




Georgia Country Strategy

Austrian
 Development Cooperation



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Georgia Country Strategy of the Austrian Development Cooperation

Connecting the Black Sea Region with the Danube Area has become an essential geopolitical concern of Austrian foreign policy which has also increased our interest in the Southern Caucasus, a region with which Austria has entertained longstanding bilateral ties – for the sake of illustration it may be pointed out that Peace Nobel Prize winner Bertha von Suttner had been living and working in Georgia for eight years. This region at the juncture of Europe and Asia, and embedded between the regional powers of Russia, Iran and Turkey, has often been plagued by economic crises, armed conflicts and political disturbances.

Austria plays a distinct and active role in the conflict resolution endeavours of the Southern Caucasus, having participated repeatedly in security and peace keeping operations. The Southern Caucasus – not least because of its importance as an oil and gas transit area – is of increasing economic and political importance for Europe, which manifests itself for instance in the Neighbourhood Policy of the European Union. The countries of the Southern Caucasus, in turn, strive for alignment with EU standards and structures and therefore seek to strengthen bilateral relations with EU member states, including Austria.

Austrian Development Cooperation (ADC) has reacted to these developments by expanding its engagement in the region, in particular through the implementation of new development strategies in Georgia and Armenia. ADC is thereby acting as a partner of other Austrian interests, in particular in the areas of economic cooperation, science and culture.

ADC in the Southern Caucasus began with humanitarian assistance for the victims of the 1988 earthquake in Armenia, and was thereafter gradually extended to a regional programme focussing on governance, human security, conflict prevention, and the strengthening of civil society. This regional approach has now been replaced by two separate bilateral country strategies for Georgia and Armenia.

These new strategies were prepared and elaborated in close collaboration with the partner countries. The necessary guidance and monitoring of ADC activities are provided by the Office for the South Caucasus in Tbilisi, which was established in mid-November 2011 by the Austrian Development Agency (ADA) and has since contributed to strengthening the Austrian presence and visibility – Honorary Consulate, police attaché, Austrian Library, businesses, etc. – in Georgia.



Strategic goals of cooperation

The end of the Soviet Union had far-reaching consequences for the Georgian society. The sudden loss of export markets following the dissolution of COMECON, the lack of international competitiveness, the rose revolution of 2003, internal and regional crises, the subsequent flows of internally displaced persons and increasing polarisation between government and opposition have repeatedly tested the country's stability.

ADC programmes in Georgia, one of the poorest countries of Eastern Europe, contribute to a strengthening of bilateral relations, support security and stability through border-crossing conflict prevention activities and promote sustainable democratic and socioeconomic development through improved governance and a more enabling investment climate. Ultimately, the aim is to reduce **poverty**, strengthen social cohesion and create a new perspective for the population, many of whom left or had to leave Georgia as a result of the numerous crises of recent years.

At the centre of the new Country Strategy is a commitment to support Georgia in its economic and democratic transition process and its efforts to align with European structures, standards and values in the framework of the Eastern Partnership and the Neighbourhood Policy of the **European Union**, even if the country has not been offered a roadmap to accession yet.

The Country Strategy is based on the Austrian Development Cooperation Act and the Three-Year Programme on Austrian Development Policy, and serves to comply with international development policy commitments, most notably the Millennium Development Goals.

Sustainable socioeconomic development for the improvement of living conditions, particularly of groups vulnerable to poverty and social exclusion, is a primary goal of development cooperation. Economic growth and sustainable development in our partner countries significantly depend on the successful integration in the global economy and, accordingly, on their competitiveness on international markets.

In order to accomplish the modernisation necessary to attain this level, Austria will provide experts covering the priority areas of the Country Strategy. In addition, the **Austrian private sector** has become an important partner for ADC. Businesses have the ability to make important complementary contributions in the framework of the Strategy, for instance in the areas of vocational training and through business partnerships. Similarly, a great potential for synergies rests with Austrian educational and cultural institutions, which shall be put to use in the framework of the Strategy.

