)
- Number of people completing USG-funded business skills training.

IR 2.3: More responsible management and development of Georgia's natural endowments

- Environmental Performance and Sustainability Index (Country Ranking)
- Number of people with increased economic benefits derived from sustainable natural resource management and conservation as a result of USG assistance
- Total public and private funds leveraged by USG for energy and environment projects (disaggregated by clean energy (hydropower), energy efficiency, recycling, etc.)

Sub-IR 2.3.1: Climate change mitigation increased

- Quantity of greenhouse gas (GHG) emissions, measured in metric tons of CO₂, reduced or sequestered as a result of USG assistance
- Energy saved due to energy efficiency/conservation projects as a result of USG assistance (kwh and monetary value)
- Number of climate change mitigation tools, technologies and methodologies developed, tested and/or adopted as a result of USG assistance

Sub-IR 2.3.2: Sound management of water resources and the broader environment improved

- Number of hectares of biological significance and/or natural resources under improved natural resource management as a result of USG assistance
- Total crop yields in sectors provided with USG assistance (disaggregated by sector i.e. irrigation, improved technologies, etc.)
- Number of stakeholders with increased capacity to adapt to the impacts of climate variability and change as a result of USG assistance

Sub-IR 2.3.3: Waste management improved

- Number of municipalities sustainably managing, monitoring and maintaining waste facilities, systems and services as a result of USG assistance

IR 2.4: Quality and market oriented workforce enhanced

- Number of graduates from USG-supported tertiary education programs reporting themselves as employed
- The proportion of students who, by the end of the primary cycle, are able to read and demonstrate understanding as defined by a country curriculum, standards, or national experts
- Country capacity improved for national learning assessments through USG assistance (as reported by the GOG)

Sub-IR 2.4.1: Basic education improvements sustained

- Proportion of students who by the end of the primary cycle are able to read and demonstrate understanding as defined by a country curriculum, standards, or national experts (USAID Education Strategy indicator 3.2.1-28)
- Number of students with improved reading skills.
- Number of students with improved math skills.
- Number of project interventions that provide support for teaching/learning activities which measure learning outcomes
- Textbooks, curricular guides, teachers guides developed for grades 1-6

Sub-IR 2.4.2: Higher education and vocational education developed

- Percentage of graduates from USG-supported tertiary education programs reporting themselves as employed

DO 3: Increasingly stable, integrated & healthy society

- Percent of target population reporting increased public participation in civic activities (such as advocacy, educational, environmental protection, etc.) of target populations
- Percent increase in the utilization of essential health care services by lowest income quintile population group

IR 3.1: Increased engagement with occupied territories

- UN Human Security Index (measures: protection of and benefitting from diversity; Peace; Environmental protection; Freedom from corruption; and Information empowerment)
- Country political stability and absence of violence point value score
- International Crisis Group Crisis Watch rating

Sub-IR 3.1.1: Expanded opportunities for dialogue and confidence building with Abkhazia

- Percentage of youth surveyed report better understanding of the importance of preventing conflicts
- Percentage of youth surveyed list at least two tools for managing conflict situations (or how to prevent conflicts)
- Number of USG-supported cross-border activities that demonstrate the positive impact of an engagement process through the demonstration of tangible, practical benefits (such as education, awareness rising, health services, etc.)

Sub-IR: 3.1.2 Conflict mitigation with South Ossetia advanced

- Number of USG-supported cross-border activities that demonstrate the positive impact of an engagement process through the demonstration of tangible, practical benefits (such as education, awareness rising, health services, etc.)

IR 3.2: Increased inclusion of target populations

- Change in affirmative views in public opinion polls among ethnic minorities in minority areas to the statement: “The government listens to the opinions of people like me”

Sub-IR 3.2.1: Increased integration of Georgia’s ethnic minorities

- Increased perception of integration among policy makers, civil society activists and general population of both minority and majority backgrounds

Sub-IR 3.2.2: Broader representation, participation, and inclusion of women

- Number of women in parliament and in top executive positions at the national, regional, and local levels
- Number of laws, policies, or procedures drafted, proposed or adopted to promote gender equality

Sub-IR 3.2.3 Support to IDPs and other disadvantaged groups sustained

- Number of vulnerable people benefiting from USG-supported social services
- Number people benefitting from USG-supported social assistance programming

IR 3.3: Improved health outcomes & decreased incidence of communicable disease

- TB treatment success rate;
- Maternal Mortality Rate
- Infant Mortality Rate⁴⁰
- Greater evidence and public awareness of the positive effects of women’s increased role in decision-making

Sub-IR 3.3.1: Equitable utilization of quality health care services

- Increase the number of people with voluntary health insurance coverage
- Number of persons covered by government insurance at the current level

Sub-IR 3.3.2: Individual, institutional and systems capacity building

- Development and implementation of the essential drug list (EDL)
- Development and operationalization of the national Health Management Information System

⁴⁰ Reducing by two-thirds, by 2015, the under-five mortality rate is the Georgia’s national MDG Goal 6 target (http://undp.org.ge/index.php?sec_id=65&lang_id=ENG).

