



EUROPEAN COMMISSION
DELEGATION TO
GEORGIA AND ARMENIA

EC REHABILITATION PROGRAMME FOR THE GEORGIAN-ABKHAZ ZONE OF CONFLICT

Phase II – (Revised programme) - Start January 2007

Executive summary

On 6 December 2005 a first phase EC Rehabilitation Programme was launched. To address additional needs in the conflict zone the Delegation proposes to set up a second phase for rehabilitation that would address different areas of cooperation but complement the first phase programme.

The key objective of this Second Phase EC Tacis Rehabilitation Programme will be to enhance stability and security through confidence and peace building measures aiming at the prevention and settlement of internal conflicts and actions in favour of the local population that has been affected by the Georgian-Abkhaz conflict.

Based on its assessments, further visits to Georgia/Abkhazia and consultations with both sides the Delegation intends to finance a second phase EC rehabilitation programme for the Georgian-Abkhaz conflict zone and adjacent areas with a budget of 1.98 million Euros for the duration of 36 months with ERBD, UNOMIG and UNDP main implementing agencies. This programme would share the same objectives of the first programme but address different rehabilitation needs, with a focus on energy needs, thus complementing the components of the first phase.

The main priority of this second phase is the continuation of the EC-EBRD co-funded rehabilitation works at the Enguri Hydro-Power Plant (HPP), which is located in the Georgian/Abkhaz conflict zone and the main electricity generation unit in Georgia (including Abkhazia). Enguri HPP is the main provider of electricity of Georgia/Abkhazia and both Georgian and Abkhaz sides agree on the importance of further refurbishment of the HPP.

The target areas for rehabilitation would focus on the Gali district of eastern Abkhazia as well as the Zugdidi district on the Georgian side of the cease fire line in order to support both ethnic Georgian and Abkhaz communities.

The following priorities for EC rehabilitation actions under this programme are agreed (in the following districts):

Phase II of the rehabilitation programme of 1.98m Euros of 36 months starting early 2007:

- Rehabilitation of Enguri Hydro-Power Plant (EBRD, 1,780,000 Euros - Zugdidi/Gali districts)
- Support to civilian police (CIVPOL) activities (UNOMIG, 90,000 Euros - Zugdidi)
- Enguri shuttle bus – (UNOMIG, 20,000 Euros - Enguri Bridge / Ceasefire line)
- Information Sharing Centre (UNDP, 90,000 Euros - Sukhumi, online)

An overview of the activities as well as budget allocations of the planned second phase programme is set forth below:

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The foreseen rehabilitation activities should be undertaken with involvement of the local authorities and civil society. Given the economic crisis situation in the zone of conflict the local authorities are not in the position to co-finance the rehabilitation intervention.

The EBRD, UNOMIG and UNDP will be the main implementing agencies for the components for EC rehabilitation funding in the context of the EC-UN Framework Agreement. The Delegation intends to conclude grant agreements firstly with EBRD for the first component, and secondly with UNOMIG and UNDP on the other components.

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.

An adequate steering mechanism will be prepared to ensure close coordination and monitoring of implementation of the programme and complementarity between the first and second phase of rehabilitation.

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A steering mechanism has been agreed to ensure close coordination and monitoring of implementation of the programme. This steering mechanism includes the set up of a Steering Committee, Working Group and Coordination Committee (in line with the first phase rehabilitation programme).

OVERVIEW - EC-UNOMIG/UNDP Rehabilitation Programme for Georgian-Abkhaz Conflict Zone –Phase II – Overview of EBRD, UNOMIG and UNDP components and budget allocations

Phase II Revised – Start January 2007

Programme II – (2007)			
Component	Area	Implementing agency	Budget in Euros
1 Enguri Hydro-Power Plant	Gali and Zugdidi Districts	EBRD	1,780,000
2 CIVPOL	Zugdidi, Lia Police Station	UNOMIG/ CIVPOL	90,000
3 Enguri Shuttle bus	Enguri Bridge (ceasfire line)	UNOMIG	20,000
Information Sharing Centre	Sukhumi, online	UNDP	90,000
Total			1,980,000

