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GEORGIA



Strategic Transition – Resilient Partnership – Lasting Results

COUNTRY DEVELOPMENT COOPERATION STRATEGY (CDCS)

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APPROVED FOR PUBLIC RELEASE

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ACRONYMS

ABL	Administrative Boundary Line
ADS	Automated Directives System
CDCS	Country Development Cooperation Strategy
CLA	Collaborating, Learning, and Adapting
CMKI	Countering Malign Kremlin Influence
COVID-19	Coronavirus Disease 2019
CSO	Civil Society Organization
DCFTA	The Deep and Comprehensive Free Trade Agreement
DFC	Development Finance Corporation
DO	Development Objective
DOAG	Development Objective Assistance Agreement
DRM	Domestic Revenue Mobilization
E&E	Europe and Eurasia
EU	European Union
FCNM	Council of Europe Advisory Committee on the Framework Convention for the Protection of National Minorities
FDI	Foreign Direct Investment
FSR	Financing for Self-Reliance
FY	Fiscal Year
GDA	Global Development Alliance
GDP	Gross Domestic Product
GIS	Geographic Information System
G2G	Government to Government
IR	Intermediate Result
IRI	International Republican Institute

J2SR	Journey to Self-Reliance
LGBTI	Lesbian, Gay, Bisexual, Transgender, and Intersex
LMIC	Low- and Middle-Income Country
MSME	Micro, Small, and Medium Enterprise
NATO	North Atlantic Treaty Organization
NDI	National Democratic Institute
NGO	Non-Governmental Organization
NPI	New Partnerships Initiative
PPP	Public-Private Partnership
PSE	Private Sector Engagement
P2P	People-to-People
RDR	Redefining the Relationship
RF	Results Framework
SIDA	Swedish International Development Agency
Sub-IR	Sub-Intermediate Result
UN	United Nations
U.S.	United States
USAID	United States Agency for International Development

I. Executive Summary

The goal of the United States Agency for International Development (USAID) for the 2020-2025 Georgia Country Development Cooperation Strategy (CDCS) is **to strategically partner with Georgia on its Journey to Self-Reliance (J2SR) while advancing Euro-Atlantic integration and strengthening resilience to malign influence**. The Results Framework (RF) developed for this CDCS will position Georgia to successfully navigate a strategic transition to advance its J2SR and Euro-Atlantic integration goals, moving from a traditional donor-recipient to a partner-to-partner relationship to achieve strategic choices, which counter malign influence and support strategic steps on the country's J2SR and Euro-Atlantic integration.

Georgia has achieved impressive development progress over the last decade and a half. In many spheres, it has been a leader in adapting reforms to strengthen its economy and its governing institutions. Georgia can build on this progress to shift toward taking a greater role over its development course to achieve its strategic goals. However, the combination of Georgia's precarious geopolitical situation, threats to its territorial integrity, its still-fragile democratic institutions, and challenges in maintaining its democratic reform momentum work to complicate and jeopardize further progress toward self-reliance. As a consequence, expectations about Georgia's development trajectory and the Georgian government's ability to transform its approach to development assistance over the next five years must be tempered by the current serious challenges it faces.

This CDCS draws on Georgia's J2SR gains shown in the fiscal year (FY) 2020 J2SR Country Roadmap,¹ which indicate relatively high levels of country capacity and commitment across development sectors. In the Economic Policy sub-dimension, Georgia scores 0.89 in the indicator area of Trade Freedom. In the Civil Society Capacity sub-dimension, the score is even higher at 0.93 in the indicator area of Civil Society & Media Effectiveness. Meanwhile, country scores in the sub-dimension of Citizen Capacity remain above other low and middle-income countries (LMIC) averages. Based upon these scores, this strategy will focus on partnering with Georgia to address challenges primarily in Government Capacity, Inclusive Development, and Open and Accountable Governance areas.

Despite Georgia being a global leader in business environment reforms, growth has not resulted in full employment or higher wages. Country scores in the GDP Per Capita and Poverty Rate sub-dimensions are above the LMIC average, but growth has been uneven, and it has not benefited rural areas where economic activity is still dominated by subsistence agriculture. To address its political and socio-political fragility, Georgia needs to capitalize on its progress to date while addressing challenges, preventing democratic backsliding, and recognizing a geopolitical environment that undermines Georgia's territorial integrity.

Internally, Georgia's fragile democracy is threatened by zero-sum politics, informal governance dominating key sectors, and high income inequality. Externally, the country continues to face a precarious geopolitical situation. Actively occupied by Russia and undermined by malign

¹ The Country Roadmaps serve as USAID's visualization tool for assessing self-reliance in a given country, based on 17 third-party, publicly available metrics that capture the concepts of Commitment and Capacity.

Kremlin influence, Georgia needs continued United States (U.S.) support to protect itself. It also remains vulnerable to China's expanding economic influence.

Over the past three years, Georgia has strengthened its legislative framework to promote the rights of national minorities and to advance diversity, but the country still faces challenges in integrating minority communities into its social, economic, and political structures. The 2019 Report on Human Rights and Freedoms by Georgia's Public Defender refers to advancements related to protections for its minority communities, but it also identifies several continuing challenges in the protection and civil integration of national minorities. These include access to education, protection of cultural heritage and self-identity, and participation in decision-making. While the report notes the progress made by the Ministry of Internal Affairs of Georgia to address the alleged crimes motivated by religious hatred, it laments a stagnation in the protection of freedom of religion, referencing an ongoing debate about the structural discrimination in access to funding and places of worship. Unemployment continues to disproportionately affect ethnic minority youth, as 75 percent of people in minority-majority regions self-report being unemployed. Finally, ethnic minorities continue to be susceptible to anti-Western propaganda, and they are wary of the Georgian government's Euro-Atlantic aspirations. According to the 2019 survey of the National Democratic Institute (NDI), 57 percent of those surveyed in minority settlements approve of the government's stated goal to join the European Union (EU) compared with a national approval rate of 78 percent.

This CDCS will focus on how USAID can propel Georgia toward self-reliance in an effective, inclusive, and accountable manner. When considering the FY 2020 Georgia J2SR Country Roadmap, the critical question asked to develop the strategy was: *How should USAID/Georgia capitalize on Georgia's commitment and capacity to strategically transition its relationship?* Over the next five years, USAID will move toward a partner-to-partner relationship with Georgia by empowering its government, institutions, and citizens. Based on Georgia's sector-specific commitment and capacity, USAID adopted a three-tier approach to promote local ownership, sustainability of the Mission's investments, and a foundation for a USAID legacy that supports Georgia along its J2SR, while advancing Euro-Atlantic integration and resilience against external malign influence.

This strategy reflects the priorities of the U.S. National Security Strategy and the Department of State and USAID Joint Strategic Plan. The goal and RF are grounded in Agency Objectives for Countering Malign Kremlin Influence (CMKI), the Redefining the Relationship (RDR) initiative, and Private Sector Engagement (PSE). They align well with the Georgian government's long-term priority to join the EU. This CDCS focuses on three Development Objectives (DOs):

- **DO 1: Resilience to External Malign Influence Strengthened.** This is a new focus for USAID and presents significant opportunities to redefine the relationship with the Georgian government and develop dedicated programming to address the most volatile challenge to Georgia's J2SR: vulnerability to external malign influence.
- **DO 2: Fragile Democratic Gains Consolidated Through Enhanced Citizen Responsive Governance.** To mitigate backsliding in the governance space, USAID will transition from focusing on broad institutional and procedural reforms, which have contributed to strong measures of government effectiveness at the national level, to supporting citizen-responsive

governance that ensures all levels of government are held accountable to the citizens they serve.

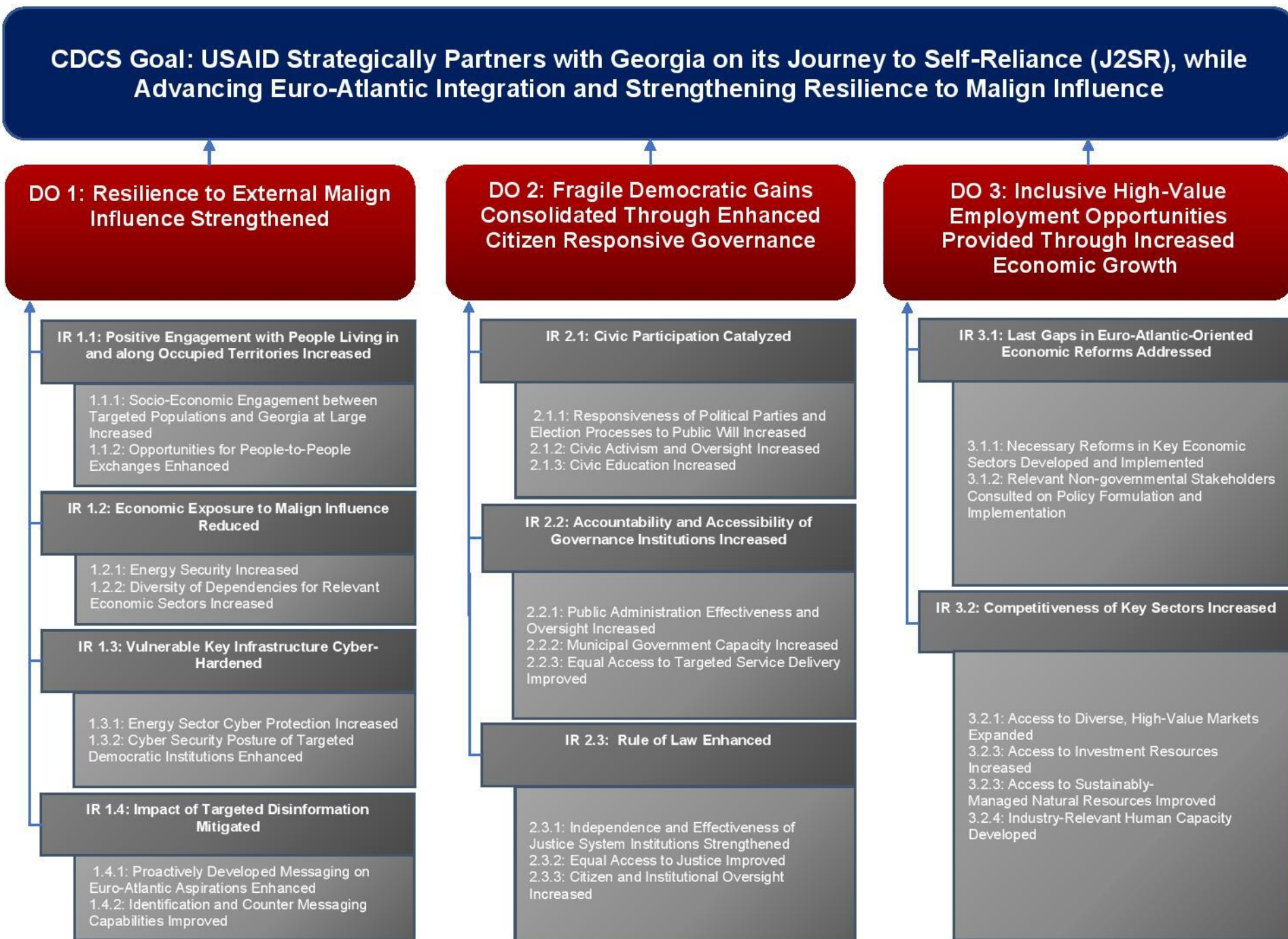
• **DO 3: Inclusive High-Value Employment Opportunities Provided Through Increased Economic Growth.** USAID will transition from entry-level economic capacity building efforts that have helped build the foundations of Georgia’s market-based, western-oriented economy to enterprise-level engagement efforts focused on creating high-value job stimulation and building the capacity of the Georgian government to identify and implement the final stages of Euro-Atlantic-oriented economic reforms.

By the end of the strategy, USAID will have laid the foundation for a legacy that advances Georgia’s path to Euro-Atlantic integration; supports Georgia in protecting itself from one of its greatest self-reliance threats—external malign influence; and helps Georgian citizens benefit from improved governance, rule of law, and employment opportunities.

USAID’s three-tier approach will define its relationship with the Georgian government and will drive it to develop partnerships in areas where Georgia shows strength (e.g. J2SR gains, as described above), deals with conclusive steps (e.g. advanced agricultural sub-sectors), and/or faces persistent challenges (e.g. informal governance). The Mission will expand its current partnership base and develop new, locally-owned partnership models for USAID’s investments to be sustained. This will include utilizing a broad range of partnership modalities and approaches for development solutions under all three DOs, such as: co-creation, cost-sharing, and co-investing opportunities; Global Development Alliances (GDAs) and Public-Private Partnerships (PPPs); Development Objective Assistance Agreements (DOAGs) and Memorandums of Understanding (MOUs) to secure government commitments; expanded Government to Government (G2G) mechanisms; and PSE. With Georgia being a key frontline state, U.S. foreign assistance, implemented by USAID, is a catalyst for progress and a tool to preserve peace and security in the region. To address challenges and potential areas of backsliding, the Mission will focus on ensuring that the priority themes of *accountability* and *resilience* are interwoven throughout strategy implementation.

As of writing this, the global pandemic of the coronavirus disease 2019 (COVID-19) continues to be of concern. To date, Georgia has been a positive outlier in avoiding relatively high numbers of cases and fatalities, yet the pandemic continues to damage the economy and put great stress on communities. While the struggle to contain the virus continues, the Georgian government’s response has been praised for its transparency, professionalism, and commitment to evidence-based policymaking: a testament to the good governance investments made over the previous 15 years. At the same time, there is already disturbing evidence of active efforts by malign, Russia-oriented entities to exploit the crisis in order to deepen dependence on Russia and derail Georgia’s march toward Western integration. The COVID-19 crisis has thrown into stark relief the need for resilience to external malign influences, citizen-centered governance that infuses Georgians with a sense of ownership in a shared future, and an economy that delivers real gains to communities in all regions of the country.

