

Country Development Cooperation Policy for Georgia

December 2022

1. Purpose of Development Cooperation

(1) The South Caucasus region, where Georgia is located, is the center of a corridor running through the Eurasian continent and is geopolitically important as a gateway connecting Asia and Europe. While 20% of its territory is occupied by Russia, Georgia is working to strengthen its democracy and improve its legal system with the aim of integration into the EU and NATO and is an important partner for Japan in strengthening a free and open international order based on the shared fundamental values and rules.

(2) Georgia manages its economy with an open economic policies and fiscal discipline, and its economic growth has been strong. However, Georgia faces challenges to sustainable economic development such as reducing economic disparities, improving social services such as healthcare and education, further developing of its institutional framework for EU integration, stabilizing civil society, addressing enormous infrastructure needs such as transport, agricultural irrigation, etc., diversifying sources of financing and attracting foreign capital to meet these needs.

(3) The Government of Georgia has formulated "Vision 2030", a long-term strategic development goal for the period up to 2030, which promotes efforts to achieve the SDGs, and aims to become a regional logistics hub to develop transport infrastructure such as railways, highways, and ports, and furthermore, to expand investment in green energy and renewable energy, which have high potential. The country's development agenda also includes support for displaced persons from the occupied territories, further investment in education, health and medical care, the development of agriculture and tourism as key industries, and the promotion of the digital economy.

(4) In September 2018, Japan announced the "Caucasus Initiative", the first pillar of which is assistance for human resource development of architects for state building, while the second pillar is assistance for the high-quality infrastructure development and business environment improvement, particularly in the areas of connectivity and transportation infrastructures, and renewable energy. With the Russian invasion of Ukraine in 2022, the use of transport routes through Russia is declining, and the transport and energy corridors through Georgia need capacity building. Japan needs to cooperate in the development of a "free and open" logistics corridor. Furthermore, following the entry into force of the Investment Agreement and Tax Treaty between Japan and Georgia in 2021, it is necessary to provide assistance that contributes to the development of the business environment to support the entry of Japanese companies. It is also important to continue to support the strengthening of democracy through the development of human resources responsible for nation-building and support through

NGOs.

2. Basic Policy of Japanese ODA

Through assistance in the fields of education, healthcare, agriculture, tourism, disaster prevention and other areas that contribute to Georgia's economic and social development and livelihood stability, Japan will contribute to building a more resilient society and develop human resources, while strengthening Georgia's role as a connectivity and energy corridor. It will also contribute to the creation of an attractive country through the development of a business environment.

3. Priority Areas

(1) Promoting stable economic growth

In Georgia, the government is improving the economic infrastructure as the Soviet-era infrastructure is deteriorating and its decay has become a bottleneck to economic growth. By supporting the development of sustainable, high-quality infrastructure that emphasizes governance in terms of security, openness and economic efficiency, Japan will promote stable economic growth and strengthen connectivity, which will benefit the international community as a whole.

(2) Building an environmentally friendly and natural disaster resilient society

While Georgia has great potential in clean and renewable energy, it has only just begun to address climate change and faces many environmental challenges, such as a lack of progress in waste management systems and waste separation. In addition, communities are scattered in rugged mountainous areas and located in seismic zones, exposing them to high risks of natural disasters such as earthquakes, landslides and large forest fires, for which there is insufficient preparedness. In light of the above, in addition to soft assistance such as sharing Japan's knowledge of technologies and policies, Japan will encourage and support Japanese companies that have advanced environmental technologies, such as clean energy and renewable energy, to enter the region, and will continue to provide assistance in the field of disaster prevention.

(3) Human resource development for industrial promotion (agriculture, regional development, SME)

Although the business environment in Georgia is improving, regional disparities between urban and rural areas, together with income disparities among residents are becoming apparent due to the lack of broad-based industrial development and its supporters. With a view to stabilizing people's livelihoods and reducing disparities, Japan will promote measures to improve productivity, including technical advice on agriculture, improve

vocational training and support measures to improve training opportunities for SMEs and other professionals, with a view to promoting tourism as a major industry, promoting exports, including agriculture, and promoting SMEs. In addition, Japan will seek to energize business exchanges, provide opportunities for cooperation with Japanese companies, and develop human resources for development through Japanese language education and Japanese studies.

(4) Supporting the social sector (health, healthcare, education)

Improvement of social infrastructure and human capital development (health and education), which directly benefit the poor, are crucial for economic growth in the country and poverty reduction in the region. Displaced persons from the occupied areas also continue to face difficult circumstances and it is necessary to provide assistance from a peace-building perspective, with particular emphasis on women's empowerment. Based on the above, Japan will provide cooperation in health, medical care and education, including for displaced persons, to improve social infrastructure and human capital development in the region, as part of poverty reduction and peace building initiative. Japan will also contribute to the development of civil society and the strengthening of democracy through support to NGOs and other means.

4. Points to be considered

According to the Ministry of Foreign Affairs' ODA evaluation 'Evaluation of Assistance to Caucasus Countries (Third Party Evaluation)' conducted in FY2015, the assistance was rated 'High' in terms of (1) appropriateness of policy, (2) effectiveness of results, and (3) appropriateness of process. The three recommendations are: (1) identify areas of comparative advantage for Japan to promote the private sector, (2) continue to provide grassroots grants to the region, and (3) promote exchange of views and cooperation with local implementing agencies and other donors. Furthermore, the report recommends promoting opportunities for exchange and cooperation through support for issues common to the three Caucasus countries and reviewing the support system to enable the three countries to work together on common issues.

In terms of aid coordination, the Administration of the Government of Georgia has established Donor Coordination Unit, which is working to establish a system for discussion and coordination with aid agencies based on a comprehensive view of the country's overall development issues and will explore the possibility of cooperation between the unit and major donors such as the US and the EU.

As Georgia's GNI per capita increases, and as general grant aids will be provided only for projects identified as urgent and in need of humanitarian assistance, grassroots grant

aids, loan assistances and technical cooperation will be efficiently linked. Attention also should be paid to the achievement of the SDGs.

Annex: Rolling Plan

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