

Data Sheet

USAID Mission:	Georgia
Program Title:	Increased Economic Growth
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	114-0131
Status:	Continuing
Planned FY 2006 Obligation:	\$12,200,000 FSA
Prior Year Unobligated:	\$715,000 FSA
Proposed FY 2007 Obligation:	\$10,167,000 FSA
Year of Initial Obligation:	2005
Estimated Year of Final Obligation:	2008

Summary: Activities under this objective aim to accelerate development and growth of the private sector. Assistance is also provided to increase the competitiveness of Georgian exports, and stimulate foreign and domestic investment. Expanding credit and capital access for small- and medium-size enterprises (SMEs), in particular, and for the private sector more generally, is a principal target of USAID assistance. All of the targets for FY 2005 were achieved. These include, but are not limited to, enterprise growth, job-creation, and growth in per capita gross domestic product (GDP). The Government of Georgia's (GoG) credit rating improved, the hurdles to enter business were significantly reduced, and tax revenue as a percent of GDP increased.

Inputs, Outputs, Activities:

FY 2006 Program:

Expand and Improve Access to Economic and Social Infrastructure (\$316,455 FSA carryover). USAID will support the state-owned railway in the implementation of its restructuring strategy, designed to move the company towards commercially-oriented, economically efficient railway operations. Principal contractors and grantees: Booz Allen Hamilton.

Improve Economic Policy and the Business Environment (\$3,760,000 FSA; \$80,600 FSA prior year recoveries). USAID will work with the GoG to enact market-oriented economic policies; facilitate public-private dialogue; introduce an improved legislative framework for business; improve revenue administration through the Ministry of Finance to sustain high levels; prepare and implement a national food and agriculture strategy; and support implementation of food safety legislation. Prime partners: Chemonics International; ACIDI/VOCA.

Improve Private Sector Competitiveness (\$1,660,000 FSA). USAID will support SMEs with strengthened commercial and financial infrastructure, effective private sector advocacy, and improved business skills. Fifteen business associations will be strengthened to provide SMEs with business-related services; and five associations will develop self-certification programs for processes and products. Youth and minorities will develop income-generating business skills. Principal contractors and grantees: International Executive Service Corps (IESC).

Increase Agricultural Sector Productivity (\$3,260,000 FSA). USAID will continue to assist with the productivity and marketability of Georgian products. Other efforts include: successful market chains to generate over \$5 million in export sales in FY 2006; eight consolidation centers to improve marketing; and seven companies to establish internationally required Hazard Analysis and Critical Control Point (HACCP) and/or International Organization for Standardization (ISO) quality management systems. Principal contractors and grantees: ACIDI/VOCA and IESC.

Protect and Increase the Assets and Livelihoods of the Poor (\$2,200,000 FSA) Income/employment generation needs will be met by assisting communities to protect and enhance productive assets, reestablish livelihoods and diversify assets and sources of income. Principal contractors and grantees: CHF (Community, Habitat, and Finance) International.

Strengthen the Financial Services Sector and Increase Access to Capital (\$1,320,000 FSA, \$317,913 FSA carryover). Under a new phase of land privatization, USAID will work with the GoG to privatize all state-owned arable land (total of 889,580 acres) into large, economically viable parcels, promote the development of real estate markets, and increase access to credit through the use of land as collateral. USAID anticipates using the Development Credit Authority (DCA) to mobilize at least \$6 million in credit for micro-, small-, and medium-enterprises. Financial institutions will be provided training in credit risk management and commercial finance. Principal contractors and grantees: Association for the Protection of Landowners Rights (APLR); IESC.

FY 2007 Program:

Improve Economic Policy and the Business Environment (\$2,500,000 FSA). Assistance will continue to be provided to targeted economic governance ministries. Establishment of one-stop shops will be supported to offer a broad array of business-related services at centralized locations. To increase efficiency and transparency in tax administration, assistance will be provided to develop fully-automated online tax filing systems. Principal contractors and grantees: Chemonics International.

Improve Private Sector Competitiveness (\$2,000,000). Assistance will continue to be provided to business associations to implement self-certification programs and develop advocacy skills; and for entrepreneurship training programs. Institutional grants will increase the competitiveness of more than 50 Georgian SMEs. Principal contractors and grantees: IESC.

Increase Agricultural Sector Productivity (\$2,500,000 FSA). USAID will further develop distribution channels, markets, and the competitiveness of Georgian products while generating sales, investments, and jobs. Agricultural policy reform will also be supported. Principal contractor: ACIDI/VOCA.

Protect and Increase the Assets and Livelihoods of the Poor (\$2,000,000 FSA). Communities will continue to receive assistance targeted at income generation and job creation through initiation of approximately 280 multi- and single investment projects. It is projected that these investments will create at least 1,000 jobs. Principal grantee: CHF International.

Strengthen the Financial Services Sector and Increase Access to Capital (\$1,167,000 FSA). USAID expects to support the creation of SME lending committees within an association of Georgian banks to provide extensive consultations to lenders and potential borrowers. DCA guarantees may be offered to commercial banks to expand credit to SMEs operating in rural areas. Privatization of agricultural land will be completed. Principal contractors and grantees: IESC; APLR.

Performance and Results: USAID has helped achieve results in several key areas, including an improved policy and operating environment, increased access to financial services, and increased market-driven sales. Advisory assistance to the Ministry of Finance resulted in a 53% increase in tax revenues between 2003 and 2004. During 2005, the new licensing law cut from 909 to 159 the number of activities subject to licensing, significantly reducing the hurdles to doing business. Laws were enacted the same year dealing with protection of the parties in credit transactions, legalization of microfinance lending practices to micro-enterprises, and privatization of state-owned agricultural land. In addition, Georgia's first-ever credit information bureau was created, and microfinance and rural credit institutions growth in loan portfolios resulted in a 46% increase in access to credit to micro-enterprises. USAID also contributed to increased market-oriented sales through the introduction of five new agricultural product lines and nine new technologies. Furthermore, 18 agribusiness associations with over 1,800 members were organized, generating a total of \$6,976,861 in facilitated export sales. By 2012, this objective will have significantly contributed to sustaining Georgia's economic growth through a reduction in administrative barriers to doing business, increased trade through conformity with international standards and development of value-added agricultural products, expanded credit and access to financial services, and improved business skills. It is anticipated that these efforts will assist Georgia to increase GDP to at least 70% of 1989 levels, raise the value of exports and services to over 40% of GDP, maintain levels of foreign direct investment above \$200 million/year after privatization related investments start declining starting in 2007, triple the amount of lending to SMEs, and establish sustainable institutions for the provision of critical business skills such as accounting and information technology.

US Financing in Thousands of Dollars

Georgia

114-0131 Increased Economic Growth	FSA
Through September 30, 2004	
Obligations	8,660
Expenditures	385
Unliquidated	8,275
Fiscal Year 2005	
Obligations	14,000
Expenditures	0
Through September 30, 2005	
Obligations	22,660
Expenditures	385
Unliquidated	22,275
Prior Year Unobligated Funds	
Obligations	715
Planned Fiscal Year 2006 NOA	
Obligations	12,200
Total Planned Fiscal Year 2006	
Obligations	12,915
Proposed Fiscal Year 2007 NOA	
Obligations	10,167
Future Obligations	0
Est. Total Cost	45,742