Sector priorities of the Country Strategy

Priority sectors of the new Country Strategy for Georgia are **agriculture and forestry**, which will receive about 70% of available funds. The selection of these sectors was mainly guided by the goal of poverty reduction and of socially and ecologically sustainable development. Despite remarkable economic progress in recent years, about a quarter of Georgia's population still lives in absolute **poverty** (see Facts and Figures, socio-economic indicators).

Besides the rural population in mountainous regions, the urban unemployed, socially isolated or internally displaced persons as well as single mothers' households are most severely affected by poverty. Rural poverty is also a main cause of rural-urban migration and emigration. Remittances of seasonal and permanent emigrants represent a sizeable share of national income.

Agriculture and forestry still make up more than 16% of the national economy, and are therefore important providers of jobs and income. This aspect was one of the reasons why they were proposed by Georgia as priority areas of the bilateral cooperation and as catalyst for integrated rural development in general.

Austria, where geological and topographic conditions resemble those in Georgia, is in a position to provide relevant experience and know-how which has already repeatedly been requested in recent years.

Within the priority sectors agriculture and forestry, support for small and medium enterprises, rural and mountain tourism, renewable energy and energy efficiency, capacity building for regional and local government, and vocational training offer promising opportunities for close collaboration with ADC, but also, for the sake of raising the level of competitiveness, with the Austrian private sector.

Sustainable development requires a competitive economy. In a rapidly changing globalised world, social security and stable incomes and jobs can only be provided by an adequate political and economic framework.

Support for small and medium enterprises through an improved access to local and regional markets, a streamlined business organisation, the transfer of specific technical and economic know-how, modern marketing methods, continuous product innovation, etc., represents an important aspect of ADC activities in the two priority sectors of the new strategy.

Governance and the rule of law on the one hand, and a functioning social market economy with competitive enterprises on the other, are prerequisites for social and political stability and thus for the improvement of the business and investment climate in Georgia. Special attention will be paid to capacity building, in particular in areas such as conflict prevention, decentralisation and the strengthening of civil society.



Forestry

40% of Georgia's territory is covered by forests. These forests not only represent a significant natural resource for economic use, but they also fulfil important duties in the context of protecting soils, the climate, and water reservoirs. Hydro-energy makes up 85% of total energy consumption in Georgia (the rest mostly stems from natural gas from Azerbaijan). Over the last 20 years, Georgian forests were heavily affected by excessive and illegal logging, neglect and bad forest management.

ADC activities in this sector will emphasise the support for national legal reforms, the strengthening of administrative capacities (forestry inspection, etc.) on the local, regional and national level, as well as the promotion of policy dialogue between local government, civil society and the private sector.

This policy dialogue is also aimed at raising awareness of the fact that sustainable forestry does not only create jobs and improve the energy supply, which currently is still plagued by daily electricity blackouts, but that it also, through the provision of non-wood products, contributes to an increase in food security. Bio-diversity and anti-corruption measures are other important aspects of projects in the forestry sector.

Austria possesses profound expertise in the field of forestry and renewable energy. Water and biomass represent important, still widely unexploited energy potentials for the wood-processing industry in Georgia. ADC is in close contact with competent Austrian institutions as well as with Austrian private companies, and will continue to extend and deepen its ties with Georgian and international partners in this area.

The scope of possible instruments of support ranges from NGO-co-financing and higher education and research partnership programmes (e.g. APPEAR) to know-how transfers, capacity building ("mini-twinnings"), business partnerships, and complementary activities in vocational training.

**Project:
Reforestation in the Kakheti border region**

In the framework of this project, ADC is co-financing a regional environmental programme of GIZ. The goal of this project is the sustainable use of biodiversity in agriculture and forestry in Kakheti, a semi-arid region in south-eastern Georgia increasingly affected by droughts. The four-year project includes, among other activities, the reforestation of a 100 km wide wind protection strip against erosion, the provision of 4.300 households with firewood and the strengthening of the local agricultural association. The aim for the latter is to become a recognised centre of competence for sustainable resource management through specialised education and training for its 80 employees.