TABLE 1: 2020-2025 GEORGIA CDCS RESULTS FRAMEWORK



II. Country Context

Country Context and J2SR Country Roadmap

Georgia has made significant strides since gaining independence in 1991. Despite struggles ranging from keeping the lights on to political upheaval and military occupation, Georgia is in many ways a role model for the region. Over the past decade, Georgia's gross domestic product (GDP) per capita has grown by an average of 4.3 percent annually; its poverty rate (\$5/day) has fallen by more than 16 percentage points; and it has positioned itself as a global Trade Freedom (0.89)² leader, a major economic policy strength that this Country Development Cooperation Strategy (CDCS) will leverage. In addition, judicial and electoral reform have led to the implementation of a full parliamentary system. But Georgia faces challenges too. Its fragile democracy is threatened by zero-sum politics, informal governance, and high income inequality. With increasing political polarization, growing public frustration with informal governance, and the lack of tangible economic results, Georgia could experience significant democratic backsliding in the future.

The vision of the United States Agency for International Development (USAID) Mission in Georgia (USAID/Georgia) for a transformed partnership draws on the country's Journey to Self-Reliance (J2SR) metrics related to the fiscal year (FY) 2020 Georgia J2SR Country Roadmap. This CDCS builds on Georgia's strengths in the sub-dimensions of Economic Policy, Citizen Capacity, and Civil Society Capacity, while helping the country address its relative challenges in Government Capacity, Inclusive Development, and Open and Accountable Governance. While capitalizing on the aforementioned strengths, USAID's strategy is to assist Georgia to address challenges, potential areas of backsliding, and a geopolitical environment that threatens to undermine the country's significant development gains and its territorial integrity.

In the Economic Policy sub-dimension, Georgia scores 0.89 in the indicator area of Trade Freedom. In the Civil Society Capacity sub-dimension, the score is even higher at 0.93 in the indicator area of Civil Society & Media Effectiveness. The country scores in the sub-dimension of Citizen Capacity are above the low and middle-income countries (LMIC) average. Furthermore, even with the additional depth provided by the J2SR Country Roadmap indicator for Tax Systems Effectiveness and a subsequent decline in Georgia's score, the country still surpasses the LMIC average. The Mission plans to leverage this high level of self-reliance to focus on supporting new civil service laws to increase Government Effectiveness.

The Inclusive Development sub-dimension is highly relevant for USAID/Georgia, which envisions a resilient Georgia where an individual's circumstances at birth are not deterministic of income over a lifetime. The Social Group Equality indicator that measures political equality with respect to civil liberties protection across social groups as defined by ethnicity, religion, caste, race, language, and region, further remains important for self-reliance. In 2017, the Social Group Equality score declined after years of consistency. Though the score has rebounded in the past year, because Georgia is extremely diverse relative to its size, it struggles to fully include all citizens in government processes and services. Religious and ethnic minority

² Trade Freedom is an indicator in the sub-dimension of Economic Policy of the J2SR Country Roadmaps.

communities continue to be marginalized politically and economically from the larger Georgian society while the rural/urban divide is becoming increasingly pronounced.

The Citizen Capacity sub-dimension includes three Roadmap indicators: Education Quality, Poverty Rate, and Child Health. Georgia scores high (0.90) on Child Health. GDP Per Capita is above the LMIC average, but growth has been uneven with persistent high joblessness, and it has not benefited rural Georgia where economic activity is still dominated by seasonal and subsistence agriculture. In a fully self-reliant Georgia, citizens must have the capacity to drive Georgia's development and the resilience to keep the momentum going, even in times of crisis. To empower Georgia's citizens, the Mission will focus on the quality of education, a priority as identified by the Georgian government in its 2018-2023 Education Reform agenda, and it will seek to reduce poverty through effective and equitable efforts rooted in robust economic growth rather than social programs. In this regard, addressing income inequality will be vital to tackling poverty providing that Georgia's Gini coefficient of 36.4 (World Bank, 2018) indicates that, compared with the other countries in the Europe and Eurasia (E&E) region, the country still has high income inequality.

Inequalities begin with citizens' first sustained experience with government services such as education. The Education Quality indicator rings true to USAID/Georgia as it gauges both the quality of education and quantity of schooling received to evaluate a country's educational system performance. In Georgia, there are stark differences between the performance of the poor and rich as well as the rural versus urban. Both signify gaps that need to be addressed to ensure equity in education for all Georgian citizens, which translates to the ability of youth to become active citizens, politically and economically.

There are a few important considerations to be made when appraising the country's performance in the FY 2020 Georgia J2SR Country Roadmap and the reality on the ground. For example, while Georgia scores extremely well on the sub-dimension of Civil Society Capacity, this sector is largely dependent on donor funding. The Georgian government offers several grant opportunities for Civil Society Organizations (CSOs), but the scope and scale of these programs are insufficient to impact the sector's financial stability. The funding dearth has not been made up by citizen contributions either. The Export Sophistication indicator under the Capacity of the Economy sub-dimension is above average. Yet, exports are heavily reliant on service and low value-added sectors, such as copper and vehicle re-exports. The Roadmap also ranks Georgia high on the Safety and Security indicator. However, the rating is at odds with the reality that 20 percent of the country is currently occupied and undermined by Russia.

Despite Georgia's status as a global leader in business environment reforms, its economic growth has not led to commensurate growth in employment or wages. As noted, GDP Per Capita and Poverty Rate are above the LMIC average, but growth has been uneven, and it has not benefited rural Georgia, where economic activity is still dominated by subsistence agriculture. On average, rural household incomes are approximately 20 percent less than those of urban households, even after accounting for remittances and non-cash income. This gap could continue to worsen if not addressed. According to recent polling by the National Democratic Institute (NDI), 51 percent of Georgians identified jobs as the most critical national

issue. Future programming on economic growth must consider the importance of job creation. The bottom-line remains that adopting strong economic policies is necessary but insufficient to drive broad-based economic growth. Eliminating the implementation gap between these reforms and the lived experience of many poor and/or marginalized Georgians is critical.

A strong, cohesive society that celebrates its diversity is the foundation for building resilient communities across Georgia. A 2019 Opinion by the Council of Europe Advisory Committee on the Framework Convention for the Protection of National Minorities (FCNM) recognizes the progress Georgia has made, but it still warns of challenges, pointing to a disconnect between visible efforts made by the state and civil society to promote diversity and linguistic and minority issues being politicized and regarded from security perspective. These are important factors that result in the lack of trust in certain minorities. Similarly, the 2019 Report on Human Rights and Freedoms by Georgia's Public Defender identifies several continuing challenges in the protection and civil integration of national minorities, including access to education, protection of cultural heritage and self-identity, and participation in decision-making. While the report recognizes progress in the activities carried out by the Ministry of Internal Affairs of Georgia in relation to the alleged crimes motivated by religious hatred, it laments a stagnation in the protection of freedom of religion, referencing an ongoing debate about the structural discrimination in access to funding and places of worship. The FCNM also expressed concern about religious intolerance in public schools, including physical retaliation against students, the selling of religious items by teachers within the school premises, and forced collective prayers. Unemployment among youth (ethnic minority youth in particular) remains a significant problem. Unemployment rates in rural areas are 19.3 percent higher than the national average, and, according to the 2019 NDI poll, 75 percent of people in minority-majority regions self-report being unemployed.

Finally, of particular importance to U.S. foreign policy considerations, Georgia has also struggled to bring its ethnic and religious minority communities in line with its Euro-Atlantic aspirations. The 2019 NDI public opinion polls reveal that only 57 percent of those surveyed in minority settlements approve of the Georgian government's stated goal to join the European Union (EU) compared with a national approval rate of 78 percent. Only 36 percent of those surveyed in minority settlements endorse Georgia's aspirations to join the North Atlantic Treaty Organization (NATO) compared to a national rate of 71 percent.

Georgia is in Tier 1 of the U.S. State Department's 2019 Trafficking in Persons Report.

Alignment with Country Priorities

The Mission's strategic transition vision of advancing Georgia's J2SR and Euro-Atlantic integration aligns well with the Georgian government's long-term priority to join the EU. It also helps Georgia's efforts to advance the objectives of the Deep and Comprehensive Free Trade Agreement (DCFTA) with the EU and to undertake effective reforms, such as those related to the 2020-2025 Decentralization Strategy, the 2018-2023 Education Reform Agenda, the 2019 peace initiative ("A Step to Better Future"), and electoral reform.

USAID/Georgia will work with local partners and other donors to hold the Georgian government accountable for the implementation of the aforementioned reforms as important drivers of the country's J2SR. This means empowering the Georgian government in areas where it has demonstrated political will and/or technical leadership (e.g. education reform, peace initiative, and e-governance), amplifying the government's efforts to deliver services more efficiently and effectively, or building its capacity to develop accountability mechanisms that respond to citizen priorities and facilitate oversight by citizens and their elected representatives.

Malign Influence

As a frontline state, Georgia finds itself at a critical juncture, with its gains and aspirations put to the test. Georgia continues to be occupied and faces a precarious geopolitical situation, sitting at the crossroads of Asia and Europe and between Russia and Iran. It remains vulnerable to China's expanding economic influence. Indeed, genuine and sustainable self-reliance will be virtually impossible as long as the Russian occupation continues, and the Kremlin's malign practices go unchecked.

The Georgian-Russian relationship is a nuanced one, with many positive personal, economic, and social relationships overshadowed by a malign and aggressive foreign policy emanating from the Kremlin. Russia's size and location mean that some degree of influence exerted by Georgia's northern neighbor is inevitable. While 82 percent of Georgians favor joining the EU, 41 percent of all Georgians still believe that the EU threatens Georgian values, which is partially attributed to Russia's continued wide-ranging disinformation campaign and manipulation of social and economic relationships as a political lever to discredit the country's Euro-Atlantic aspirations. Georgia also remains vulnerable to recurrent cyber attacks planned and carried out by the Kremlin. The most recent attack took place on October 28, 2019 when, according to the U.S. State Department, the Russian General Staff Main Intelligence Directorate carried out a widespread disruptive cyber attack against Georgia. The incident, which directly affected the Georgian population, disrupted operations of several thousand Georgian government and privately-run websites and interrupted the broadcast of at least two major television stations.

On the democracy and information fronts, Georgia's pro-Russian and ultra-nationalist groups have formally allied efforts through the Agreement of National Powers, which has given rise to pro-Kremlin narratives in some corners of Georgia's political system and bolstered anti-American and anti-Western media. Russian government-supported media and educational organizations actively use "wedge" issues, such as those related to Lesbian, Gay, Bisexual, Transgender, and Intersex (LGBTI) and other minority rights, in a sustained attempt to discredit the country's pro-Western orientation.

On the economic front, Georgia's exposure to Russia is increasing. In 2015, foreign direct investment (FDI), remittances, and exports amounted to approximately 16 percent of Georgia's GDP. In 2017, this number grew to 22 percent. Georgia's exports to Russia make up roughly five percent of the increase. The Kremlin is more than willing to manipulate economic, social, and other relationships as a political lever to punish or extract concessions from Georgia. Examples include the flight ban imposed on Georgia in 2019, and Russia's allegations of

phytosanitary violations by Georgian companies that led to the banning of Georgian food and wine imports in 2006 and 2013.

Malign and aggressive Russian government influence represents a direct challenge to Georgia's self-determination and stability. As stated in the executive summary, the disruptions caused by the COVID-19 pandemic are already being actively exploited by an array of online and offline entities, who seek to delegitimize Georgia's pro-Western foreign policy orientation, and to reinforce political, cultural, and economic dependencies on Russia. In the new CDCS, the Mission will capitalize on past successes to strategically engage with the Georgian government to counter malign Kremlin influence effectively.

III. Strategic Approach

Opportunities to Transition USAID's Relationship with Georgia

The CDCS will focus on how USAID can propel Georgia toward self-reliance in an effective, inclusive, and accountable manner. When considering the FY 2020 Georgia Country Roadmap, the critical question asked to develop the new strategy was: *How should USAID/Georgia capitalize on Georgia's commitment and capacity to strategically transition its relationship?* Over the next five years, USAID will move toward a partner-to-partner relationship with Georgia by empowering the Georgian government, institutions, and citizens. Based on sector-specific commitment and capacity, the Mission adopted a three-tier approach to promote local ownership, sustainability of USAID's investments, and a foundation for a legacy that supports Georgia along its J2SR, while advancing Euro-Atlantic integration and resilience against malign influence.

The Results Framework (RF) strongly demonstrates the intent of the CDCS to contribute to a self-reliant Georgia aligned and eventually integrated with Euro-Atlantic institutions. The tagline below summarizes the overall strategic transition vision and establishes a stronger understanding for the premise of the strategy and the subsequent RF approach.

