

USAID/CAUCASUS- GEORGIA

**ANNUAL REPORT
PART II**

FY 2002

Please Note:

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Part III: Performance Narrative

A. Challenges

Georgia's transition to a democratic market economy has moved ahead at an uneven pace, and at times has stalled. Starting in 1995, Georgia made significant strides in introducing economic reforms in areas such as privatization, banking restructuring, judicial reform, health care, and regulatory policies. That progress, however, has slowed in recent years in part because of weak institutional capacity and wavering commitment to implement reform policies and laws. Weak institutions in Georgia allow corruption to flourish, further weakening the ability of the state to govern and eroding public trust in government.

Standing at the crossroads between Europe and Asia, Georgia could potentially capitalize on its close proximity to both markets. However, poor governance, a crumbling infrastructure base, and little (as well as unpredictable) electric power limit the potential for growth in the economy. Corruption, crime, and political instability further serve as brakes on foreign direct investment, as well as on the growth of domestic enterprises.

In spite of this harsh environment at the national level, USAID has had success working in the regions with communities, civic groups, and some local governments. Members of communities, apathetic on national issues, engage with verve when community concerns are being discussed. More and more youth in the regions have shown greater interest in politics. And, local governments are seeking ways to become more responsive to the communities they serve.

B. Program Performance

Strategic Objective 1.3 – Accelerated Development and Growth of Private Enterprises

In order to achieve economic growth, entrepreneurs must first have a level playing field so that economic initiative, rather than political or clan connections, is rewarded. Georgian entrepreneurs also need assistance to identify markets, both domestic and export, and to adapt their production and services to penetrate those markets. Although a number of programs for enterprise finance have been established, there is still a widespread lack of access to medium and long-term finance, through either commercial credit or investment capital, that prevents firms from taking advantage of opportunities to grow. USAID's economic restructuring program is designed to address these factors, all of which serve as requisites for economic growth.

Performance of this S.O. met expectations in FY 2001. USAID has provided technical assistance over the past ten years to reform agriculture policies, tax policies, the legal system, and the banking sector with mixed results. Significant progress has been made over the past three years in establishing credit programs for SMEs through both banking and non-banking institutions. Land titling has also achieved significant results, providing the basis for future expanded rural credit programs. Business skills training has had mixed success, although it is recognized that business skills must advance to achieve growth.

Significant result: improving access to credit – USAID-financed programs provided nearly 49,000 short-term loans to microenterprises (totaling over \$8 million) and 217 short and medium-term loans to small enterprises totaling \$3.7 million in FY 2001. A growing agricultural credit portfolio targeted rural areas of the country, disbursing some 810 loans valued at \$2.4 million to small farmers. Outstanding portfolios of all credit programs at the end of 2001 totaled approximately \$4.1 million. (Note: Total credit disbursed during the year reflects multiple loans and reflows, whereas outstanding portfolios represent actual loan capital outstanding at the end of the year.)

Since 1997, 1.5 million agricultural land parcels have been surveyed, registered, and titled (an increase of 500,000 from the previous year) as a direct result of USAID assistance. This permits landowners to utilize their land for collateral. The secondary land market is doubling annually

with 6,500 transactions registered in 2001. USAID-financed credit for housing mortgages totaled nearly \$1.3 million in 2001.

Great strides were made in 2001 in the banking sector with the adoption of substantive legal amendments that strengthened the independence of the National Bank and its ability to revoke licenses of failed banks. These changes went into effect late in the year, so the amendments have not yet been applied to any specific cases. Important improvements were also made in the corporate governance of commercial banks, requiring bad loan write-offs and reducing conflicts of interest. Assistance to commercial banks on adopting International Accounting Standards, whose use was mandated by law beginning in January of 2001, continued with intensive assistance to seven pilot banks and establishment of a help desk for other banks seeking guidance on accounting issues.

In FY 2001, USAID provided technical assistance to the State Tax Department of Georgia (STDG) to fairly and efficiently enforce tax laws, increase government revenues, improve transparency, ensure taxpayer compliance, and develop a tax system more conducive to private sector growth. The reorganization of STDG along functional lines has been completed. The staff has been downsized by 35%, and all existing staff and new candidates for the regional tax inspectorates have been tested. Regional tax inspectorates, the large tax inspectorate, and headquarters have been computerized and linked through a communication network. A fully operational training center has been established in eastern Georgia. A set of tax regulations has been drafted and the *Plain Language Guide to the Tax Code* has been circulated for comments

In spite of these improvements, some of these gains have been circumvented as a result of political influence. For example, although several of the principal obstructionists to reform were removed from the STDG, Parliament eventually pressured the Ministry of Revenue to hire them back. Also, the pressure to meet revenue targets by any means undermines reform efforts to create a tax system based on assessments. Consequently, there is no real incentive for improved tax administration and long-term institutional change. As a result of the backsliding in 2001, when the current project ends, future USAID support for reform could be directed toward private sector-driven mechanisms rather than direct support to the GOG.