ACTION FICHE FOR GEORGIA ENPI AAP 2007

REHABILITATION IN CONFLICT ZONES

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

2. RATIONALE

2.1. Sector context

Background Georgian-Abkhaz conflict

The 1992-93 armed conflict in Abkhazia led to the displacement of an estimated 200,000 persons (mostly ethnic Georgians and a significant part of the pre-war 525,000 population) and the destabilisation and devastation of this once prosperous region. A cease-fire was brokered in 1993 and enforced by CIS (Russian) peacekeeping forces overseen by the UN military observer mission. In 1994 the Georgian and Abkhaz sides, under auspices of the United Nations (UN), signed an agreement on a cease fire and separation of forces (the "Moscow Agreement"), bringing the hostilities to a halt and establishing the Commonwealth of Independent States Peacekeeping Forces (CIS PFK).

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. Since May 2004 President Saakashvili has repeatedly stated that the issue of returning Abkhazia is now a first priority on the political agenda and a corresponding plan will be developed by the Georgian Government. 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. At the September 2006 UN General Assembly meeting, President Saakashvili reiterated Georgia's request to replace Russian Peacekeeping forces in conflict areas and confirmed Georgia's intentions to re-establish its territorial integrity through peaceful means.

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. 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

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south-west of Sukhumi (Gali, Ochamchira and Tkvarcheli) however, are located in the conflict zone where living standards are considerably worse. Although there are no official data available many towns and villages in the conflict zone have nowadays at best 25% of their pre-war inhabitants.

After more than ten years after the conflict the local economy of Abkhazia has collapsed. The economic embargo has put the local economy in isolation. With a dramatic drop in the levels of employment and GDP livelihoods now remain primarily subsistence based. 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). However, agriculture and industry, public buildings and private housing have been in a state of progressive decline in the past thirteen years.

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. The exodus of skilled and educated people has created a critically weak implementation and management capacity that is weakened by the absence of resources or equipment. 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.

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 European Commission (EC) supports the peaceful resolution of the internal conflicts on the basis for meaningful negotiations and a continuing search for a political settlement. However, the EC is not directly involved in the political side of conflict resolution in Abkhazia or South Ossetia. Instead, the EC actively supports various economic rehabilitation and confidence building activities in the Georgian-Abkhaz and Georgian-Ossetian zones of conflict as an important measure to build greater trust between the conflict-affected populations. One key factor of the European Commission's programmes in Abkhazia and South Ossetia has been the deliberate policy of assisting each of the ethnic community divided by the conflict. While confidence building in conflict situations remains a long-term process, the EC programmes have shown that through its assistance the European Commission can play an important role in creating a dialogue and build confidence between the sides, in strengthening local democracy and human rights in the conflict regions, as well as in efforts to build bridges within civil society.

The ongoing and planned programmes in Abkhazia (since 2004) financed by the EC include humanitarian assistance, economic rehabilitation, confidence building, democratisation and

human rights projects and demining. The European Commission is the largest donor in Abkhazia. The EC-financed large-scale repair works at the Enguri Hydro-Power Plant in the Georgian-Abkhaz conflict zone, for example, (Georgia's largest electricity supplier, where the dam is located on the Georgian side and the power station on the Abkhaz sides) has shown that when both sides of the conflict share the same economic interest they are often willing to cooperate. Moreover, due to a policy of Linking Relief to Rehabilitation and Development (LRRD) successful steps have been made to reduce food aid in favour for sustainable income-generation activities for local communities affected by the conflict (especially in Abkhazia and western Georgia). In order to be sustainable on the long-term, however, this LRRD process would need to be further supported.