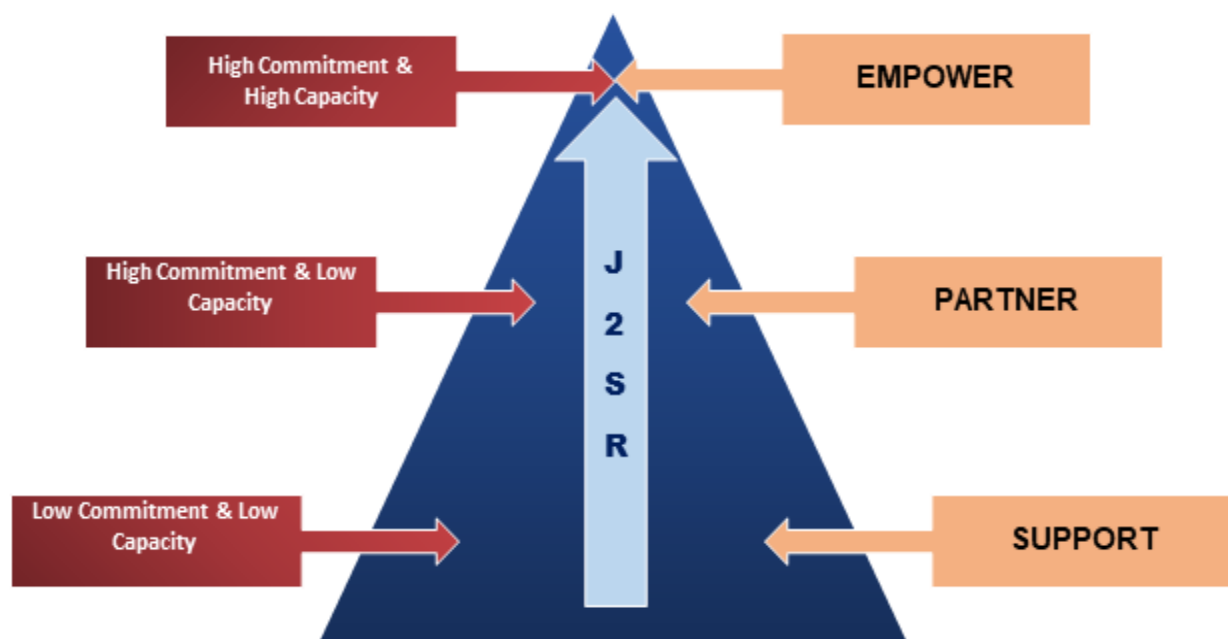
STRATEGIC TRANSITION, RESILIENT PARTNERSHIP, LASTING RESULTS

Under this CDCS, USAID/Georgia will promote a strategic transition, or a means of moving from a traditional donor-recipient to a partner-to-partner relationship with Georgia, to take the difficult but crucial steps on the country's J2SR and Euro-Atlantic integration. The Mission's concept draws on Georgia's J2SR gains as elaborated above, such as Economic Policy, Citizen Capacity, and Civil Society Capacity, while helping the country address persistent challenges in Government Capacity, Inclusive Development, and Open and Accountable Governance. It also recognizes Georgia's socio-political fragility, which the country needs to deal with to capitalize on its progress to date while addressing challenges, maintaining democratic reform momentum, and a geopolitical environment that threatens to undermine Georgia's development gains and territorial integrity.

Based on sector-specific commitment and capacity and how they intersect with the priority themes of *accountability* and *resilience*,³ USAID/Georgia adopted a three-tier approach for the strategy to support, partner with, and empower Georgia along its J2SR, while advancing Euro-Atlantic integration and resilience against external malign influence. The approach should be thought of as a pyramid, which requires the most support at the base and moves through to the peak, a self-reliant Georgia.

³ The Mission identified these priority themes during internal discussions and external stakeholder consultations.

FIGURE 1: THREE-TIER APPROACH



At each of the three levels of the pyramid, the Mission will match its level of effort with the needs of the Georgian government, institutions, and citizens, drawing on the Agency's Acquisition and Assistance Strategy and the New Partnerships Initiative (NPI) to incentivize reform, foster local capacity building, and diversify its partner base. As the Mission guides partner entities through the three tiers, it will be leaving behind a legacy of empowered, self-sufficient Georgian entities that can drive the country's locally-led J2SR.

At the base of the three-tier approach, where there is low commitment and low capacity, the Mission will **support** sectors crucial to U.S. foreign policy. USAID/Georgia plans to continue to support Georgian institutions that have low capacity and low commitment, but the sector is of strategic importance for the United States. For example, the commitment and capacity of the Georgian government to integrate marginalized populations into society is low. Because these populations are highly susceptible to external malign influence, deterrence of which is a critical U.S. foreign policy priority, USAID/Georgia will foster inclusion of these groups through programming focused on social inclusion and economic participation in the wider Georgian economy. Similarly, in terms of *resilience*, the Mission will continue to support vulnerable and marginalized populations in economic growth programming.

On the slope are sectors with high commitment but low capacity. In this case, the Mission will **partner with** Georgian counterparts to keep the momentum going while enhancing their capacity. USAID/Georgia will capitalize on the high commitment of such partners to advance the shared priorities. For instance, the Georgian government has a high commitment to education, identifying it as a national priority, but it lacks capacity to fully implement changes. USAID/Georgia will provide technical expertise to reinforce the Georgian government's commitment to education. In the same spirit, the Mission's partnership with the

Georgian government will advance civil service reform, strengthening *accountability* and *resilience* across local communities.

At the top are sectors with both high commitment and high capacity. Here, USAID will **empower** Georgia to lead where it succeeds and share those successes within Georgia or with other countries in the region. Under this approach, USAID/Georgia will assist advanced Georgian institutions with both high commitment and high capacity to take strategic steps to becoming self-sufficient in their efforts to lead Georgia's J2SR. To maximize impact, the Mission will position these institutions as models of success for other entities with lower levels of capacity and/or commitment. For instance, in the *accountability* space, Georgia has both high commitment and capacity on e-governance platforms. USAID assistance will empower Georgia by bolstering government efforts to spread this success across the country. With regard to *resilience*, there is high commitment and capacity in public-private dialogue, and in producing reforms that reflect private sector input. Here, the Mission will empower Georgia by establishing mechanisms for effective dialogue to promote and solidify key partnerships for sustainable results.

All the above approaches are geared toward ensuring the sustainability of USAID's investments in the country by matching its assistance efforts with the varying degrees of capacity and commitment of partner entities. USAID/Georgia will draw on the Agency's organizational performance improvement tools, such as Human and Institutional Capacity Development and Capacity Building Framework 2.0, and the expertise of its staff to design and provide needs-driven capacity development assistance to the Mission's partner entities at all levels, guiding them through the three tiers, and laying the foundation for a legacy of empowered Georgian partners that are capable of attaining and sustaining Georgia's ultimate self-reliance.

Going forward, USAID/Georgia will make shifts in the broad sectors of Stability and Inclusion, Democracy and Governance, and Economic Growth. There will be a new focus on strengthening Georgia's resilience to external malign influence in the Stability and Inclusion sector. Georgia needs assistance to successfully deal with this challenging task, which presents significant opportunities for the Mission to continue supporting Georgia's peace and reconciliation efforts. To manage the new portfolio effectively, USAID/Georgia will remain flexible, adaptive, and relevant to a rapidly changing environment through smart strategic choices and resilient partnerships.

In the sector of Democracy and Governance, USAID/Georgia will shift its focus from broad institutional and procedural reform, which has contributed to strong measures in government effectiveness at the national level, to ensuring the Georgian government is accountable to its citizens at all levels of government. The focus of the CDCS will be on strengthening citizen's capacity to engage with the Georgian government and demand that Georgia's institutions and procedures deliver meaningful, responsive results through open and accountable governance and rule of law.

Shifts in Economic Growth will be from entry-level economic capacity building to enterprise-level engagement efforts focused on high-value employment opportunities. There is an opportunity to address remaining gaps for EU-oriented economic reform and support Georgia's private sector

to diversify into high-value, competitive markets capitalizing on the sustainable management of Georgia's significant natural and human resources. Past successes will be leveraged while shifting focus to ensure future economic growth benefits the average Georgian, urban and rural. The provision of high-value employment opportunities will also help bridge the gap with those populations who evaluate government performance as "bad" due to jobless economic growth over the past decade. Expansion of employment opportunities is expected to improve public perception of Georgia's governance and to sustain Euro-Atlantic integration.

Modalities and Other Actors

Going forward, the Mission will draw on a broad range of partnership modalities and approaches, including co-creation, cost-sharing, and co-investing opportunities; Global Development Alliances (GDAs) and Public-Private Partnerships (PPPs); Development Objective Assistance Agreements (DOAGs) to secure government commitments; expanded G2G mechanisms; and Private Sector Engagement (PSE) for development solutions under all three DOs. This also means integrating more local partners into procurement, supporting country-led solutions, scaling up institutional capacity development of strategic partners, promoting innovation, and increasing engagement of youth and women.

Drawing on the Agency's Acquisition and Assistance Strategy and the NPI, the Mission will expand its partnership base and develop new, locally-owned partnership models for USAID's investments and legacy to be sustained. Mission resources will be used to support civil movements and citizen-driven initiatives in and outside of Tbilisi, co-design and co-finance skills development programs together with the private sector and the Georgian government, redefine the relationship with government entities to ensure they follow through on their commitments, and work with the private sector and civil society to co-create effective and innovative cyber-hardening and Countering Malign Kremlin Influence (CMKI) solutions. USAID/Georgia plans to lay the foundation for a legacy of capable and effective Georgian entities that can drive the country's locally-led J2SR.

As part of the Mission's Redefining the Relationship (RDR) approaches, USAID/Georgia will undertake the following efforts:

- Empower the Georgian government in areas where the Georgian government has demonstrated political will and technical leadership to amplify its efforts and deliver services more efficiently and effectively. The Mission will consider new opportunities for G2G relationships with relevant institutions to incentivize cost-sharing.
- Seek cost-share opportunities with the Georgian government to ensure the advanced agricultural sub-sectors become self-sustaining.
- Build the Georgian government's capacity to develop accountability mechanisms that respond to citizen priorities and facilitate oversight by citizens and their elected representatives.
- Engage with civic movements and CSOs to hold the Georgian government accountable for commitments and policy implementation (building demand for responsive governance).

- Draw on a combination of technical, donor, and diplomatic support (in areas where political will has faltered, e.g. judicial reform) to ensure that reforms are implemented in the spirit in which they were adopted.
- Support the Georgian government to implement its peace initiative and manage large grant programs for communities across the Administrative Boundary Lines (ABLs). Georgia's Office of the State Minister for Reconciliation and Civic Equality will be the Mission's main counterpart.
- Support Georgia on its final steps toward the establishment of a legal and regulatory environment conducive to investment, which is crucial to Georgia's ability to finance its J2SR.
- Build up local firms' abilities to access commercial financing.

USAID/Georgia's past success in helping the Georgian government to boost its Domestic Resource Mobilization (DRM) is a successful example of Financing for Self-Reliance (FSR), which will inform the Mission's afore-mentioned RDR efforts. USAID/Georgia will also capitalize on Georgia's strengths in Public Financial Management (scoring 81.6 out of 100 on the Budget Transparency indicator), Enabling Environment for Private Investment (scoring 92.0 on the Registering Property indicator) and DRM (scoring 89.0 out of 100 on the Paying Taxes indicator—an increase from 83.5 in 2016). One example of the Mission's FSR efforts is about supporting the Georgian government to address gaps in Euro-Atlantic-oriented economic reforms, including financial markets and sectors of the economy that show strong potential to create inclusive employment opportunities (e.g. agriculture and tourism). In practice, this will mean supporting Georgia on its final steps toward the establishment of a legal and regulatory environment conducive to investment and sustainable economic growth.

The Mission's vision can only be achieved in close collaboration with the U.S. government interagency partners and coordination with the EU and other key donors. USAID/Georgia is currently engaged with the EU, British Embassy, and other donors to coordinate assistance efforts aimed at assisting the Georgian government to implement the peace initiative. The Mission will work with a broad range of stakeholders to gauge the degree to which the Georgian government follows through on its commitments under the education and decentralization reforms. Where applicable (e.g. in the areas of economic diversification and energy security), USAID's convening power will be leveraged to develop multi-stakeholder partnerships for greater efficiencies and better results. As applicable, USAID/Georgia will develop memorandums of understanding with Georgian government entities to affirm and track mutual commitments.

The findings and recommendations of the CDCS Gender Analysis, the Agency's Gender Equality and Female Empowerment Policy, and Automated Directives System (ADS) Chapter 205 on Integrating Gender Equality and Female Empowerment in USAID's Program Cycle will inform Mission activities designed and implemented under the new strategy.

Milestones

- By year one, J2SR, CMKI, PSE, FSR, and RDR considerations integrated into program designs.
- By year two, the Georgian government's strategy to diversify tourism markets developed.
- By year four, Georgia moved toward a more market-driven energy sector.
- By year four, 90 percent of fourth wave judicial reform mandates implemented.
- By year four, co-creation designs make up 25 percent of the total portfolio.

By the end of the strategy, USAID/Georgia will have left a legacy that advances Georgia's progress on its path to Euro-Atlantic integration; supports Georgia in protecting itself from one of its greatest self-reliance threats—external malign influence; and helps Georgian citizens benefit from improved governance, rule of law, and employment opportunities.

IV. Results Framework

Goal Statement and Narrative

The Mission's goal for the 2020-2025 Georgia CDCS is **to strategically partner with Georgia on its Journey to Self-Reliance (J2SR) while advancing Euro-Atlantic integration and strengthening resilience to malign influence.**

The RF developed for this CDCS will position Georgia to successfully navigate a strategic transition to advance its J2SR and Euro-Atlantic integration goals. A strategic transition in the current Georgian context means moving from a traditional donor-recipient to a partner-to-partner relationship to achieve strategic choices, which counter malign influence and support strategic steps on the country's J2SR and Euro-Atlantic integration. The RF draws on Georgia's J2SR gains shown in the FY 2020 Country Roadmap sub-dimensions of Economic Policy, Citizen Capacity, and Civil Society Capacity, while helping the country address relative challenges noted in Government Capacity, Inclusive Development, and Open and Accountable Governance. When developing the RF, the Mission also considered Georgia's political and socio-political fragility that the country needs to deal with to capitalize on its progress to date while addressing challenges, potential areas of backsliding, and a geopolitical environment that threatens to undermine Georgia's development gains and territorial integrity.

The goal and overall RF are grounded in U.S. national security and regional priorities as well as Agency Objectives for CMKI, RDR, and PSE, and align well with the Georgian government's long-term priority to join the EU. With Georgia being a key frontline state, U.S. foreign assistance, implemented by USAID/Georgia, is a catalyst for progress and a tool to preserve peace and security in the region. To address challenges and areas of potential backsliding, the Mission will ensure that the priority themes of *accountability* and *resilience* are interwoven through the strategy. USAID's legacy will advance Georgia's Euro-Atlantic integration; support Georgia in protecting itself from external malign influence; and help Georgian citizens benefit from improved governance, rule of law, and employment opportunities. These are the areas where the Agency's investments will have the greatest impact and where the Mission's work will be based on partnerships with local entities (developed through its three-tier approach), close interagency collaboration, and coordination with the EU and other donors.

