

The Republic of Georgia

The Center for Global Development prepared this summary based solely on the publicly available proposal submitted by the Republic of Georgia to the Millennium Challenge Corporation.

Overview

The Republic of Georgia submitted a proposal for funding from the MCA to support its poverty reduction and economic development program. The proposal does not specify a dollar amount. According to the proposal, in order to ensure greater impact, the funds would be channeled only to those areas that are central to poverty reduction and economic development. This program aims to boost regional development and local ownership of projects.

Context

According to the proposal, Georgia is committed to jumpstarting sustainable economic growth and reducing poverty in those areas in greatest need and likely to benefit the most from MCA-funded projects. This means funds would be invested in rural areas outside the Tbilisi region, where jobs are scarce and the economic infrastructure is almost nonexistent. The focus on rural poverty stems from the acknowledgement that the government has other policy initiatives to help address urban poverty.

The emphasis on regional economic development reflects the government's attempt to induce sustainable economic growth in those areas where chronic rural poverty is most severe.

Elements of the Proposal

According to the proposal, the Republic of Georgia has chosen two priority areas to meet the overarching goals of poverty reduction and economic development; enabling infrastructure and investing in strategic industry sectors.

1. Enabling Infrastructure: To rehabilitate or establish targeted regional infrastructure critical to addressing the causes of local poverty and crucial for job creation. This component includes the following initiatives:

- Establishment of an Infrastructure Development Fund to finance targeted high impact infrastructure development projects focused on poor regions, through a combination of grants and low interest loans.
- Integration and Development of the Samtskhe-Javakheti region by building a road from Tbilisi to Samtskhe-Javakheti, one of the poorest regions in Georgia, where the predominantly ethnic-Armenian population is virtually cut-off from the rest of Georgia, physically and economically.

- Investment in a comprehensive regional Energy Infrastructure Rehabilitation program designed to ensure the long term sustainability of Georgia’s power sector by funding metering and collection of the United Distribution Company (UDC).
- Establishment of a targeted Tourism Infrastructure Recovery Program that would voluntarily resettle internally displaced persons (IDPs) living in historic sites, and help develop inbound tourism to Georgia.

2. Investing in Strategic Industry: To induce double digit regional growth in the agriculture/food industry and tourism sectors of the economy, the MCA program would fund projects that include:

- The creation of a Georgian Development Fund to encourage and co-finance equity investments in high impact, capital intensive projects in the agriculture/food processing and tourism sectors.

Proposed Outcomes

According to the proposal, this program is part of the basis of Georgia’s strategic reform priorities for the next three years. The program will be evaluated through the following results:

- Increase in agricultural productivity due to the rehabilitation of the irrigation system
- Decrease in transportation costs and increase of agricultural product price competitiveness, following road infrastructure improvement
- Improvement of commercial tourism industry and increase in tourist influx as a result of the rehabilitation of sanitation and water systems in key tourist areas.

Consultative Process

According to the proposal, the government of Georgia conducted a comprehensive, nationwide consultative process that lasted approximately three months. Using various outlets (interviews, radio, television, debates), the government launched a mobilization campaign that provided opportunities for all interested groups and individuals to participate and contribute to the formulation of the proposal.