Illustrative Evaluation Questions

The list of DO 1 and respective IR-level indicators demonstrates that while there are third-party indices, results of which will be available periodically, there are other key indicators that will measure citizens' perceptions around important issues, such as citizen's perceptions on the independence of the judiciary and the parliament, as well as their perception of being able to share their opinions with their government. An impact evaluation under this DO can look at the changes in these perceptions and attempt to establish linkages between USAID-supported activities and these changes.

Illustrative evaluation questions to be asked under this DO are the following”

1. Are improved public perceptions of democratic checks and balances and accountability associated with improved scores on indexes of democratic freedom?
2. Are improved public perceptions of democratic checks and balances and accountability associated with:
 - a. Increased participation of citizens in civic and political processes?
 - b. Perceptions of competitive, deliberative and transparent political and electoral processes?
 - c. Perceptions of professional application of the rule of law?
 - d. Perceptions of effective governance and service delivery?

Several performance evaluations will be implemented under the DO 1 to look at the quality of projects and activities and any adjustments/changes needed to better meet Georgia's needs in respective sectors. Two examples of such evaluations are mid-term evaluations of the Judicial Independence and Legal Empowerment Program and Good Governance in Georgia activities.

Under the DO 2, one impact evaluation will be completed for the NEO project. The evaluation will run over three years. Examples of questions that the evaluation will answer are: how effective and sustainable was the community and municipality economic development planning methodology and approach developed and used by the NEO project? What was the economic impact or change of income status of community members in a benefiting community as a result of the small infrastructure projects and in-kind procurements (e.g. farming equipment)? What was the overall impact of NEO's rural economic development component (value chain assistance) on increasing incomes and creating jobs in targeted communities? To what degree did the component increase productivity and/or profitability of targeted farms/businesses?

Other opportunities are being explored as part of the new designs. Examples of such questions are the following: to what degree did the project contribute to Georgia's transition to low emission economic development? What was the project's impact on reducing GHG emissions and changing the consumption patterns (volumes and sources of energy) of target groups in municipalities? What interventions had the most positive effect and why? How effective was the project in institutionalizing and leaving behind the sustainable GHG-mitigating energy efficiency planning capacity at municipal level?

Other illustrative evaluation questions under this DO are:

1. Is USAID assistance associated with increases in employment or incomes for targeted populations, including minorities and women?
2. Are improved perceptions of economic governance associated with increased private sector investment and growth (disaggregated by sector and beneficiary group)?
3. Is USAID assistance associated with increased productivity (selected industries/beneficiaries groups)?
4. Are beneficiaries of USG vocational and professional training or higher education finding relevant employment and earning higher incomes?
5. Are perceptions of political stability associated with improved economic status (selected industries and beneficiary groups)?

Since activities addressing health services will be graduating, some of the impact questions can be developed to this effect: which GOG or NGO activities (if any) will sustain the results of USG-funded activities?

To measure the impact of USAID assistance on target groups, the following questions may be asked:

1. Are perceptions of political stability associated with improved social services (selected industries and beneficiary groups)?
2. Are perceptions of national democratic and economic transformation associated with perceptions of improved social or economic status among assisted groups?

Given the difficulties associated with regular monitoring and data collection in Abkhazia and South Ossetia, the mission decided not to implement formal impact evaluation of its engagement activities at this time. USAID's implementing partner/s will be followed very closely to make sure that they collect baseline information and regularly collect monitoring information afterwards, to make sure that information is available for implementing partner's performance evaluation in the future.