A USAID-financed project provided assistance to a number of business associations and business service providers during 2001, but the meager results reflected the difficulties of developing a market for business skills provision in Georgia. Because of weak performance, USAID terminated the activity early. Future efforts will concentrate on discrete interventions to address specific market needs based upon demand from industry clusters or from viable business associations.

The activities under this S.O. have been consolidated with a clearer, narrower focus during 2001. The Mission will continue activities in banking supervision, agricultural policy reform, and land market development. A new program to address agricultural market development – one that emphasizes exports – is expected to commence early in 2002. A second new project is under design to deal with private sector development issues related to the consolidation and strengthening of credit programs and concentrating on policy reform driven by private sector demand. It will also address targeted business skills development needs.

Strategic Objective 1.5: A More Economically Sustainable and Environmentally Sound Energy Sector

The purpose of this strategic objective is to promote the development of a more economically sustainable energy sector. USAID's emphasis is two-fold: a) to create a business climate that will attract private sector participation and ownership, with consequent improvements in the management of resources and provision of services; and b) to improve energy sector efficiency in economic terms, with subsequent increases in capital and operating resources available to energy sector companies. Beneficiaries of the successful attainment of this objective are the

approximately 1.3 million residential and commercial customers of electricity and potentially an equal number of natural gas customers in Georgia.

Performance of the S.O. did not meet expectations over the past year. Throughout 2001, the energy sector in Georgia continued to be plagued by extremely low collection revenues and poor cash-flow management. To help address the continuing collection problem and poor financial discipline in the power sector, management contracts for the electricity transmission, dispatch and wholesale market were put out for bid, managed by the USAID-funded investment banker for the Georgian Government, the International Finance Corporation (IFC). The management contract for the wholesale electricity market was awarded to the Spanish electricity company Iberdrola in November 2001. The Georgian government is finalizing negotiation with ESBI, an Irish electricity company, for management of the Georgian Transmission and Dispatch company with completion of an agreement expected in March 2002. Still in the very early stages of implementation, the initial results observed under the Iberdrola contract have been positive and constructive. Award and implementation of these contracts is critical for further sector reform and is the subject of conditionality for disbursement of additional funds by both the World Bank and the IMF.

To further improve cash collection in the wholesale electricity market, USAID conditioned part of its disbursements under the Georgia Winter Heat Assistance Program (a program more fully explained below under S.O. 3.1) during the winters of 2000/2001 and 2001/2002 on increased cash payments by the largest industrial wholesale customers. This proved to be very successful over the short term with cash collections having increased by more than ten-fold during the period the conditionality was enforced. It has generally not been sustainable, however, due to seizure of the cash accounts of the wholesale electricity market by tax authorities and courts for debt claims. As a result, market settlements have taken place not in the form of cash transactions but as less transparent tax off-sets and barter arrangements to prevent seizure of the accounts.

Efforts to privatize energy sector generation and distribution assets were unsuccessful in the past year. Continuing attempts to privatize hydropower plants in Western Georgia met with little interest; until revenues are collected from customers little interest is generated in the assets. Ongoing efforts to privatize the Tbilisi gas distribution company face the same dilemma – commercial losses remain high (about 60%) and total collections are estimated to be as low as 20%. USAID has provided the necessary advisory services and tools to correct much of the problem, but the municipality has little political will to enforce the recommended action.

In response to the critical shortage of electricity early in the winter of 2000/2001, the USG and the Government of Georgia jointly formed an Energy Working Group, chaired by the State Minister and composed of key department staff from the Ministries of Energy, State Property Management, and Finance, as well as staff from the Chancellery. The Working Group immediately began to address the short-term objectives of assuring uninterrupted power supply to all paying consumers of Tbilisi during the autumn-winter season of 2001-2002 and providing at least an eight-hour power supply schedule to paying consumers in the regions. The Working Group also began to flesh out the elements necessary to meet the GOG's longer-term objective of Georgia's complete energy independence by 2005.

Though it could be argued that the plan was not successfully implemented this past year, it did focus attention on the need to manage resources and inputs wisely, particularly the water resources for hydropower production. In this regard, there was notable improvement this year. For example, the Enguri reservoir, the major storage facility in the country, held a level 167% of the previous year's level at the beginning of December. The supply of electricity has been more evenly distributed throughout Georgia, largely due to reduced demand in Tbilisi (heavily influenced by increased metering, improved billings and collections, and efficiency gains) and by concentrating power supply in those regions where payments are collected for consumption.

The resilience of the electricity sector was tested in late December 2001 when an American - owned thermal power plant suffered a catastrophic boiler explosion. Having been sold to this US-based firm (AES) only at the beginning of the year, the explosion dealt a heavy blow to domestic power generation. Moreover, prior to the explosion, the performance of the generating units was much less than expected as overhauls and unscheduled maintenance were required. This necessitated increased electricity imports from Russia and Armenia. The net result is the portion of power supplied by the private sector in Georgia dipped notably from 22% to 18%, much lower than the target of 25% for this year. Now, with the capacity to produce at the thermal plant cut in half, future targets for locally generated power in the private sector are not likely to be met. The full effect of this power production loss was partially mitigated by significantly increasing the number of gas customers over the past year in Tbilisi, up from approximately 30,000 to 150,000. Even though the Tbilisi gas company is not yet privatized, this increase in gas usage effectively substituted for base-load electricity demand, reducing peak-hour demand by as much as one-third.

