

Georgia

The Development Challenge: Despite a period of limited development progress following the political and social turbulence of the 1990s, Georgia continues to be plagued by a centralized, executive-dominated authority, rampant corruption, and unresolved territorial conflicts, which obstruct attempts to improve the country's overall development. A weak government unable or unwilling to implement laws and regulations throughout the country inhibits the ability of the state to govern and undermines serious political reform efforts. The arbitrary application of taxes and a large shadow economy hamper economic development by depriving the government of much-needed tax revenue. Economic conditions are deteriorating with 51.1% of the population below the poverty line and 23.6% unemployment. Georgians are also faced with a decline in the quality of basic social services such as health and education. The energy sector is paralyzed by improper diversions of cash and electricity, inefficiency, non-payment for about 80% of the energy consumed, and heavy dependence on external sources of energy. Georgia's internal security is strained. The situation is highlighted by the unresolved territorial conflicts with Abkhazia and South Ossetia that displaced 250,000 persons. Strained relations with Russia regarding the Chechen segment of the border and the existence of Russian military bases in Georgia continue to fuel insecurities.

The annual growth rate rose to 4.5% in 2001, and slightly declined to 4.2% in 2002. Fiscal performance remains one of Georgia's most intractable problems, with tax revenues remaining amongst the lowest in the region. The country's foreign debt is large (about 51% of GDP) owing to the weakness of fiscal performance and to high trade and current account deficits. The overall investment climate (both domestic and foreign) is impaired by pervasive corruption, Georgia's poor fiscal situation, and uneven application of laws.

Georgia's development as a stable, democratic country, increasingly integrated into the global economy, remains a key U.S. national interest at this crossroads linking Russia, Iran and Turkey. The U.S. government finances programs that support stable and secure regional partners, economic growth, democracy-building, and counterterrorism.

The USAID Program: The Program Data Sheets that follow cover five strategic objectives for which USAID is requesting FY 2003 and FY 2004 funds. These five objectives concentrate on: energy sector reform; economic growth (agriculture, banking and financial sector reforms, and private sector development); democracy and governance (improving electoral processes, promoting efficient and responsive local governance, civil society, legal reforms, independent media); humanitarian assistance, community development and health; and human resources development. FY 2003 funds will be used to implement the current programs in agriculture, micro-finance, banking sector reforms, improving the tax administration, energy sector reforms, strengthening electoral processes, improving local government management, rule of law, community development, health and humanitarian relief and human resources development. Most of these programs have cross-sectoral support. USAID also will use FY 2003 funds to start three new activities in energy security, agricultural business development, and micro-finance to consolidate major gains accomplished by previous activities. In addition, USAID intends to use FY 2003 funds to start other new activities that have been identified for inclusion in the new Strategic Plan (FY 2004-2008). Increased programmatic emphasis will be put on anti-corruption activities, support for upcoming Parliamentary and Presidential elections in 2003 and 2005, respectively, and community development in potential conflict areas.

Other Program Elements: A regional Caucasus farmer-to-farmer program funded through P.L. 480 proceeds operates in Georgia. The program provides short-term technical assistance to farmers on problems relating to production, appropriate processing technology, and business planning and management.

Other Donors: Major donors in Georgia are the World Bank, the IMF, the United States, the Government of Germany, UNDP, the European Bank for Reconstruction and Development (EBRD), and the European Union (EU). Donor coordination has been satisfactory in poverty reduction, economic growth, free-and-

fair elections, banking sector reform, energy security, and health care reform. The Mission is working to improve donor coordination in land reform, tax policy, agriculture, and disaster assistance. The World Bank supports projects in energy (including electricity and oil transportation), municipal infrastructure, and institution building. These programs complement several elements of USAID's programs. Similarly, EBRD programs in banking, small and medium sized enterprises, micro-finance, and in the energy sector complement USAID activities in these areas. The EU activities support institutional, legal, and administrative reform, food security, health care, border guards, and transport infrastructure. UNDP programs complement the USAID programs supporting poverty reduction, democracy, and capacity-building of government institutions.

Eurasia Regional PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2001 Actual	FY 2002 Actual	FY 2003 Prior Request	FY 2004 Request
Child Survival and Health Programs Fund	550	0	0	0
FREEDOM Support Act	55,254	54,831	58,000	49,000
Total Program Funds	55,804	54,831	58,000	49,000

STRATEGIC OBJECTIVE SUMMARY

110-0120 Fiscal Reform				
FSA	1,383	835	351	721
110-0130 Private Enterprise Development				
FSA	1,602	1,056	557	553
110-0140 Strengthening the Financial Sector				
FSA	1,392	500	402	826
110-0150 Sustainable Energy Systems				
FSA	822	774	1,458	1,240
110-0160 Better Environmental Management				
FSA	2,166	1,453	391	632
110-0210 Civil Society				
FSA	772	825	571	473
110-0220 Rule of Law				
FSA	927	1,050	1,410	1,326
110-0230 Local Government and Urban Development				
FSA	724	1,048	508	327
110-0310 Strengthened Humanitarian Responses to Crises				
FSA	219	58	0	0
110-0320 Health Promotion and Care				
CSH	550	0	0	0
FSA	3,946	4,667	5,640	4,505
110-0340 Social Sector Reform				
FSA	571	510	340	200
110-0410 Special Initiatives				
FSA	100	0	0	0
110-0420 Cross-Cutting Programs				
FSA	5,507	5,340	6,372	4,127
123-0310 Strengthened Humanitarian Responses to Crises				
FSA	4,000	2,000	2,000	2,000
TRANSFER				
FSA	31,123	34,715	38,000	32,070

