



Euro Caucasus

Cross-border cooperation between Georgia and Armenia

DRAFT STRATEGY FOR DEVELOPMENT

2012-2016

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CONTENT

<i>Introduction</i>	<i>Page 1</i>
<i>Profile of member regions and municipalities</i>	<i>Page 2</i>
<i>SWOT Analyses</i>	<i>Page 29</i>
<i>Vision of The Organization</i>	<i>Page 30</i>
<i>Mission of The Organization</i>	<i>Page 30</i>
<i>Development Pories</i>	<i>Page 31</i>
<i>Institutional setting</i>	<i>Page 33</i>
<i>Sustainability and financial viability</i>	<i>Page 34</i>
<i>Projects</i>	<i>Page 35</i>
<i>Programs</i>	<i>Page 36</i>

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1. INTRODUCTION

Euro region “Euro Caucasus” was established in 2009 by Armenian and Georgian Municipalities with support from the National Association of Local Authorities of Georgia and the Community Association of Armenia. The Founding declaration was signed in Tbilisi by Mr. Emin Yeretsyan, director of CAA, Mr. Mamuka Abuladze President of NALAG, as well as mayor of the city of Vanadzor (Armenia) and Mayor of Bolnisi Municipality (Georgia). The founded forum was attended by high representatives from Armenian and Georgian central authorities as well as representatives from international organizations and foreign diplomatic missions accredited in Georgia.

Euro Caucasus unites 4 municipalities from Georgia (Dmanisi, Bolnisi, Marneuli and Ninotsminda) and municipalities from two Mazers from Armenia (Tavush and Lori). Euro region “Euro Caucasus” is result of long and successful cooperation between local governments’ associations of Armenia and Georgia. This is first case in the Caucasus when municipalities entered in cross-border cooperation and established legal entity to achieve harmonized development and economic prosperity.

Leaders of Municipalities and communities from Armenia and Georgia express their will to promote cooperation and development for the sake of their citizens and future generations. Members of Euro Caucasus recognize principle of sovereignty and integrity of their national states and express strong political will to cooperate for achieving peace, democracy and development in entire region.

Members of Euro Caucasus state that the organization is open for municipalities from all three countries of South Caucasus. Our policy id to expand regime of cooperation among the municipalities across Georgian-Azerbaijan borders and hopes that in the future cross border cooperation in south Caucasus will have multilateral nature involving all regional stakeholders and institutions. We believe,

like in Europe, cross border cooperation will serve as an efficient tool for integration and democratic stability in the Caucasus

2. PROFILE OF TERRITORY OF EURO CAUCASUS

2.1. Administrative and political context

Armenia

In 2001 **Armenia** became member of the Council of Europe, which marked a significant step towards closer cooperation with the European counterparts. As a member of the Council of Europe, the Armenian

government intensified its transition to democracy and strengthened compliance with human rights laws. This resulted in significant changes in government policies, its institutions and in Armenian society in general. In particular, the death penalty was abolished, alternative military service was adopted, and considerable



improvements were introduced into the judicial system. A new electoral code was passed, steps were undertaken to promote freedom of the media, public institutions and officials were encouraged to work in a more transparent and open manner. The implementation of these new policies is being monitored by the Council of Europe Monitoring Group and observed by national democracy and human rights institutions.

The inclusion of Armenia in the *European Neighbourhood Policy (ENP)* of the EU in the end of 2006 marked a new step towards further European integration and attached greater attention to incorporation of Armenia into the European processes. The implications for Armenian society are significant and require an adequate communication, participatory and accountable government to secure meaningful policy adjustment.

After the adoption of the Constitution of the Republic of Armenia on 5 June 1995, the system of local self-government was formed concurrently with establishment of the central government structure. Implementation of local self-government is regulated by the Constitution, the Law *'On Local Self-Government', based on the European Charter of Local Self-Government* ratified by Armenia in 2002, and by other laws and legal acts. According to the Constitution and the Law *'On Administrative-Territorial Division of the Republic of Armenia'* (4 December 1995), Armenia is divided into 10 *marzes* (regions) and the capital city of Yerevan. Regions are divided into urban and rural communities and Yerevan into districts. Marzes differ in territory, population size, number of communities and level of economic development.

In Armenia local self-government is exercised in a single-tier system, based on communities. Each urban and rural community consists of one or more settlements. There are 1000 settlements in Armenia, which are unified in 926 communities of which 48 are urban, 865 are rural and 12 are Yerevan district communities. Each community has a directly elected community leader ('mayor') and a directly elected community council. Limited powers and responsibilities have been devolved from central to local level. Regional governors may request the dismissal of local mayors. The Law *'On Budget System'* (21 July 1997) stipulates procedures on making, execution and supervision of community budget, interrelation of duties and the budget, as well as types of budget revenues and expenditures at the different administrative levels.

Armenia's geopolitical situation is complex since it is a landlocked country with no energy recourses and closed borders to the west (Turkey) and east (Azerbaijan), due to a persisting conflict with Azerbaijan over Nagorno-Karabach. For its import and export Armenia relies heavily on Georgia as Georgia forms the gateway to Europe. Much of Armenia's future progress will depend on improved relations with its neighbours, re-opening of closed borders and successful and peaceful conflict settlement. Therefore, regional cooperation, regional stability and good cooperation with Georgia are high on the political agenda of Armenia. Armenia also maintains contacts with its southern neighbour Iran.

Georgia

The EU-Georgia Partnership and Cooperation Agreement (PCA) was concluded in 1996, entered into force in 1999 and forms the legal basis of the EU-Georgia relations. Respect for democracy, principles of international law, human rights and market economy principles are

the essential elements on which the EU-Georgia partnership is based. The *EU-Georgia European Neighbourhood Policy (ENP) Action Plan* was adopted in November 2006 and improved Armenia's prospects for European integration. The Action Plan sets out priorities in areas within and beyond the scope of the Partnership and Cooperation Agreement. One of these priorities relevant to the strengthening of the democratic institutions is to finalise and implement a strategy and programme for local government reform ('Law on Local Self Governance'), in accordance with the recommendations of the Council of Europe. In the second half of 2007, draft laws were elaborated aimed at improving the institutional arrangement of local self-government units, facilitating citizens' participation in local self-governance, and modifying the equalisation transfer formula defined by the law on budget of local self-government units. Despite these legislative efforts, there has been **no significant empowerment of local authorities in practice**. The government maintains strict control over self-governing units through regional governors and there have been limited efforts to improve administrative and planning capacity at the local level.

Georgia's democratic institutions are characterized by a strong presidential system, a weak separation of institutional powers and an ineffective system of democratic checks and balances. Local governments lack financial autonomy and political power and thus have fairly limited powers and responsibilities. A State Committee on decentralisation was set up in April 2004 by the President of Georgia in order to prepare a strategy and programme for local government reform. Parliament passed the new 'Organic Law on Local Self-Government' in December 2005. According to the new legislation the number of local self-governments was radically decreased (consolidated) from 998 to 69 units, of which 60 rural municipalities, 5 big cities and 4 special territories in conflict zone. The first level of local self government (village, community, town) was abolished and the district (rayon) was transformed into the only level of local government. Georgia now comprises 11 regions (including the autonomous republics of Adjara and Abkhazia). Regional administrations are led by governors and are appointed by the President. The population in the cities and municipalities elect the local Councils (*Sakrebulo*). Those Councils then elect the Head of the Council, who is a supreme official and appointed head of the executive organ (*Gamgeoba*). Following the call for local government reform, the 'Center for Effective Governance System and Territorial Arrangement Reform' (CEGSTAR) was founded in 2008 to conduct these reforms. The Center is responsible for the legal and organisational provisions of the decentralisation process and its planning.