DO 1: Resilience to External Malign Influence Strengthened

Development Hypothesis Statement: ***IF*** people living in and along the Occupied Territories are positively engaged; ***IF*** economic exposure to external malign influence is reduced; ***IF*** vulnerable key infrastructures are cyber-hardened; and ***IF*** the impact of disinformation is mitigated, ***THEN*** Georgia's resilience to external malign influence will be strengthened.

USAID/Georgia will strategically transition its partnership with the Georgian government by elevating the most volatile challenge to Georgia's J2SR: vulnerability to external malign influence. This is a new focus for the Mission and presents significant opportunities to redefine the relationship with the Georgian government. Countering external malign influence will advance Georgia's Euro-Atlantic aspiration and address geopolitical challenges that threaten to

hinder the country’s progress toward self-reliance. The DO also reflects and builds on the Mission’s self-reliance assessment for Georgia, which identifies the need for a sustained focus on combating external malign influence through dedicated programming and the RDR principles.

MAP 1: GEORGIA’S OCCUPIED TERRITORIES



In the past, USAID/Georgia has leveraged individual programs or sectors to address Kremlin and other aggression on an ad hoc basis. Given the acute need to build Georgia’s resilience to external malign influence, mitigate backsliding, and address development challenges, the Mission developed a highly specific and targeted DO to ensure proper coordination and renewed focus to achieve the greatest impact.

DO 1 focuses on strengthening the resilience of local institutions and communities (irrespective of ethnicity, language, or religion) to external factors through greater inclusion, social group equality, and citizen capacity. As noted above, 82 percent of Georgians favor joining the EU; however, 41 percent believe the EU would threaten Georgian values, which is partially attributed to Russia’s exploitation of community cleavages, disinformation campaigns, and its efforts to manipulate social and economic relationships as a political lever to discredit the country’s Euro-Atlantic aspirations.

Russia continues to expand its regional influence while undermining Georgian reconciliation efforts. In violation of its ceasefire obligations, Russia maintains its forces in the occupied Georgian territories of Abkhazia and South Ossetia and has passed legislation to integrate the security forces of the de facto authorities with the Russian security forces. Russia also supports “borderization” efforts to construct fences, signage, cameras, ditches, and observation towers along the ABLs between the occupied territories and Tbilisi-administered territory. These barriers often alienate and divide civilians in the occupied territories from property, relatives,

critical infrastructure, and livelihoods. Ethnic Georgians continuing to live in the occupied territories are often discriminated against and denied basic rights in an effort to force them to cut ties to Georgia or leave their homes. By strengthening local institutions and communities, Georgia will advance its peace and reconciliation efforts, while those in affected communities will be better able to cope with shocks to their livelihoods and to become resilient to Kremlin propaganda.

DO 1 also aims to decrease economic exposure to external malign influences by increasing energy security and reducing dependencies on markets controlled by malign actors in key sectors. Activities under DO 1 will build energy security by optimizing the use of diverse, native energy resources, integrating Georgia into a regional energy market in line with the EU Energy Community requirements, ensuring investments and planning are resilient to climate impacts, and making the governance of the energy sector more transparent and predictable. These are all important endeavors that will help attract more Western investment to the sector.

USAID/Georgia will also enable producers in key economic sectors, such as agriculture, to meet EU and U.S. quality standards for exports, and build trade relationships with more stable, higher-value markets to diversify export markets and mitigate the destabilizing effects of the current or prospective trade sanctions imposed by Russia.

External malign actors wield trade and energy supplies as political weapons against Georgia's economic security and Western orientation. For example, in July 2019, the Kremlin imposed a flight ban to halt direct travel between Russia and Georgia, which turned out to be a political campaign against Georgia's pro-Western policies. In 2006, the Kremlin imposed an import ban on wine from Georgia and Moldova to Russia triggering a diplomatic conflict between the countries. In 2013, Russia's consumer-protection agency, Rospotrebnadzor, blocked 28 new alcoholic beverages produced by seven Georgian companies from access to the Russian market under the pretext that they did not meet Russian consumer standards. The health reasons cited to justify the ban were widely seen as spurious, as Russia continued to exert intense pressure on Georgia, Moldova, and Ukraine in the buildup to signing the Association Agreements between the three countries and the EU. In January 2006, blasts on a gas pipeline in Russia, north of the Georgian border, cut off supplies to Georgia. The explosion coincided with sabotage on electricity lines several miles from the pipeline, which descended large parts of Georgia into darkness. The Georgian government accused the Kremlin of staging the blasts in a bid to force Georgia into surrendering its pipelines to Gazprom—the Russian state-owned monopoly. Beyond Russia, China too is expanding its economic influence in Georgia, as evidenced by the Free Trade Agreement signed in 2016 to grow Chinese capital investments, strengthening cooperation on the Belt and Road Initiative to revive the Silk Road route for trade. In fact, the energy sector continues to benefit from Chinese capital investments, which, in turn, could subject the country to further malign influence.

Further, activities under DO 1 will utilize the Agency's new Digital Strategy to inform programming related to cyber-hardening. Georgia experiences a mixture of "hard," aggressive cyber attacks on a range of Georgian computer systems (government, parastatal, media, private, and non-governmental organizations); "soft" propaganda outlets and foundations; and troll and bot operations on social media as part of Russia's information campaign in the country. On October 28, 2019, Georgia experienced its largest cyber attack since 2008. Carried

out by the Russian General Staff Main Intelligence Directorate, the attack disrupted operations of 15,000 Georgian government and private-run websites (including the official webpage of the Georgian President) and at least two major television stations.

Beyond the immediate and looming threat of cyber attacks, institutions remain vulnerable due to undertrained information technology security staff, outdated and unlicensed software use, and lack of cybersecurity awareness and hygiene among staff. U.S. government assessments of Georgia's vulnerabilities to future cyber attacks from malign actors demonstrate a significant need to shore up Georgia's cyber defense to avoid significant damage to critical infrastructure and to protect the country from hybrid warfare tactics.

Lastly, USAID/Georgia seeks to address the different channels and entities that the Kremlin uses to erode public faith in democratic institutions, spread illiberal propaganda, and undermine pro-Western sentiments in Georgian society. These Georgian organizations and individuals either knowingly or unwittingly advance the Kremlin's agenda by portraying the West as an enemy to Georgian identity, and Russia as an indispensable "brother" with a common history and a common faith.

To strengthen the country's resilience, USAID/Georgia will adopt J2SR approaches from the RDR initiative to partner with local institutions and communities to solidify gains in the FY 2020 Country Roadmap's indicator areas of Trade Freedom (0.89), Civil Society and Media Effectiveness (0.93), and Social Group Equality (0.82), and address challenges in the indicator areas of Export Sophistication (0.46), and Education Quality (0.65). The Mission envisages concurrent, coordinated, and symbiotic programmatic efforts across all IRs as necessary measures to achieve the DO. Some new approaches and modalities include institutional strengthening for government entities, efficient use of GDAs and PPPs with local and multinational companies, utilizing Broad Agency Announcement and co-creation for innovation (e.g. co-creating the energy programming with the Georgian government entities), and incubation labs to counter disinformation.

In May 2019, the Georgian government approved a peace initiative—"A Step to a Better Future"—designed to increase people-to-people (P2P) contacts across the ABLs, facilitate trade and business across the divided communities in the occupied and Tbilisi-administered territories of Georgia, and enhance educational opportunities for students residing in the territories. The peace initiative provides a unique window of opportunity for USAID/Georgia to support the Georgian government in engaging target populations in Abkhazia and South Ossetia through socio-economic programming and encourage reconciliation efforts between people living on both sides of the ABLs. The Mission will aim to engage these populations and partner with the Georgian government to combat social and economic dependence on Russia, actively expose the Abkhaz population to Western values and systems, and build transformative P2P and reconciliation mechanisms. USAID assistance will also reinforce the commitment of the Georgian government to engage positively with the occupied territories by building its capacity to operationalize the peace initiative.

Further, the DO aligns with the goal and objectives of the Agency's CMKI Development Framework. To build partnerships that advance strategic transition and Georgia's resilience to

external malign influence, the Mission will collaborate with the EU, British, German, Austrian, Swedish, and Swiss embassies to support the Georgian government's peace initiative, use the U.S. government's convening power to develop multi-stakeholder partnerships for economic diversification and energy security, and empower the private sector and civil society to co-create effective and innovative cyber-hardening and CMKI solutions. USAID/Georgia will monitor closely not only Kremlin influence but also China's growing involvement in the territories. The Mission will adjust messaging and programming accordingly.

Other donors also exist in this space. The State Department Bureau of Population, Refugees, and Migration provides the largest amount of aid to the United Nations High Commissioner for Refugees. The International Committee of the Red Cross, United Nations Entity for Gender Equality and Empowerment of Women (UN Women), and the non-governmental organization (NGO) Arbeiter Samariter Bund also implement activities in the occupied and adjacent territories. The EU funds the United Nations Development Program to provide grants to local and international organizations that address local needs and support initiatives to build social cohesion and confidence, foster peace, and advance stability across the ABLs. Additionally, the United Kingdom and other European donors support small-scale activities on an annual basis in Abkhazia. The United Nations (UN) supports a project coordination mechanism that convenes donors on a quarterly basis to report on progress and support coordination efforts. Finally, the U.S. government regularly participates in quarterly donor coordination meetings led by the Swedish Embassy to discuss implementation and monitoring challenges.

Critical Assumptions and Risks

Assumptions:

- Georgian Government:
 - Retains unwavering commitment to Western orientation, which creates propitious conditions for advancing the CDCS goal and transitioning partnership with the institutions and people of Georgia.
 - Continues to invest, both politically and financially, in supporting citizens across the ABLs.
 - Continues its commitment to "A Step to a Better Future" peace initiative and invests in the capacity development of implementing entities.
 - Remains supportive of trade and investment opportunities with the West.
 - Invests in cybersecurity of key institutions and systems.
- ABLs:
 - Russia does not take any significant military actions to expand the ABLs.
 - Access to the occupied territories does not further deteriorate.
 - The situation across the ABLs remains stable enough for program implementation.
- Georgia remains a geopolitical priority for the United States and the EU.
- Georgia's strategic energy assets are not sold to malign countries.
- Chinese participation in the development of energy infrastructure remains limited.
- Private sector invests in the necessary upgrades to meet rigorous EU and Western market requirements and standards.

Risks:

- Legal restrictions to programming in the occupied territories are imposed.
- Russia imposes trade embargoes in key sectors.
- Participation in energy infrastructure construction by malign actors increases.
- Further consolidation of power and closing of space for civic organizations in the country undermine reconciliation efforts.
- Safety of P2P participants or traders engaging with the wider Georgian market is threatened.
- Key boundary crossings are closed.

Intermediate Results (IR) Statements and Narrative

IR 1.1 Positive Engagement with People Living in and along Occupied Territories

Increased: In the occupied territories of Abkhazia and South Ossetia, Russia maintains a military presence and the de facto authorities have passed legislation to integrate their security forces with Russian military forces. Russia's military-led engagement of the occupied territories effectively severs these territories from Tbilisi-administered Georgia and feeds the narrative that the occupied territories need Russia's protection from Georgia, their enemy. In reality, these actions continue to separate Georgian civilians and deny them basic human rights and necessary humanitarian assistance by fostering a dependence on Russia and cutting them off from Georgia and the rest of the international community. To counter this narrative, USAID/Georgia will strategically work with the Georgian government to increase positive engagement with the people living in and along the occupied territories through enhanced P2P exchanges that demonstrate Georgia and the international community are working in the best interest of the people living in the occupied territories. This means working to increase the number of civilians participating in events, training, and activities that drive large support for peace and reconciliation. Particular attention will be given to the Resilience Index, i.e., a community's ability to bounce back after shock.

The impact of the economy within the occupied territories also offers an opportunity for proactive engagement. Activities under IR 1.1 will expand access to productive economic opportunities and increase socio-economic engagement between targeted populations and Tbilisi administered territory at large with the aim to see positive change in household incomes in the ABL communities.

To support the rationale for IR 1.1, the Mission used evidence from the World Bank's Systematic Country Diagnostic (2018), and USAID/Georgia's Youth Analysis (2018). Stakeholder consultations for the design of USAID/Georgia's Economic Security Program (2017) and the mid-term performance evaluation of the Zrda Program (2019) also provided useful data.

IR 1.2 Economic Exposure to Malign Influence Reduced: The Mission designed IR 1.2 to reduce Georgia's economic exposure to external malign influence through increased energy security and reduced dependencies on markets controlled by external malign actors in key economic sectors. Activities under IR 1.2 will largely focus on how USAID/Georgia, in partnership with the Georgian government and other institutions concerned, can catalyze the

energy sector by working with the private sector to mobilize investments for improvement and expansion of clean, native, and climate-resilient energy generation. This should increase locally generated energy, spur investment in high tech solutions such as renewable energy from domestic sources, reduce reliance on imports from malign actors, and position Georgia to trade domestically-generated energy on a competitive market. Further, USAID assistance will be leveraged to increase the diversity of dependencies for relevant economic sectors. IR 1.2 will help advance the strategic transition by positioning Georgia to compete with the influx of low-cost commodities due to new free trade agreements, and to support trade and investment diversification and export facilitation to higher value, non-Russian-sphere markets.

To support the rationale for IR 1.2, the Mission used evidence from the World Bank's Systematic Country Diagnostic (2018), Geostat/ITC Trade Map statistics (2019), World Economic Forum's (WEF) Global Competitiveness Index (2019), and the Economic Security Program design stakeholder consultations (2017). Additional resources include the draft low emissions development strategy for Georgia (2016), and the Mission's Market and Sector (2017), Energy Security (2019), and the Energy Sector Gap (2019) Assessments.