Deputy Assistant Administrator,
Gloria Steele

Data Sheet

USAID Mission:	Georgia
Program Title:	Increased Economic Growth
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	114-0130
Status:	Continuing
Proposed FY 2003 Obligation:	\$14,700,000 FSA
Prior Year Unobligated:	\$4,244,000 FSA
Proposed FY 2004 Obligation:	\$14,000,000 FSA
Year of Initial Obligation:	1993
Estimated Completion Date:	2004

Summary: USAID's broad, multi-year economic growth program includes demand-driven policy reform, comprehensive banking sector reform, credit provision, land reform, improved fiscal policy and administration, agricultural reform and assistance to agribusiness. While direct beneficiaries are private enterprises, all Georgians stand to gain from a growing and commercially sustainable private sector. USAID-funded activities in Georgia focus on three intermediate results: Improved Policy and Operating Environment; Increased Access to Credit; and Increased Market-oriented Production.

Inputs, Outputs, Activities:

FY 2003 Program:

Demand-driven policy reform, increased access to finance through institutional strengthening and competitiveness (\$2,800,000 FSA). This new five year activity will begin in FY 2003. Support to the demand side of policy reform will be accomplished by working with business associations to develop a national business agenda and its implementation through public/private partnership. The private sector's access to credit will be strengthened through the development of a wholesale lending facility, a better understanding of financial sector constraints through analytical studies, and establishment of a collateral registry and credit information bureau. A competitiveness component will identify key industrial clusters, and will support efforts to remove constraints to their development. Training will be provided for enterprises to improve their competitiveness. Principal contractors and grantees are to be determined.

Restructuring and policy assistance for the Ministry of Agriculture and Food (\$300,000 FSA). A long-term U.S. advisor and a small team of Georgian professionals provide restructuring and policy advice. Restructuring support to the Ministry of Agriculture and Food (MAF) includes: training in conducting risk assessments; reorganization of the Ministry's operating units; strengthening of the Ministry's audit capacity; adopting international standards for exports of agricultural products; training for national-level Ministry staff; and developing a policy analysis capacity. The downsizing and reorganization of the ministry along with a plan to provide a living wage for the remaining employees serve as the basis for future activities. A self-sustaining agricultural policy analysis unit established with USAID support will be turned over to the MAF in FY 2003. The principal contractor is Development Alternatives, Inc (prime).

Land reform (\$1,500,000 FSA). USAID has been supporting registration of ownership rights in agricultural and commercial land parcels, as well as the registration of ownership changes arising out of secondary transactions (e.g., mortgages, re-sales). USAID assistance uses Georgian institutions and expertise to survey land parcels and provide information and assistance to local registrars in carrying out agricultural land and other real estate registrations. An important facet contributing to the institutionalization and sustainability of these state procedures is the reinforcement of an effective advocate organization (the Association for the Protection of Landowners Rights) for protection of property owners' rights. The principal grantee is Terra Institute (prime).

Micro-credit and rural credit (\$2,500,000 FSA)

USAID has been supporting farmers' and agribusinesses' access to credit through the development of six regional credit associations. FY 2003 is the last year of this program. A new five year activity will begin in late FY 2003 to provide technical assistance and grant funding in support of micro and small enterprise finance in both urban and rural markets. Principal contractors and grantees are: ACDI/VOCA (prime) and others to be determined.

Banking supervision (\$1,630,000 FSA). The banking infrastructure support program will continue to assist the National Bank of Georgia to develop prudential regulations, on-site and off-site inspection systems, and analytical tools to appraise problem banks and assist in improving their management. Additionally, the program will ensure that both banking laws and central bank regulations are improved and implemented, and internationally accepted accounting policies are disseminated to commercial banks. The principal contractor is Bankworld, Inc. (prime).

Agribusiness development (\$5,000,000 FSA). Agribusiness development will be addressed through a multi-phased activity, Support Added Value Enterprises in Agriculture (SAVE), which identifies markets for Georgian value-added products and then works through the marketing chain, identifying and mitigating critical constraints to enable the production, processing, and sale of the specific product. Phase one of this project has identified potential markets for several products in EU countries and in Russia. Based on the outputs of Phase 1, this activity will be expanded (Phase 2) during FY 2003 to help agribusinesses develop processing and marketing plans and enter into export contracts. The principal contractor is ACDI/VOCA (prime).

Program Development and Support (\$970,000 FSA). USAID will utilize these funds to support program-funded management staff and other costs related to program design, development, and evaluation.

FY 2004 Program:

Demand-driven policy reform, increased access to finance through institutional strengthening and competitiveness (\$4,000,000 FSA). Priorities for implementing the national business agenda identified by the private sector are expected to begin emerging early in FY 2004. Technical assistance is expected to increase to address identified needs related to policy, financial infrastructure, and competitiveness.

Land reform (\$1,000,000 FSA). Selected aspects of the land privatization program are expected to continue in FY 2004, through a new follow-on activity that is under consideration.

Microfinance and rural credit (\$2,000,000 FSA). This follow-on activity, built upon the momentum of the previously funded micro-finance program, provides technical assistance and grant funding in support of micro and small enterprise finance operations in both urban and rural markets. This activity will focus on long-term sustainability (both operational and financial) of the microfinance institutions, including their ability to attract additional funds and enter into service relationships with commercial banks.

Agribusiness development (\$6,000,000 FSA). Support Added Value Enterprises in agriculture (SAVE) will continue developing distribution channels and potential markets for selected products in FY 2004 under the second phase of the program.

Program Development and Support (\$1,000,000 FSA). USAID will utilize these funds to support program-funded management staff and other costs related to program design, development, and evaluation.