The legal environment under which the energy sector operates continues to be robust and forward looking. Implementing rules and regulations reflect state-of-the-art thinking in both the oil/gas exploration and electricity distribution sectors. Notable among the achievements of the past year was the adoption of operating regulations within the oil and gas development sector, a first within the region. Having such regulations in place reduces the risk for off-shore investors, a must in the highly volatile world petroleum markets.

The Government of Georgia systematically moved ahead in the approval process for transit oil and gas pipelines from the Caspian to western markets. USAID assistance set the baseline for environmental evaluation of the route selection, and assisted in the land-ownership and registration of parcels that will eventually be acquired by the pipeline company.

In FY 2002, the S.O. will continue to support training and operational improvements in the regulatory and oversight agencies. Additional resources will be directed toward improving the billing, collections, and revenues cycle, something that is key to the sustained development of the sector. Pilot programs will be initiated in selected communities in Georgia to link improved revenue collections with improved service delivery.

Strategic Objective 2.2: Legal Systems that Better Support Implementation of Democratic Processes and Market Reform

USAID's rule of law (ROL) strategic objective has a strong focus on fighting corruption with strategic linkages to other S.O.s. This approach entails support to enhance government transparency and accountability and to reduce opportunities for rent-seeking and abuse of power. The success story, *Grassroots Anti-corruption Initiatives*, included at the end of this report provides a concrete example of how the ROL/anti-corruption strategy can effectively operate nationwide. The beneficiaries of USAID ROL assistance are the judiciary, targeted government agencies, attorneys, media, and citizens who now know their rights and have access to remedies to enforce these rights.

USAID seeks to empower citizens through public awareness of their legal rights and provide legal access mechanisms so that they may pursue these rights. The number of cases handled by USAID-supported legal clinics increased by 22 percent from 154 cases in FY 2000 to 198 cases in FY 2001. Judicial and Bar reform constitute key components of the access strategy. Enforcement of constitutional and administrative rights relies on an independent, honest, and competent judiciary. USAID assistance also seeks to increase the capacity of legal institutions to enact and implement better laws and regulations in a predictable and transparent manner, thus fostering a more prosperous, market-oriented democracy. Georgian Government agencies need clear legal boundaries for exercising their authority. Citizen awareness and action to challenge government actions provide the key monitoring and enforcement mechanisms to maintain these limitations.

Performance of this S.O. met expectations over the past year. The adoption of the General Administrative Code and the Administrative Procedure Code, which went into force in January 2000, represented extraordinary advances for Georgia, breaking new legal ground for Eurasian states. These are complex codes, and USAID implementation assistance has focused on the provisions dealing with freedom of information and the transparency of public agency meetings. Implementation through the efforts of advocacy organizations, the media and informed courts has had impact. A reforming judiciary has decided cases and given meaning to the Codes' progressive provisions. Agencies and local governments have been compelled to disclose information they sought to withhold and open meetings they sought to close. Administrative law implementation is a cross-cutting initiative that impacts all S.O.s. USAID has forged a coordinated approach in collaboration with partners and counterparts to achieve implementation.

USAID assistance for judicial reform continues, and achieved results in several areas. The Council of Justice held two judicial qualification examinations in 2001. The implementation of a merit-based system for selecting judges represents a major achievement for judicial independence. Furthermore, the Conference of Judges, which includes all the Georgian judges, met for the second time and adopted a Judicial Code of Ethics. The degree to which a judiciary governs and disciplines itself is indicative of its independence and accountability. The Judges of Georgia (JOG), a private judges' association, continues to grow and has extended its services to judges in the regions. Judges, however, do not receive adequate salaries, and anecdotal reports of rent-seeking are increasing.

The judges identified Bar reform as a critical, missing link in judicial reform. After several years of stiff opposition from Soviet-era legal associations, parliament, with support from legal advocacy organizations and private attorneys, enacted a modern, progressive Law on Advocates. This law mandates advocate qualification examinations and calls for the introduction of a Code of Ethics for advocates. Georgian President Shevardnadze signed an implementing decree for this law and examinations are planned for Summer 2002, for which USAID will provide support. Furthermore, all the laws and regulations that were targeted for completion by this S.O. passed in 2001. USAID also provided substantial technical assistance for eight other major laws and regulations.

Future USAID assistance for implementing administrative law reform will focus on three broad agency functions: general activities, licensing and freedom of information. Licensing is one of the quintessential administrative law functions of government, and one of the most susceptible to abuse and corruption in the absence of transparent procedures and standards. Though the media and advocacy organizations have had some success in obtaining government information, the same cannot be said for the general public. A “know-your- rights” public awareness campaign will be launched to inform citizens and government officials on administrative law rights and requirements. This will entail a coordinated approach among the implementing partners of this S.O., as well as those working in the areas of civil society, local governance, media, and humanitarian relief. In addition to supporting administrative rights, USAID will provide significant resources to support constitutional and human rights by providing first-time support to eight legal clinics and advocacy organizations in the regions.