Georgia ratified the European Charter of Local Self Government in April 2004, thus complying with one of its commitments made on acceding to the Council of Europe. However, since the 'rose revolution' Georgian authorities have been pursuing an ambitious agenda of political and economic reforms and embarked on a rapid decentralisation reform process, which calls for cooperative efforts among many institutions at the central and local level.

Given its geopolitical strategic position, particularly as a transit route between Europe and Asia, *Georgia is a strong promoter of regional cooperation*. The new Georgian authorities have sought to develop cooperation with its neighbours Armenia and Azerbaijan.

2.2. Socio-economic analysis:

2.2.1 Republic of Armenia

LORI MARZ

The leading branches of **economy** of the marz are **agriculture and industry**, particularly production of grain, potato, vegetable and animal husbandry product.

Manufacturing **industry** is the main trend of industry of **the marz**, especially metallurgy industry and food production. RA general railway runs through the central part of the **marz**. **Freight and passenger transportations** in the marz are implemented by road transport and electric transports (cableway). In 2008 the share of **economy** main branches of **RA Lori marz** in total volume of correspondent branches of the republic comprised.



- industry 5.7 %,
- agriculture 9.9 %,
- construction 0.7 %,
- retail trade 2.0 %,
- services 1.4 %.

The marz centre is **Vanadzor town** (104.8 ths. inhabitants in end of year 2008). It is situated in the intermontane concavity of mountain chains of Pambak and Bazum, in the confluence of Tandzut and Pambak rivers, at a height of 1350 m. above sea level. The

distance from Yerevan is 115 km by roadway, and 224 km by railway. Tandzut and Pambak rivers flow along the town.

The town formerly considered as a town rich in industrial powers and at the same time as a resort centre, nowadays it is going to find its old name. Now by some interruptions function the **chemical complex** of the town. Many small and medium industrial fabrics function in the town as well, trade and service rendering get more civilized forms, housing and industrial construction works are implemented at the expence of different sources of financing.

Spitak town (15.1ths. inhabitants in the end of the year 2008, the distance from Yerevan is 95 km) is situated on the bank of Pambak river, in a distance of 100 km from Yerevan, and 20 km from marz centre. It occupies the territory of 1400 ha. Yerevan-Georgia road and railway of intergovernmental importance run through the territory of the town.

Spitak had been one of the **industrial** centres of the republic until 1988; the only sugar refinery and lift construction factory were situated in Spitak. Nowadays some small and medium industrial fabrics function in the town; the main part of population work in agriculture sphere.

Stepanavan town (15.8 ths. inhabitants in the end of the year 2008) occupies the territory of 1666 ha and situated at a height of 1375 m above sea level. Yerevan-Georgia road of intergovernmental importance runs through the territory of the town. The distance from Yerevan is 139 km, from Vanadzor - 24 km. Some small and medium factories worked in the town, which were occupied in food, furniture and electrical equipment manufacture.

The present day **Tashir town** (8.7 ths. inhabitants in the end of the year 2008) was founded in 1834, as a Russian exile and was named Vorontsovka, where Russians mainly lived. It renamed Tashir in 1991. Yerevan-Georgia road of intergovernmental importance runs through the territory of the town. The distance from Yerevan is 162 km, from Vanadzor - 42 km. Some organizations functioned in the town, that were occupied in **milk processing**, the wholemilk dairy products of which were consumed not only in the republic, but also in abroad.

Alaverdi town (15.9 ths. inhabitants in the end of the year 2008) is situated on the bank of Debed river (at a distance of 162 km from Yerevan and 47 km from Vanadzor). The town was formed after the construction of the copper-melting factory. The copper-melting factory

has functioned today as well, the output of which comprised prevailing part of Lori marz indicator.

Akhtala town (2.4 ths. inhabitants in the end of the year 2008) is situated on the left bank of Debed river (at a distance of 186 km from Yerevan), on the steep of the mountain. The main branch of industry is mine industry (manufacture of copper concentrate).

Tumanyan town (1.8 ths. inhabitants in the end of the year 2008) is situated on the right bank of Debed river (at a distance of 148 km from Yerevan and 42 km from Vanadzor). In post-war period a factory of refractory brick was built on the base of refractory raw clay, round which present day Tumanyan town was formed.

Shamlugh town (0.7 ths. inhabitants in 2008) is situated on the left bank of Debed river (at a distance of 196 km from Yerevan and 63 km from Vanadzor). Shamlugh town is famous for its mines of copper and silver and was one of the most important mining exploitation centers in Southern Caucasus.

TAVUSH MARZ

Tavush marz is extended on the external line of Small Caucasus mountain ranges (Virahayots, Gugarats and Miapor mountains) and is situated in the moderate damp region of the Republic of Armenia. Annual duration of the sun radiance is 1900-2000 hours. Summers are warm, winters - mild. Rivers belong to the Caspian sea (Kur river) basin and live on thawed, underground, rainy waters. The natural lake is Parz lake that is situated near the Dilijan. Joghaz, Hakhum, Tavush, Aygedzor and Ijevan reservoirs were situated here too.



The marz nature is wonderful. Mixed forests comprise 40.3% of total surface that are striking by variety of fauna and flora, incomparable monuments of natural inheritance. Dilijan state preservation and Ijevan forest garden (arboretum) have been created in the Aghstev basin with a purpose of keeping the situation created by nature, more enrichment and receiving new kinds in local conditions. Climatic conditions (mild climate, mountainous clear air rich with oxygen, mineral medicinal waters, forests, mountainous land rich with

herbs) of marz and, in particular, Aghstev valley are extremely favourable for the organization of population rest, recovery of health and promotion of international tourism.

The marz is comparatively poor with useful minerals. Bentonite clay, limestone, lithographic stone, dolomite, felsites are of marz importance. Aghstev river valley is rich with mineral waters that are bottle filled as well.

The Northern Caucasus-Tbilisi-Yerevan gas-bearer goes through the **marz** centre. 146 km interstate, 253 km of republican importance roads are extended through the marz. 70 km part of Ijevan-Hrazdan railway goes through the Aghstev gorge. 7 km part of Yerevan-Tbilisi railway goes through the Northern border lengthwise, Debed bank.

In 2008 the share of **economy** main branches of RA Tavush marz in total volume of correspondent branches of the republic comprised

- industry 0.7%,
- agriculture 5.5%,
- construction 0.5%,
- retail trade 1.2%,
- services 0.4%.

Marz is pronounced agricultural districts of the republic. In animal husbandry the main branches are cow and pig breeding and in plant growing the most developed branches are grain and grape growing. During last years beekeeping develops too.

The main branch of **economy** of the marz is manufacturing. The food industry and woodworking continue to be a leading branches of industry. Wine, mineral waters, stone and wood products are exported to external markets.

Freight and passenger transportations in the marz are implemented by road transport.

RA Tavush marz centre is Ijevan town (in 2008 20.5 ths. inhabitants) The distance from Yerevan is 132 km. It is the administrative, industrial, education and cultural centre and transport junction of the whole north-eastern part. The main trend of town industry is manufacturing (particularly, woodworking, production of food, mineral water and wine). Ijevan town is also known by carpet making.