Performance and Results: USAID's economic growth efforts achieved results in three main areas in FY 2002: 1) the policy and operating environment improved with better administrative capacity and a strengthened State Tax Department's ability to collect taxes, while the Ministry of Agriculture and Food adopted sanitary and food safety standards consistent with World Trade Organization requirements; 2) USAID-supported microfinance institutions achieved a high degree of operational sustainability and provided over 60,000 loans to micro and small enterprises, while banking supervision at the National Bank of Georgia was strengthened; and 3) a new activity, SAVE, was launched to promote Georgian agriculture exports through the identification and mitigation of processing and marketing constraints. As a

result of this program, target commodities for assistance and assessment of market opportunities for export to EU and Eurasian countries were identified.

By improving the policy and operating environment, increasing access to credit, and removing constraints to the development of market-oriented production, these programs will accelerate the development and growth of private enterprises in Georgia. It is planned that by the end of the current USAID strategy period, Georgia will have over 80,000 operating private enterprises, up from fewer than 56,000 in 1999.

US Financing in Thousands of Dollars

Georgia

	ESF	FSA
114-0130 Increased Economic Growth		
Through September 30, 2001		
Obligations	3,888	53,827
Expenditures	3,888	43,286
Unliquidated	0	10,541
Fiscal Year 2002		
Obligations	0	12,605
Expenditures	0	10,618
Through September 30, 2002		
Obligations	3,888	66,432
Expenditures	3,888	53,904
Unliquidated	0	12,528
Prior Year Unobligated Funds		
Obligations	0	4,244
Planned Fiscal Year 2003 NOA		
Obligations	0	14,700
Total Planned Fiscal Year 2003		
Obligations	0	18,944
Proposed Fiscal Year 2004 NOA		
Obligations	0	14,000
Future Obligations	0	0
Est. Total Cost	3,888	99,376

Data Sheet

USAID Mission:	Georgia
Program Title:	Energy and Environment
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	114-0150
Status:	Continuing
Proposed FY 2003 Obligation:	\$8,850,000 FSA
Prior Year Unobligated:	\$5,932,000 FSA
Proposed FY 2004 Obligation:	\$9,000,000 FSA
Year of Initial Obligation:	FY 1999
Estimated Completion Date:	FY 2004

Summary: The purpose of this strategic objective is to support a more economically sustainable energy sector. USAID's emphasis is two-fold: 1) to create a climate that will attract private sector participation and ownership, with subsequent improvements in the management of resources and provision of services; and 2) to improve energy sector efficiency in economic terms, with subsequent increases in capital and operating resources. The current state of Georgia's energy sector infrastructure borders on failure; internally-generated revenues and private investments need to increase before real improvements in services will be provided to customers. Beneficiaries of this objective are the approximately 1.3 million residential household and commercial consumers of electricity, and potentially an equal number of natural gas customers.

Inputs, Outputs, Activities:

FY 2003 Program:

Energy restructuring and privatization (\$6,600,000 FSA). The Government of Georgia (GOG) recently prepared a national energy strategy designed to improve the supply and distribution of energy resources throughout Georgia. Key elements of this strategy include improving the financial state of the sector, ensuring energy independence, assistance to socially vulnerable groups, increased energy efficiency, and modernization and rehabilitation of the electric power sector. To assist the government in implanting this GOG strategy, USAID will fund an Energy Sector Initiative (ESI) in FY 2003. This initiative will provide technical assistance for implementing this strategy, leading to Georgia's energy security and energy independence.

The level of funding for this activity will be based upon the GoG meeting specific conditions. These include conditions precedent to first disbursement as well as meeting other targets to be accomplished over the life of the program. Most of the conditions will be related to implementing the GOG national energy strategy. Emphasis will be placed on the implementation of critical policies related to: sector debt management; improved collections from electricity market customers; rationalizing state budget management; honoring payments for energy supplied by external sources; and planning for the utilization of national energy resources. Other critical conditions will be identified during the implementation phase. The redesigned Georgia Winter Heat Assistance Program currently funded by USAID will be a component of this program. Principal contractors and grantees are to be determined.

Environmental policy, legislation and regulation (\$500,000 FSA). Training and operational guidance for the oversight and monitoring of environmental compliance related to exploration, development, and transportation of oil and gas resources will be provided primarily to the State Agency for the Regulation of Oil and Gas Resources (SAROGR). Other agencies of the GoG (Ministry of Fuel and Energy and the Georgian National Energy Regulatory Commission) also will be provided training to a limited extent. The proposed training will increase Georgia's capacity to effectively protect the environment and natural resources while developing indigenous sources of energy. The principal contractor is PA Government Services, Inc. (prime).

Management of natural resources and biodiversity (\$1,500,000 FSA). Sixty percent of the Georgian population lives at or below the poverty line. Individual choices of energy sources are influenced both by family financial situations and on the reliability of the supply of energy. During the winter months electricity and gas supply is especially sporadic and uncertain. Commercial customers also are faced with critical decisions relating to energy choice based on the reliability of energy sources. The environmental impact of energy sources is now a national concern, specifically the use of firewood with high potential for forest destruction and air quality. The proposed program will identify and implement measures that will lead to rational utilization of energy sources by Georgians. The principal contractor is Development Alternatives, Inc. (prime).

Program development and support (\$250,000 FSA). USAID will utilize these funds for supporting program-funded management staff and other costs related to program design and development.

FY 2004 Program:

Energy restructuring and privatization (\$6,000,000 FSA). Incremental funding to support the program initiated in FY 2003.