Agriculture

The agriculture in Georgia, after the fall of the Soviet Union, lost important export markets and most of the traditional federal support. Inadequate access to modern technologies, financial and public services, as well as the bad infrastructure explain to a considerable degree the low agricultural productivity of Georgia. At present, hardly a third of the arable land is being put to use. The predominance of small-holders and subsistence farming, and distrust in agricultural cooperatives rooted in memories of the collectivist past, impede efforts to raise output productivity. Small agricultural entities, however, are often disadvantaged in access to bank credits, business capital, information, and modern distribution and sales methods.

ADC projects support the implementation of the Georgian Strategy for agricultural development 2012–2022. The key goals of this strategy are improved food security and a higher competitiveness, effectiveness and sustainability of Georgian agriculture.

This is to be achieved through raising productivity and through the creation of local value chains, the modernisation of planting methods, improved marketing, the diversification of products, communal farming through the organisation of smallholders in agricultural associations, an improvement of product quality through adequate plant and animal protection measures, and the certification of and transition to ecologically sustainable biological planting methods. An improved quality and certification scheme of agricultural, and in particular organic products is also aimed at creating new export opportunities, e.g. through business partnerships.

Complementary measures in the areas of cattle breeding and agro-tourism can also contribute to an increase in net value. An important aspect of ADC interventions is the support of participatory zoning on the local level, taking into consideration the significance of better access to land, in particular for women. These interventions are designed to support land reforms, governmental reforms to strengthen property and contract laws, and in turn therefore investment security. Important Austrian partners of ADC in this sector include the Ministry of Agriculture, the private sector and other competent and interested institutions.

Project:

Animal health management in the border regions to Armenia

The goal of this project is the strengthening of animal health through effective prevention of epidemics, as a contribution to improving income and living conditions of the rural population in the border region of Armenia and Georgia. The focus is placed on training and education of veterinary-medical personnel, the equipment of veterinary-medical care units and cross-border cooperation of experts in the area of animal health. The Austrian Ministry of Health and the Agency for Health and Food Security (AGES) provide expertise for this project.

Cross-cutting issue Governance

Cutting across this Strategy is the issue of **governance**, which will also cover areas of the previous regional programme mentioned earlier – conflict prevention, security and strengthening of civil society. ADC will not engage in militarised conflict zones. Comprehensive measures to avoid and prevent social and political tensions, taking into particular consideration the interests of marginalised and socially disadvantaged groups, are an essential aspect of conflict prevention and an important precondition for sustainable development, democratisation, political stabilisation and human security.

Political stability and security are crucial prerequisites for the improvement of the investment climate and the overall economic conditions. Confidence in the future of the country also represents the best guarantee to avoid capital outflows and brain drain.

In recent years, Georgia has made great progress in the areas of democratisation, human and minority rights, anti-corruption, etc. ADC interventions in decentralisation, regional development, transparency and the rule of law, participation and strengthening of civil society and the private sector will contribute to a consolidation and further strengthening of this positive development.



Subsidiarity is an essential principle of ADC – decisions are to be taken as close as possible to the grass-root citizen. The inclusion of local populations receives particular attention during the planning, implementation and monitoring stages of projects and programmes. Special attention is also dedicated to the promotion of active participation of women in political and socioeconomic processes.

ADC activities in the area of governance are conceived to complement cooperation in the priority sectors agriculture and forestry. At the same time, such activities will facilitate alignment with EU standards and structures.

**Project:
Strengthening civil society in border areas with Armenia**

This CARE project represents the third phase of STAGE I, a programme which was launched in 2006 in the border region of Georgia, but which has since been extended to include Armenia as well. The project is aimed at improving living conditions of poor farmers and women through the support of interest groups in their relations with local authorities. The targeted building up of managerial and organisational capacities of 10 NGOs in 10 communities in the border regions of Samtskhe-Javakheti on the Georgian side, and Kvemo Kartli, Lorri and Shirak on the Armenian side, is designed to strengthen their participation and negotiating power in political decision making processes at the local level.

Regional priorities of the Country Strategy

Decentralisation efforts of the Georgian government got an important impetus with the new regional strategy 2010–17, with actions plans for all 12 regions. ADC intends to contribute to implementation of these action plans through technical assistance and targeted capacity building measures for the public and private sectors and civil society, primarily in the southern border regions, partly via cross-border activities.