The distance of **Dilijan**, resort town from Yerevan is 96 km. Population comprised 15.6 ths. persons in the end of 2008. The main trend of town industry is manufacturing, in which the

food and beverages production is separated. “Dilijan Frolova” mineral water has received wide recognition.

The distance of **Noyemberyan** town (5.5 ths. inhabitants in the end of the year 2008) from Yerevan is 185 km. Agriculture has an essential role in the town’s economic life, the main trend of which is field-crop cultivation and animal husbandry.

The distance of **Ayrum** town from Yerevan is 205 km (in the end of 2008 population number comprised 2.4 ths. inhabitants). The town is located near station, and the main job of population is retail trade.

The distance of **Berd town** (8.5 ths. inhabitants in 2008) from Yerevan is 186 km. The main trend of town industry is multibranch agriculture; wich is separated by small cattle husbandry and field-crop cultivation.

SHIRAK MARZ

the marz is the coldest region of Armenia, where the air temperature sometimes reaches -460C in winter. The main railway and automobile highway connecting Armenia with Georgia pass through **the marz territory**. The railway and motor-road networks of Armenia and Turkey are connected here. On the Akhuryan river frontier with Turkey the Akhuryan reservoir was built that is the biggest in the country by its volume of 526 mln. m3.



The leading branches of industry of **RA Shirak marz** are production of food, including beverages and production of other non-metal mineral products. Tufa and pumice of Artik and Ani are well-known. **Freight and passenger transportations** in the marz are implemented by road transport (the airport is situated in the marz that provides air connection with CIS countries). The share of **economy main branches** of RA Shirak marz in 2008 in total volume of correspondent branches of the republic comprised:

- industry 2.4 %,
- agriculture 10.1 %,
- construction 1.5 %,
- retail trade 2.4 %,
- services 1.9 %.

Marz center Gyumri town (146.4 ths. inhabitants in the end of the year 2008) is situated in 118 km distance from Yerevan, the height above sea level is about 1550 m. **The town** is situated on the left bank of Akhuryan river. It is continued to be the second town of the Republic of Armenia by its population number and importance.

Artik town (17.4 ths. inhabitants in the end of the year 2008, is situated in 100 km distance from Yerevan) is situated on the North-West breast of Aragats massif, the height above sea level is 1760 m. Maralik-Gyumri railway and Aparan-Gyumri highway pass through the town. Supports of **Artik industrial produce** capacity are mill, glass moulds production and 9 small and large organizations, producing tufa.

Maralik town (in 2008 – 6.0 ths. Inhabitants, is situated in 90 km distance from Yerevan) is situated on the western breast of Aragats massif, the height above sea level is 1920 m. Gyumri-Talin-Yerevan highway passes here. The **textile industry, mining of building materials and agriculture** are developed in the town.

2.2.2 Georgia

Economy and business development

<i>Municipality</i>	<i>Agriculture</i> %	<i>Industry</i> %	<i>Tourism</i> %
<i>Bolnisi</i>	1,7 %	95,3 %	3 %
<i>Dmanisi</i>	2,4 %	94,3 %	3,3 %
<i>Marneuli</i>	2,5 %	94 %	3,5 %
<i>Ninotsminda</i>	75 %	22,7 %	2,3 %
<i>Georgian border area</i>	2 %	95 %	3 %
<i>Average EU</i>			

According to the existing data, trends of growth are clearly visible in the economy of the Region. Agriculture output shot up by 300 percent, similarly processing industry increased by 300 percent, power, gas and water generation and distribution soared by 250 percent,

construction volume expanded by 25 percent, plus health and social security service went up by 200 percent. However, the same cannot be said about the hotel and restaurant business, where a declining tendency was observed, losing up to 53 percent. Also a trend of decline in all fields of agriculture has been observed for the past 5-7 years, most notably in growing of cereals, and to some extent also in growing vegetables, farming of cattle, as well as in viticulture. The farmers say that these tendencies are based on the lack of market opportunities. Internal market is not protected and goods are being imported from Turkey without custom tariff. So, imported goods are cheaper. Provision of agricultural commodities is problematic, as there are no outlets supplying agricultural goods, and consequently farmers need to travel to Tbilisi for purchasing treatment materials.

The existing agricultural machineries are mostly obsolete, for that reason the soil is not cultivated completely and as a result the yield is low. Besides, the existing machineries can barely cope with 20 percent of the demand. There is a shortage particularly in sowing, collecting and spraying machineries. Similarly, there is insufficient number of combines for collecting wheat and corn, and tillage



machineries. Hay making and unloading is done manually, because of which the produced hay is not of competitive quality. The machineries are for the most part owned by individuals, which was transferred to private ownership after the collapse of the Soviet farms.

In **Bolnisi** Municipality total value of the production in various fields has shot up by 129,6 percent in last years. The largest share in the economy belongs to mining industry and quarrying. The leading area in the economy is industry. It is worth mentioning that four large businesses were registered on the territory of Municipality.

The main agricultural activities developed in the municipality are farming of cattle, cultivation of cereals and vegetables, as well as viticulture. Farming of cattle is practised predominantly by ordinary non-specialized farmers engaged in non-commercial economies. Such farmers comprise around 80 percent of the total producers. Farmers of this category have on average 3-4 cows, and at the same time, they also grow corn which is used mostly for household consumption. The excess production (about 20-30 percent) is sold on the local market. Farming of cattle as a commercial activity is underdeveloped in the municipality, as it is difficult for the farmers to maintain large number of cattle in summer, given the fact that

pastures are arid due to the hot climate. Growing of Cereals is developed mostly by medium size farmers engaged in commercial grain production. These farmers utilize their own arable land for growing wheat, barley, oats and corn, potatoes, carrot, cucumbers, onion, peppers, eggplants etc. These products are sold in Tbilisi, Bolnisi and Marneuli markets. The competitive advantage of Bolnisi used to be the cultivation of new potato, however the loss of market (Russia, Abkhazia, Ajara and Armenia) has posed serious problems to local farmers.

Historically Bolnisi municipality has been famous for its entertainment tourism. Currently the tourist itineraries are cancelled and there are no overseas entertainment tourists either. As for tourists there are occasional school excursions visiting Bolnisi Sioni and other places of interest. Bolnisi has tremendous potential for developing extreme tourism, such as rafting on the river Khrami and unique conditions for parachuting as well as for equestrian and hunting tourism. Gold extraction may also attract tourists as a part of tourist itinerary. Unfortunately there is no tourism agency and its potential is not advertised in the media or web. Local Authorities has the printed materials on historical monuments and places of interests, though these publications are mostly of scientific nature and its format is not attractive for tourists. There are two main tourist itineraries in the municipality for visiting historical monuments. Both these routes are well maintained with garbage bins installed near historical landmarks and has very low level of environmental contamination.