IR 1.3 Vulnerable Key Infrastructure Cyber-Hardened: Globally, key economic sectors, including energy, continue to experience an increase in cyber threats, and cybersecurity experts see no downward trend in the near future. Electrical infrastructure is critical as the conduit of function and access across other critical infrastructure sectors, including industry, communications, transportation, and finance; as technology progresses more systems are expected to become vulnerable. Understanding this growing threat, USAID/Georgia will facilitate Georgia's engagement in collaborative working groups with the U.S. and Eastern European energy regulators and utility companies to address the documented Kremlin cyber threat in the region, remaining open to newly identified threats as technology progresses. Together with the Georgian government, the Mission's efforts will increase cyber protection of the energy sector and its interrelated spheres, yielding ingrained cybersecurity practices in targeted organizations. Further, an increase in the capacity of government officials trained in good cybersecurity practices will enhance the cybersecurity posture of targeted democratic institutions. The Agency's new Digital Strategy will inform programming related to cyber-hardening to demonstrate increased resistance to cyber attacks in the energy sector.

To support the rationale for IR 1.3, the Mission used evidence from the Georgia State Electrosystems Cybersecurity Threat and Vulnerability Analysis (2018) and USAID's Governing for Growth Blockchain Study (2018).

IR 1.4 Impact of Targeted Disinformation Mitigated: This IR addresses the different channels and entities (including media, politicians, public figures, and the clergy) that the Kremlin uses to erode public faith in democratic institutions, spread illiberal propaganda, and undermine pro-Western sentiments in Georgian society by portraying the West as an enemy to Georgia's identity and Russia as an indispensable "brother" with a common history and faith. Activities under IR 1.4 will consider the numbers of Georgian citizens whose main source of information stems from Russian television, as well as those who either support or oppose the country's EU aspirations. Also, vulnerability of ethnic minorities toward propaganda and disinformation is directly linked to the lack of access to and low utilization of Georgian-language media sources.

The shares of television (36 percent) and Internet (10 percent) as the main sources of information in Samtskhe-Javakheti and Kvemo Kartli are lower than those in the rest of Georgia (NDI, 2018).

USAID assistance under IR 1.4 will improve identification and counter-messaging capabilities of local entities and enhance fact-based messaging on Georgia's Euro-Atlantic aspirations. Activities will center around developing tools to counter disinformation messaging and designing programs to inform and build support for Euro-Atlantic aspirations. For instance, an incubation lab will be utilized to test new methods for combatting disinformation. The lab will apply a rigorous learning methodology and explore opportunities to scale up successful programs.

To support the rationale for IR 1.4, the Mission used evidence from the Anti-West discourse barometer; UN Association of Georgia "Republic 100;" United Nations Association of Georgia's Anti-Western Propaganda Report; the USAID ACCESS program's Responding to Russian Disinformation: A Case of Georgia report, Caucasus Research Resource Centers Countering Anti-Western Propaganda a Note on Targeting Strategies (2018); and the Media Development Foundation's Troll Factory Against TBC, NGOs, Media (2019).

DO 2: Fragile Democratic Gains Consolidated Through Enhanced Citizen Responsive Governance

Development Hypothesis Statement: ***IF*** civic activism of Georgian citizens increases; ***IF*** the country's government institutions at the national and municipal level are more accountable and accessible; and ***IF*** the country's rule of law systems and institutions are more equally accessible, effective and overseen, ***THEN*** the governance system will be more citizen-responsive and able to shore up fragile democratic gains.

Judicial and electoral reform, parliamentary oversight, and decentralization are critical to improving the function, accountability, and responsiveness of Georgia's democratic institutions. Such reforms are championed by strong supporters and challenged from within democratic systems. These reforms require technical and diplomatic support, as Georgia navigates new checks and balances to ensure they are implemented in the spirit in which they were adopted.

Over the past decade, USAID/Georgia has prioritized institutional and procedural reform in its programming, which contributes to the high Roadmap ranking in the Government Effectiveness (0.65) sub-dimension. On the commitment side of the Roadmap, Social Group Equity increased from 0.73 to 0.82; however, as the Varieties for Democracy Report (2019) states, "most of these [recently democratizing] countries face challenges, with horizontal constraints on the executive and levels of inequality putting them at some risk of reversal." The same report identified Georgia as having only fragile improvements between 2008 and 2018 in judicial constraints on the executive and names polarization of society as a weakness. Even though Georgia was identified as one of the leaders in Eastern Europe and Central Asia in the Rule of Law Index, ranking 38th out of 113 countries worldwide, it has fallen four positions since 2016.

Despite the country making significant strides since independence, Georgia's democracy remains fragile and is showing early warning signs of backsliding. Though Georgian public administration institutions remain models for the region, citizen participation and trust in many democratic institutions lag behind, threatening democracy and subjecting the country to backsliding. For example, Georgia's Open Governance metric results have been volatile and trending negatively in recent years. To shore up fragile democratic gains under these circumstances, more citizen ownership of political and policy processes and oversight mechanisms is required.

Similarly, civil society continues to struggle with low public trust with only 27 percent of the population expressing trust in the sector. Many citizens question civil society's commitment to their mission of serving the Georgian people versus their commitment to securing donor funds and thus being donor-driven. The Mission will build trust in Georgian civil society by helping them better connect and represent their communities. USAID assistance will also enhance citizen-responsive governance by leveraging high-performing civil society and media (Georgia scored as high as 0.93 on the Civil Society and Media indicator in the FY 2020 Country Roadmap) to improve citizens' capacity to oversee the work of government and elected officials and supporting opportunities for citizens to engage with democratic institutions. USAID/Georgia will support and/or partner with CSOs to refocus their commitment to citizens and citizen priorities. The Mission's partner CSOs will support citizens to better understand their role and responsibilities within a democracy and learn how to engage with the government at all levels. As CSOs continue to evolve in Georgia,⁴ the Mission will capitalize on their strong advocacy capacity while working to build their commitment to actively engage and represent citizens. At the same time, the Mission will work with CSOs to develop new avenues for domestic resource mobilization such as social entrepreneurship models, strengthening relationships with the private sector, and the use of constituency resource management tools. Thus, the DO contributes to USAID/Georgia efforts to partner with civil society and government to address the three FY 2020 Country Roadmap sub-dimensions identified as critical development challenges for advancing Georgia's J2SR—Open and Accountable Governance (0.51), Inclusive Development/Social Group Equality (0.81), and Citizen Capacity/Education Quality (0.62). USAID assistance will strengthen Georgian citizens' capacity to engage with local institutions and demand procedures to deliver meaningful, responsive results through open and accountable governance.

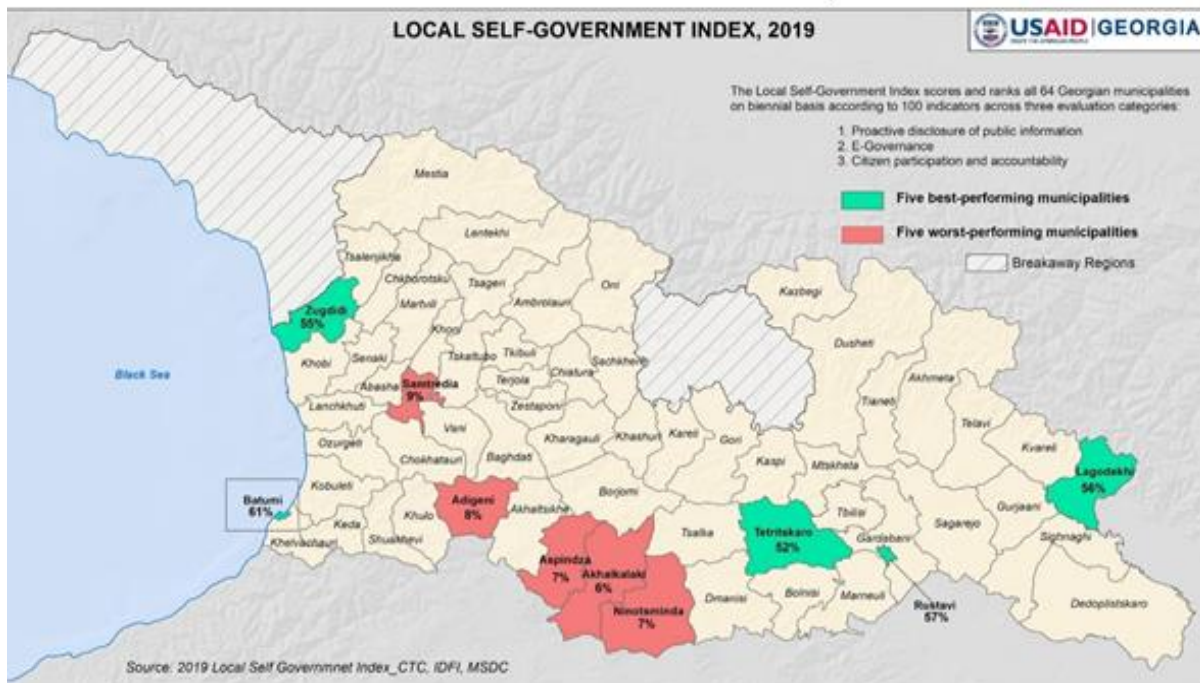
While the Mission's focus on civic activism and equitable access to services, including justice services, inspires increased citizen demand and the Georgian government's enhanced capacity to deliver services, USAID/Georgia must also partner with local stakeholders to drive the supply side of governance. Increased citizen participation requires raising civic awareness, building capability and confidence of various strata of Georgian society to be engaged in democratic life, and encouraging social activism beyond the civil society sector. To mitigate backsliding in the governance space, USAID/Georgia will transition from focusing almost exclusively on broad institutional and procedural reforms, which have contributed to strong measures of government effectiveness at the national level, to supporting decentralization to ensure all levels of government are held accountable to its citizens. The Mission will continue to support the

⁴ 2018 Civil Society Organization Sustainability Index.

national government, particularly as it empowers local governments and partners with local organizations as they build their capacity to take on new responsibilities.

USAID assistance efforts will prioritize inclusive development through engagement with marginalized populations; including ethnic and religious minorities, women, people with disabilities, LGBTI persons, and other disadvantaged groups; and institutions to ensure they have access to critical services, including quality education and a strong voice within government institutions. In accordance with the CDCS Gender Analysis, activities under this strategy will address women’s political participation at all levels, which remains a challenge, especially in areas with ethnic minorities.

MAP 2: GEORGIA’S LOCAL SELF-GOVERNMENT INDEX, 2019



As a critical complement to this work with citizens to build demand for responsive governance, USAID/Georgia will continue to build the Georgian government’s capacity to develop accountability mechanisms that respond to citizen priorities and facilitate oversight by citizens and their elected representatives. Increased civic participation together with a continued commitment to the principles of good governance and the rule of law will close the citizen-government gap and ensure Georgia has the appropriate frameworks in place to support sustained democratic and economic growth, as well as the ability to drive its own development. Responsive governance is also closely related to the business enabling environment, as the policies, laws, regulations, and implementation governing businesses also need to be responsive to the private sector’s needs.

USAID/Georgia will prioritize co-creation to realize its goal of a strategic transition by leveraging important reforms achieved over the past five years to shore up fragile democratic gains. With a new focus on civic movements, the partner base will be expanded to those who exhibit strong commitment but need assistance to build capacity. The Mission will amplify the activities of a

wide range of new civic actors and connect them with their more established CSO counterparts. In line with the three-tier approach, the Mission will explore opportunities for G2G relationships with targeted institutions where the Georgian government has demonstrated leadership, including civil service reform, education reform, and e-governance. As applicable, the Mission will serve as a convener or facilitator, using a combination of diplomatic influence and technical assistance to bring stakeholders together around major reform efforts. The Agency's Digital Strategy will inform programming related to e-governance, online civic participation, and digital literacy. Finally, USAID/Georgia will explore how the private sector can be engaged to support and drive democratic reform efforts through financial assistance and advocacy.

In many areas, such as public administration reform, the Georgian government leads strong donor coordination mechanisms. Other sectors do not enjoy the same level of leadership from the Georgian government; hence, donors have developed their own forums to ensure coordination. For example, formal donor coordination mechanisms under the Georgian government umbrella in the rule of law area are weak, but donors and implementers active in the sector maintain regular contact and coordination. Many of the activities aimed at promoting reform in the justice system are usually co-funded by USAID and other donors such as the EU, the Council of Europe, and the U.S. Department of Justice Overseas Prosecutorial Development Assistance and Training. The engagement of multiple donors in the sector increases the chance for a sustained J2SR.

The EU and the Swedish International Development Agency (SIDA) are the largest donors in the civil society sector. The EU's Georgian Civil Society Sustainability Initiative works to diversify funding sources, enhance organizational and technical capacity, strengthen regional civic participation through better cooperation of CSOs with local media, businesses, and authorities and supports policy dialogue with the Georgian government. SIDA provides multi-year funding to several leading Georgian CSOs. USAID/Georgia closely cooperates with the State Department Public Affairs Section, which supports the development of civil society by encouraging civic participation through its annual democracy programs. The Mission also coordinates with the National Endowment for Democracy, which focuses on small grants that help support independent media and civil society. USAID/Georgia will continue to consult widely with development partners to avoid duplication and to take advantage of successful programming through complementary design.

Critical Assumptions and Risks

Assumptions:

- The new government (or coalition government), following 2020 parliamentary elections, remains committed to the reform agenda in critical sectors for Georgia's development, including education, rule of law, electoral reform, and transformation of the country into a parliamentary system.
- Georgia continues to aspire to EU/NATO integration.
- Legal enabling environment remains generally permissive to CSO operations.
- Stability on the northern border, i.e. no further Russian military intervention occurs into sovereign Georgian territory.
- Stability on the south-western border; Turkey's economy remains strong.

- Georgia's economy continues to grow at projected rates.
- Georgia remains a geopolitical priority for the United States and the EU.

Risks:

- Political turbulence and instability lead to non-elections-based political transitions.
- Further consolidation of power and closing of space for civic organizations precipitate democratic backsliding.
- Informal governance becomes entrenched.
- Instability grows in the EU and NATO.
- Nationalism increases globally.
- Inability of new civic partners and formalized civil society to meaningfully collaborate to advance civic participation.
- Instability in the region (Iran, Turkey, and Syria) leads to a new wave of refugees and migrants.
- Migration out of Georgia increases and the youth population dwindles.
- The Georgian government's international agenda eclipses citizen demand.
- Malign Kremlin Influence (hybrid warfare, soft power) increases.