Much work remains to be done in the areas of judicial ethics and discipline. Judges have been dismissed from the bench, but the judicial disciplinary law has proved flawed, both on its face and in application. TA will be provided to address these points. Also, a series of roundtables will be held around the country for judges to help inculcate an ethos of honesty. To foster greater transparency in the courts, judicial and media issues will receive increased attention.

Strategic Objective 2.3: More Efficient and Responsive Local Governance

Fostering effective local governance constitutes a critical element of USAID’s efforts to assist Georgians in their efforts to build democracy and promote economic development in Georgia. USAID activities under this objective emphasize local and political decision-making in the regions outside of Tbilisi, responding to citizens’ needs and priorities for services and laying the foundation for the coming municipal elections (currently slated for June 2002), and parliamentary elections in 2003. USAID pursues two major tactics in assisting Georgians in their efforts to reform local governments. The first focuses on local governments themselves by intensively training officials in fundamental techniques of financial and budgetary management, outreach to constituents, and service delivery through a small grants program and budget training skills. The second element builds a strong, active citizenry, able to hold government accountable for providing needed community services. By working simultaneously with both the “supply side” (local government services) and “demand side” (citizen needs), USAID aims to help Georgians achieve both an active citizenry and an accountable local government system. Activities in this area also support a free and independent press, and continued assistance for political processes. All Georgians will directly benefit from efforts that empower them to more effectively demand accountability, as well as enable local governments to meet the needs of their constituents.

USAID’s local governance S.O. met expectations during the past year. The Local Governance Reform Initiative was launched, which includes a legislative component and intensive work in five pilot cities. For the first time in Georgia’s history, major reforms in the local governance law provide for the direct election of mayors and governors, rather than presidential appointments. Results in the five pilot cities demonstrate that local councils are acting on the training and mentoring they have received to respond more effectively to the needs of their constituents. In Zestaponi, local councils utilized budgetary planning principles to launch a major clean-up, repair, and replacement of the drainage canal in the city—using their own financial resources. Major flooding has stopped, and the busiest street in the town has been cleaned of artificial lakes. In other cities, conflict resolution training has helped to bring citizens and local councils together to constructively discuss problems. Local government officials have shown an interest in making documents more available to their citizens; information centers have opened (with plans for cities to eventually take over the funding) to the public so that citizens can easily access data on their local government operations, laws, and regulations. Local governments are increasing their use of radio and television to keep citizens informed.

Georgia’s elections have become more corrupted over time. The electorate is not only cynical about their government, but has now become apathetic. One of the major problems lies with Georgia’s legislation—a new law was enacted immediately prior to each election, resulting in a

non-transparent system of last-minute haggling and inadequate training of election officials. In 2001, Georgia's legal electoral framework significantly improved due to USAID's technical assistance. Demonstrating a successful government-citizen alliance, the Parliamentary Working Group collaborated with the NGO community to craft Georgia's first Unified Election Code (UEC). Parliament passed the UEC in August. During October's parliamentary by-elections in two districts, international and independent domestic monitors noted that the election process was markedly free of flaws; in fact, the only way that the election in one Tbilisi district could be "stolen" was to actually steal the ballot boxes at gunpoint.

Citizens' movements are demonstrating increasing clout in the political arena. A government raid by internal security forces under the guise of "checking financial documents" of Rustavi II, Georgia's premier independent television station, resulted in thousands demonstrating in the streets, and ultimately forced the resignation of many Georgian government leaders in both the legislative and executive branches, including several ministers whom the public deemed as major sources of corruption.

Media programs have noted steady improvement during the past year. The "Media Freedom and Advocacy Index for Regional TV," which measures broadcast media associations and advocacy, the media legal environment, and informational program production, has demonstrated a nearly doubling of improvement since the baseline assessment (1999). In print media, significantly more stories report more than one informational source, thereby suggesting more responsible journalism. As in many other countries of the region, journalists sell their stories to the highest bidder, thus negating responsible journalism practices. USAID assistance has demonstrated that newspapers can in fact become for-profit businesses: three advertising supplements have now been published in Georgia. Journalists themselves have been surprised by their success.

The local governance program also incorporates a strong youth focus. A "Youth in Politics" program notes an increase of 54 percent in the participation of youth. For the first time, youth are being trained as candidates for local elections. This program also has taken root in some secondary schools: mock demonstration elections inspired several students to form their first elected student councils.

Yet challenges remain. The national government has only recently begun to demonstrate political will to strengthen municipalities. Reforms at the local level were stalled due to postponed municipal elections—the government claimed they had no money to move forward with this planned event. The new Organic Law on Local Self-Governance, reformist legislation that clarifies the legal competencies of municipal government, cannot take effect until elections are actually held. In addition, an executive branch mandate has spawned legislation, which, if passed, will place even more bureaucratic obstacles in the way of civil society organizations. This new law is not only vague and non-transparent in terms of enforcement, but could actually foment corruption in the NGO community.