In **Dmanisi** Municipality there are 9 cooperatives and 4 associations focussing on agriculture. Farming of cattle represents one of the leading industries of the municipality, employing 60 percent of the population. There is a total of 25,000 heads of cattle in the municipality, mainly local and Caucasian nut-brown cows, which yield 800-1,200 l milk during lactation period. Currently, there are milk collection points of Sante Ltd in 5 territorial units of the municipality, where 15-20 l milk is collected on a daily basis from each household every season. Growing of vegetables is also one of the main industries of the municipality, engaging 30 percent of the population, with potato cultivation being one of the major activities. Natural and climate conditions makes it suitable for growing ecologically clean vegetables of high nutritional value, such as carrot, radish, cabbage, bean, maize, and grain among others. Due to dilapidated and out-dated irrigation system, insufficient agro-technical and seed materials, it is difficult for the population to achieve success in this sector. In the beginning of 2008, three tractors were procured within the frames of the President's Program, although it has proved to be inadequate. In excess of 5 percent of the population are engaged in bee-keeping. Two successful bee-keeping cooperatives were established, and they are actively working towards developing this industry. Given the natural conditions existing in the municipality, farming of sheep represents one of the key industries, providing livelihood for 5 percent of the

population, who produce predominantly wool and meat. Ninety percent of the municipality population are occupied in a variety of household activities categorized as non-commercial household farming.

Historically, Dmanisi Municipality has been famous for its recreational and entertainment tourism. During the period of the Soviet Union, the municipality concentrated on internal and external recreational tourism, and it was a part of Kvemo Kartli tourist route. The municipality has always attracted visitors with its dry and clean air, beneficial to asthma patients, and also with its natural waters, which, as people say, helps in dissolving kidney stones. It is also appealing for its natural products, rivers and lakes, coniferous forests and cool weather. Following the collapse of the Soviet Union, the municipality was left only with the internal tourism. The burials discovered in recent years in Patara Dmanisi have lured international tourists to the municipality. Approximately 200-300 people arrive from Europe every summer to witness the burials of the oldest Europeans. Unfortunately, since there is no agency or institution to record the number of tourists, no information is available on the number of internal tourists interested in entertainment tourism. The municipality also has the potential for hosting summer camps. One of the two former pioneer camps - Chakhata Camp, located in a picturesque gorge, has been well maintained and is in good condition. There is no tourism centre/agency in the municipality, and the tourism potential is not advertised either in the media or the web.

In **Marneuli** Municipality Trend in the economy was evident, when the value of the produced goods increased by 187.9 percent. This growth was observed in all the areas/sectors. The volume of processing industry especially expanded, Its contribution to the local economy is 41.6 percent, followed by construction (12.5 percent), transportation and communication (12.4 percent), and mining industry (10 percent). The municipality have 8 large private businesses in processing industry, construction, transport and trade. Agriculture was identified a priority sector, specifically, in two directions: vegetable and grain production. There are 37 large farmers who on an average possess more than 20 ha of land to carry out their farming activities. All these farmers are engaged in crops growing, and amongst them 16 percent are also engaged in cattle-breeding. Medium scale farmers are engaged in commercial vegetable growing. In fact, there are no large farming economies in the municipality, barring those that grow only one species of vegetable. The farmers simultaneously grow tomatoes, eggplants, peppers and onions on their land parcels, these products are sold spontaneously on the local market. Supermarkets demand for washed, clean and packaged production, but the farmers do not possess necessary equipments. Whereby they have to sell the product directly to resellers or on the local market, in fact, sometimes

directly from the land parcels itself, in what one might consider as rather harsh economic conditions for them. Medium-size farmers are engaged in grain growing for commercial purposes. They utilise their arable land for growing corn and wheat, mostly using the seeds that were produced locally, only in rare cases they buy seeds from the market. Their majority, as a rule, has 2-3 cows and sells 30 percent of the produced dairy products. In the municipality, there are only few centres which provide with agricultural machineries. The situation in agriculture has not changed much in recent times. The lack of agricultural machineries and warehouses, along with soaring prices of irrigation water and fuel, poor management of a meliorators association and unstable market impede the development of agriculture.

In **Ninotsminda** Municipality major sectors of local economy are agriculture, trade and service, construction, mining industry and food industry. Agriculture composes 75% of local economy. Main sectors of agriculture are horticulture (potatoes), viticulture and livestock husbandry. There are 750 individual Entrepreneur and 66 legal entities registered in the territory of municipality.

Transport and Communications.

There are several customs on Georgia - Armenia border: the Sadakhlb - airumi, Sadakhlb - bagratasheni, akhkerpi - privolnoe, akhkerpi - jiliza, guguti - gogarani, Ninotsminda – bavra. Working time of customs is determined by 00:00 am to 24.00 pm, that means goods and vehicles can move 24 hours a day. Any type of goods which are not prohibited by the legislation to pass the customs territory can be moved through any above listed customs from and to Armenia.

According to the data 21% of Armenian population and 27% of Georgian population from the bordering municipalities have in general relations with neighbours. 9% of Armenian population and 12% Georgians who crossed Armenia - Georgia border during last 2 years came across problems when crossing the border. The main problem during border crossing is motivated by the absence of foreign passports, cruelty of border procedures and lines in some customs.

Cargo carrier vehicles (in which the goods are located), passes the border control procedures during boundary crossing. After border control a vehicle is presented to customs authorities and the following procedures is implemented:

- Goods carrier or the cargo owner submits the documents and says that he wants to implement the transit of goods through the territory of Georgia;
- Means of transport are browsing the customs authority, customs officer checks the

integrity of the seal and its number;

- The relevant certificates, licenses or permits should be submitted to customs officer if the goods needed such permits in Georgia;
- Special vehicles registration card will be issued by the customs authority. It specifies the place of withdrawal from Georgia, or the customs authority of destination and the time needed to reach there;
- The official transit procedures at the customs authority ends and the cargo leaves Georgian territory

The transit from and to Armenia via Georgia is free from customs duties and taxes, which, should be considered as a supportive measure for development of transit through Georgia to Armenia in. In 2005-2007 various reforms carried out and the Georgian Government abolished the taxes and customs fees for the transit of vehicles for entering Georgian territory. However, it is minimal time needed for Customs procedures and covers only verification and checking the integrity of the seal, as well as draw up of the documentation.

In spite of above mentioning the following barriers still exist in transit procedures between Georgia - Armenia Foreign Trade: entrepreneur is obliged to have a transit permission during transit of Products under veterinary control. Permit is issued by the Ministry of Agriculture Food Safety, Veterinary and Plant Protection National Service. To take permission Entrepreneur have to pay 50 GEL, and submit the exporting country's veterinary certificates. The permit issued by the Georgian authorities will be presented to the customs authority, which allows the goods pass in transit through its territory.

Also one of the problems during the implementation of the transit is bad road infrastructure in some directions

The entire zone of Municipalities from Georgian side of "Euro-caucas" is successfully covered by all three GSM operators: Magti, Geocell and Beeline. As far as access to internet is concerned, ADSL service is also available in some municipalities, namely, Marneuli town, and the villages of Kizilajb, Tsereteli, Agmashenebeli, Sabirkenti, and Mirzoevka. ADSL service is spread across the area with digital communications. Besides which is offered by two internet providers: United Telekom and Caucasus Online. It is possible to use the internet services provided by GSM operators, which covers the length and breadth of municipalities zone.

Public transport is mainly available to the destinations from administrative center to different villages and settlements located within the territory of all 4 municipalities, these routes pass through other settled areas and nearby territories. Also from administrative center to Capital

city of Georgia. As a matter of fact, there is no such administrative unit, or village in the Municipal territory, that is not accessible by public transportation at least twice a week.