Implementation and Coordination

Planning, implementation and coordination of ADC are based on the principles of the **Paris Declaration on Aid Effectiveness**. As such, the objective is for the institutions and organisations of the partner country to take ownership of the development process through comprehensive dialogue with local partners and the building and modernisation of required capacities on national as well as regional and local levels.

Georgia, like the other states of the South Caucasus, is part of the Neighbourhood Policy (ENP) framework of the European Union. ADC activities in Georgia, accordingly, are being closely coordinated with the European Commission (EC) and EU member states, but also with other bilateral and multilateral donors. The new Strategy in particular is guided by relevant EC documents on Georgia, such as the Partnership and Cooperation Agreement, the ENPI-Action Plan and the National Indicative Programme.

Donor coordination on the ground takes the form of regular meetings organised by the EC. Sector specific matters are being discussed in special working groups and in ad hoc bilateral talks with project partners. The role of the government in the process of coordinating the international cooperation needs to be strengthened in order to serve as a platform for regular dialogue with the donor community, which so far does not exist.

Coherence and complementary instruments of Austrian development cooperation

For the sake of a holistic perspective of cooperation and the greatest possible degree of coherence, potential Austrian partner institutions and organisations were included in the strategy development process from the very beginning. In this context, maximising potential synergies through the identification, coordination and implementation of collaborative projects with other ministries, NGOs, the Oesterreichische Entwicklungsbank and with representatives of the Austrian private sector, science and culture becomes increasingly important.

An important function of the Austrian Office for the South Caucasus in Tbilisi consists of the development and strengthening of contacts with local authorities and government institutions, civil society, international organisations, and IFIs, which were already involved in the initial phase of the elaboration of the country strategy and with whom its implementation will be coordinated as well. The office will be supported in its activities by complementary efforts by the competent departments in the Ministry of European and International Affairs and by other ministries and institutions in Austria.

Besides bilateral engagement in the framework of country strategies, Austrian Development Cooperation also funds NGO cooperations, business partnerships and cross-border regional projects.

In addition, substantial contributions to the Austrian Official Development Assistance in Georgia are being made by the following institutions and instruments.

Oesterreichische Entwicklungsbank (OeEB), founded in 2008, offers support through loans and advisory programmes for the creation of financial institutions and small and medium enterprises, e.g. in the energy sector.

Since 2010, Georgia has been eligible for **soft loans** of the Austrian Ministry of Finance, with a grant component of 35%. Projects supported through this instrument have to make a proven contribution to a socially and ecologically sustainable development of the country.

An important aspect is the inclusion of the **Austrian private sector** in ADC projects and programmes. Especially in the priority sectors agriculture and forestry, the level of demand on internal and external markets needs to be the driving factor to ensure a sustainable development cooperation. Such cooperation is not only to the benefit of the Georgian population but also an opportunity for Austrian enterprises (win-win-scenario).

This Country Strategy may be revised and adapted in response to changing circumstances and developments.



Facts and Figures

Name	Republic of Georgia
Area	69,700 km ² (World Ranking/WR 119)
Population	4.4m (WR 106)
Capital	Tbilisi; 1.2m
Regions	10 regions, two autonomous republics (Abkhazia, Ajaria); autonomous region of South Ossetia
Ethnicities	83.8% Georgians, 6.5% Azeris, 5.7% Armenians, 1.5% Russians; 2.5% others (Ossetians, Greeks, Abkhazians, Ukrainians, Kurds and others)
Languages	Georgian (official language), Russian, Abkhazian, Ossetian, and minority languages
Religions	mostly Georgian Orthodox Church, Armenian Apostolic Church, Islam; Jewish minority
Neighbouring states	Armenia, Azerbaijan, Russia, Turkey
Membership in International Organisations	WTO, World Bank, MIGA, IFC, IDA, ICSD, IMF, OSCE, EBRD, UN
GDP/capita	EUR 3,744 (WR 109 of 193)
HDI	WR 74 (of 193)
Democracy Index	WR 103 (of 167)
TI Index	WR 64 (of 182)
Doing Business Index	WR 12 (of 183)
Gini-coefficient	WR 56 (of 124)
GDP growth	4.6%
Inflation	8.5%

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