Intermediate Results (IR) Statements and Narrative:

IR 2.1 Civic Participation Catalyzed: USAID/Georgia will sharpen its focus on the demand side of responsive governance by supporting citizens to better engage in democratic processes on behalf of their interests and priorities. Results from the 2018 Elections and Political Processes Program evaluation signaled a disconnect between political party platforms and citizen interests, low public trust in parties to represent citizen interests, and low citizen and civic group capacities to meaningfully engage with political actors and hold them accountable for delivering on promises. With these results in mind, Mission efforts will increase the responsiveness of the political system to public will. USAID/Georgia will address the demand side of the above-mentioned imbalance by equipping citizens and civil society with the knowledge, skills, and tools to demand issues-based, responsive programs and policy agendas. Assistance will also be provided on the supply side to political parties to build the structures and capacities to better engage and represent constituencies. Activities under IR 2.1 will focus on implementing internal reforms to ensure parties are more representative of the electorate, including more party members and candidates who are women, youth, minorities, persons with disabilities, etc. USAID/Georgia efforts will advance women's political participation, which remains particularly low in Georgia's regions where women constitute only 13 percent of local councils. The Mission will also provide assistance to CSOs to catalyze citizen participation and oversight of government and political processes. Finally, USAID/Georgia will foster citizen participation in democratic processes at its foundation through comprehensive civic education that targets all communities and populations. Civic education ensures that citizens not only know why they should engage with their government and representatives but also how to engage effectively.

Lessons learned from current programming indicate the need to prioritize inclusiveness and integration of minority communities and marginalized populations to ensure their voice is

represented in democratic dialogue. Until citizens are prepared to demand more of the organizations and institutions that represent them, there will be little change in the system. Activities under IR 2.1 will increase civic activism and oversight as well as civic education. Consequently, Georgia should experience a surge in citizens engaged in peaceful advocacy and political movements, as well as an increase of those organizations who represent the minority and/or marginalized communities.

To support the rationale for IR 2.1, the Mission used evidence from Addressing High-level Corruption in Georgia: Process Toward Meeting the EU-Georgia Association Agenda Commitment (Transparency International, 2018), International Republican Institute (IRI) Public Polling (2019), NDI Public Polling (2019), and the CDCS Gender Analysis (2019).

IR 2.2 Accountability and Accessibility of Governance Institutions Increased: While Georgian institutional performance gains are noted in the FY2020 Country Roadmap, the interface with citizens at large continues to be limited. Government performance, driven largely by international indexes, rather than citizen satisfaction, has catered more to donor priorities than citizen needs. Under this CDCS, USAID/Georgia will work with the Georgian government to put to use the accountability tools developed over the past decade and ensure its programs are truly accountable and accessible to the Georgian people. Partnering with the Georgian government, the Mission will improve equal access to targeted service delivery. It will be important to not only understand which governance institutions are accessible to all citizens but to also identify and strengthen the voice of the people to hold non-performers accountable. While international indices will still be an important measure of government effectiveness, IR 2.2 will draw on additional indicators to gauge progress (e.g. student performance in public schools). Citizen satisfaction for services provided by local government will be an equally important measure of the government performance and accountability to Georgia's citizens.

In support of Georgia's decentralization, USAID/Georgia will partner with both the central government as well as select municipalities to increase municipal governments' capacity. The Mission's engagement at both levels will support a smooth transition of critical services. At the central level, USAID assistance will focus on cooperation with the executive to ensure evidence-based decision making regarding decentralization of services and resources, and provide necessary guidance to local governments on the provision of essential systems and public services in compliance with the legislation and common standards. The Mission will also work with the legislature and State Audit Office to ensure necessary oversight actions. In parallel, USAID/Georgia will work with select municipalities to support them in building necessary systems and capacity to provide access to quality services at the local level. Particular emphasis will be made on developing internal control systems, ensuring citizen engagement in decision making, oversight, and other areas to achieve transparency and integrity of local government. The Mission will prioritize equal access to targeted services throughout IR 2.2 activities to make sure marginalized communities also reap the benefits of more accountable governance institutions. Thus, USAID/Georgia efforts will increase public administration effectiveness and accountability.

To support the rationale for IR 2.2, the Mission used evidence from the Addressing High-level Corruption in Georgia: Process Toward Meeting the EU-Georgia Association Agenda

Commitment (Transparency International, 2018), Strengthening of Parliamentary Control in Georgia (Transparency International, 2018), IRI Public Polling (2019), NDI Public Polling (2019), Freedom in the World Report (Freedom House, 2019), and Human Rights Report (State Department, 2018).

IR 2.3 Rule of Law Enhanced: USAID/Georgia will continue to enhance the rule of law in Georgia by promoting an independent, accountable, well-functioning, and people-centered justice system capable of ensuring justice for all and inclusive of poor, marginalized, and underserved communities, as well as women and girls, in a timely, impartial, and transparent manner. The Mission will begin to shift the paradigm of justice reform from one overly oriented around traditional institution strengthening activities and outcomes to one that is more people-centered.

USAID/Georgia will support the implementation of justice reforms—including those associated with the Four Waves of Judicial Reform—that are institutional in nature with regard to improving the independence, transparency and accountability, and efficiency of core justice institutions, service providers, and actors. The Mission will contribute to the strengthening of additional legislative, regulatory, and policy frameworks and strategies to improve how justice institutions function in accordance with the characteristics highlighted in the overall purpose above. USAID/Georgia will enhance the performance and effectiveness of core justice institutions, with particular emphasis on the judiciary, in exercising their competencies and carrying out their mandates in support of the rule of law. Further, assistance will holistically address accountability within the system. In addition to facilitating traditional monitoring and reporting activities by civil society and state institutions, the Mission will facilitate partnerships between core justice system institutions and external organizations, including the Georgian Bar Association, legal NGOs, and civic groups, to identify priority challenges and formulate innovative solutions to justice and rule of law challenges.

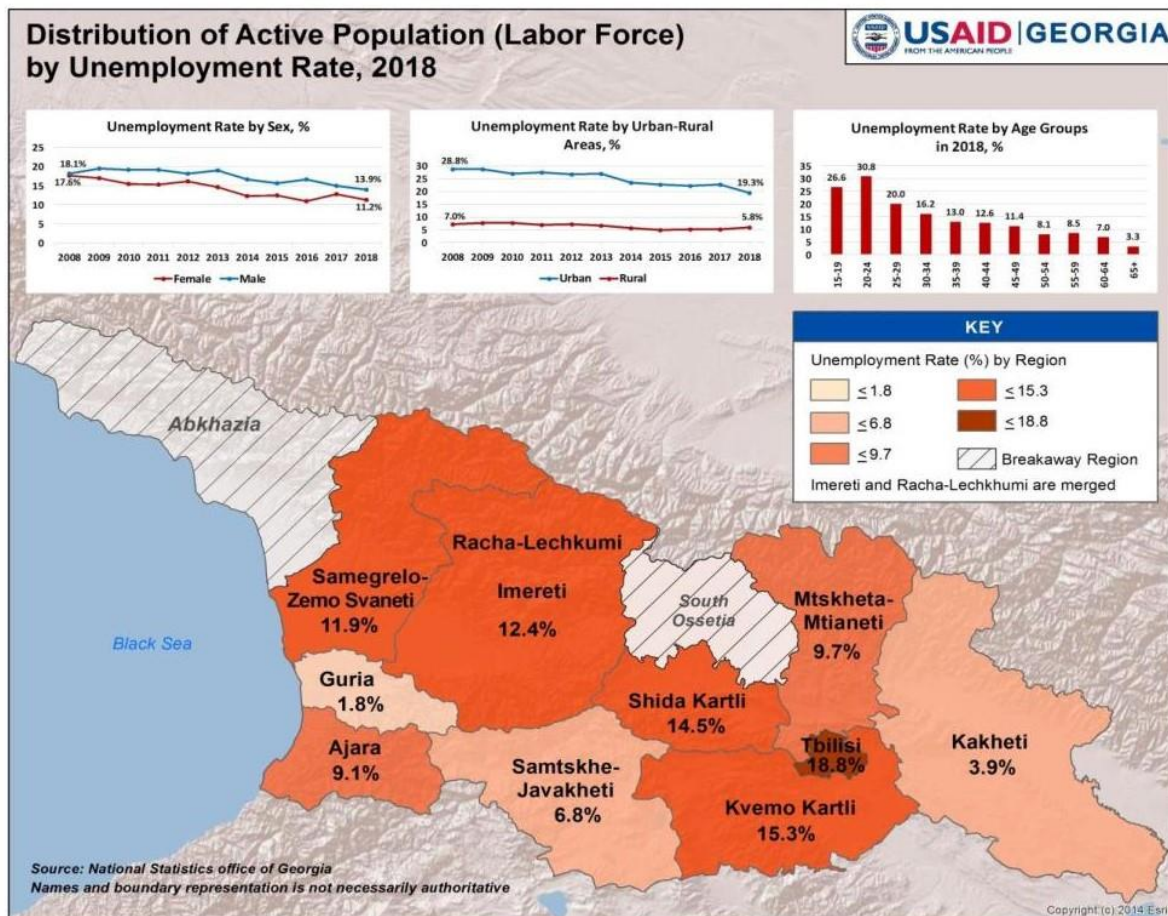
To support the rationale for IR 2.3, the Mission used evidence from the Survey of Legal Professionals Attitudes Toward Judiciary Report (CRRC 2016, 2019), Client Satisfaction Survey of Legal Aid (CRRC, 2019), Rule of Law Index (World Justice Project, 2019), Transparency International's Corruption Risks in the Georgian Judiciary Report (2018), Human Rights Report (Department of State, 2018), Corruption Perception Index (Transparency International, 2018), Georgian Young Lawyers' Association Court Monitoring Reports (2018, 2019), IRI Public Polling (2019), and NDI Public Polling (2019).

DO 3: Inclusive High-Value Employment Opportunities Provided Through Increased Economic Growth

Development Hypothesis Statement: ***IF*** the Georgian government addresses last gaps in Euro-Atlantic-oriented economic reforms; and ***IF*** Georgia's firms have access to the resources they need to increase competitiveness; ***THEN*** Georgia's broad-based economic growth will provide greater employment opportunities to its citizens, drive closer integration with the West, and support its J2SR.

Georgia's economic growth has not created high-value employment opportunities for its citizens, limiting the benefits of Georgia's Western orientation to drive self-reliance. There are multiple causes for this disconnect. First, while Georgia has undertaken significant efforts to enact Euro-Atlantic-oriented economic reforms, it still faces challenges in implementing these reforms.

MAP 3: DISTRIBUTION OF ACTIVE POPULATION (LABOR FORCE) BY UNEMPLOYMENT RATE, 2018**



** The low unemployment rate in Georgia's regions is in part due to the fact that Georgia's National Statistics Office counts those involved in subsistence agriculture as employed.

This results in an uncertain business environment that slows economic activity and deters the investment that Georgia needs to drive broad-based economic growth. Second, Georgian firms lack access to resources necessary to increase competitiveness and create greater employment opportunities in key sectors, including high-value, diverse markets; investment resources; sustainably-managed natural resources; and a workforce that has the skills demanded by the private sector.

DO 3 will leverage Georgia's advanced economic performance to create high-value employment opportunities for its citizens and maximize the benefits of Georgia's Western orientation through two complementary approaches. It will empower the country to take the most difficult steps toward the complete implementation of necessary economic reforms, paving the final stones on

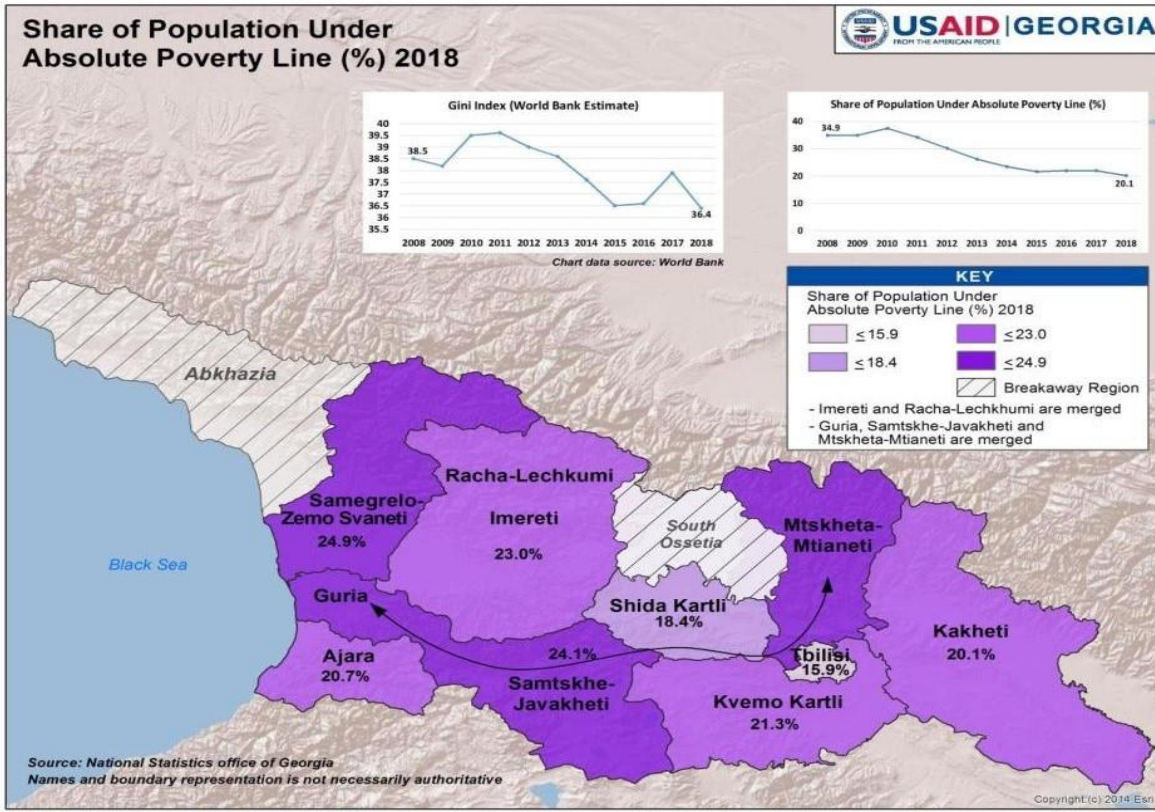
its path to Euro-Atlantic integration. DO 3 will also build the competitiveness of key sectors that demonstrate strong potential to create high-value employment opportunities by ensuring that Georgian firms have secure access to the resources they need to build the capacity of Georgia's citizens and economy, including market connections, new and diverse sources of investment, sustainably-managed natural resources, and an appropriately-skilled workforce.

