

Strategy for development cooperation with

# Georgia

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## COOPERATION STRATEGY FOR DEVELOPMENT COOPERATION WITH GEORGIA, 2010–2013

### SUMMARY

The overarching objective of Swedish development cooperation with Georgia is for the country to develop towards a democratic and accountable state, forging closer ties with the EU.

Georgia has carried out extensive political and economic reforms, but is still a young and fragile democracy where many challenges remain. The armed conflict with Russia in 2008 and the global economic crisis have caused severe economic hardship.

Swedish support will concentrate on three sectors: democracy, human rights and gender equality; the environment; and market development. Georgia's ambition to forge closer ties with the EU has been further strengthened since the conflict with Russia. The choice of sectors is based on Georgia's wish for deeper cooperation with the EU, the commitment of other donors, experiences of previous cooperation and Sweden's comparative advantages.

The aim of the dialogue is to strengthen ownership and increase understanding of the need for strategic planning and strengthened aid coordination in order to achieve sustainable results. Gender equality will be pursued as a thematic issue. The dialogue will be linked to Georgia's wish to forge closer ties with the EU within the framework of the European Neighbourhood Policy and the commitments Georgia has made to the EU, as well as the perspectives offered by the Eastern Partnership. Special efforts will be made to establish a joint dialogue with Georgia together with other Member States and the European Commission.

The volume of development cooperation with Georgia will amount to approximately SEK 480 million during the period 2010–2013. The annual volume will be approximately SEK 120 million.

### **Part 1. Objectives and direction of the cooperation**

#### **1. Objectives and priorities**

The objective of Sweden's development cooperation with eastern Europe is strengthened democracy, equitable and sustainable development, and a rapprochement to the European Union and its basic values. Development

cooperation will thus help to achieve the objective of Sweden's policy for global development: to contribute to equitable and sustainable development based on a rights perspective and the perspective of poor people on development. Economic growth is a fundamental prerequisite for development and poverty reduction.

Closer relations and integration with the EU are expected to contribute to reforms, that in turn will enable economic growth and equitable and sustainable development. There is a mutual interest in strengthening relations between the eastern neighbours and the EU. The Eastern Partnership offers a platform for deeper cooperation and represents an important political framework. The ambition to negotiate and implement an association agreement with a Deep and Comprehensive Free Trade Agreement (DCFTA) is an important driving force in Georgia's reform efforts. Sweden will support this process.

Georgia is lacking an overarching national development plan. The most important policy documents are the Action Plan for the European Neighbourhood Policy (ENP) and Base Data and Direction (BDD). These two documents, and the successor to the ENP Action Plan – which will be relevant when an association agreement is signed – form the basis of the design of Swedish cooperation. The choice of sectors takes into special consideration Georgia's wish for deeper cooperation with the EU, the commitment of other donors, experiences of previous cooperation and Sweden's comparative advantages.

The overarching objective of Swedish development cooperation with Georgia is for the country to develop towards a democratic and accountable state, forging closer ties with the EU.

The Swedish Government's thematic priorities – democracy and human rights, environment and climate, and gender equality and the role of women in development – are reflected in the choice of sectors. Gender equality will also be prioritised in the dialogue, alongside the need for strategic, long-term planning and the reform agenda for creating closer ties with the EU.

Overarching process objectives during the strategy period are strengthened ownership, increased use of the country's own systems, and donor harmonisation in line with the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action.

The rights perspective and the perspective of poor people will be taken into account, partly by helping to create better conditions for participation, gender equality, transparency, accountability and a stronger role for civil society in all sectors.

## **2. Direction and scope**

Swedish cooperation will focus on three sectors: democracy, human rights and gender equality; the environment; and market development.

To promote broad democratic participation, support will be given to civil society actors with a view to strengthening their capacity to effectively contribute to poverty reduction in general and the strategy objectives in particular. Gender equality efforts must permeate all contributions.

## *2.1 Sectors*

### *Democracy, human rights and gender equality*

Sweden's objectives for the sector are:

- strengthened democratic structures and systems, with a focus on human rights and gender equality;
- better conditions for free and fair elections; and
- better living conditions for the country's internally displaced persons.

Cooperation will have a reform perspective and be directed towards supporting a rapprochement to the EU's fundamental values, principles and norms. Cooperation will cover both policy development and capacity development.