Environmental policy, legislation and regulation (\$1,000,000 FSA). Incremental funding to support the program initiated in FY 2003.

Management of natural resources and biodiversity (\$1,650,000 FSA). Incremental funding to support the program initiated in FY 2003.

Program development and support (\$350,000 FSA). USAID will utilize these funds for supporting program-funded management staff and other costs related to program design and development.

Performance and Results: Performance of the SO did not meet expectations over the past year. Throughout FY 2002, the energy sector in Georgia continued to be plagued by extremely low revenue collection and poor cash-flow management. USAID's efforts to address the poor financial discipline were focused on the start-up of operations of the management contracts for the wholesale electricity market and the transmission and dispatch organizations. There were minimal efforts by the GOG to privatize energy sector assets in the past year. Until revenues are collected from customers, little interest exists in the private sector for purchasing the assets. Efforts to privatize the Tbilisi gas distribution company (Tbilgazi) failed for a number of commercial reasons, however the high commercial losses (about 60%) and total collections estimated to be as low as 20% are cited as the fundamental causes for the breakdown in negotiations. The Government of Georgia continues to move ahead in the approval process for transit oil and gas pipelines from the Caspian Sea to Western markets. Following the USAID assistance for the baseline environmental evaluation of the proposed oil pipeline route, several advanced discussions have taken place concerning specific sections of the route through the Borjomi and Tsalkha regions of Georgia. Both regions are considered environmentally sensitive and have received international attention on the environmental impact of the proposed pipeline route. USAID assistance continues to provide guidance to the Ministry of Environment on the requirements to respond and comment on the Environmental and Social Impact Assessment prepared by the BTC (the pipeline Consortium) in June 2002.

US Financing in Thousands of Dollars

Georgia

114-0150 Energy and Environment	FSA
Through September 30, 2001	
Obligations	38,905
Expenditures	30,482
Unliquidated	8,423
Fiscal Year 2002	
Obligations	26,595
Expenditures	17,738
Through September 30, 2002	
Obligations	65,500
Expenditures	48,220
Unliquidated	17,280
Prior Year Unobligated Funds	
Obligations	5,932
Planned Fiscal Year 2003 NOA	
Obligations	8,850
Total Planned Fiscal Year 2003	
Obligations	14,782
Proposed Fiscal Year 2004 NOA	
Obligations	9,000
Future Obligations	0
Est. Total Cost	89,282

Data Sheet

USAID Mission:	Georgia
Program Title:	Rule of Law
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	114-0220
Status:	Continuing
Proposed FY 2003 Obligation:	\$4,025,000 FSA
Prior Year Unobligated:	\$323,000 FSA
Proposed FY 2004 Obligation:	\$4,500,000 FSA
Year of Initial Obligation:	1993
Estimated Completion Date:	2004

Summary: USAID's Rule of Law (ROL) program supports efforts to assist Georgia to lay a sound legal foundation on which to build a stable market economy and democratic governance. USAID programs encourage local empowerment through public awareness of legal rights and supporting legal access mechanisms enabling pursuit of these rights, and increasing the capacity of legal institutions to implement and enforce better laws and regulations.

Inputs, Outputs, Activities:

FY 2003 Program:

Rule of law (\$3,725,000 FSA). USAID will continue its support to empower citizens through public awareness of their legal rights, and will support legal access mechanisms to enable them to pursue these rights. Assistance also will continue to increase the capacity of legal institutions to enact and implement better laws and regulations in a predictable and transparent manner. Clear legal boundaries on the exercise of government power need to be established to enhance accountability and reduce opportunities for corruption and self-dealing. Citizen awareness and action to challenge government actions will provide the key monitoring and enforcement mechanisms to maintain these boundaries. Assistance for supporting independent judiciary and enhancing legal professionalism will continue. Principal contractors and grantees are: the American Bar Association's Central European and Eurasian Law Initiative (ABA/CEELI) (prime), IRIS Center at the University of Maryland (prime), the Georgian Young Lawyers Association (sub), Liberty Institute (sub), Internews, Center for International Legal Cooperation (sub), AMEX International (sub), Court Management Associates (sub), Abt Associates (sub), and Nathan Associates (sub).

Program development and support (\$300,000 FSA). USAID will utilize these funds for supporting program-funded management staff and other costs related to program design and development.

FY 2004 Program:

Rule of law (\$ 4,200,000 FSA). The Rule of Law program is expected to be refined to respond to the new strategic directions and will build on the experiences of the current program.

Program development and support (\$300,000 FSA). USAID will utilize these funds for supporting program-funded management staff and other costs related to program design and development.

Performance and Results: The adoption of the General Administrative Code and the Administrative Procedure Code, which went into force in January 2000, represented extraordinary advances for Georgia, breaking new legal ground for Eurasian states. Initial USAID assistance focused on the provisions dealing with freedom of information and the transparency of public agency meetings. Interested citizens and informed courts have used the codes, helping to bring about a noticeable impact in their implementation. A reformed judiciary has decided cases and given meaning to the Administrative Codes' progressive provisions. For example, government agencies have been compelled to disclose information they sought to withhold, and disputes between citizens and agencies have been resolved pursuant to the

new procedures. In FY 2002, "Know Your Rights" public service announcements were launched on all major TV channels addressing issues such as bribery, equality under the law, court decisions, and religious rights.