USAID/Georgia will transition from the entry-level economic capacity building efforts that have helped build the foundations of Georgia's market-based, Western-oriented economy to enterprise-level engagement efforts focused on creating high-value employment, and building the capacity of the Georgian government to identify and implement the final stages of Euro-Atlantic-oriented economic reforms. USAID assistance will empower Georgia to leverage its economic policy strength of Business Environment (0.57) and its Government Effectiveness (0.65) to fully institutionalize mechanisms for public-private dialogue and implement final measures of economic reforms.

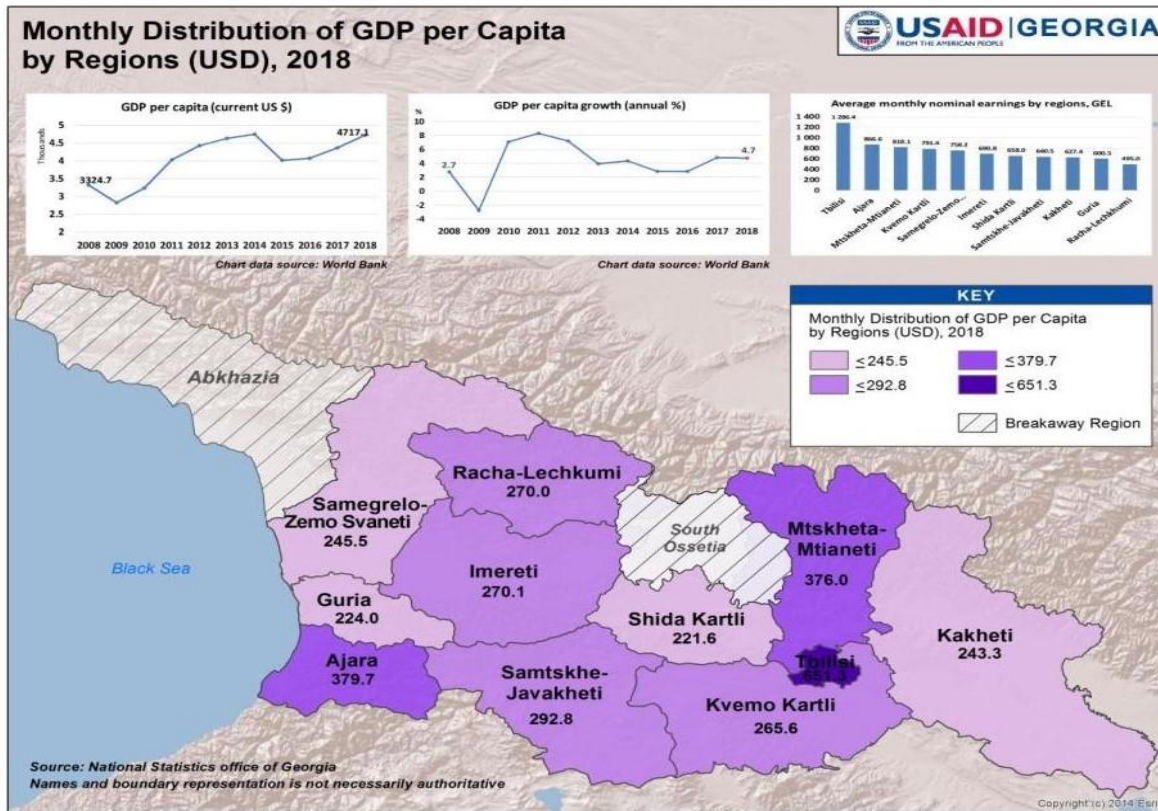
The Mission will reduce its focus on grant funding and increase emphasis on partnering with the private sector and the Georgian government to achieve the DO. It will leverage private sector financing in ways that enable micro, small, and medium enterprises (MSMEs) to take advantage of Georgia's globally advanced standing in the economic policy area of Trade Freedom (0.89), including interventions to expand operations, meet international standards, access higher-value markets, and increase Export Sophistication (0.46), especially in higher-value activities like agro-processing, the service industry, and light manufacturing. The Mission's recent experience with private sector partnerships will inform the design and implementation of these initiatives. Through its GDA with Ferrero, USAID/Georgia has worked together with the Georgian government to establish a network of hazelnut processing facilities, strengthen two critical hazelnut sector associations, and build the resilience of the hazelnut sub-sector to pest-related shocks through its support to combat the brown marmorated stink bug. USAID/Georgia's partnership with BP to build resilience in marginalized rural communities has improved critical infrastructure and made micro and small enterprises more competitive. The Mission will incorporate lessons learned from these important partnerships into the co-creation of new partnerships with the private sector. The increased capacity of Georgia to be self-reliant will also be reflected in USAID/Georgia's increased focus on utilizing G2G mechanisms.

Recognizing that past economic growth has not translated into improved livelihoods, and the role that economic satisfaction plays in popular dedication to democracy and the rule of law, the Mission will intensify efforts to develop Georgia's citizens' skills so that they can take advantage of higher-value employment opportunities, which will improve the citizen capacity through reductions in Poverty Rate (0.61), drive growth in GDP Per Capita (0.54), and attract additional investment into Georgia's economy.

MAP 4: SHARE OF POPULATION UNDER ABSOLUTE POVERTY LINE (%), 2018



MAP 5: MONTHLY DISTRIBUTION OF GDP PER CAPITA BY REGIONS, 2018



In contrast to past programs, skills development programming will be co-created with and co-financed by the private sector, ensuring that potential employees have the right skill sets to support the private sector and that prospective employers are vested in these initiatives.

Georgia's substantial natural resources have the potential to provide significant economic growth if managed sustainably. For instance, sustainably-managed protected areas and natural parks can drive the tourism and hospitality sectors, which are vital to the economies of rural and underserved areas. Water and arable land are necessary to support agriculture, and thus supply Georgian goods to the world market. Sustainable management of these resources is critical to the country's J2SR; USAID/Georgia will build the Georgian government's capacity in this field. DO 3 will support the long-term growth of the Georgian economy, as well as address the country's relative weakness in its commitment to sound economic policy and Biodiversity and Habitat Protections (0.57).

The Mission's approach under DO 3 aligns well with Georgian government priorities. Georgia remains strongly committed to Euro-Atlantic integration through the implementation of the DCFTA and a broader free trade agenda, which complements the Mission's focus on partnering with the Georgian government to address the last-gap efforts in Euro-Atlantic-oriented reforms. Job creation, which is the core of the Mission's approach under DO 3, is at the center of Georgia's economic policy agenda as well. The Georgian government support for economic and export diversification, as evidenced by the sustained financing of initiatives to prioritize and develop sectors that show strong export potential, aligns well with the Mission's approach of partnering with the private sector to increase the competitiveness of key sectors.

USAID/Georgia's approaches under DO 3 will also create openings for strengthening relationships with other development agencies that can contribute to Georgia's self-reliance. The EU's significant support for DCFTA implementation provides an opportunity for burden-sharing to address the Georgian government's priorities and challenges in Euro-Atlantic-oriented reforms. The Mission's emphasis on private sector-led skills development has strong potential to leverage significant EU investment in the Georgian government's capacity to manage and develop technical and vocational education systems. International financial institutions, including the European Investment Bank, the European Bank for Reconstruction and Development, and the International Finance Corporation, continue to provide financial support and technical expertise to further develop Georgia's financial sector, which provides opportunities for partnerships to advance access to investment resources, as do the new financing authorities of the U.S. International Development Finance Corporation (DFC).

Critical Assumptions and Risks

Assumptions

- Georgian Government:
 - Remains willing to engage with outside actors.
 - Supports engagement with and around its natural resources.
 - Continues to invest in economic diversification.
 - Post 2020 Elections:

- Georgia remains interested in integrating further with Euro-Atlantic partners.
- Georgia retains its focus on free trade and is committed to the rule of law, which promotes a healthy business environment and an increase in investments.
- Private Sector:
 - Continues to invest in Georgia’s sustainable energy sector.
 - Understands what it needs in terms of industry-skills development.
 - Lenders remain willing to engage with beneficiaries who have received sufficient training/capacity development.
- Current border areas remain intact, with no further Russian incursion.
- The EU maintains strong support for Georgia’s integration.
- Growth in high-value employment opportunities enables Georgia to retain its youth population, i.e., stem youth out-migration.

Risks

- Malign influences lead to an increase in the percentage of Georgians who prefer to integrate with Russia.
- The EU interest in engagement with Georgia decreases.
- Natural shocks (brown marmorated stink bug, earthquake, etc.) negatively impact high-potential sectors of the economy.
- Malign influences negatively impact key sectors, such as energy, trade, or tourism.
- Regional geopolitical events negatively impact Georgia’s economy (resulting, for instance, in the weakening of the exchange rate).
- The creation of new employment opportunities stemming youth out-migration is delayed.
- Private sector does not adequately provide information on skills-based needs.
- Elections result in a shift away from Western orientation.

Intermediate Results (IR) Statements and Narrative:

IR 3.1 Last Gaps in Euro-Atlantic-Oriented Economic Reforms Addressed: IR 3.1 will leverage Georgia’s economic performance to address those challenges that are critical to advancing Georgia’s self-reliance and supporting the Georgian government to take steps toward the complete implementation of Euro-Atlantic-oriented economic reforms. USAID assistance will empower Georgia in areas where it has high commitment and capacity by institutionalizing mechanisms for public-private dialogue that engage the private sector in the development of key economic policies. USAID/Georgia will partner with the Georgian government to implement Western-oriented economic reforms and improve compliance with international standards, areas where the country exhibits high commitment but low capacity. IR 3.1 will also facilitate reforms in areas critical to the success of DO 3, potentially including financial markets—improvements to which are critical to Georgia’s ability to finance its own self-reliance—and sectors of the economy that show strong potential to create inclusive employment opportunities such as agriculture, tourism, light manufacturing, and others in line with the Georgian government’s stated priorities. In doing so, IR 3.1 will support Georgia toward the establishment of a legal and regulatory environment conducive to investment and sustainable economic growth.

To support the rationale for IR 3.1, the Mission used evidence from the Moody's, S&P, and Fitch Sovereign credit ratings (2019); the WEF's Global Competitiveness Index (2019); the World Bank's Systematic Country Diagnostic (2018) and Worldwide Governance Indicators (2018); and USAID's Georgia Political Economy Analysis (2017) and FDI Analysis (2019).

IR 3.2 Competitiveness of Key Sectors Increased: This IR will build the competitiveness of key sectors that demonstrate strong potential to create high-value employment opportunities by ensuring that Georgian firms have secure access to the resources they need to build the capacity of Georgia's citizens and economy, including markets, new and diverse sources of investment, sustainably-managed natural resources, and an appropriately-skilled workforce. Activities under IR 3.2 will support firms to access the financing that they need to expand operations, provide additional high-value employment opportunities, meet international standards, and access higher-value markets. With USAID assistance, MSMEs, including those led by women, will develop their capability to access finance by improving financial literacy, enhancing financial management capacity, developing viable business plans, and strengthening internal accounting systems. Activities under IR 3.2 will advance women's economic empowerment, building on the current engagement with women entrepreneurs under the Women's Global Development and Prosperity (W-GDP) Initiative of the U.S. government. USAID/Georgia will also promote collaboration with banks, alternative lenders, international private sector entities, and other donors to develop better financial instruments to provide MSMEs with adequate financing tools. By building up firms' abilities to access commercial financing and co-creating solutions with local financial institutions to make more financing tools available, the Mission will reduce its focus on grant funding, increasing emphasis on the private sector and the Georgian government to directly finance economic growth. The Mission will actively seek opportunities to leverage the DFC's tools to increase access to finance for MSMEs. Thus, increasing access to public and private investment resources leverages progress made in mobilizing public resources while directly addressing key components of Georgia's FSR capacity.

USAID/Georgia will continue to utilize its convening power to attract the private sector and forge more successful public-private partnerships (like the Ferrero and BP GDAs), explore opportunities for cost-sharing with the Georgian government, and transition its assistance out of the sectors that become self-sufficient. For instance, USAID/Georgia will continue to expand the private sector and government contributions and will transition out of the hazelnut sub-sector as it becomes fully self-sufficient, which will serve as a model for other agricultural sectors in Georgia.

The Mission will also ensure that Georgia's firms have secure and sustainable access to natural resources needed to drive economic growth, including water, waste management, natural areas, and sustainable, stable energy sources. The CDCS identifies stable energy as a necessity for economic growth, especially when the target sectors include tourism and light manufacturing. Energy is key to the first intermediate result; without access to energy, hotels cannot power their guest rooms, tourists cannot charge their phones, light manufacturing cannot run their machines, and streetlights cannot remain bright. Increased access to sustainably-managed natural resources, such as protected areas and natural parks, as well as water and arable land are critical to Georgia's self-reliance. These resources are at the heart of the

Mission's strategy for employment provision, which has identified agriculture and tourism as vital areas for new employment opportunities. Natural resource management will also extend to waste disposal and environmentally sound energy projects, ensuring that growth in one sector does not harm another. Further, reliable access to and use of resources including energy (in particular, hydropower) and water resources can be negatively impacted by rising temperatures, shifting rainfall patterns, and increasingly severe floods, landslides, and mudslides. Building the capacity of the Georgian government to sustainably manage its natural resources in a climate-resilient manner and promoting climate-smart agriculture will support the long-term growth of the Georgian economy, as well as strengthen its commitment to sound economic policy, biodiversity, and habitat protections.