To achieve the first objective, Sweden will provide support for reforms and capacity development within administration. Any support will be complementary to and coordinated with EU support. Sweden will also support contributions that help to increase confidence between authorities and citizens, and to decentralise both political and administrative power as resources for regional and local levels. Sweden's contributions will be designed so that they complement planned EU support to Georgia in the area of regional development. Sweden will also support a more democratic and inclusive decision-making process where civil society actors, including women's organisations and other interest groups, are given better opportunities to both participate in and influence political processes. As long as a strengthened ownership is in place, the possibility of providing support to strengthen the country's administrative systems may be considered.

Experiences of the new EU Member States in the Swedish Partnership Programme launched in 2008 will be put to use. To promote the link between migration and development, support will be considered for capacity development related to the area of migration in Georgia (including the Mobility Partnership between the EU and Georgia), for example, in population registration. Strengthened democratic structures and systems are expected to promote the transparent and efficient management of public funds. In the area of gender equality, Sweden will continue to cooperate with both public institutions and civil society actors to achieve a better regulatory framework, increased awareness and changes in attitudes. Particular attention will be paid to monitoring the commitments Georgia has made within the framework of the Convention on the Elimination of All Forms of

Discrimination against Women (CEDAW) and compliance with legislation on gender-related violence.

Opportunities to implement contributions in Abkhazia and South Ossetia will be used. Above all, democracy-building contributions – mainly channelled via civil society – and confidence-building measures should be considered within the context of Swedish support. Within the framework of democracy-building contributions, support to the populations of these areas will be considered, and there will be preparedness to support larger and more complex initiatives. As regards confidence-building measures, the possibility will be examined of providing support, above all, to international contacts, education initiatives and media.

To achieve objective two, Sweden will provide support to the reform of the election system and the strengthening of authorities' capacity to hold free and fair elections. Initiatives to promote a democratic culture – such as the commitment of civil society and increased participation of women in election issues – are to be supported. This support is expected to result in increased confidence in and insight into the country's election processes.

Georgia has a large number of internally displaced persons. To achieve objective three, special consideration will be given to their specific needs so as to support their integration into society. The ongoing support for improved opportunities to support oneself, better access to clean water and sanitation, psychosocial initiatives and initiatives to combat gender-based violence will continue. If need be, further targeted contributions to help find sustainable solutions will be considered. Coherence with Georgia's own internally displaced persons strategy will be sought.

### Environment

Sweden's objectives for the sector are:

- improved water supply and waste water and waste management systems in selected urban areas; and
- strengthened capacity at relevant institutions at central and local level to regulate and plan water and waste management in an effective and sustainable manner.

Sweden's contributions will help fulfil Georgia's commitments in the area of environment within the ENP Action Plan and the steering document that will replace it when the association agreement is in place. To achieve the first objective, support will be provided for improving water supply, and waste water and waste management systems at local level. This should be done by following Georgia's reform plans for the water and waste management sector. Support can cover both capacity-building and investments in cooperation with the European Bank for Reconstruction and Development (EBRD) or other international financial institutions. Better management of waste water

and waste is expected to contribute in the long term to reduced emissions to air, water and land. Provided ongoing Swedish contributions to improve access to water and sanitation for the country's internally displaced persons yield positive results, and the need remains, further such support will be considered. The new Swedish loan and guarantee system for climate and environment may be used here. Opportunities to finance projects within the framework of the Eastern Europe Energy Efficiency and Environment Partnership will be examined when this instrument can be used in Georgia.

To achieve objective two, support for the strategic planning of environmental issues, in line with the ENP Action Plan, will be considered. It should also be possible to provide support to civil society in order to increase the general public's environmental awareness and monitor that Georgia is living up to its pledges in the area of environment, both in cities and rural areas.

Opportunities for contributions in South Ossetia and Abkhazia will be used.

### Market development

Sweden's objectives for the sector are:

- for Georgia to sign a Deep and Comprehensive Free Trade Agreement with the EU; and
- for Georgia to have the capacity to adapt to the EU's trade-related regulatory framework in at least one area.

A free trade agreement with the EU will increase Georgia's trade. To achieve objective one, Sweden will support Georgia's efforts to align the country's trade-related regulatory framework with EU legislation. Swedish cooperation within this sector will be linked to the requirements for being eligible to enter into and implement a Deep and Comprehensive Free Trade Agreement with the EU. Sweden will strengthen Georgia's capacity to negotiate, conclude and implement such an agreement.