Annex 3: Highlights of Georgia's Monitoring Country Progress Gap Analysis

Development Profile. Of the five Monitoring Country Progress (MCP) indices, Georgia lags the most in human capital and is farthest along in economic reforms and macroeconomic performance. Georgia's development progress is below Eurasian average in human capital, above Eurasian average in economic reforms, macroeconomic performance, and democratic reforms, and on par with Eurasian standards in peace & security. While Georgia is more advanced in the economic dimension, economic progress is highly skewed, highly unbalanced. In some economic indicators, Georgia aligns with E&E graduate country standards (in particular, in most first stage economic reforms and in some economic structural indicators such as private sector share of GDP and services as a percent of GDP). Yet, on other economic indicators, Georgia's progress is closer to Eurasian norms, such as in second stage economic reforms. By at least one measure, income inequality in Georgia is among the highest in E&E; the wealthiest population quintile receives almost nine times more income than does the poorest in Georgia.

Economic and democratic reforms. While Georgia is among the economic and democratic reform leaders in Eurasia, reform gains have been very modest in recent years. Macroeconomic reforms have advanced very slowly in recent years in Georgia, with no gains in 2010 (latest year of available data). Georgia's business environment is among the most favorable in the world (according to the World Bank's *Doing Business* analysis); Georgia made huge advances in 2006-2007, very little since then (in no small part because it is so far along on these microeconomic reforms).

While Georgia made notable gains in democratic reforms in 2010 (latest year of available data), the trend over the medium term is much less favorable; democratic reforms were more advanced in Georgia in 2005-2006 than they are today. Of the democratic reform dimensions, civil society is the most advanced while governance (particularly national governance) lags considerably.

Macroeconomic performance. Economic growth in Georgia's economy has been about 6% annually in the past two years (2010-2011), or Eurasia average. Georgia's economy contracted by almost 4% in 2009 during the global financial crisis; almost half of the 29 E&E economies contracted more than did Georgia's economy in 2009. The Georgia economy has not resumed its high economic growth in the years prior to its war with Russia, 10.4% annual average from 2005-2007. The longer term picture is much more striking and stark: the size of Georgia's economy remains well below its pre-transition GDP (with all the caveats that go with that comparison).

In key respects, Georgia's integration into the global economy is quite precarious. Its current account balance has been in significant deficit over the long term, raising questions about Georgia's ability to compete in the global economy. External debt is quite high. Foreign direct investment (FDI) has fallen significantly since 2007, reversing a favorable trend of increasing FDI prior to the war with Russia. Georgia is quite energy insecure, very dependent on energy imports and below global average in energy efficiency. Georgia's food security is low by global standards on at least a couple of key dimensions, namely, agricultural productivity is well below global average (though it has been increasing in the past ten years), and Georgia has a large proportion of net food imports relative to total trade.

Georgia's unemployment rate is very high, at 17%. This is as high as it has been since the collapse of communism; the longer term trend, at least since 1996, is of increasing unemployment rates, regardless of economic growth trends.

Human capital. Georgia lags notably across most of the dimensions of the MCP human capital index. Average income is very low by E&E standards, only five E&E countries have a per capita gross national income (in purchasing power parity terms) below Georgia's: Tajikistan; Uzbekistan; Kyrgyzstan; Moldova; and Kosovo. Education gaps are significant, with low primary and tertiary enrollment rates (and a notable decline in tertiary enrollments since 2005), and with education test results in at least one international test, the TIMSS, lagging notably behind OECD standards as well as E&E norms. According to the UNDP's measure of gender inequality, Georgia has the greatest gender inequality in a sample of 22 E&E countries (which, however, is also roughly global average). Three dimensions are included in this index: reproductive health (maternal mortality rate and adolescent fertility rate); political empowerment (share of parliamentary seats held by each sex); and labor market participation (attainment of secondary and higher education by each sex, and labor market participation rate by each sex). Government expenditures on health and education are very low, well below E&E norms.

Some of the health outcome trends, nevertheless, are improving or at the least, are not deteriorating. Life expectancy in Georgia has increased significantly since 2002, and at 72 years, is roughly equidistant between the CEE life expectancy of almost 75 years and that of Eurasia's at 69 years. Georgia's under five mortality rate is above Eurasian average, though has been falling significantly during most of the transition years. The incidence of tuberculosis in Georgia is much higher than it is in the CEE countries (where it is closer to 30 new cases per 100,000 population), but lower than it is in most of the poorest countries in Eurasia; moreover, it has changed little from year to year in the past ten years. In contrast, maternal mortality rate in Georgia spiked significantly in 2009 (and elsewhere in E&E), perhaps an outcome of the global economic crisis.

Peace and security. Peace and security in Georgia is Eurasian average; five Eurasian countries are more peaceful and secure; five are less; and Azerbaijan is comparable. Of the six aspects of peace and security, Georgia is the most advanced in fighting trans-national crime and is the least advanced in combating weapons of mass destruction and counter-terrorism.