

## Data Sheet

<b>USAID Mission:</b>	Georgia
<b>Program Title:</b>	Increased Economic Growth
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	114-0131
<b>Status:</b>	New in FY 2004
<b>Planned FY 2005 Obligation:</b>	\$14,000,000 FSA
<b>Prior Year Unobligated:</b>	\$940,000 FSA
<b>Proposed FY 2006 Obligation:</b>	\$11,000,000 FSA
<b>Year of Initial Obligation:</b>	2004
<b>Estimated Year of Final Obligation:</b>	2008

**Summary:** USAID's program includes economic and agricultural policy reforms, land privatization, agribusiness development, access to financial services for micro, small and medium-sized enterprises (SME), tax revenue enhancement efforts and railway restructuring assistance. While direct beneficiaries are the Government of Georgia (GOG) and private enterprises, all Georgians stand to gain from a growing, commercially sustainable private sector.

### Inputs, Outputs, Activities:

**FY 2005 Program:** Improving Economic Policy and Governance (\$5,101,000 FSA). Policy-related activities will help provide the appropriate policies, regulations, institutions, and economic governance to encourage private sector growth. USAID will work with the GOG to enact market-oriented economic policies such as laws on alternative dispute resolution, movable property registry, credit information bureau, secured transactions, bankruptcy, licensing, and leasing. USAID will continue to improve revenue administration through the Ministry of Finance by supporting transparency/anti-corruption initiatives to sustain new, higher revenue levels. USAID will continue to provide policy advice for the Ministry of Agriculture that will help strengthen its institutional capacity, facilitate the legal drafting, passage and implementation of the Veterinary, Food Safety, and Seed Laws, and the adoption of international standards for exports of agricultural products. Under the new phase of land privatization, USAID will work with the GOG to further privatize large tracts of agricultural land and promote the development of the land and real estate market. Principal contractors: Bearing Point (prime), Development Alternatives, Inc. (prime), and to be determined (TBD).

Strengthen the Financial Sector's Contribution to Economic Growth (\$3,272,000 FSA). USAID will support micro-, small- and medium-sized enterprises with increased access to finance, strengthened commercial and financial infrastructure, effective private sector advocacy, and improved management skills, inter-firm linkages, and business services. Under this effort, USAID anticipates transferring \$600,000 to the Development Credit Authority (DCA) to stimulate the growth of lending in the agricultural sector. USAID is supporting the long-term sustainability of lending institutions to provide access to financial services for microentrepreneurs and small enterprises, particularly rural and women borrowers. This assistance will conclude with the passage of legislative amendments to legalize and improve the operating and regulatory environment for microfinance institutions (MFIs), and the disbursement of 20 small grants for capacity building and at least one large institutional grant to a MFI. Principal contractors: Chemonics International (prime), Terra Institute (prime), Association for Protection of Landowners' Rights (sub).

Expanding and Improving Access to Economic and Social Infrastructure (\$1,572,000 FSA, \$940,000 FSA carryover). To increase efficiency and effectiveness of Georgian transportation, USAID will support the Georgian Railway (GR) to prepare a restructuring strategy that will help improve the GR's efficiency and capacity to manage increased volumes of European traffic as it offers strategically vital and potentially lucrative routes between Europe and Central Asia. Principal contractors: TBD.

Increase Agricultural Productivity (\$4,055,000 FSA). USAID will provide technical and sustainable financial assistance to improve the productivity and marketability of Georgian products with export market or import substitution demand. Assistance will be provided to at least 35 associations and 40 SMEs, generating over \$3.9 million in facilitated sales. Agricultural policy reform will also be supported. Principal contractors include: ACDI/VOCA (prime) and TBD.

**FY 2006 Program:** Improving Economic Policy and Governance (\$4,500,000 FSA). Assistance to the Ministry of Finance to improve revenue administration will remain a flagship effort. USAID will continue capacity building within the Ministry of Agriculture and prepare Georgian staff to continue without foreign advisors. It will also assist the GOG to design and implement economic policy change and commercial law reform. While working with the Ministry of Economic Development (MOED), the Ministry of Justice (MOJ), the National Bank of Georgia, and other GOG institutions, USAID will promote economic policy and legal initiatives such as reforming the licensing and standards regime, mortgage law reform, and liberalizing other aspects of commercial law. It will also support the MOED in implementing a new phase of agricultural land privatization, while assisting to the MOJ's National Agency of Public Registry to register land. USAID will also assist the MOJ in establishing a moveable property registry and supporting other institutional reforms to improve the business environment. Principal contractor: TBD.

Strengthen the Financial Sector's Contribution to Economic Growth (\$3,500,000 FSA). Targeted technical assistance will promote small- and medium-sized enterprise (SME) lending (including rural credit, bank on-lending to micro finance institutions, mortgage lending, and leasing), potentially to include establishment of DCA guarantee arrangements. Training, capacity building, and selected commodities will support commercial and financial infrastructure, such as a credit information bureau and strong commercial dispute resolution mechanisms. Selected private sector advocacy efforts also will be supported, such as revenue enhancement groups combating corruption and smuggling related to petroleum, alcohol, and tobacco products. Business service providers, business associations, and/or industrial clusters will be supported at the firm or cluster level. Principal contractor: TBD.

Increase Agricultural Productivity (\$3,000,000 FSA). USAID will further develop distribution channels, markets, and competitiveness of Georgian products while generating sales, investments, and jobs. Agricultural policy reform will also be supported. Principal contractor: TBD.

**Performance and Results:** USAID helped to achieve results in three main areas in FY 2004: 1) Improved policy and operating environment - the GOG cracked down on corruption and improved revenue administration, which resulted in an 84% increase in excise tax revenues; 2) Increased access to financial services - microfinance, rural credit, and leasing programs saw a steady growth in the credit portfolio: with 34,900 active borrowers and \$13.5 million in loans and leases outstanding at the end of FY 2004; and 3) Increased market-oriented sales - 10 new product lines and 13 new markets were identified, four producer associations organized, and 21 associations assisted, four new export products introduced, new product variety trials established, leasing transactions commenced, and \$284,451 in sales were facilitated. By the end of the strategy, the program will have resulted in the reform and implementation of laws necessary for a modern market economy, which will result in higher exports, foreign direct investment, and gross domestic product. State-owned enterprises will be restructured, financially sustainable rural lending and microfinance institutions will provide loans to their clients, and business associations will provide services to their members.

At the close of this objective, the number of registered private enterprises will have risen from 92,800 to 135,900; the number of jobs created directly attributable to USAID assistance will have grown from 24 to 5,490; and the number of jobs created indirectly attributable to USAID assistance will have almost tripled from 2,129 to 6,000.

## US Financing in Thousands of Dollars

Georgia

114-0131 Increased Economic Growth	<b>FSA</b>
<b>Through September 30, 2003</b>	
Obligations	0
Expenditures	0
Unliquidated	0
<b>Fiscal Year 2004</b>	
Obligations	8,660
Expenditures	385
<b>Through September 30, 2004</b>	
Obligations	8,660
Expenditures	385
Unliquidated	8,275
<b>Prior Year Unobligated Funds</b>	
Obligations	940
<b>Planned Fiscal Year 2005 NOA</b>	
Obligations	14,000
<b>Total Planned Fiscal Year 2005</b>	
Obligations	14,940
<b>Proposed Fiscal Year 2006 NOA</b>	
Obligations	11,000
Future Obligations	14,000
Est. Total Cost	48,600