The EU has identified food safety as one of the key areas that Georgia needs to address to be eligible to conclude such an agreement. To achieve the second objective, Swedish cooperation in the area of food safety may be considered. Such cooperation should be targeted towards capacity-building and raising awareness among various stakeholders of the importance of stricter regulations.

In addition, the development of Georgia's policy concerning competition issues and technical trade barriers is considered important for negotiations on and the implementation of a Deep and Comprehensive Free Trade Agreement. Support for strengthening Georgian expertise in these areas will be considered.

Swedish support will be coordinated with possible future support from the EU within the framework of the Eastern Partnership.

## *2.2 Aid modalities*

To support Georgia's reform agenda, institution-building will be an essential part of development cooperation in the chosen sectors. Opportunities for cooperation between Swedish and Georgian authorities and institutions will be used where deemed appropriate. Opportunities to draw on the transition experiences of the new EU Member States will be used. To strengthen the conditions for democratic, gender equal and long-term sustainable development, support to public institutions will be supplemented with support to civil society.

In the preparation of Sweden's contributions, programme-based funding and collaboration with other donors on joint support to an institution, organisation or programme will be sought. Wherever possible, the country's system for planning, implementation and monitoring will be used. Budget support will not be relevant, but experiences of other donors, including the European Commission, will be taken into account. On the condition that there is a renewed commitment to reforms in public financial management, possibilities for budget support may be examined during the strategy period. Project support will be designed in line with aid effectiveness principles.

To achieve economic sustainability in environmental investments at local level, grant assistance may be provided within the framework of coordinated and co-financed credit arrangements with international financial institutions.

It should be possible to use development loans and guarantees as financing instruments in cooperation with Georgia.

## *2.3. Dialogue issues*

The dialogue will be linked to Georgia's wish to forge closer ties with the EU within the framework of the European Neighbourhood Policy and the commitments Georgia has made to the EU, as well as the perspectives offered by the Eastern Partnership.

Special efforts will be made to establish a joint dialogue with Georgia together with other Member States and the European Commission.

Development cooperation with Georgia will be regulated in a cooperation agreement, which will be a platform for dialogue with the country's Government. The aim of the dialogue is to increase ownership and understanding of the need for strategic planning and strengthened aid coordination to achieve sustainable results. As a thematic issue, gender equality and a greater understanding of gender equality issues, as well as their importance for growth and stability, will remain a priority.

## *2.4 Scope (volume)*

The volume of development cooperation with Georgia will amount to approximately SEK 480 million during the period 2010–2013. The annual volume should be approximately SEK 120 million.

## *2.5 Phase-out*

The contributions that do not fall within the framework of the strategy will be phased out before the end of 2012.

## **3. Implementation**

The greatest risks involved in the implementation of the strategy are linked to uncertainty over the two breakaway republics and to the global economic crisis. The problems following the armed conflict remain largely unresolved. To strengthen reform efforts and EU integration, and also to promote stability, a flexible approach and a balanced programme are needed that contribute to concrete results in the short term and build institutions that are sustainable in the long term.

Georgia has made significant progress in the fight against corruption. However, challenges remain and the risk of corruption in connection with Swedish cooperation must always be analysed.

### *3.1 Cooperation with other donors, including multilateral actors*

Swedish development cooperation will be conducted in close dialogue with other donors, in particular the European Commission and other EU Member States. The objective of contributions should be linked to formal commitments in the ENP Action Plan and its successor, and to work on a future Deep and Comprehensive Free Trade Agreement with the EU and international conventions.

Cooperation with the new EU Member States will be further strengthened during the strategy period. The Partnership Programme is a tool for greater harmonisation between Sweden's development assistance and that of the new Member States.

Cooperation will be sought with the EBRD and other multilateral organisations in cases where these can offer opportunities for joint financing within the chosen sectors. Opportunities for programme-based funding will be used.

In light of the United States' extensive development assistance, coordination will be sought for better effectiveness and results.

### *3.2 Alignment, harmonisation and coordination*

The Paris Declaration on Aid Effectiveness and the Accra Agenda for Action, as well as the EU Code of Conduct on Complementarity and Division of Labour in Development Policy, will provide guidelines for Sweden's development contributions in Georgia and its action in donor circles.