USAID will continue to respond to these challenges with a more concerted focus on citizen advocacy, and on helping local governments make their voices heard in Tbilisi. In 2002, the local governance portfolio will retain many of these same programs as in 2001, but will focus its energies on achieving greater impact. A new NGO and coalition-building program will be launched in September 2002. USAID will continue to focus on youth: a civic education program will support youth in secondary schools to become more involved in community activities. USAID will carefully evaluate its portfolio and seek to integrate more thoughtfully elements of conflict resolution, as well as cross-sectoral linkages. A democracy assessment, to be undertaken in September 2002, will help point the way to future directions.

Strategic Objective 3.1: Reduced Human Suffering in Targeted Communities

Activities under this strategic objective are concentrated in three areas: addressing urgent needs, providing resources to communities to promote self-sufficiency, and strengthening community health care. Conflict resolution is a major cross-cutting component in all of these activities. The

need for programming in this strategic objective is confirmed by the disturbingly high poverty rates. Even in one of the more vibrant regions (Imereti) only 56.2% of the population lives above the poverty line. USAID has begun to increase its activities in the region that suffers the worst from poverty (Samtskhe – Javakheti, in which only 28.9% of the population lives above the poverty line). The desired result is increased capacity to identify and address problems at the local level in a democratic and transparent manner. These programs directly benefit all those community members who make use of the end result of each project. For example, school children and teachers benefit from rehabilitated schools, farmers benefit from repaired irrigation systems, whole villages benefit from access to potable water, etc.

This strategic objective met expectations during FY 2001.

Conflict resolution activities in FY 2001 primarily focused on increasing contact and cooperation among youth affected by the conflict in Abkhazia. A total of 5,310 Internally Displaced Persons (IDPs) and vulnerable youth were provided with opportunities for personal growth and psychosocial rehabilitation through youth houses located in Sukhumi (the capital of the separatist-controlled region of Abkhazia), Tbilisi, and Zugidi. Conflict management and prevention training was provided to 510 Abkhaz and Georgian teenagers between the ages of 14 and 18, all victims of the Abkhaz-Georgian conflict. Twenty Abkhaz and Georgian youths participated in a training-of-trainers program in the United States. They used their new conflict prevention and transformation skills to help 324 Abkhaz and Georgian participants of the “Summer 2001 Peace Camps” to look for creative and peaceful ways to end this eight-year conflict. A significant change and step forward this year was that these camps were held in Armenia, rather than in the United States, allowing many more youth to participate.

A small but significant portion of activities in FY 2001 provided critical relief to the most marginalized and vulnerable segments of the population. U.S. assistance to IDPs improved the shelter and basic living conditions of 7,789 IDPs, who are accommodated in 27 collective centers. Some 7,000 isolated vulnerable pensioners received hot meals five times each week in several regions of the country. In December 2000 - February 2001, an emergency winter program responded to the needs of 306 vulnerable households in the politically sensitive break-away region of Tskhinvali. As reported last year, the USG commenced a rapid bilateral and multilateral response to the worst drought in Georgia in fifty years. This combined winter and spring response of agricultural inputs, seed, and special credit packages benefited almost 38,000 households. More than 800 agricultural loans were provided, and over 10,000 hectares of crops were planted. The hard-hit Samtskhe-Javakheti region, a politically sensitive and predominantly Armenian enclave of subsistence farmers in southern Georgia, was one of the main targets of this assistance. This region is one of the most impoverished in Georgia. By responding to their needs, rather than leaving them to remain marginalized, this relief contributed to political stability within Georgia. Moreover, the USG’s quick response to the emergency prompted other international donors to join the drought relief effort. Due in part to the provision of better quality seed, the harvest surpassed the pre-drought level by 136%.

The emphasis of this S.O. concerned itself with building the capacity of communities to identify and meet their most critical needs. In FY 2001, 218 community projects were successfully completed. The communities themselves selected these projects and contributed “sweat equity” and other resources (materials, cash, etc.) totaling more than \$500,000. Furthermore, 1,820 micro-credit and individual loans were awarded to fledgling entrepreneurs and businesses. More than half a dozen Georgian NGOs have strengthened their capacity to implement, manage, and sustain credit programs. Two vocational training centers continued work in the regions, offering computer and English language classes, improving the skills of 2,819 individuals. Economic opportunities were increased for household and commercial agricultural production with the completion of eight agricultural community micro projects. Typical agricultural interventions included seed distribution, livestock dispersal, veterinary assistance, development of rural credit associations, and the provision of agricultural production grants. These agricultural projects benefited 8,964 households.

