

Action Fiche for GEORGIA

1. IDENTIFICATION

Title	Economic rehabilitation and confidence building for Abkhazia / Western Georgia		
Total cost	4 million Euro (EC contribution)		
Aid method / Management mode	Project approach / centralised management		
DAC-code	73010	Sector	Rehabilitation

8. RATIONALE

2.1. Sector context

The conflict in Abkhazia, squeezed between the Black Sea and the Caucasus mountains on the border with Russia has festered since the 1992-1993 fighting. Internationally recognised as part of Georgia and largely destroyed with half of the pre-war population forcefully displaced, Abkhazia seeks independence and is acting as a de-facto independent state. In fourteen years since the ceasefire the sides have not made progress on a settlement despite ongoing UN-mediated negotiations.

Upon his election in January 2004 Georgia's new President Mikheil Saakashvili vowed to restore the Georgia's territorial integrity before the end of his term. Subsequently, the issue of returning Abkhazia is now a first priority on the political agenda. Fourteen years of negotiation, led alternately by the UN and Russia, have done little to resolve the Georgian-Abkhaz conflict. In 2006, the sharp deterioration in Russian-Georgian relations, the Georgian military intervention in the Upper-Kodori valley and the subsequent installation of the former Abkhaz government in exile in Upper Kodori have contributed to a freeze in diplomacy over Abkhazia since mid-2006.

The general situation in the conflict zone remained mostly calm but very volatile. Many IDPs express their concerns about safety and criminality and uncertainty about status as disincentive for return. Criminality and lawlessness continued to be major destabilizing factors (mainly in Gali district), putting in jeopardy the overall security situation.

Problem analysis

Abkhazia and adjacent areas have been increasingly affected by the collapse of the Soviet Union and the conflict. In Abkhazia population numbers have collapsed through forced migration of the largely ethnic Georgian population as a direct result of the conflict and in response to the desperate economic situation in the region. After more than ten years after the conflict the local economy of Abkhazia has collapsed, which was put further into isolation by the economic embargo.

The districts north-west of Sukhumi (Gagra, Gudauta), which consist of the main tourist areas, have not suffered any war damage and economic standards are here higher due to income from Russian tourism. The districts south-west of Sukhumi (Gali, Ochamchira

and Tkvarcheli) however, remain derelict with high levels of unemployment and subsistent livelihoods. The social and economic situation of both those who left and those who stayed in Abkhazia has remained extremely poor. The potential for agriculture, tourism and the utilisation of natural resources is high and in general there is no shortage of food due to the high level of subsistence farming (except for specific vulnerable groups that rely on international food aid).

While some improvement can be detected in and around Sukhumi (mostly due to Russian investment), the infrastructure (electricity, telecommunications, roads, water and sewerage) is in a state of collapse that could have a serious humanitarian impact. Basic services as public health care and education are well below minimum standards and do not meet the needs of the population.

There have been some successes on the ground: ceasefire violations are rare, approximately 45,000 internally displaced (IDP) Georgians have returned to homes in the Gali region, the two sides cooperate on operating the Enguri hydro-power plant there is an active dialogue between Georgian and Abkhaz civil society, and economic rehabilitation programmes (mostly funded by the European Commission) contribute to a first improvement of living conditions of the local population, and relief aid is reduced in favour of more development-oriented assistance.

2.2. Lessons learnt

The ongoing and planned programmes in Abkhazia (since 2004) financed by the EC include humanitarian assistance, economic rehabilitation (successfully linking relief to development), confidence building, democratisation and human rights projects and demining. The European Commission is the largest donor in Abkhazia.

A joint COMM/SEC mission at expert level visited Georgia, including Abkhazia and South Ossetia, in January 2007, aimed at identifying new EU measures with the view of improving the climate of confidence and to put the peace process back on tracks. The preliminary findings of the mission suggest a larger EU involvement in the conflict resolution process also through an increase of economic rehabilitation and confidence building activities. Under the NIP 2007-2010 the allocations for conflict resolution have doubled from the previous period reaching 19 million € for the 4 year period (16% of the total budget).

At the time of establishing the ENPI 2007 Action Programme, the package of new CBMs is being considered internally within the EU and will have to be further discussed with relevant stakeholders in the region, including Russia. Past experience shows that there is a need for flexibility in programming to be able to respond to the needs of the beneficiaries in a politically volatile environment and also to accommodate to potential requests stemming from the follow-up of the COM/SEC mission.

2.3. Complementary actions

The rehabilitation programme has been complemented by a mix of policy instrument including humanitarian assistance, decentralised cooperation and EIDHR projects implemented by international and local NGOs. The Delegation and ECHO have put lot of emphasis in ensuring a coherent policy to link relief to rehabilitation and development (LRRD) for the region using the various instruments available. This

approach should be continued also under the ENPI and upcoming thematic programmes from 2007 onwards.

More specifically, the proposed rehabilitation programme complements the following ongoing EC programmes in Abkhazia/Georgia:

- Economic Rehabilitation (Phases I & II) - including large-scale renovation works of Enguri hydro-power plant, rehabilitation of hospitals and electricity networks and income-generation activities;
- Cooperation with civil society (Decentralised Cooperation, EIDHR) - including support to local democracy, human rights, youth and free media;
- ECHO programmes (Linking Relief to Rehabilitation and Development –LRRD) – including food security, income-generation activities and shelter assistance.