IR 3.2 will also support Georgia to build the workforce it needs to drive broad-based economic growth that creates employment opportunities for Georgia's citizens. In contrast to past programs, workforce-oriented economic programming under the new CDCS will be industry-led. The new programming will shift focus from broad programs teaching basic skills to industry-led efforts co-designed with key players in the private sector to train employees directly for the sectors' needs. USAID/Georgia will seek significant co-investment from the private sector to finance these initiatives. The Agency's PSE strategy and guidelines will inform these relationships and increase the sophistication of the MSME sector in Georgia, which is an important step on Georgia's J2SR. The focus on industry-led skills development and the subsequent hiring of qualified professionals into the expanding private sector also falls within the Mission's continuing focus on youth—decreasing unemployment locally with the intent not only of driving economic growth but also reducing out-migration for what is an already shrinking and aging populace.

To support the rationale for IR 3.2, the Mission used evidence from the Geostat/ITC Trade Map statistics (2019); the WEF's Global Competitiveness Index (2019); the World Bank's Systematic Country Diagnostic (2018); and USAID's Economic Security Program Design Stakeholder Consultations (2017), Market and Sector Assessment (2017), Youth Analysis (2018), Access to Finance Analysis (2019), Energy Gaps Assessment (2019), CDCS Biodiversity Assessment (2019), and CDCS Gender Analysis (2019).

V. Monitoring, Evaluation, and Learning

Assisting Georgia on its J2SR requires using existing expertise and tools to achieve the CDCS goal and DOs. Georgia is a J2SR role model in the region, and it can continue to show others how to operationalize strategic priorities by using existing resources in innovative ways. By collaborating with current and future partners, the private sector, and the Georgian government, the Mission will ensure existing resources are utilized effectively, using rigorous monitoring, evaluation, and learning systems throughout implementation.

USAID/Georgia will track the progress of CDCS implementation to learn how it contributes to Georgia's J2SR in line with USAID's strategic priorities. The Mission's approach will utilize both traditional monitoring and evaluation methods as well as innovative techniques to ensure a better understanding of progress made.

Monitoring: Using both quantitative and qualitative approaches, USAID/Georgia will monitor CDCS implementation on strategic and programmatic levels. Ensuring the CDCS goal and DOs are met on every level requires using innovative techniques to accurately capture the unique context of Georgia's J2SR. USAID/Georgia will employ geographic information system (GIS) technologies to track the DOs, IRs, and program results through interactive mapping, data visualization, and analyses. Two GIS training events were held in 2019 for Mission staff, and USAID/Georgia's GIS Specialist will continue to lead these efforts through the strategy period. The Mission will also continue using standard terms in awards to require partners to provide geographic data reporting, compliant with the new ADS 579 policy on USAID Development Data. Mid-way through the implementation of the strategy, the Mission will undertake a formal stocktaking exercise to validate the relevance of the CDCS priorities; assess the degree of progress toward achieving the goal, DOs, and IRs; and take corrective measures accordingly. Throughout strategy implementation, the Mission will adhere to the principles of adaptive management to identify and respond to contextual or programmatic changes and challenges as they arise.

Evaluation: In line with USAID's strategic priorities, USAID/Georgia will conduct multiple evaluations throughout the implementation of the new strategy. A Whole-Of-Project evaluation, as required by the agency, will be conducted. The Mission will also invest in program evaluations to understand if USAID interventions are impacting Georgia on its J2SR as designed. As applicable, evaluations will explore correlations between projects/activities and the Georgia J2SR Country Roadmap dimensions, sub-dimensions, and indicators. An increased number of evaluations will take place throughout the implementation of the new CDCS. They are currently being planned as part of the Mission's new Data Working Group efforts. The Mission will ensure that the evaluation methodology and questions advance USAID's Self-Reliance Learning Agenda. Using Georgian companies and experts as evaluators is also an important part of USAID/Georgia's evaluation plan to build local capacity.

Collaborating, Learning, and Adapting (CLA): To monitor the progress of strategy implementation, USAID/Georgia will utilize CLA principles and approaches. Co-creation, G2G partnerships, and other modalities are included in the CDCS as effective tools for managing partner-to-partner relationships with Georgian entities. Also, engaging with the private sector

and other stakeholders has been and will continue to be an important part of ensuring the Mission's CLA techniques are utilized by its partner entities. USAID/Georgia will ensure all stakeholders in Georgia's development and J2SR are consulted throughout the implementation of the new strategy. These approaches will allow USAID/Georgia to engage more effectively with local organizations, country partners, and the U.S. government interagency partners.

USAID/Georgia will also plan and operationalize adaptive management approaches throughout the program cycle, which will be critical considering the CDCS emphasis on new modalities of engagement. Therefore, it will be of high priority for the Mission to "pause and reflect" and take stock of progress achieved more intentionally during the life of the strategy. By doing so, USAID/Georgia will be in a better position to identify knowledge gaps, ensure the learning agenda is of maximum benefit for communicating the results of the strategy, engage stakeholders, and permit the engagement of new entities as appropriate.

VI. Annex

Journey to Self-Reliance Country Roadmap



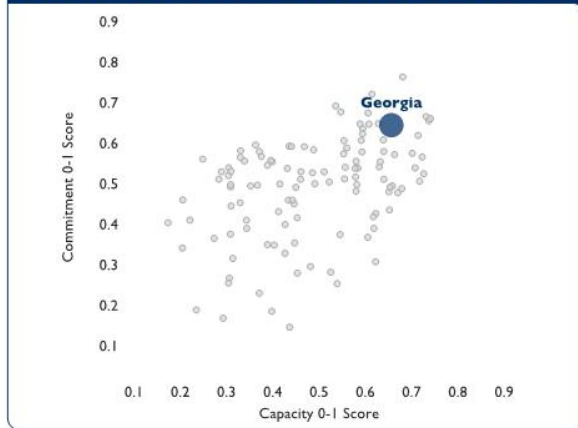
GEORGIA JOURNEY TO SELF-RELIANCE: FY 2020 COUNTRY ROADMAP



LEGEND



LOW- AND MIDDLE-INCOME COUNTRY SNAPSHOT



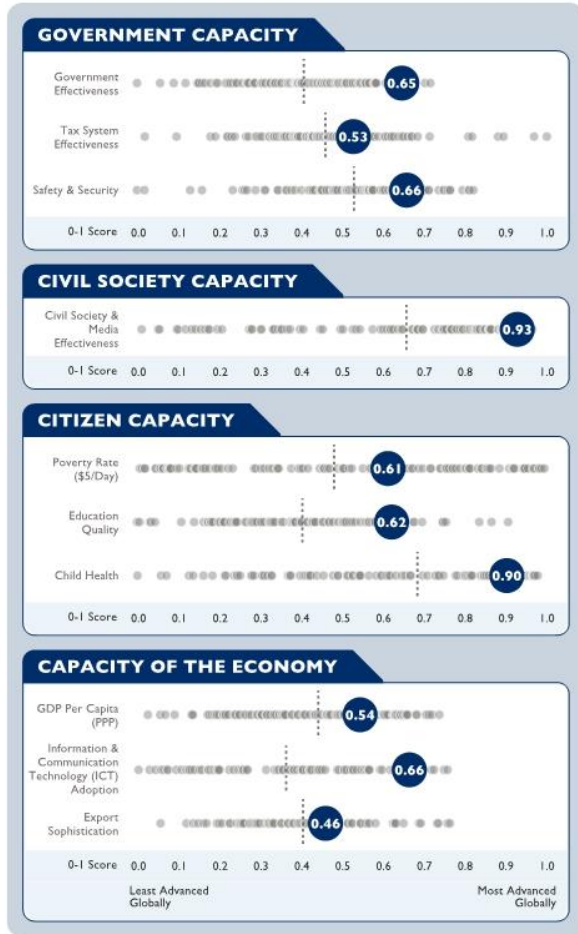
COMMITMENT



RISK OF EXTERNAL DEBT DISTRESS

Recent IMF Risk of External Debt Distress rating not available for this country. See the USAID Self-Reliance Metrics Methodology Guide for more information.

CAPACITY



SELF-RELIANCE ROADMAPS

INDICATOR DEFINITIONS AND SOURCES

All source data are for the latest year available, typically 2018 or 2017, and are derived from third-party institutions. All indicators are weighted equally in the calculation of the overall Commitment and Capacity scores. Names and boundary representation in the map are not necessarily authoritative.

For more information on definitions and sources, please visit selfreliance.usaid.gov.

COMMITMENT

OPEN AND ACCOUNTABLE GOVERNANCE

Liberal Democracy: Measures freedom of expression, freedom of association, suffrage, elections, rule of law, judicial constraints on the executive branch, and legislative constraints on the executive branch. Source: *Varieties of Democracy (V-Dem)*.

Open Government: Measures the degree to which a government shares information, empowers people with tools to hold the government accountable, and fosters citizen participation in public policy deliberations. Sub-factors include: publicized laws and government data, right to information, civic participation, and complaint mechanisms. Source: *World Justice Project, Rule of Law Index*.

INCLUSIVE DEVELOPMENT

Social Group Equality: Measures political equality with respect to civil liberties protections across social groups as defined by ethnicity, religion, caste, race, language, and region. Source: *Varieties of Democracy (V-Dem)*, *Social Group Equality in Respect for Civil Liberties*.

Economic Gender Gap: Index comprising five components: (1) wage equality between women and men for similar work; (2) the ratio of female estimated earned income to male income; (3) the ratio of female labor force participation to male participation; (4) the ratio of female legislators, senior officials, and managers to male counterparts; and (5) the ratio of female professional and technical workers to male counterparts. Source: *World Economic Forum, Global Gender Gap Report, Economic Participation and Opportunity Sub-Index*.

ECONOMIC POLICY

Business Environment: Assesses a country's entrepreneurial climate by measuring business' access to infrastructure (such as the internet and transport, and to credit), business flexibility (the costs of starting business and of hiring and firing), clear and fair regulations (e.g., intellectual property rights), and perceptions of meritocracy and opportunity. Source: *Legatum Institute, Prosperity Index*.

Trade Freedom: Measures a country's openness to international trade based on average tariff rates and non-tariff barriers to trade. Source: *Heritage Foundation, Index of Economic Freedom*.

Biodiversity & Habitat Protections: Measures extent of marine protected areas, terrestrial biome protection (weighted for both national and global scarcity), representativeness of protected areas, and whether protected areas cover the ranges and habitats of critical species. Source: *Yale University/Columbia University Center for International Earth Science Information Network (CIESIN)*.

RISK OF EXTERNAL DEBT DISTRESS

Rates a country's risk of public sector debt distress on a four-tier scale: "low risk", "moderate risk", "high risk", and "in debt distress". Ratings are based on countries' debt and market structures, fiscal and macroeconomic outlook, and institutional capacity to manage debt burden. Ratings help guide the borrowing decisions of lower-income countries to meet development needs while reducing the chances of excessive debt build-up. Ratings are shown for 54 lower-income countries for which the IMF prepares risk ratings and are not scored components of Commitment or Capacity. Source: *International Monetary Fund, Debt Sustainability Analysis for Low-Income Countries*.

CAPACITY

GOVERNMENT CAPACITY

Government Effectiveness: Measures the quality of public services, the quality of the civil service and its independence from political pressure, the quality of policy formulation and implementation, and the credibility of the government's commitment to its stated policies. Source: *World Bank, Worldwide Governance Indicators*.

Tax System Effectiveness: Ratio between a country's actual tax collection and the estimated level of tax revenue that a country could achieve given its macroeconomic, demographic, and institutional features. Source: *USAID, Collecting Taxes Database, Tax Effort Indicator*.

Safety & Security: A combination of objective measures of security, and subjective measures of personal safety, personal freedom, and social tolerance. Source: *Legatum Institute, Prosperity Index*.

CIVIL SOCIETY CAPACITY

Civil Society & Media Effectiveness: Measures the range of actions and mechanisms that citizens, civil society organizations, and an independent media can use to hold a government accountable. The mechanisms include using informal tools such as social mobilization and investigative journalism. Source: *Varieties of Democracy (V-Dem)*, *Diagonal Accountability Index*.

CITIZEN CAPACITY

Poverty Rate (\$5/Day): Measures the percent of the population living under \$5/day in purchasing power parity (PPP) terms. Source: *World Bank, PovCalNet*.

Education Quality: Gauges both the quality of education—using harmonized scores across major international student achievement testing—and the quantity of schooling received—using age-specific enrollment rates—to evaluate the relative performance of educational systems worldwide. Source: *World Bank, Human Capital Index, Learning-Adjusted Years of Schooling Indicator*.

Child Health: A composite measure that aggregates child mortality, access to at least basic water sources, and access to at least basic sanitation facilities. Source: *Columbia University Center for International Earth Science Information Network (CIESIN)*.

CAPACITY OF THE ECONOMY

GDP Per Capita (PPP): Measures the flow of resources available to households, firms, and government to finance development as the country's total Gross Domestic Product (PPP) divided by the country's population. Source: *World Bank, World Development Indicators*.

Information & Communication Technology (ICT) Adoption: Index comprising: (1) mobile-cellular telephone subscriptions; (2) mobile-broadband subscriptions; (3) fixed-broadband internet subscriptions; (4) fiber internet subscriptions; and (5) internet users. Source: *World Economic Forum (WEF), Global Competitiveness Index*.

Export Sophistication: Measures the diversity and ubiquity of a country's exported goods, key markers that can help gauge economic sophistication and resilience. Source: *Center for International Development at Harvard University, Economic Complexity Index*.