The work and concentration in the sectors will be guided by national priorities, the ENP Action Plan and discussions with the European Commission's delegation in Tbilisi and other EU Member States. Close



coordination will continue and Sweden will actively contribute to the joint EU initiative launched in 2008 in Georgia with the aim of promoting the coordination of support from EU Member States.

Sweden's process objectives are greater effectiveness through strengthened ownership, increased use of the country's own systems, and donor harmonisation in line with the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action. Sweden will continue to work actively for improved donor coordination at an overarching and sector level together with the Government and donors to strengthen Georgian ownership, enable joint delegations and monitoring, and thus increase aid effectiveness.

As the largest donor in the area of gender equality, Sweden will actively promote greater coordination in this area.

#### *4. Monitoring*

The annual progress reports for the ENP and the Eastern Partnership will be the most important documents for monitoring EU rapprochement, and for Georgia's commitments within the framework of both the ENP and the Eastern Partnership. Reports are drawn up by both the Georgian Government and the European Commission.

Swedish cooperation will be monitored using Sida's results matrix for the strategy. Sweden intends to enter into a cooperation agreement with Georgia that will form the basis of annual consultations with the Georgian Government on the results achieved and plans for the coming year.

## **Part 2. Background**

### **1. Summary country analysis**

Since the Rose Revolution in 2003, Georgia has carried out extensive political and economic reforms, improved public services and achieved success in its battle against corruption and organised crime. Strong central governance has been effective in carrying out reforms that have yielded short-term results, but that have been less effective in building long-term sustainable institutions. The radical reforms carried out to liberalise the economy and improve tax discipline have resulted in impressive growth, making investments in public services possible. However, growth has been unevenly distributed. The cities have generally been favoured at the expense of rural areas.

The Government's main planning document is Base Data and Direction, which is updated on an annual basis and in which the country's vision is expressed as 'A united Georgia without poverty', with peaceful conflict resolution, Euro-Atlantic integration, employment and rehabilitation of infrastructure as the most important priorities. The planning document contains overarching sector priorities and a budget ceiling for every line

ministry, but the ceiling is often exceeded during the annual budget preparations. Base Data and Direction is primarily based on existing documents and is not actually subject to consultation with the general public or with civil society.

Agriculture is the country's most important industry as it currently employs over half of the population of working age. However, this is low-productivity agriculture largely concentrated on self-sufficiency. The bulk of agricultural products cannot currently be exported due to inadequate quality and standards. Domestic production also faces tough competition from cheap imports.

Georgia currently has one of the world's most liberal trade regimes. Georgia is aiming for a Deep and Comprehensive Free Trade Agreement with the EU, which would mean binding commitments on aligning regulations in trade-related areas, as well as mutual recognition of legal and institutional frameworks. Such an agreement is expected to improve the prospects of developing Georgia's competitiveness and helping to attract foreign investments. A free trade agreement would facilitate the export of Georgian agricultural products by overcoming one of the biggest problems in the sector – poor product quality.

The Government has been criticised for inadequate political reforms and transparency, limited opportunities for participation in decision-making, limited involvement and dialogue with civil society and restrictions for the media. The governing party has lost many supporters over the past two years, but the opposition remains divided and unable to present viable alternatives. Civil society organisations often lack capacity, inroads and resources to pursue their own issues. Most organisations are run by full-time professionals, and volunteering and broad participation are rare.

Under the constitution, all citizens are equal. Georgia has ratified the Council of Europe Framework Convention for the Protection of National Minorities. In practice, however, the minorities have limited influence on the decision-making processes.

Women's participation in decision-making is limited. In the parliamentary elections in 2008, the proportion of women members of parliament dropped to below five per cent. Legislation on, and commitments to, gender equality exist, or are being prepared, but there are shortcomings in the implementation and understanding of the importance of gender equality. Gender-related violence is a general problem.

The armed conflict in August 2008 and the continued Russian military presence in South Ossetia and Abkhazia have added a further 25 000 to the 250 000 internally displaced persons. Market confidence has been affected by the conflict and Georgia has experienced a rapid decline in foreign direct investment. The prospects of a resolution to the conflict with Russia and the re-establishment of Georgia's territorial integrity appear remote.