Road infrastructure

The infrastructural situation of roads in Georgian part of Euro-caucas is far from satisfactory if we do not consider the few projects implemented by central government. Among them, rehabilitation of central roads within the frames of the Millennium Challenge Georgia "(MCG) program is important. As regards Internal roads and other infrastructure, the situation is very critical. It is very important to assess condition of roads leading to the customs to Georgia - Armenia Border:

Ponichala - Marneuli - guguti. Rehabilitation of road Ponichala - Marneuli - guguti is not planned In 2010. Length of Marneuli - guguti road is 43 kilometres. Rehabilitation is needed for 1 km asphalt and 3.5 km ground section of the road. Also 1.6 km length old asphalt ring-road etc. In total 10 km of road needs urgent repair.

Ponichala - Marneuli - Sadakhlo. Length of Marneuli - Sadakhlo road is 34 kilometres. Road is asphalted but needs surface repair.

Akhalsikhe - Akhalkalaki - Ninotsminda. Length of Akhalsikhe - Ninotsminda road to Armenian border is 110 kilometres. Part of the road is in good condition. Starting from 2009 roads department started rehabilitation of 52-110 km of the road. In this year it is planed to repair 1-18 and 18-39 km of above mentioned road and the small bridge located at the 1st km of the road.

2.3 National Legal frameworks and policy for cross-border cooperation

The Republic of Armenia and Georgia have signed a number of bilateral, regional and international agreements to eliminate trade barriers, facilitate the cross-border movement of goods and services and increase investment opportunities for their businesses. These trade agreements help to level the international playing field and encourage the governments to adopt open and transparent rule-making procedures as well as non-discriminatory laws and regulations. They also support the strengthening of business climates through the elimination or reduction of tariffs, improvement of intellectual property regulations, opening of government procurement opportunities, easing the investment rules and much more.

The cross-border co-operation, international trade, cargo shipments and customs

procedures between Georgia and the Republic of Armenia are regulated by several bilateral agreements of which some are relatively recent and were concluded between the countries after the disintegration of the Soviet Union. The most important agreements are listed below:

*Agreement between the Customs Committee of the Republic of Georgia and the Customs Department of the Republic of Armenia on **Setting up Border Check***

Points of 19 May 1993 put in force in both countries upon its signing. The Agreement defines the arrangement of border check points on the common perimeter of both countries.

Accordingly, crossing the Georgian-Armenian border is permitted for natural persons and vehicles only through the abovementioned check points. Passing around these check points is charged as breach of customs rules and persons are fined in accordance to domestic legislation in the respective country.

Article 201 of the Customs Code of Armenia, for example, provides that a penalty in the amount of the customs value of the given goods will be imposed if the goods are concealed from customs control—that is, the use of cash or other ways to hinder detection of goods, or change in appearance of goods provided absence of indication of crime—in the case of their transportation and means of transportation through the customs border. Similarly, Article 242 of the Customs Code of Georgia stipulates that concealing goods from customs control during their transportation will result in a fine in the amount of 100 percent of the value of the goods but not less than 1,000 GEL with a further possible seizure of the goods and or their means of transport.

*Agreement between the Governments of the Republic of Georgia and the Republic of Armenia on the **Main Principles of Transit Transportation** of 19 May 1993 put in force in both countries upon its signing.*

Through the Agreement, Georgia and the Republic of Armenia undertake obligation and guarantee the protection and safe movement of transit transportation throughout their territory despite administrative-territorial division. Expenses deriving from such measures in agreed regions and sections of roads will be covered by both countries evenly. Parties also undertook the obligation to compensate losses for the cargo shipment on their territories caused by unlawful acts, military attacks, robberies, thefts, sabotage or other illegitimate acts. In this case, the country upon whose territory the material loss occurred will fully reimburse the losses.

***Free Trade Agreement** between the Government of Georgia and Government of the Republic of Armenia of 14 August 1995. It entered into force on 11 November 1998. On 9 December 2008, amendments were made to the agreement which entered into force on 10 February 2009 in Georgia. The agreement was enacted on 16 January 1996 in Armenia.*

The Agreement establishes a free trade area in conformity with the definition set out in Article XXIV:8 (b) of the General Agreement on Tariffs and Trade of 1994 (GATT). The free trade area established by this Agreement provides the framework for trade relations between Georgia and the Republic of Armenia. In addition, the Agreement covers commodities and services. Through the Agreement, Georgia and the Republic of Armenia undertake not to levy customs taxes and duties on commodities produced/manufactured upon the territory of each country, which are intended for export to the other country. Pursuant to the Agreement, the sides should not impose higher internal direct or indirect taxes and levies as levied upon analogous domestic commodities, Introduce restrictions and demands other than those practiced for the analogous domestically produced goods and Introduce rules for loading, storage and transportation as well as payment and remittances differing from domestically practiced ones.

Furthermore, the parties should not introduce any discriminatory measures, including quotas and other restrictions upon exports and imports. To protect the internal markets, however, the parties reserve the right to resort to special protection, anti-dumping and compensation measures in conformity with the WTO standards as regulated by internal legislation.

Georgia and the Republic of Armenia agreed not to impose customs duties, taxes and charges which have an equivalent effect upon import and or export of commodity originating from the customs area of one of the countries and designed for delivery to the customs area of another party. It is to be mentioned that they also do not impose internal taxes and charges directly or indirectly upon goods covered by the Agreement which exceed the rate of relevant taxes or charges imposed upon analogous goods of the domestic production or those produced in third countries. The introduction of special restrictions or demands towards the export or import of goods covered by the Agreement that in similar cases are not applied to analogous goods of the domestic production or those produced in third countries is not allowed. In addition, these countries cannot use different rules towards warehousing, unloading, storing and shipping of goods originating from another country as well as towards repayments and remittances with the exception of rules which in

similar cases are used towards domestic goods or those originating from third countries.

The countries do not apply customs duties, taxes and levies which have equivalent effect and quantitative restrictions to importation and or exportation of goods originating in the customs territory of one of the contracting parties and intended for customs territory of other contracting parties. If necessary, exceptions to this trade regime will be further formulated. The Republic of Armenia and Georgia do not directly or indirectly impose taxes and fiscal levies upon goods originating in the customs territory of other contracting parties in the amount exceeding their level for national goods. Some goods are exempt from custom duties including: goods to be exported, import of raw materials meant for the production of goods for export and semi-finished materials as well as packaging materials within the limits of exported finished production volume (whilst importing these raw materials, semi-finished goods and packaging materials to the territory of Georgia, a customs tariff should be paid or a bank guarantee is required according to the actual volume of the exported production), transit of goods and temporary entrance onto the customs territory of Georgia, goods intended for re-export and import of goods financed by grants.

In the Republic of Armenia, goods are deemed to originate from a country if they have been produced entirely or undergone sufficient reprocessing in that country. More precisely, this means that animals born and raised in a country or plants or plant products which were harvested or gathered there including minerals and other naturally occurring substances extracted from the natural resources of that country or its sea bed, etc., are deemed to originate from that country. The definition of the origin of goods is different in Georgia. According to its Customs Code, foreign goods refers to those goods which are not of Georgian origin (that is, goods which are wholly produced or obtained outside the customs territory of Georgia and or imported from a foreign country and released for free circulation). Where the goods enter the customs territory of Georgia, the required certificate must be presented for the purpose of proving its origin. Import of goods and means of transportation into the customs territory of the Republic of Armenia and export thereof out of the customs territory of the Republic of Armenia may be prohibited if these goods and means of transportation endanger or may endanger the state and national security, public order, the moral values of the population, human life and health, the protection of animals and plants and the environment, objects of art and historical monuments, etc.