Significant result: Georgia Winter Heating Assistance Program (GWHAP) – In FY 2001, for the third year in a row, USAID paid winter heating subsidies for pensioners and social institutions between the months of November 2000 through March 2001. Without these subsidies 179,109 households, 120 IDP centers and 288 socially critical institutions would most likely have had their electricity cut off during the winter, causing significant human suffering and possibly resulting in widespread social unrest. This injection of payments to the energy sector helped secure critical natural gas and electricity deliveries that would not have been otherwise available. All regions of Georgia except Abkhazia and Tskhinvali regions were covered in this program.

USAID health activities under this S.O. concentrated on reproductive health/family planning, infectious disease control and prevention, and re-training of physicians and nurses. USAID is helping to build an effective, affordable, and sustainable Primary Health Care (PHC) system that meets the health needs of families and prevents and treats infectious diseases. The direct beneficiaries of this effort are health professionals who mainly work in the PHC system. The ultimate customers are users of these services, who are predominantly women and children.

As a result of U.S. - Georgian health partnerships, a Women's Wellness Center (WWC) and a PHC center served over 8,000 patients, offering a broad range of integrated primary health care and reproductive health and family planning services. Recently, the WWC began to offer Pap smears, the first in Georgia. In addition, about 200 health care professionals were trained in infection control and health management education partnerships. A modern blood bank established under the same partnership program received 1,276 blood donations and processed 3,429 blood products for patients needing transfusions. Kits were procured for the Ministry of Health to allow blood to be tested nation-wide. USAID support to the Expanded Program for Immunization (EPI) has resulted in overall child immunization levels of 85.7% in CY 2001. USAID also assisted EPI to obtain hepatitis B vaccine. This will enable the GOG to decrease the levels of acute, chronic and fatal liver diseases by stopping transmission of hepatitis B to infants.

Significant Result: Overall Immunization Rate 85.7% – USAID has been the main donor for immunization programs in Georgia since 1995. Comparing the figures from earlier years (less than 60%), it is clear that the program has been successful in curbing the spread of infectious diseases; something even more remarkable considering the complete failure of mass immunization during the years 1992 and 1993. Additionally, the higher immunization rates demonstrate the increased ability of GoG to deliver vital immunizations. This ability is a direct outcome of the UNICEF/WHO Expanded Program of Immunization (EPI), predominantly sponsored by USAID.

For the next year, community mobilization programs will continue to expand into new areas of Georgia, especially in areas prone to conflict or in a state of unresolved conflict. This includes the break-away region of Tskhinvali, Akhalkalaki (populated by ethnic-Armenians and host to a Russian military base), and the ethnic-Georgian villages on the periphery of the Pankisi gorge (where Chechen refugees have been settled). USAID will initiate a public works program to increase employment and improve community infrastructure. USAID will continue to bolster the GOG's health reform efforts through supporting institutional partnerships, strengthening of national health information systems, and providing technical assistance in areas of infectious disease prevention (vaccine preventable, STI/HIV/TB), and women's health. Strong emphasis will be placed on re-training health professionals to provide quality health care by upgrading clinical and laboratory skills. One of USAID's new efforts will assist Georgia to implement the World Health Organization (WHO)-recommended Directly Observed Treatment Short-course (DOTS) program to treat TB.

Part IV: Results Frameworks

In last year's R4, USAID forecasted certain changes to the results frameworks that would take place in FY 2001. An assessment of Georgia's civil society in 2001 guided us in restructuring S.O. 2.3. The S.O. remains as it was; changes were made to intermediate results and their respective indicators. Other mid-strategy corrections occurred in S.O.s 1.3 (economic growth) and 2.2 (rule of law) – again, changes in intermediate results. Results frameworks are listed below; changes from last year are highlighted in bold.

SO 1.3: Accelerated Development and Growth of Private Enterprises

IR 1.3.1: Improved Policy and Operating Environment

IR 1.3.2: Increased Access to Credit

IR 1.3.2.1: Land Market Developed

IR 1.3.2.2: Efficiency of Banking Sector Increased

IR 1.3.2.3: Non-Bank Financial Institutions Strengthened

IR 1.3.3: Increased Market-oriented Production

SO 1.5: A More Economically Efficient and Environmentally Sustainable Energy Sector

IR 1.5.1: Increased Private Sector Participation in Energy Sector

IR 1.5.2: Legal and Regulatory Environment More Conducive to Private Investment in the Energy Sector

IR 1.5.3: Environmentally Sound Laws Adopted and Implemented in Energy Sector

IR 1.5.4: Increased Efficiency in the Energy Sector

SO 2.2: Legal Systems that Better Support Implementation of Democratic Processes and Market Reforms

IR 2.2.1: Access to Legal Remedies Increased

IR 2.2.1.1: Increased Public Awareness of Legal Rights

IR 2.2.1.2: Increased Availability of Effective Counsel

IR 2.2.2: More Effective, Transparent and Fair Legal Sector Institutions

IR 2.2.2.1: Increased Independence of the Judiciary

IR 2.2.2.2: Targeted Institutional Capacity Increased

IR 2.2.3: Laws and Regulations Promoting Democratic Processes and Market Reforms Enacted.