A clear link exists between security, development and human rights. Security is fundamental to the development of democracy and prosperity. One vital

part of a functioning society is a security sector that respects human rights, is effective and capable, and subject to democratic control and insight. A strengthened democratic and transparent security sector is a prerequisite for Georgia's continued EU rapprochement.

The economic damage caused by the conflict has been aggravated by the international financial crisis, which has resulted in a considerable decline in the number of jobs and a drop in remissions from abroad. Budget revenue decreased considerably during the first quarter of 2009 and GDP development for the whole year is expected to be negative.

As a result of the conflict and the declining economy, it is estimated that a further 300 000 people have fallen below the poverty line. However, there is a lack of reliable and comparable data on poverty trends over the last few years. Poverty is mainly prevalent in rural areas. Women-led households are not affected more often by poverty, but they are represented to a greater extent among those in extreme poverty. Internally displaced persons are among the very poorest in society. The Government's policy for dealing with the problem of poverty is to provide cash grants and access to free basic health care for the poorest. According to official sources, almost one million people receive this kind of help. Unemployment is currently the main cause of poverty. Difficult socioeconomic conditions – above all unemployment – are driving emigration. Around one million people, or 20 per cent of Georgian citizens, are estimated to be working abroad. Studies show that many of them would return if there were opportunities to make a living in the country.

Infrastructure for water and waste that was already in disrepair has been further damaged by the conflict. Systematic waste collection is only carried out in the cities and no environmentally friendly and expedient system exists for managing solid waste. Many water courses are heavily polluted, which affects the health of the population, the economy and the resilience of the ecosystems. The legal framework in the area of environment requires further development, and there are shortcomings in the implementation of existing legislation. Work on drafting a strategy and action plan for dealing with climate change is still at the preparatory stage.

Georgia is facing a number of difficult challenges in the coming years. Its economic policy has been based on a very strong belief in the ability of market forces to solve both economic and social challenges. Continued turbulence in the political climate – internally and in relations with Russia – has seriously undermined confidence in Georgia as an investment destination. Closer ties with the EU are seen as a prerequisite for economic recovery and development, as well as stability. Important factors in this process are broader scope for participation and consultation, and greater insight into administration.

## 2. Summary performance assessment

Development cooperation with Georgia increased in accordance with the plan during the last strategy period (2006–2009), and SEK 109 million was paid in 2008. The objective of cooperation was to help create conditions for poor people to improve their lives through contributions in the areas of democracy and human rights, economic development and environment. According to the performance assessment carried out by Sida, contributions in the last two areas were effective. Support to the largest cooperation area – strengthened democracy and greater respect for human rights – was assessed as being reasonably effective in light of its complexity.

Contributions intended to build institutional capacity have been hindered by the centralised leadership culture and large-scale and frequent turnover in both leaders and staff. Despite this, positive results have been achieved, above all in ‘twinning’ cooperation where ownership has been strong and where it has been possible for development assistance to be flexible. For example, a twinning cooperation project with Lantmäteriet (the Swedish National Land Survey) has helped to improve public services in the regions. Weak ownership has been a problem for development in public financial management, where the full potential of comprehensive joint donor resources has not been used. The reform has come to a partial standstill despite sector budget support in the area.

Decentralisation contributions have mainly resulted in a number of legislative amendments and greater international exposure. Through the establishment of a ministry with responsibility for these issues, Georgian ownership of decentralisation and regional development has, however, been strengthened considerably, improving the prospects for greater Swedish commitment.

The first phase of election support has yielded positive results and created the conditions for a constructive dialogue with the central election committee on the need for measures. Difficulties in identifying independent media that are economically viable have meant limited results. However, the radio station and the newspaper that received support have improved their content and increased their coverage.

An external evaluation established that the Swedish-financed gender equality projects have been effective in strengthening women’s organisations in the regions and in the conflict areas, as well as women on an individual level. However, they have had a limited effect at policy level. The creation of a gender equality committee in the parliament can, however, be directly attributed to Swedish cooperation.

Sweden’s largest project in the area of economic development – support to the milk and dairy industry – has been particularly relevant from a poverty perspective as it has contributed to regular incomes for some three thousand poor farmers. However, the policy-related component concerning capacity development to promote food safety in the dairy sector was affected by the Government’s decision to postpone the implementation of new legislation in the area until 2010. A new component for winter feeding of animals in

conflict zones was added after the armed conflict and has, like the entire project, been assessed positively in an external evaluation.