Import Restrictions

The Republic of Armenia and Georgia may apply only the general restrictions upon the import of goods. The import of weapons, military equipment and toxic and radioactive industrial waste with the purpose of their utilization, safe disposal, interment and any other purposes is prohibited.

Quantitative Restrictions

Georgia and the Republic of Armenia restrain from implementing discriminative measures in reciprocal trade as well as from the application of quantitative restrictions towards the import of goods or their equivalent measures within the framework of the Agreement. They may unilaterally ascertain quantitative or other special restrictions within reason and with a strictly defined period. These restrictions must be of an exclusive character and may be applied only in cases envisaged by agreements in the framework of GATT. In addition, it is required that any party which applies quantitative restrictions in accordance with the Agreement must provide the other party with full information about the basic reasons for establishment, forms and possible terms of application of mentioned restrictions.

The Republic of Armenia and Georgia do not apply quantitative restrictions (quotas or tariff rate quotas) on imports and do not maintain a system of minimum import prices. In general, there are no import licensing requirements in Georgia or in the Republic of Armenia and companies are able to import freely. The only exceptions are pharmaceutical products and medicines, phyto-protection chemicals which are regulated in the interest of public health and safety and weapons and nuclear materials relating to security.

Export Restrictions

The export of military weapons and ammunition, works of art of museum value and antiquary items is prohibited.

Safeguards

Being members of the WTO, Georgia and the Republic of Armenia may take a –safeguard action (that is, restrict imports of a product temporarily) to protect a specific domestic industry from an increase in imports of any product which is causing, or which is threatening to cause, serious injury to the industry. The Republic of Armenia and Georgia do not apply safeguard mechanisms which differ from those applied upon MFN bases.

Quantitative restrictions may be ascertained unilaterally and with strictly defined periods. These restrictions must be of an exclusive character and may be applied only in cases envisaged by the WTO agreements. The state, which applies quantitative restrictions, must provide the other party with full information on the reason for establishment, forms and possible dates of the application of the said restrictions.

Commodity Nomenclature

During implementation of tariff and non-tariff regulation of bilateral economic relations for exchange of statistics and implementation of customs procedures, the Republic of Armenia and Georgia apply a common nine-digit commodity nomenclature of foreign economic activity based upon the harmonized system of description and coding of goods and on the combined tariff and statistic nomenclature of the European Union. When implementing measures of tariff and non-tariff regulation, maintaining statistical accounting and exchanging statistical information, as well as for customs control and clearance purposes, the parties apply the Goods Nomenclatures of Foreign Economic Activity based upon the Harmonized Commodity Description and Coding System. For their own needs, the parties can, if necessary, carry out further development of national goods nomenclatures.

Anti-Dumping and Countervailing Measures

The Republic of Armenia and Georgia consider that unfair business practice is incompatible with the Agreement's objectives and their legal framework and do not to allow for the following: agreements between companies and their associations which aim to prevent or restrict competition or violate its conditions at the territories of the parties and activities through which one or several companies, using their dominant condition, restrict competition upon the whole or a substantial part of the parties' territories.

Re-Export

The Republic of Armenia and Georgia do not permit a non-sanctioned re-export of goods in regards to the export of which another party producing these goods applies governmental regulation measures. It is agreed that both the Republic of Armenia and Georgia determine the lists of goods (information is available on www.customs.am and www.mof.gov.ge) according to which a non-sanctioned re-export is prohibited. The countries have also exchanged the lists of goods to which governmental regulation measures are applied. It is to

be noted that the re-export of such goods to third countries may be implemented only through a letter of consent and in terms defined by the authorized bodies of the country of origin. The Republic of Armenia and Georgia should not permit a non-sanctioned re-exportation of goods for export of which other contracting parties, on the territory of which these goods originate, apply measures of tariff and or non-tariff regulation. Issues associated with the re-exportation of goods must be regulated in compliance with the Agreement on Re- exportation of Goods and Procedure of Granting a Permit for Re-exportation.

*Agreement between the Government of Georgia and the Government of the Republic of Armenia on **Avoiding Double Taxation on Income and Property and Elimination of Non-Payment of Taxes** of 14 January 1997. The agreement entered into force on 3 July 2000 in Georgia and on 27 October 1998 in Armenia.*

The Agreement defines the main principle that income, profit and property taxes levied in one country are not levied in another. Accordingly, in order to avoid double taxation, the taxes on an Armenian branch of a Georgian company and vice versa will be levied either in Georgia or in the Republic of Armenia. Taxation principles for particular taxes are defined by the Agreement for each party separately.

*Agreement between the Government of Georgia and the Government of the Republic of Armenia on **Principles of Levying Indirect Taxes on Export and Import of Goods (work, services)** of 26 September 1998. The agreement entered into force on 2 April 1999 in Georgia and on 27 May 1999 in Armenia.*

Through the Agreement, Georgia and the Republic of Armenia undertake not to levy VAT and excise tax upon directly exported goods (work, services) to another country and to levy VAT and excise tax upon directly imported goods (work, services) from another county in accordance with domestic legislation.

*Agreement between the Government of Georgia and the Government of the Republic of Armenia on **Promotion and Mutual Protection of Investments** of 4 June 1996. The agreement entered into force on 18 January 1999 in both countries.*

As of today, this Treaty constitutes the most important legal instrument for the mutual protection of foreign investments in both states. It has been concluded to provide protection to nationals of each state. __Nationals' include both natural persons and companies; that is,

investors covered by the protection of investment treaties can thus be divided into natural persons and legal entities.

The term ‘investor’ refers with regards to either Contracting Party to natural persons who, according to the law of the given Contracting Party, are considered to be its nationals. The Treaty extends the benefit of its protection to legal entities such as companies. It also requires that the entity be incorporated or constituted under the laws of the contracting parties. The term ‘investment’ means every kind of asset and, in particular, though not exclusively, includes: movable and immovable property and any other related property rights such as mortgages, shares in and stock, bonds and debentures of and any other form of participation in a company or business enterprise, claims to money and claims to performance under a contract having a financial value, intellectual property rights, technical processes, know-how and any other benefit or advantage attached to a business and rights conferred by law or under contract to undertake any commercial activity including the search for or the cultivation, extraction or exploitation of natural resources.

Full Protection and Security for the Investment

Investments are accorded ‘full protection and security’ by the host state. The practical effect of this provision is that the host state will be liable to compensate the investor should state authorities (such as the police) cause damage by, for example, taking unreasonable action or omitting to take reasonable protective action. The obligation of the host state to provide full protection and security to investors is independent and not relative to the level of protection provided by the state to its own nationals or to nationals of other states. The fact that the state did not protect the property of its own nationals, therefore, is no defense to a claim by an investor of breach of this obligation.

National and „Most Favoured Nation“ Treatment

Another common protection provided by the Treaty is that the investment must be treated no less favorably than that of nationals and companies of the host state (national treatment) or of any other state (most favored nation treatment, usually abbreviated to MFN treatment). This protection, therefore, attempts to ensure –relative standards of treatment; that is, standards which define the treatment required for covered investment relative to the treatment given to other investments. The treaty generally ensures the MFN

or national treatment in both the entry and post-entry phases of investment. It therefore prohibits both the screening of proposed foreign investment and discriminatory measures once the investment has been made.