SO 2.3: More Efficient and Responsive Local Governance

IR 2.3.1: Improved Local Government Service Delivery in Key Areas Defined by Constituent Needs

IR 2.3.1.1: Increased Capacity of Local Governments in Targeted Districts to Plan and Manage Resources Efficiently and Transparently.

IR 2.3.1.2: Legal Framework for Effective Local Governance Adopted and Implemented

IR 2.3.1.3: Increased citizen participation in local governance.

IR 2.3.2: NGO/CBOs & Media actively promote citizen interests.

IR 2.3.2.1: Increased Media Financial Sustainability & Capacity to Provide Objective Information

IR 2.3.2.2: Increased Institutional Capacity of NGO/CBOs Involved in Advocacy

IR 2.3.3: Strengthened Enabling Environment and Organizational Frameworks for Political Participation (Parties, Elections)

IR 2.3.3.1: Increasingly Transparent and Independent Administration and Monitoring of Electoral Process

IR 2.3.3.2: Increasingly Representative and Participatory Grass Roots Party Structures

SO 3.1: Reduced Human Suffering In Targeted Communities

IR 3.1.1: Urgent Needs Met During Crises

IR 3.1.2: Vulnerable Communities Better Able to Meet Own Needs

IR 3.1.2.1: Increased Capacity to Deliver Health and Other Services

IR 3.1.2.2: More Active Participation of Vulnerable Groups in the Economy

SO 4.2: Cross-Cutting Programs: Training and Small Grants Programs

Table 1: Annual Report Selected Performance Measures

December 3, 2001

Indicator (all data should pertain to FY or CY 01)	OU Response			Fund Account	Data Quality Factors
Pillar I: Global Development Alliance: GDA serves as a catalyst to mobilize the ideas, efforts, and resources of the private sector, corporate America and non-governmental organizations in support of shared objectives					
1 Did your operating unit achieve a significant result working in alliance with the private sector or NGOs?	Yes	No XX	N/A		
2 a. How many alliances did you implement in 2001? (list partners) b. How many alliances do you plan to implement in FY 2002?	1 - BP 1				
3 What amount of funds has been leveraged by the alliances in relationship to USAID's contribution?	USAID - \$9 mn; BP - \$1 mn				
Pillar II: Economic Growth, Agriculture and Trade: USAID works to improve country economic performance using five approaches: (1) liberalizing markets, (2) improving agriculture, (3) supporting microenterprise, (4) ensuring primary education, and (5) protecting the environment and improving energy efficiency.					
4 If you have a Strategic Objective or Objectives linked to the EGAT pillar, did it/they exceed, meet, or not meet its/their targets?	Exceed	Met XX	Not Met		
USAID Objective 1: Critical, private markets expanded and strengthened					
5 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No XX	N/A		
USAID Objective 2: More rapid and enhanced agricultural development and food security encouraged					
6 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No XX	N/A		
USAID Objective 3: Access to economic opportunity for the rural and urban poor expanded and made more equitable					
7 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes XX	No	N/A		USAID financed credit programs provided \$12m in loans to 49,000 urban and rural small and microentrepreneurs

Indicator (all data should pertain to FY or CY 01)	OU Response			Fund Account	Data Quality Factors	
USAID Objective 4: Access to quality basic education for under-served populations, especially for girls and women, expanded						
8 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No	N/A XX			
9 a. Number of children enrolled in primary schools affected by USAID basic education programs (2001 actual) b. Number of children enrolled in primary schools affected by USAID basic education programs (2002 target)	Male	Female	Total			
USAID Objective 5: World's environment protected						
10 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No	N/A XX			
11 a. Hectares under Approved Management Plans (2001 actual) b. Hectares under Approved Management Plans (2002 target)						
Pillar III: Global Health: USAID works to: (1) stabilize population, (2) improve child health, (3) improve maternal health, (4) address the HIV/AIDS epidemic, and (5) reduce the threat of other infectious diseases.						
12 If you have a Strategic Objective or Objectives linked to the Global Health pillar, did it/they exceed, meet, or not meet its/their targets?	Exceed	Met XX	Not Met			
USAID Objective 1: Reducing the number of unintended pregnancies						
13 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No	N/A XX			
USAID Objective 2: Reducing infant and child mortality						
14 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No	N/A XX			

Indicator (all data should pertain to FY or CY 01)	OU Response			Fund Account	Data Quality Factors	
USAID Objective 3: Reducing deaths and adverse health outcomes to women as a result of pregnancy and childbirth						
15 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No XX	N/A			
USAID Objective 4: Reducing the HIV transmission rate and the impact of HIV/AIDS pandemic in developing countries						
16 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No XX	N/A			
USAID Objective 5: Reducing the threat of infectious diseases of major public health importance						
17 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No XX	N/A			
Pillar IV: Democracy, Conflict and Humanitarian Assistance						
18 If you have a Strategic Objective or Objectives linked to the Democracy, Conflict and Humanitarian Assistance Pillar, did it/they exceed, meet, or not meet its/their targets?	Exceed	Met XX	Not Met			
USAID Objective 1: Rule of law and respect for human rights of women as well as men strengthened						
19 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No XX	N/A			
USAID Objective 2: Credible and competitive political processes encouraged						
20 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No XX	N/A			
USAID Objective 3: The development of politically active civil society promoted						
21 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No XX	N/A			
USAID Objective 4: More transparent and accountable government institutions encouraged						