A joint COMM/SEC mission at expert level visited Georgia, including Abkhazia and South Ossetia in January 2007, with the view of identifying new measures, to be supported by the EU, with the view of improving the climate of confidence and to put the peace process back on tracks. The preliminary findings of the mission confirm the analysis described above and suggest for a larger involvement of the EU 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)

The EC has launched a comprehensive rehabilitation programme for the Georgian-Abkhaz conflict zone (e.g. the districts of Gali, Ochamchira, and Tkvarcheli in the east of Abkhazia, as well as the Zugdidi district on the Georgian side of the cease fire line) in two phases in order to improve living conditions of both ethnic Georgian and Abkhaz communities. This rehabilitation programme is divided into two separate phases and aims to provide for a linkage between the need for relief and development aid. The first programme (1.98 m Euros, 24-36 months start December 2005) including rehabilitation of electricity infrastructure and local hospitals as well as income-generating activities. The second programmes for Georgia/Abkhazia II (1.77m Euros, 12-24m, start January 2007) complements the first phase and includes further rehabilitation works on the Enguri Hydro-power plant as well as support to the UNDP-led information sharing centre in Sukhumi and the UNOMIG-led Enguri shuttle bus at the ceasefire line.

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Cooperation with civil society (Decentralised Cooperation, EIDHR)

The Decentralised Cooperation initiative plans to complement rehabilitation intervention by extending the geographical location of the EC rehabilitation and confidence/capacity building activities to all regions of Abkhazia. Under Decentralised Cooperation activities similar to those of the rehabilitation programme have been introduced outside the conflict zone, e.g. in Sukhumi and west Abkhazia. The Decentralised Cooperation projects are implemented by local NGOs, which cooperate in partnership with international NGOs.

ECHO programmes - LRRD

ECHO is financing humanitarian aid/recovery programmes in Western Georgia which aim at improving the living conditions of the most vulnerable households in Abkhazia (local population and returnees) and Samegrelo (IDPs). In line with the LRRD policy of Linking Relief to Rehabilitation and Development ECHO has initiated successful and sustainable income-generation activities for local communities affected by the conflict. The income-generation projects as started by ECHO are expended under the economic rehabilitation programmes, which build on the 'lessons-learned' of ECHO. ECHO has also started pilot projects for shelter assistance to IDPs in Samegrelo and for returnees to lower-Gali.

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. Regular coordination meetings are held between international organisations, and international and local NGOs. The information sharing centre also initiated a donor coordination website (www.abkhazdev.info).

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 that are present in Tbilisi. Monthly overview of all EC assistance to the conflict zones are published on the Delegation website (www.delgeo.ec.europa.eu).

3. DESCRIPTION

3.1. Objectives

The overall objective of the EC programmes in conflict zone of Abkhazia (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 aim of the EC programme is to support the rehabilitation and development operations in the Georgian/Abkhaz conflict zone and adjoining areas in order to create preconditions for local economic and social development, especially at local level, as well as for safe and dignified repatriation of refugees and displaced persons.

3.2. Expected results and main activities

The expected results, and related main activities, of the proposed programme are set forth below – with civil society support and confidence building as integrated cross-cutting issues:

- a) Basic infrastructure rehabilitation;

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- b) Income-generation activities;
 - c) Shelter assistance;

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 the Delegation therefore proposes to support the education of children of the local population as well as returnees and IDP children through school rehabilitation projects.

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 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 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 specific objective of this component is to would be to create incentive for local economic development through small-scale community-based and income-generating projects as started under the ongoing 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 builds 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. At the same time such activities could serve as confidence building measures.

c) Shelter assistance (Returnees and IDPs)

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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 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. In the conflict zone there is, amongst others, a clear need to advance confidence within and between inhabitants of different ethnicities in the zones of conflict, by gaining a clearer understanding of their needs, supporting the development of stronger civil society representatives and strengthening their commitment towards peaceful ways of resolving issues.

3.3. 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 Steering Committee is formed by representatives of the EC, the Georgian Government, the de-facto Abkhaz authorities, UNDP and UNOMIG. The final beneficiaries will be the population affected by the conflict leaving in both sides of the conflict zone.

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);
- 2) Income generation activities, Shelter assistance to IDPs and returnees, Civic society support, Confidence building measures, will be put into place with international and local NGO's.

IMPLEMENTATION ISSUES

4.8. 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.

4.9. 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.

4.10. 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:

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|----|--------------------------------|-----------------|
| 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.

ANNEX 1 – Table with an overview of the proposed project activities

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