2.4. Donor coordination

Donor coordination is working well. On the ground the EC-financed UNDP-led information sharing centre in Sukhumi is taking the lead in donor coordination and cooperation (www.abkhazdev.info). Regular coordination meetings are held between international organisations, and international and local NGOs.

In Tbilisi UNDP organises regular donor coordination meetings on programme assistance in Abkhazia, while there is good ongoing coordination between the different donor organisations and international NGOs. In addition, the EC Delegation organises briefing meetings for the EU member-states present in Tbilisi. Monthly overview of all EC assistance to the conflict zones are published on the Delegation website (www.delgeo.ec.europa.eu).

9. DESCRIPTION

9.1. Objectives

The overall objective of the EC programmes in conflict zone of Abkhazia and adjacent areas (ongoing as well as planned) is to enhance stability and security through confidence building measures aiming at the prevention and settlement of internal conflicts and actions in favour of affected populations. The EC programmes aim to create preconditions for local economic and social development, as well as for safe and dignified repatriation of refugees and displaced persons.

The specific objectives of the proposed programme are to continue and broaden reconstruction activities in the following three fields, whereas civil society support and confidence building will be included as integrated cross-cutting issues of the programme:

- a) Basic infrastructure rehabilitation;
- b) Income-generation activities;
- c) Shelter assistance;

9.2. Expected results and main activities

- a) Basic infrastructure rehabilitation

The specific objective of this component is to continue the reconstruction efforts of basic infrastructure facilities in the zone of conflict as started under the ongoing EC economic rehabilitation programmes in Abkhazia/western Georgia. The areas of cooperation that may be considered could be (*but are not necessarily limited to*) the following:

School rehabilitation

The educational system in Abkhazia is at best skeletal. Schools lack basic supplies and the quality of education is low. In addition, language education remains a highly politically sensitive issue in the zone of conflict, especially in Gali district. The need for rehabilitation of schools and kindergartens of refugee children remains high. Recognising the importance of education in any rehabilitation programme it is therefore proposed to support the education of children (boys and girls) of the local population as well as returnees and IDP children through school rehabilitation projects in the zone of conflict.

Public health rehabilitation

Health care does not meet the needs of the population in Abkhazia. In general the performance and efficiency of health services and quality of the medical care are all very low. The health system in the villages is poor to non-existent and dispensaries as well as local hospitals are poorly equipped. Under the first rehabilitation programme (which is ongoing since December 2005) the EC finances the refurbishment of four local hospitals. For further EC assistance support to the rehabilitation of dispensaries at village level could be considered depending on further assessment of the local health needs. By working at both district (hospital) level and village (dispensary) level the EC operations could contribute to creating the basis for a local health services network. In addition, further support to hospital renovation needs as started under the first phase rehabilitation programme could be considered.

Other infrastructure rehabilitation projects

Based on local developments and further needs assessment further support to the restoration of other infrastructure projects in the zone of conflict and its adjacent areas could be included into the programme.

b) Income-generation activities

The aim of this component would be to create incentive for local economic development through small-scale community-based and income-generating projects, as started by ECHO and EC economic rehabilitation programmes in Abkhazia/western Georgia as part of the policy to link relief to rehabilitation and development. Such small-scale activities should pave the way for the local population to resume small-scale economic activity in the region (“money to create”).

This component of the project will build on the results of the so far successful EC policy to Link Relief to Rehabilitation and Development (LRRD), especially in the Georgian-Abkhaz conflict zone, targeting both local communities in Abkhazia as IDP communities in western Georgia. Its overall objective is to support the local economic development in the zones of conflict. The specific objective is to continue and strengthen the income-generation activities programmes in western Georgian/Abkhazia. At the same time such activities could serve as confidence building measures.

c) Shelter assistance (Returnees and IDPs)

The specific objective of this component is to continue and broaden shelter assistance to IDPs and refugees as started under ECHO programmes. There is a clear need to support shelter assistance for the increasing number of returnees in the conflict zone of Abkhazia, as well as to improve the basic living conditions of internally displaced persons (IDPs) from the conflict zones who are living in the 1,200 collective centres in Georgia proper. These IDPs often live in deplorable living conditions and deprived of basic facilities such as water sanitation, gas and electricity.

There is ample opportunity to broaden the scope of such shelter assistance projects as initiated small-scale under ECHO, given the needs for improving living conditions in many IDP collective centres, or for shelter for IDPs returning to their homes in the conflict zones. In addition, there is a great need to provide for shelter assistance to the IDPs who have returned to Gali district. ECHO has started with shelter assistance to returnees in Gali but there is ample opportunity to broaden these initiatives. Shelter assistance projects could, where possible, be linked to other community-based (income-generation) projects. In order to be sustainable such income-generation and/or shelter assistance actions should be demand-driven and directly addressing the needs of the local returnees and IDP population.

d) Cross-cutting issues: civic society support and confidence building

The specific objective is to support civil society capacity building and awareness rising of post-conflict resolution as integrated components of the overall rehabilitation programme. There is a need to build capacity at local level within the NGO community on both sides in the zone of conflict. Moreover, capacity building of civil society is a precondition to maintain and sustain any rehabilitation operation.