Support given to environmental investments (water and waste management) through the EBRD has improved the standard of living for some 200 000 people in densely populated areas in western Georgia.

The results of several years' confidence-building efforts by civil society to improve relations between people from different ethnic groups in Georgia – including South Ossetia and Abkhazia – collapsed with the outbreak of the conflict and Russia's continued military presence. This demonstrates the limited role development cooperation can play in efforts to provide a direct solution to the conflict. But following the armed conflict, the Government has heeded the arguments of the development assistance actors and taken a proactive role in seeking sustainable solutions for both new and long-term internally displaced persons. The first phase of Swedish support for internally displaced persons has demonstrated evidence of a good level of efficiency and effective coordination.

There has been no platform to hold a policy dialogue with the Government within the framework of development cooperation. Similarly, there has been no focal point for a dialogue on gender equality. Despite efforts made in accordance with the former cooperation strategy, the results of the dialogue – other than on contribution level – must be regarded as negligible.

Drawing on the experiences of the new EU Member States with similar development problems has proved effective. Local consultants and organisations have been used to an increasing extent as their capacity and know-how have improved. Experiences of cooperation with the UN bodies are varied, and future cooperation should be limited to areas in which they have specialised knowledge.

All contributions have, to a greater or lesser extent, helped in the implementation of the ENP Action Plan, but on the whole they can only be regarded as having made a modest contribution to EU integration. There have been few opportunities for programme-based funding due to the lack of long-term strategies at sector level, which is expected to remain in the short and medium term. Continued efforts are needed to contribute to a constructive dialogue between state actors and civil society. Greater attention needs to be paid to strategic work on gender equality at policy level. To alleviate the effects of the conflict and the economic crisis, certain adjustments were made to the programme in 2008 and 2009, primarily in the form of alignment of ongoing and planned contributions within agriculture and for internally displaced persons. This direction should also remain relevant during the initial phase of the new strategy period. The current composition of Swedish development assistance – with larger contributions complemented by projects – is well adapted to the Georgian context.

### **3. Summary analysis of other donors' activities and roles in the country, including multilateral actors and the European Commission**

Before the conflict in August 2008, Georgia was not dependent on foreign development assistance and donors had limited influence on the political agenda. A lack of financing in the wake of the armed conflict and the global crisis has changed the situation, and multilateral organisations and the United States – by far the biggest bilateral donor – are now playing a greater role. After the conflict, a comprehensive needs inventory was carried out, enabling a closer dialogue and coordination between donors, primarily international financial institutions and the Government. At the donor conference in October 2008, the donors made pledges of support amounting to USD 4.5 billion. Approximately half of this sum is made up of loans and almost USD 1 billion comes in the form of budget support for priority investments. The International Monetary Fund (IMF) had already provided a Stand-by Arrangement of USD 750 million.

Of the many bilateral donors in Georgia, only a few countries provide more extensive development assistance. In the EU these are – besides Sweden – Germany and the Netherlands, both of whom, however, plan to end their bilateral development cooperation with Georgia in the coming years. Sweden will then probably be the only remaining major donor among the EU Member States. However, Germany does intend to continue its technical cooperation within the framework of its regional programme. Both the Baltic and other eastern European countries are active in Georgia, but they have limited resources. Besides the United States, the group of major donors outside the EU includes Japan and Switzerland.

The United States has a very large and complex system of development cooperation with many implementation partners, primarily USAID and Millennium Challenge Georgia. Of the USD 1 billion grant assistance pledged by the United States at the donor conference, USD 250 million was paid in budget support in 2008. The remaining sum will go to support for a large number of areas, including the social sector and civil society, and a comprehensive media programme.

Among the multilateral donors, the European Commission plays a special role given the importance of EU integration. Beyond extensive support in response to the crisis, regular development assistance is provided through the European Neighbourhood and Partnership Instrument (ENPI) at a level of EUR 20–30 million per year, mainly in the form of sector budget support supplemented with twinning and TAIEX. So far, sector budget support has been given in public financial management and the legal system. Future support is expected in vocational training and regional development.

The UN system is represented, for example through the UNDP and UNICEF, but it has limited financial resources. The World Bank's new multi-year programme was introduced in July 2009 and will, in the future too, be targeted towards infrastructure – primarily roads – and reform cooperation through budget support. The EBRD mainly supports the

banking sector and municipality infrastructure. The Asian Development Bank has recently become established as a new actor focusing on loan-financed investments and budget support.