Licensing is a quintessential administrative law function of the government, and one of the most susceptible to abuse and corruption in the absence of transparent procedures and standards. In FY 2002, with the support of USAID and other donors, a new reform Licensing Law was enacted and harmonized with the provisions of the Administrative Code. Implementation of this new law provides opportunities to improve the administrative process for individual citizens and private enterprises. In addition to supporting administrative rights, USAID provides significant resources to support human rights through legal clinics and legal service organizations. In FY 2002, the legal aid centers have been expanded into Georgia's regions to cover larger groups of indigent citizens. The number of cases and legal consultations has increased substantially. There is a growing need for public defense and increasing willingness of the population to access legal remedies to solve disputes.

Progress on judicial reform continues. In FY 2002 the Council of Justice held one judicial qualification examination. After passing the examination, the seven judicial candidates participated in a competition for vacant positions and underwent a vetting process. The implementation of a merit-based system for selecting judges represents a major achievement for judicial independence. The Judges of Georgia, a private judges' association established with USAID support, continues to grow and has extended its services to judges in the regions. Judicial reform progress, however, could be hindered if the GOG does not provide the judges adequate salary.

In spite of several years of stiff opposition from Soviet-era legal associations, Parliament, with support from legal advocacy organizations and private attorneys, enacted a Law on Advocates. This progressive law mandates the qualification examinations and the introduction of a Code of Ethics for advocates. Prior to the examinations, the Collegium of Advocates (the former Soviet lawyers' union) initiated retrograde amendments to the law. These amendments are still pending in Parliament, thus stalling the entire process of introducing qualification exams and establishing a national bar association.

US Financing in Thousands of Dollars

Georgia

114-0220 Rule of Law	FSA
Through September 30, 2001	
Obligations	6,394
Expenditures	5,312
Unliquidated	1,082
Fiscal Year 2002	
Obligations	3,130
Expenditures	327
Through September 30, 2002	
Obligations	9,524
Expenditures	5,639
Unliquidated	3,885
Prior Year Unobligated Funds	
Obligations	323
Planned Fiscal Year 2003 NOA	
Obligations	4,025
Total Planned Fiscal Year 2003	
Obligations	4,348
Proposed Fiscal Year 2004 NOA	
Obligations	4,500
Future Obligations	0
Est. Total Cost	18,372

Data Sheet

USAID Mission:	Georgia
Program Title:	Good Local Governance
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	114-0230
Status:	Continuing
Proposed FY 2003 Obligation:	\$5,375,000 FSA
Prior Year Unobligated:	\$2,051,000 FSA
Proposed FY 2004 Obligation:	\$6,000,000 FSA
Year of Initial Obligation:	1999
Estimated Completion Date:	2004

Summary: USAID activities under this objective emphasize local and political decision-making in the regions outside of Tbilisi, responding to citizens' needs and priorities for services, and laying the foundation for the parliamentary elections in 2003 and Presidential elections in 2005. Activities are categorized into three main topic areas: 1) more efficient and responsive local governance; 2) civil society strengthening and media development; and 3) political processes.

Inputs, Outputs, Activities:

FY 2003 Program:

Local governance reform (\$1,000,000 FSA). USAID's technical assistance in local governance will continue to focus on both local government officials and the stakeholders in the communities they serve. Intensive reforms in pilot cities will continue to emphasize working simultaneously with both the "supply side" (local government services) and "demand side" (citizen needs). USAID aims to help Georgians achieve both an active citizenry and an accountable local government system. Utilizing a system of direct funding support through USAID's implementing partners coupled with cities matching the direct funding with donated labor, materials, and funds, USAID will continue to provide technical assistance for 35 local councils to carry out community services with citizen input and participation. Additional assistance will provide support in the development and submission of additional draft legislation for consideration in the Georgian Parliament in the areas of budget and finance, property transfer from the central government to the local level, and fiscal decentralization. The principal contractor is the Urban Institute (prime).

Civil society and media development (\$2,300,000 FSA). USAID launched a new "Citizens Advocate!" program in August 2002 that will help leading Georgian NGOs establish a firm constituency base, achieve financial sustainability, develop more effective lobbying techniques for citizen interests, and actively address legislative concerns governing the NGO sector. As a result of USAID technical assistance, at least 40 NGOs formed coalitions, targeting citizen concerns through issue-based advocacy campaigns. In the area of media development, USAID launched a new program, "Media Innovations," that seeks to improve journalistic skills, foster management skills that allow media outlets to emerge as profit-seeking businesses, and improve and strengthen the legal and regulatory framework to provide a safeguard for free speech and access to public information. Principal grantees are: Save the Children (prime), IREX (prime), and the Horizonti Foundation (prime).

Political process (\$1,800,000 FSA). In FY 2003, USAID will increase its emphasis on election processes to better enable a peaceful transition of power and help strengthen democratic reformers' ability to effectively compete in the 2003 parliamentary elections, a prelude to the 2005 presidential elections. Through the use of direct technical assistance, USAID will continue to provide non-partisan aid to reform-minded political parties and parliamentary factions in their efforts to form coalitions around reformist agenda items, such as enforcement of the rule of law, safeguarding freedom of the press, the right of NGOs to operate free of government interference, and opposition to human rights violations and religious oppression. USAID also will provide assistance to political parties to encourage youth and women's participation in Georgia's political process. USAID's election assistance in FY 2003 will include direct

technical assistance to the government of Georgia in administering the election and voting process, and will support training to election poll workers, domestic monitoring efforts, voter education, "Get Out the Vote" campaigns, and the development of a computerized voter registration system (conditioned on other international donor organizations sharing the cost). Principal grantees are: the National Democratic Institute (prime) and International Republican Institute (prime).

Program Development and Support (\$275,000 FSA). USAID will utilize these funds for supporting program-funded staff and for other costs related to program design and development.