The strengthening of civil society as well as and awareness rising of post-conflict resolution and confidence building between opposed sides are integrated cross-cutting components of rehabilitation and peace building. Here civic society, e.g. international and local NGOs, play an important role. There is a need to continue, and where possible strengthen, the dialogue between the opposed sides.

9.3. Stakeholders

The programme components require the consultation and consent of the Georgian Government and the de-facto Abkhaz authorities. The Steering Committee of the on-going economic rehabilitation programme in Abkhazia (Phase I) will represent the forum where the parties will be able to formalise the consent on specific projects and oversight the overall programme implementation.

The main actors involved in the implementation of economic and confidence building programmes in Abkhazia are listed below:

- 1) Basic infrastructure rehabilitation – Abkhazia: UNOMIG, UNDP and/or other UN agencies (possibly EBRD regarding Enguri Hydro-Power Plant), with the cooperation of local community representatives;
- 2) Income generation activities, Shelter assistance to IDPs and returnees, Civic society support, Confidence building measures: international and local NGO's (to be identified in the implementation phase).

The final beneficiaries will be the population affected by the conflict on both sides.

9.4. Risks and assumptions

The Georgian/Abkhaz conflict has festered since the conflict ended in 1993 with a ceasefire agreement. Fourteen years of negotiations led by the UN and Russia, have to date not been able to resolve the conflict. Prospects for an early comprehensive settlement of the conflict are bleak.

Despite the relatively calm and quiet on the ground, the situation remains highly volatile with frequent recurrence in raised political tensions potentially affect the security situation in the conflict zone, which could hamper the implementation of the programme on the ground.

Political support to economic rehabilitation and confidence building activities, as well as willingness to cooperate between the Georgian and Abkhaz sides, are preconditions for implementation of the programme.

9.5. Crosscutting Issues

The rehabilitation programme will contribute to the improvement of livelihoods of the population affected by the conflict on both sides. At the same time the rehabilitation activities serve as a confidence building measure. EC project assistance in the conflict zone plays an important role in creating a dialogue between the sides and in mitigating political tensions and risks of resumption of hostilities in the zone of conflict.

The programme has the following overarching development and cross-cutting objectives that are directly targeted: conflict resolution and peace building, democracy and human rights. The following issues have a significant indirect impact: poverty reduction, good governance, environment and gender balance.

10. IMPLEMENTATION ISSUES

10.1. Implementation method

The implementation method is centralised management. The programme components will be implemented through a limited number of grant contracts to international organisations and/or local and international NGOs. Based on past experience in this region, a grant contract with an international organisation (UN agency) will be concluded by direct agreement, while a grant contract with an NGO will be concluded following a call for proposals.

10.2. Procurement and grant award procedures

1) As far as a tender procedure for international and/or local NGOs is concerned the following rules and procedures will apply:

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question. Given the specific situation and complications of

operating in a conflict zone, the maximum possible rate of co-financing for grants is 90 %.

2) *As far as a direct agreement with an international organisation (UN agency) is concerned, the use of its own rules and procedures is foreseen, which comply with the international standards set:*

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the International Organisation concerned. The Financial and Administrative Framework (FAFA) governs the conduct of checks of operations of UN agencies funded by the European Commission.

10.3. Budget and calendar

Budget

The total budget of the programme is 4 million Euros. Taking into account the volatile situation in the zone of conflict, the EC Delegation prefers a flexible approach in defining the budget. The tentative allocations could be (*but are not limited to*) the following breakdown of budget – with civil society support as integrated component:

a)	Infrastructure rehabilitation:	2 million Euros
b)	Income-generation:	1 million Euros
c)	Shelter assistance:	1 million Euros

Flexibility in budget allocation between the three programme components should be retained (see also the concluding remark under heading 4.7 below).

Calendar

The implementation duration should be a maximum of 36 months.

10.4. Performance monitoring

Project monitoring and evaluation will be based on periodic assessment of progress on delivering of specified project results and towards achievement of project objectives. Suitable objectively quantifiable indicators will be agreed between the contracting Authorities and the Project Partner. The Steering Committee is the mechanism that is foreseen for the overall monitoring of the programme implementation.

10.5. Evaluation and audit

Appropriate planning and regular monitoring throughout the programme's implementation is foreseen by means of interim and ex-post evaluation. An external audit will be carried out at the end of the programme.

10.6. Communication and visibility

EU visibility should be an important political aspect of the programme in conveying EU values as integrated part of rehabilitation and confidence building measures in the Georgian-Abkhaz conflict zone. Any communication or visibility activity will be organised in accordance with the EuropeAid visibility guidelines.

4.7 Concluding remark

Due to the volatile situation in the Georgian/Abkhaz zone of conflict and the difficulties in the dialogue between the Georgian and Abkhaz sides, there is a need for flexibility in the budget allocations of the various programme components.