Almost all donors are committed to democracy and human rights in cooperation projects of varying size and nature. Close coordination is absolutely vital. However, in the area of gender equality, Sweden is one of very few actors.

Several donors, including the United States, Switzerland, Denmark and the EU, have or are planning regional development programmes targeted primarily at the development of agriculture in selected regions. There is scope for synergies between this support and Swedish contributions in both trade and local self-governance. As the needs are very great, there is a limited risk of overlapping, provided coordination works well.

There are few donors in the environmental sector, especially in the area of waste. The Netherlands has a limited commitment which, like the support of the United States in the area of water, should be taken into account when designing Swedish cooperation. Co-financing of water and waste infrastructure with the United States under the auspices of the EBRD is expected to continue.

Government-led coordination of development assistance is weak. The finance ministry has committed to closer collaboration with donors as a part of the monitoring of commitments made at the 2008 donor conference. However, the focus still lies on budget support or other assistance that has a direct effect on the state budget. To achieve sustainable results from the extensive reform support offered, both ownership and coordination at sector level need to be strengthened.

A group of larger donors meets regularly under the leadership of the UN for coordination purposes. To coordinate the United States' extensive support, USAID has also initiated a virtual network for informal coordination, in which all major donors take part.

#### **4. Summary analysis of Sweden's role in Georgia**

##### ***4.1 Conclusions from Swedish and EU political decisions and processes that are relevant to the cooperation***

Relations between the EU and Georgia are based on a Partner and Cooperation Agreement entered into in 1999. EU integration is one of the driving forces for Georgia's development and reform policy, guided by the ENP Action Plan that was signed in 2006. The chosen sectors correspond to the priorities in the Action Plan and are in line with current and planned support within the framework of the European Neighbourhood Policy. Sweden's extensive support in the area of gender equality plays a complementary role in this context.

The Eastern Partnership was launched in the spring of 2009 to create the conditions for political association and greater economic integration between the EU and its eastern neighbours. Within the framework of the partnership, the aim is to sign a mutually binding association agreement that is more ambitious and far-reaching than the Partnership and Cooperation Agreement, including a Deep and Comprehensive Free Trade Agreement.

The Mobility Partnership with Georgia was launched in 2009 with the participation of fifteen Member States. It aims to improve the handling of migration issues and promote positive links between migration and development. The EU is planning targeted support under a special migration programme.

#### *4.2 Policy Coherence for development*

Georgia's EU rapprochement and the geopolitical and security policy situation are high on the Swedish foreign policy agenda. In response to the Russian-Georgian armed conflict in August 2008, a civilian EU Monitoring Mission was established with the task of monitoring the implementation of the peace agreement. Sweden is one of the donors providing staff and logistical support for the mission. Defence cooperation with Georgia has so far been limited and has primarily concerned training within the framework of the NATO Partnership for Peace. Through coherence and cooperation between different policy areas, Sweden can contribute to equitable and sustainable global development. Defence-related cooperation is now being developed both bilaterally and within the framework of Nordic-Baltic cooperation. Through cooperation with the Baltic countries, these countries' experiences of transition is being put to use. The support of the Swedish Institute focuses on cultural and social cooperation and exchange at municipal level.

Few Swedish companies are represented in Georgia, and trade is limited. Swedish exports to Georgia have increased in recent years, while imports from Georgia are negligible.

#### *4.3 Other Swedish relations*

Swedish NGOs have limited cooperation with Georgia outside programmes financed by Sida. Swedish support to NGOs finances a few contributions, among them an ongoing cooperation project between the UN Associations in Sweden and Georgia, and a planned cooperation project for non-discrimination of homosexuals, bisexuals and transgender people (HBT), through the Swedish Association for Sexuality Education. Within the framework of both Swedish bilateral cooperation and the EU's twinning programme, opportunities exist for contact between Swedish and Georgian authorities. Three twinning programmes are currently under way between Swedish municipalities and Georgia. Some Swedish agencies have their own funds for cooperation. For example, the Swedish National Audit Office has



begun discussions with its Georgian counterpart. Sweden is contributing to the EU Monitoring Mission and the EU Special Representatives Border Support Team.