Compensation for Losses Due to War or Riot Discriminatory Measures Impairing the Investment

If an investor suffers losses owing to war or other armed conflict, revolution, a state of national emergency, revolt, insurrection and riot or by military requisition, the investor's compensation should be no less favourable than the host state accords to its own nationals or companies of any third state. In addition, an obligation upon the host state not to impair the management or operation of the investment by arbitrary and discriminatory measures is imposed.

Protection against Expropriation or Nationalization

The obligation to compensate for expropriation is amongst the most crucial of protection provided by the Agreement. This includes the physical or legal taking of property as well as measures which, whilst they may not deprive an investor of the legal right to his property, substantially diminish its value or another benefit he derives from it (a good example being revocation of a licence required to operate a business).

Expropriation will generally be prohibited unless it is:

- for a public purpose,
- non-discriminatory and
- subject to prompt, adequate and effective compensation.

The compensation should be equivalent to the fair market value of the expropriated investment immediately before the expropriation action was taken or became known, whichever is earlier; be paid without delay, be fully realizable and be freely transferable at the prevailing market rate of exchange on the date of expropriation.

Rights to Repatriate Investment and Returns

The Agreement contains a provision guaranteeing the right of investors to transfer the

investment and the returns on the investment into freely convertible currency after taxes and other mandatory payments.

Dispute Settlement

Disputes concerning the investment between the investor and host state will be referred to independent binding arbitration (often ICSID or UNCITRAL arbitration). The recourse to international arbitration excludes relying upon domestic courts. The difference in this respect exists between ICSID Arbitration and UNCITRAL arbitration. In the case of the former, no provisional (interim) measures can be sought before national courts. The case is different in case of UNCITRAL Arbitration.

Moreover, in the case of ICSID arbitration, states are not entitled to exercise their diplomatic protection to protect their nationals. The right to go to arbitration may only arise after attempts have been made to reach an amicable resolution (within six months). This last provision, however, can be replaced by a more-favourable-provision from any other bilateral investment treaties of one of the countries as it is admitted that the MFN clause extends to the dispute settlement.

In order to be settled by an ICSID Tribunal, the investment of foreigners should not only qualify as an investment according to a BIT but be in compliance with the definition of investment given by ICSID Tribunals. According to latter, investment infers: contributions, certain duration of performance of the contract (starting from two years), a participation in the risks of the transaction and the contribution to the economic development of the host state. The decisions of ICSID Tribunals are final and, contrary to awards rendered under UNCITRAL arbitration, cannot be reviewed by national courts. Nevertheless, states still enjoy their immunity of execution from enforcement law suits before national courts.

*Agreement between the Government of Georgia and the Government of the Republic of Armenia on **International Vehicle Movement** of 25 April 2006. The Agreement entered into force on 7 June 2006 in both countries.*

According to the Agreement, transportation of goods in case of two-way and transit movement, also to and from third states, is carried out without any permission. Transportation of passengers is also carried out without any permission. Georgian and Armenian vehicles (including automobiles) carrying out transportation are exempted from

taxes for roads of common use as well as from any duties except taxes for overall cargo on toll roads.

*Agreement between the Government of Georgia and the Government of the Republic of Armenia on **Mutual Administrative Assistance in Customs Issues** of 15 October 2007. The Agreement came into force on 19 February 2008 in Georgia and was enacted on 6 May 2008 in Armenia.*

The Agreement defines principles of mutual assistance between customs offices of Georgia and the Republic of Armenia which include sharing information and experience, consultations and common mechanisms for combating breach of customs regulations. The Agreement implies co-operation in the following spheres:

- Ø Improvement of customs procedures of controlling means of transportation, luggage and parcels during crossing Georgia-Armenia border,
- Ø Insurance of accurate taxation and use of customs benefits,
- Ø Prevention, detection, suppression and investigation of infringement of customs rules and Simplification of customs procedures concerning customs clearance of goods imported from one country to another.

Apart from the above, Georgia is a signatory of the **European Outline Convention on Trans-frontier Co-operation between Territorial Communities and Authorities** (the so-called Madrid Convention, 1980). The Convention has been in force since 28 April 2006 in Georgia and since 2 February 2004 in Armenia. Undersigning the Convention, the governments commit to facilitate and promote cross-border co-operation between the territorial entities falling under their jurisdiction as well as respective authorities with their counterparts from other signatory countries. The governments also undertake to support conclusion of any covenant or agreement which might become necessary to foster such co-operation with due respect to the constitutional provisions of the counterpart countries.

3. SWOT ANALYSES

Armenia	
Strengths for cooperation	Threats:
<ul style="list-style-type: none"> • <i>Improve socio-economic welfare in the whole border area;</i> • <i>Enhance integration among levels of government and society;</i> • <i>Develop common vision on shared ecological problems;</i> • <i>Promote the development of cross-border infrastructure</i> 	<p>Divergence between administrations in both countries</p> <p>Language forms a severe barrier for CBC</p> <p>Lack of awareness of population and of civil society on CBC problems;</p> <p>Lack of professional skills and other human resources within local governments;</p> <p>Migration from border areas to capital cities and from there to abroad;</p> <p>Lack of exchange with and transfer from CBC experiences with EU border regions.</p>
Georgia	
Strengths for cooperation	Threats:
<ul style="list-style-type: none"> • It stimulates better contacts among municipalities/regions; • It establishes and strengthens business relations as well as social contacts; • It facilitates the integration process and the people-to-people contacts; • It supports better relations with Europe for the benefit of future generations; • It encourages and facilitates the collaborative approach to shared environmental and ecological problems; • It creates a tolerant type of relationships which will contribute to social/political stability 	<ul style="list-style-type: none"> - Linguistic barriers among inhabitants of the border area; - Lack of information on border procedures which hinders business contacts and border commuting; - Insufficient legislative base to support appropriate contacts among authorities; - insufficient national, regional and local budgets to support appropriate CBC projects - Lack of qualified and skilled professionals (human resources).
<p>Remarks:</p> <ul style="list-style-type: none"> • <i>The starting positions at both sides of the border should as far as possible be aligned ;</i> • <i>Although the pilot projects are not that large scaled that they will change things radically, they could have huge positive impacts on developments in the region;</i> • <i>In the longer run - because of their example function - they could facilitate the speeding up of further cooperation and development processes;</i> • <i>Easy access to both countries is an indispensable pre condition for the future cooperation.</i> 	

4. VISION OF THE ORGANIZATION

The Euroregion EUROCAUCASUS is committed to the citizens, businesses, NGOs and communities linked to its border areas. It supports the target groups in utilizing better the opportunities of the Southern Caucasus and helps to promote the prosperity and well-being and mutual understanding of people living in this border area. It will do so while taking into account the cultural differences and traditions of the countries, municipalities and regions concerned.

5. MISSION OF THE ORGANIZATION

The Mission of the Euro region EUROCAUCASUS is to intensify and improve cross-border economic and social cooperation, to deepen the integration among its citizens and enterprises and among the local governments in the Southern Caucasus. This should lead to better utilisation of its endogenous potentials, e.g. the available human, natural and cultural resources, which could offer for this territory great prospects for further regional development in the next decades.