FY 2004 Program:

Political processes (\$1,450,000 FSA). USAID will continue efforts in election processes with an emphasis on preparing for the early spring 2005 Georgian presidential elections. Additional support will be given to a newly-elected parliament with the aim of assisting in its reorganization as a transparent and open institution that fosters confidence among citizens.

Civil Society and Media Development (\$2,450,000 FSA)

USAID will continue to support civil society and media development programs that were launched in FY 2003.

Local Governance Reform (\$1,700,000 FSA)

USAID is in the process of assessing the impact of the current program and developing a follow-up program that will complement continuing local government reform efforts.

Program Development and Support (\$400,000 FSA)

USAID will utilize these funds for supporting program-funded staff and for other costs related to program design and development in the new Strategic Plan (FY 2004 - FY 2008).

Performance and Results: Through its implementing partners, USAID provided technical assistance to support Georgia's first direct election of mayors in the June 2002 local elections. Although the election was largely deemed chaotic, it nonetheless reflected the will of the people in virtually all cities throughout Georgia. The election represented several steps forward in Georgia toward meeting the goals of a more diverse multi-party democracy that responds to constituent concerns; improved election legislation that helps prevent mass fraud; and increased voter interest in the election process. Official and unofficial accounts of turnout estimated that nearly 60% of voters came to the polls - far higher than the prior estimates of 45%. Increased voter commitment to these elections reflected the public's understanding that they had a real stake in these elections. A new local governance law transferred significant responsibilities to city councils, local governments that are legitimately elected and respond to citizens' needs, and NGOs that can better articulate and lobby for local concerns. All these forces combined to increase voter interest in the elections. Political party and civic outreach targeted at increasing youth and women participation in the election process also produced solid results: five young independent candidates were elected to city councils - their first foray into the political scene; a "Rock the Vote" campaign targeting youth contributed to a 10 percent increase in young people's voting throughout the country, boosting youth turnout by nearly 30 percent in targeted cities; and a Women in Politics campaign also achieved notable success with 26 female candidates in seven cities (nearly 40% of those trained) winning elected office.

US Financing in Thousands of Dollars

Georgia

114-0230 Good Local Governance	FSA
Through September 30, 2001	
Obligations	20,856
Expenditures	9,932
Unliquidated	10,924
Fiscal Year 2002	
Obligations	6,082
Expenditures	11,846
Through September 30, 2002	
Obligations	26,938
Expenditures	21,778
Unliquidated	5,160
Prior Year Unobligated Funds	
Obligations	2,051
Planned Fiscal Year 2003 NOA	
Obligations	5,375
Total Planned Fiscal Year 2003	
Obligations	7,426
Proposed Fiscal Year 2004 NOA	
Obligations	6,000
Future Obligations	0
Est. Total Cost	40,364

Data Sheet

USAID Mission:	Georgia
Program Title:	Reduced Human Suffering
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	114-0310
Status:	Continuing
Proposed FY 2003 Obligation:	\$10,250,000 FSA
Prior Year Unobligated:	\$5,761,000 FSA
Proposed FY 2004 Obligation:	\$10,500,000 FSA
Year of Initial Obligation:	1993
Estimated Completion Date:	2004

Summary: The key elements of USAID's program aimed at reducing human suffering in targeted communities include the following activities: community mobilization, public works and job creation, conflict management, emergency relief and disaster response, partnerships between Georgian and U.S. health care institutions, primary health care, infectious disease program (tuberculosis, sexually transmitted infections/HIV, immunization support, and health management information system strengthening), and women's health-care initiatives.

Inputs, Outputs, Activities:

FY 2003 Program:

Community mobilization (\$5,300,000 FSA). USAID will continue to support community mobilization activities aimed to empower communities by increasing their involvement in decisions and actions that affect their own development. These activities will demand great involvement of community members in the decision-making and implementation processes of community projects, and will create not only a sense of ownership for community projects but also foster self-sufficiency and transparency at all levels. Typical activities chosen by communities are predominantly infrastructure, irrigation, and/or school rehabilitation projects. While service provisions to alleviate human suffering are a near-term objective of this activity, the long-term objective is to mobilize and empower communities to be able to solve their own problems. In FY 2003, USAID will initiate 425 community projects and will develop the Community Action Groups' capacity to be catalysts for service provision, and agents of social change within and outside their communities. Regional clusters will be formed to facilitate cross-community activities. Principal grantees are: Mercy Corps (prime) and CARE (prime).

Conflict management (\$300,000 FSA). Youth-centered activities will continue to concentrate on providing services to youth affected by conflict and on facilitating meetings and joint activities between ethnic groups in conflict. The principal grantee is United Methodist Committee on Relief (prime).

Emergency relief and disaster response (\$400,000 FSA). The current food program for vulnerable pensioners will continue. Possible responses to emergencies will be reviewed on a case-by-case basis. The principal grantee is the Salvation Army (prime).

Infectious disease (\$1,900,000 FSA). Health activities will continue to focus primarily on prevention of infectious diseases aimed at strengthening the Georgian national immunization program. Since 1995, USAID has been the primary donor for national immunization programs in Georgia, resulting in overall child immunization levels of 85.7 percent in FY 2002. The STI/HIV prevention project will focus on behavioral change and outreach activities targeted at high-risk groups in Tbilisi and Batumi; strengthen the quality, accessibility, and utilization of STI/HIV prevention services; and enhance the capacity of local organizations engaged in STI/HIV activities. The number of anticipated high-risk individuals reached throughout this project is 12,000, and approximately 6,000 will be reached during the first year of implementation which began in FY 2003. In collaboration with the Ministry of Health and several international donors, USAID launched a new infectious disease program on TB prevention and treatment

aimed at sustained reduction in TB morbidity in Georgia. Principal grantees are: the United Nations Children's Fund (UNICEF) (prime), Save the Children (prime), and others to be determined by competition.