#### *4.4 Sweden's comparative advantages*

Sweden is one of the largest donors to Georgia among the EU Member States. Sweden's comparative advantages are, above all, a high level of credibility and flexibility in both planning and implementation of development assistance. Sweden has renowned expertise in the areas of environment, gender equality and local self-governance, as well as public administration – areas in which Georgia's experience is limited. Increased development cooperation and commitments made at the donor conference in 2008 have helped to enhance Sweden's profile.

#### *4.5 Conclusions about Sweden's role*

Sweden has close political relations with Georgia. In its foreign policy, Sweden attaches great importance to Georgia's security policy situation and territorial integrity, and Sweden stresses its support for the country's wish to forge closer ties with the EU within the framework of the Eastern Partnership and the European Neighbourhood Policy. Swedish development assistance targets reforms promoting deeper relations and integration with the EU; this is deemed to provide the best prospects for stable democracy and reduced poverty in the country. By working strategically in chosen sectors to strengthen and supplement support from the EU and other donors, Sweden can contribute to the positive development of Georgia.

### **5. Considerations concerning objectives and direction of future cooperation**

On the whole, Swedish support has been relevant. The priority sectors in the strategy period 2006–2009 remain relevant, but for new contributions, the focus needs to be shifted. Swedish cooperation should be aligned to a greater extent with the ENP Action Plan and its successor, and the objective should be to conclude an association and free trade agreement with the EU. Future joint programming with the European Commission will be easier as the strategy period has been aligned with the planning perspective for the Commission's country strategy. However, the lack of strategic, long-term plans and the limited number of like-minded donors are expected to represent a future obstacle to increasing the share of programme-based funding.

Georgia's ambitious reform agenda and weak coordination have led in part to fragmented cooperation in democratic governance. Swedish support to the sector needs to be focused to gain impact. In light of the fact that larger donors are increasing their commitment in the media field and the legal sector, Sweden will phase out its support in these areas.

Instability in domestic politics stems in many respects from people's distrust of the election processes, the independence of state institutions and the actions of the authorities, as well as a lack of knowledge of how a mature democracy works. For this reason, Sweden will continue its work to strengthen both government agencies and civil society in order to contribute to the emergence of a democratic culture.

Sweden intends to continue to prioritise efforts to promote greater gender equality, despite the fact that gender equality is not high on the Georgian agenda. Increased resources and innovative approaches are needed to achieve sustainable results. Sweden is currently the only donor with a clear gender equality profile and will therefore actively pursue the issue and lead coordination.

In the joint donor needs inventory, immediate needs for improved infrastructure for water and sanitation were identified. Access to drinking water is a high priority for the Government. Poor people often lack access to sustainable systems and have difficulties coping with the effects of environmental damage. Sweden's comparative advantages are based on long experience of cooperation in reforming and rehabilitating similar activities in eastern Europe. Moreover, Sweden has a recognised high level of expertise in the area of environment. Swedish support will therefore target both access to services and environmental improvements.

The Georgian Government has expressed a strong desire to enter into a Deep and Comprehensive Free Trade Agreement with the EU, primarily to promote investments. It is a Swedish objective for this to happen during the strategy period, but there is a risk that this objective will not be met. The European Commission has made extensive demands for the alignment of regulatory frameworks, including in food safety (sanitary and phytosanitary measures), competition policy and intellectual property rights for Georgia to be deemed ready to enter into negotiations on a free trade agreement. Georgian ownership is expected to be strengthened in light of the will to conclude a deeper free trade agreement. Sweden will therefore prioritise trade-related issues with a bearing on the free trade agreement.

The conditions for cooperation have not changed significantly as a result of the armed conflict, other than in the breakaway republics. Opportunities to work in Abkhazia and South Ossetia, which were very limited even before the conflict, have now been further restricted. A new armed conflict could have major consequences for both the country and cooperation conditions. The prospects of development cooperation contributing to conflict resolution are currently slim. Until opportunities open up for greater contributions, cooperation through civil society can help move towards reconciliation and greater understanding between people across conflict borders. The vulnerable situation of the large group of internally displaced persons warrants particular consideration within the framework of the sectors.

Despite hardship caused by the conflict and the global economic crisis, the country has coped relatively well, partly with the help of a greater inflow of

development assistance. A lasting economic downturn and reduced inflow of foreign direct investment may have a negative impact on reform cooperation due to cuts in both staff and financial resources, and the need to channel resources to crisis management.



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