Indicator (all data should pertain to FY or CY 01)	OU Response			Fund Account	Data Quality Factors
22 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No XX	N/A		
USAID Objective 5: Conflict					
23 Did your program in a pre-conflict situation achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No XX	N/A		
24 Did your program in a post-conflict situation achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No XX	N/A		
25 Number of refugees and internally displaced persons assisted by USAID	Male 14,607	Female 17,853	Total 32,460		
USAID Objective 6: Humanitarian assistance following natural or other disasters					
26 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes XX	No	N/A		Emergency winter heating assistance program kept power going to the country's most vulnerable population.
27 Number of beneficiaries	416,296				Female - 232,362; Male - 183,934

Table 2: Selected Performance Measures for Other Reporting Purposes

The information in this table will be used to provide data for standard USAID reporting requirements

Indicator (all data should pertain to FY or CY 01)	OU Response			Fund Account	Data Quality Factors
Child Survival Report					
Global Health Objective 1: Reducing the number of unintended pregnancies					
1 Percentage of in-union women age 15-49 using, or whose partner is using, a modern method of contraception at the time of the survey. (DHS/RHS)					
Global Health Objective 2: Reducing infant and child mortality					
2 Percentage of children age 12 months or less who have received their third dose of DPT (DHS/RHS)	Male NA	Female NA	Total 85.7	FSA	Source: National Center for Disease Control, MOH.
3 Percentage of children age 6-59 months who had a case of diarrhea in the last two weeks and received ORT (DHS/RHS)	Male	Female	Total		
4 Percentage of children age 6-59 months receiving a vitamin A supplement during the last six months (DHS/RHS)	Male	Female	Total		
5 Were there any confirmed cases of wild-strain polio transmission in your country?					
Global Health Objective 3: Reducing deaths and adverse health outcomes to women as a result of pregnancy and childbirth					
6 Percentage of births attended by medically-trained personnel (DHS/RHS)					
Global Health Objective 5: Reducing the threat of infectious diseases of major public health importance					
7 a. Number of insecticide impregnated bed-nets sold (Malaria) (2001 actual) b. Number of insecticide impregnated bed-nets sold (Malaria) (2002 target)					
8 Proportion of districts implementing the DOTS Tuberculosis strategy					
HIV/AIDS Report					

Global Health Objective 4: Reducing the HIV transmission rate and the impact of HIV/AIDS pandemic in developing countries					
9	a. Total condom sales (2001 actual)				
	b. Total condom sales (2002 target)				
10	a. Number of individuals treated in STI programs (2001 actual)	Male	Female	Total	
	b. Number of individuals treated in STI programs (2002 target)				
11	Is your operating unit supporting an MTCT program?				
12	a. Number of individuals reached by community and home based care programs (2001 actual)	Male	Female	Total	
	b. Number of individuals reached by community and home based care programs (2002 target)				
13	a. Number of orphans and vulnerable children reached (2001 actual)	Male	Female	Total	
	b. Number of orphans and vulnerable children reached (2002 target)				
14	a. Number of individuals reached by antiretroviral (ARV) treatment programs (2001 actual)	Male	Female	Total	
	b. Number of individuals reached by antiretroviral (ARV) treatment programs (2002 target)				

Victims of Torture Report					
Democracy, Conflict, and Humanitarian Assistance Objective 7: Providing support to victims of torture					
15	Did you provide support to torture survivors this year, even as part of a larger effort?				
16	Number of beneficiaries (adults age 15 and over)	Male	Female	Total	
17	Number of beneficiaries (children under age 15)	Male	Female	Total	

Global Climate Change					
USAID Objective 5: World's environment protected					
18	Global Climate Change: See GCC Appendix				

Part VII: Environmental Compliance

A. Current Activities

All current activities are in compliance with environmental procedures for approved Initial Environmental Examinations (IEEs), Categorical Exclusions, or Environmental Assessment. IEEs at the Strategic Objective level include most assistance anticipated through FY2003, the last year of the current strategic plan for Georgia.

B. New and Extended Activities

Listed below are the new and amended IEEs anticipated for FY2002, along with the planned completion dates. Where and when possible, the Mission will complete IEEs at the S.O. level. For the most part categorical exclusions are anticipated.

1. S.O. 1.3 – A new agriculture marketing activity will require an IEE for its first phase, estimated to last 18 months. In FY 2003, we anticipate conducting an environmental assessment for phase two of the activity. (April 2002)
2. SO1.5 – A new integrated energy security program. (June 2002).
3. SO3.1 – New activity in public works. (July 2002).
4. SO3.1 – Health – TB, HIV/STI. (August 2002).