Health partnerships and primary health care (\$1,500,000 FSA). Primary care will continue to be supported through the expansion of existing health partnerships into rural areas, and implementation of a new pilot activity in the impoverished Tsalka Region (an area with a significant Greek minority), enabling rural populations to have access to quality primary health care. The project will support rehabilitation of the six PHC facilities that service about 25,000 people in the area. The pilot activity will serve as a model for nationwide replication. Health partnerships in health management education and health-care capacity-building will support a new World Bank-funded hospital project in Tbilisi. Principal grantees are: the American International Health Alliance (prime) and International Relief and Development (prime).

Program Development and Support (\$850,000 FSA). USAID will utilize these funds for supporting program-funded staff and other costs related to program design and development.

FY 2004 Program:

Community development (\$6,000,000 FSA). The focus of the activities will be on increasing the social and economic well being of targeted communities by expanding community development and small scale public works programs.

Health sector programs (\$4,000,000 FSA). Funds will support health care activities at the national and regional levels. A new strategy is being developed that will shape specific new activities to be implemented in FY 2004.

Program Development and Support (\$500,000 FSA). USAID will utilize these funds for supporting program-funded staff and other costs related to program design and development.

Performance and Results: Community action and other locally-mobilized community groups completed nearly 300 community-led projects in FY 2002, in comparison with approximately 200 in FY 2001. The number of completed projects represents a significant success for the activity since the activity is initiated in communities where 1) the community members have little experience in addressing their common problems; 2) locally-elected government officials have unclear mandates; and 3) limited or no resources are available. The activity empowers the communities and creates enthusiasm for a new way of working. Eleven of the 13 communities that completed three community sub-projects went on to start a fourth project entirely relying on community funds. Conflict management concerns were addressed by expanding programs into regions populated by national minorities (ethnic Armenians and Azeris) as well as into the Georgian villages surrounding the tense Pankisi Gorge. Anecdotal information from implementers indicates that communities engaged in these projects express less interest in separatism and greater appreciation for United States support for Georgia and their region. Youth programs focused on increasing contact and cooperation between several thousand youth (both Abkhaz and ethnic Georgian youth) affected by the conflict in Abkhazia. Participants report greater understanding and appreciation for non-violent methods of conflict resolution, as well as greater respect for other ethnic groups. As a result of USAID activities in FY 2002, 60,000 households living in drought-affected areas in Western Georgia benefited from a rapid response to the emergency in the form of agricultural inputs. Vocational training (1,000 individuals were trained) and rural micro loans (614 loans were disbursed) helped families in targeted regions increase their incomes and attain greater self-reliance.

Over the past year, USAID health activities concentrated on infectious disease control and prevention, the retraining of physicians and nurses, and reproductive health/family planning. Ten thousand patients (predominantly women and children) were served in USAID-funded health centers, the first rural primary health care center, and the Women's Wellness Center that specializes in women's reproductive health needs. Over 350 health-care professionals were trained in prevention and control, contributing to better infection control and lower treatment cost. A blood bank continued to expand operations, receiving 3,126 voluntary blood donations.

A recent evaluation revealed that as the result of the Care for Each Other reproductive health campaign, the percentage of married women aware of the USAID program in Tbilisi who had undergone an abortion in the past 3 years declined from 45% in 2000 to 28% in 2002. The First National Perinatal Clinical Guidance supported and developed by the Safe Motherhood Initiative project was adopted by the Ministry of Health. Since 1995, USAID has been the primary donor for UNICEF immunization programs in Georgia, resulting in overall child immunization levels of 85.7 percent in FY 2002.

US Financing in Thousands of Dollars

Georgia

114-0310 Reduced Human Suffering	DA	ESF	FSA
Through September 30, 2001			
Obligations	402	400	132,332
Expenditures	402	400	115,244
Unliquidated	0	0	17,088
Fiscal Year 2002			
Obligations	0	0	9,384
Expenditures	0	0	12,675
Through September 30, 2002			
Obligations	402	400	141,716
Expenditures	402	400	127,919
Unliquidated	0	0	13,797
Prior Year Unobligated Funds			
Obligations	0	0	5,761
Planned Fiscal Year 2003 NOA			
Obligations	0	0	10,250
Total Planned Fiscal Year 2003			
Obligations	0	0	16,011
Proposed Fiscal Year 2004 NOA			
Obligations	0	0	10,500
Future Obligations	0	0	0
Est. Total Cost	402	400	168,227

Data Sheet

USAID Mission:	Georgia
Program Title:	Cross-Cutting Programs
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	114-0420
Status:	Continuing
Proposed FY 2003 Obligation:	\$8,650,000 FSA
Prior Year Unobligated:	\$504,000 FSA
Proposed FY 2004 Obligation:	\$6,700,000 FSA
Year of Initial Obligation:	1992
Estimated Completion Date:	2004

Summary: Cross-cutting programs under this objective support the needs and complement the implementation of the five strategic objectives. Activities under this objective include: training (short-term and academic), post-training support, institutional human resource assessment and analysis, small grant-making to indigenous NGOs, regional cooperation among the three Caucasus countries, public information and outreach, and program development and support.

Inputs, Outputs, Activities:

FY 2003 Program:

Participant training (\$3,200,000 FSA). The participant training program supports all five strategic objectives and is intended to improve the performance of Georgians in their professional or work settings. In FY 2003, USAID will design and implement the CY 2003 Training Plan that is responsive to Mission SOs and meets the most critical skill-building needs of participants. USAID will identify critical skill and knowledge deficiencies or performance gaps of the Georgian partner organizations to be addressed through training and to contribute to their improved performance. USAID also will ensure that training is applied in participant workplaces and is effectively utilized as demonstrated by documenting changes in the workplace environment and by encouraging alumni from USAID participant training programs to share experiences and provide positive reinforcement to one another. USAID will work on capacity-development of local training providers through proposal writing and management workshops. The principal contractor is World Learning, Inc. (prime).

Eurasia Foundation (EF) small grants program (\$2,000,000 FSA). In order to increase access to capital for small-and medium-size enterprises, USAID will fund seven small grants to local organizations to facilitate access to credit by providing credit management training to SME entrepreneurs. The willingness of banks to increase the size of their loan portfolios has not led to higher availability of credit for SMEs. Commercial lending is hampered by the high credit risk that many potential SME borrowers represent to bank. One critical reason that SMEs are high-risk borrowers is their lack of experience in managing bank loans. EF plans to address these deficiencies by supporting credit management training to small- and medium-size entrepreneurs. In addition to training, USAID also will promote business education by soliciting institutional development projects from Georgia's two leading business schools.

Activities implemented by EF are promoting more effective and accountable local governance by providing access to accurate information relevant to public policymakers and their constituents through municipal information centers. In FY 2003, EF will support establishment of six new municipal information centers and will enhance the capacity of existing centers.

To improve public participation in decision-making processes at the local level, EF will support 12 Parent Teacher Associations and other school-related NGOs. This grant program will facilitate public participation and will increase transparency in the management of educational resources through the support of new civic groups.

The South Caucasus Cooperation Program (SCCP), implemented by the Eurasia Foundation, continues to build bonds among professional associations and NGOs in the three Caucasus countries. In FY 2003, USAID will support adoption and implementation of internationally-recognized standards; investigation and promotion of regional economic activities that enable access to global markets; and confidence-building measures addressing regional concerns specific to the South Caucasus (e.g., regional seismic projects, environmental issues, water rights). The principal grantee is Eurasia Foundation (prime).

Public education and outreach (\$1,500,000 FSA). This program will develop and implement activities designed to increase awareness and understanding of the general population, the press, and public officials, about the benefits of economic and democratic reforms that USAID programs support. As a result of the public education activities, representatives of the government in Tbilisi and the regions, and the public, will have a better understanding of how these programs contribute to the economic and social growth of an independent Georgia.

Program development and support (\$1,950,000 FSA). USAID will utilize these funds for supporting program funded staff and other costs related to program design and development.

FY 2004 Program:

Participant training (\$2,500,000 FSA). Participant training program will support training across the program areas.

Eurasia Foundation small grants program (\$1,500,000 FSA). FY 2004 resources requested will continue to support activities initiated in FY 2002. In public education and outreach, USAID envisions supporting a program that will focus on selected regions outside Tbilisi, where knowledge of and support for reforms is limited.

Public education and outreach (\$1,500,000 FSA). This program will continue to advance the public understanding and awareness of major economic and democratic reforms undertaken by the GoG with the assistance of USAID implementers.

Program development and support (\$1,200,000 FSA). USAID will utilize these funds for supporting program-funded staff and other costs related to program design, development and evaluation.

Performance and Results: In FY 2002, USAID initiated a new activity, Strategic Technical Assistance for Results with Training (START). In addition to providing single training events, the new START program includes two new and vital elements: 1) institutional analysis, and 2) alumni support. In FY 2002, the new training program conducted a needs assessment of the four energy regulatory agencies USAID helped to set up and support. A total of 143 participants were trained in the areas of humanitarian assistance, social transition, economic growth, democracy and governance, and energy and environment. Action plans were developed that demonstrate participants' commitment to implementing new ideas and sharing knowledge. The capacity of certain local training providers also was strengthened. Women accounted for 25% of trainees.

In FY 2002, the Eurasia Foundation, which manages small grants and regional cooperation programs, awarded 48 grants to Georgian NGOs through open and targeted competitions. The Eurasia Foundation Small Grants Program supported the establishment of a School of Investigative Journalism (60 Minutes Union of Journalists); creation of the information service for a regional radio network (Georgia Radio Network); development of new training courses for freight forwarders (awarding internationally-recognized certificates to members of the Freight Forwarders Association of Georgia); and created an information exchange supporting local development.

In FY 2002, SCCP awarded \$1,022,750 in grants to regional professional associations and NGOs in areas with the greatest potential for region-wide development. Examples of the grants include research conducted on regional agricultural trade, transportation, and telecommunications to generate public policy recommendations; an initiative on regulation of trans-boundary water resources; regional exchange of

photojournalists' photographs; support to "Perekrestok", the only news program broadcast in the three South Caucasus capitals; and development of a training course for the region's accountant and banking professionals.

US Financing in Thousands of Dollars

Georgia

114-0420 Cross-Cutting Programs	ESF	FSA
Through September 30, 2001		
Obligations	229	19,330
Expenditures	229	14,793
Unliquidated	0	4,537
Fiscal Year 2002		
Obligations	0	5,285
Expenditures	0	6,313
Through September 30, 2002		
Obligations	229	24,615
Expenditures	229	21,106
Unliquidated	0	3,509
Prior Year Unobligated Funds		
Obligations	0	504
Planned Fiscal Year 2003 NOA		
Obligations	0	8,650
Total Planned Fiscal Year 2003		
Obligations	0	9,154
Proposed Fiscal Year 2004 NOA		
Obligations	0	6,700
Future Obligations	0	0
Est. Total Cost	229	40,469