The secondary objectives are:

- *Enhancement of regional cooperation and exchange of experience;*
- *Deliver support to socio-economic regional development;*
- *Fostering of environmental protection in the Euro Caucasus;*
- *Promotion and protection of natural and cultural heritage;*
- *Stimulate and support people-to-people contacts;*
- *Develop common visions on shared problems, e.g. multi-ethnicity;*
- *Involve citizens and enterprises more in identifying and solving their daily border problems;*

- *Collect data from the border area that could facilitate cross-border interest representation.*

To realize these objectives the following broad categories of services could be delivered:

I. Information and documentation services

An Euroregion knows the particular needs of its members and can therefore properly carry out the collection, the analysis and the distribution of relevant information. Thus translate their members' wishes into practical policy developments and inform them about trends and developments in the world, Europe and the countries concerned. For this a good information management system is essential to keep clients informed on issues of common interest. In general it is important to be informed them on developments in:

- *Neighbouring countries, regions and municipalities;*
- *EU legislation with regards to energy, environment, etc.;*
- *Availability of EU and other international donor funding,*

Information tools could include: Bulletins, Case studies, good practices, websites and databases.

II. Advisory services

Advisory services might help members to gain knowledge on subjects on which they would otherwise lack experiences. They can organise general services collectively, or select special services / advises in a more focused and efficient way.

Examples of advisory services could include:

- *Draft Joint Strategies*
- *Setting up and managing a common bank account for implementation of joint projects*
- *Execute feasibility studies for common water treatment facilities*
- *Setting up a database on certain issues of common interests*
- *Monitor and evaluating implementation of strategies/plans/ operational programmes and/or projects.*

III. Training of staff and exchanging experiences

An Euroregion forms an excellent platform to promote exchange of experiences among its members. One can link to this thematic training sessions on issues with common interest.

Examples for training are:

- *Developing and managing CBC projects*
- *Managing EU or international funded programme*
- *Develop consultation qualities of staff*
- *Working in an international environment*

6. DEVELOPMENT PRIORITIES

On the basis of the preliminary conclusions from the needs assessments presented and discussed during the workshop of 4 May 2011 the following development priorities could be derived:

Priority 1: Promoting Local Socio-Economic Development aiming to boost key local sectors that can deliver competitive advantages for the regions and have growth potential. A strong local, economic development is the foundation for ensuring economic growth, employment and the transition to new economic sectors. The low GDP and the decline in most of the sectors in the Euroregion EUROCAUCASUS prove the need for new activities and approaches. Added value should as much as possible be kept in the Euroregion itself.

Possible measures under this priority could be:

- *Expand and Strengthen Tourism;*
- *Promoting SME development with focus on training and advisory activities.*
- *Upgrading of specific professional and general skills.*

Priority 2: Promoting of integrated and common approaches to tackle infrastructural problems in border areas.

Possible measures under this priority could be:

- *Develop cross-border, road, transport and border infrastructure;*
- *Improve cross-border management of the environment;*

- *Promote setting up of shared facilities, e.g. for water treatment and waste management.*

Priority 3: People to people actions to encourage all sorts of contacts between people and in all sectors (e.g. economic development, administrative reform, environment, social affairs, cultural issues also) in the form of smaller projects.

Through this priority:

- *Bring people on both sides of the border closer to each other*
- *Encourage co-operation between people, clubs, associations, educational institutions, villages etc*
- *Underline common denominators that unite people in the border regions, irrespective their differences and diversities.*

In the EU CBC programmes are considered as joint projects:

- *Simple projects with a cross-border effect-taking place mostly or exclusively on one side of the border but for the benefit of both partners;*
- *Complementary projects where an activity on one side of the border is accompanied by a similar activity on the other side;*
- *Integrated projects where partners on either side of the border contribute different elements to a single project*

7. INSTITUTIONAL SETTING

The Euro Caucasus is composed by two symmetrical organizations – Eurocaucases Armenia and EuroCaucasus Georgia. Each organization has Executive board elected by the municipalities those members of Euro Caucasus, Each Board elects one Chairman who is co-director of Eurocaucases.

The highest decision making body of the Euro Caucasus is the partnership board which is composed by 5 representatives of Euro Caucasus Georgia and 5 representatives of Eurocaucasus Armenian, additionally NALAG and CAA present 1

candidate each to the partnership board. Decisions are taken by simple majority via open voting procedure. Euro-Caucases has National secretariats, Georgian Secretariat is located in the city of Rustavi and Armenian Secretariat is located in the city of Vanadzor. head of secretariats are appointed by the Euro-Caucasus Georgia and Euro-Caucases Armenia respectively.

Euro-Caucasus reserves 5 places for the representation of Azerbaijani municipalities in the partnership board. Once decision on joining the organization is made by Azerbaijani municipalities they can occupy their seats in the partnership board.

One of the objectives of the Eurocaucases is to promote dialog among local politicians for the peace and democratic stability in south Caucasus in this regard Eurocaucases organizes permanent conference of mayors, which is Caucasus wide platform for dialog and cooperation.

8. SUSTAINABILITY AND FINANCIAL VIABILITY

Funding sources of the Euro-caucases are:

- *Member's fees paid by the member municipalities to the National secretariats*
- *Fee for services*
- *International donations coming from the various projects and donors*

Due to limited resources of member municipalities, at the initial stage of organizational development functioning of the organization should be guaranteed by international organizations, after the initial stage contributions from the international organizations will reduce gradually and revenues from the members' fees and services will guarantee functioning of the organization. EuroCaucasus foresees following scheme for the financial viability

Inception period -2011-2012 – 5% of operational costs comes from members and 95% from international projects

Development stage – 2012 – 2014 - 20% of operational costs comes from members and 80% from international projects

Institutionalization stage – 2014-2016 - 40% of operational costs comes from members and 60% from international projects

Sustainability Stage – 2016 -2018 - 50% of operational costs comes from members and 25% from international projects and 25% from costs of services

IMPLEMENTATION PLAN

2012-2016

9. . PROGRAMS

Strategy of the EuroCaucasus sets up 4 main programs for the implementation period, these are:

1. Democratic stability and local democracy program

This program aims at promotion dialog between LG representatives in Caucasus on Peace stability and local democracy. Main objective of this program is to contribute in confidence building and harmonization of process of decentralization in South Caucasus countries.

2. South Caucasus Democratic leadership Program

This program aims at building democratic leadership capacities at the local level of countries of South Caucasus. Specific objectives of this program are to facilitate sharing of experience between local officials from south Caucasus counties. Support professionalization of municipal services in Georgia, Armenia and Azerbaijan.

3. Environment and Climate change

This program aims at mobilization of local communities to protect nature and introduce environment friendly municipal services. Specific objectives are introduction concept of adaptive farming in villages, standardization of solid waste management service, promotion of principles of covenant of mayors.

4. Support Socio-economic development of border area

This Program aims at introduction of development clusters in border areas using competitive advantages of bordering regions. Specific objectives are: Promotion of free trade and mobility of goods and services, development of joint tourist infrastructure and marketing tools, Introduce new skills and knowledge for farmers and SME. Increase of accessibility of poor population to the national and regional markets.

10. PROJECTS

Project implementation scheme

Title	Discretion	Period	Source of funding
Program 1			
<i>1, Conference of mayors</i>	<i>Organization of series of meetings with participation of mayors from Armenia Azerbaijan Georgia</i>	<i>2011-2016</i>	<i>Black sea cooperation</i>
<i>2. Introduction of Youth camp programs</i>	<i>To organize summer camps for yang Generation and students</i>	<i>2011</i>	<i>VNGI</i>
<i>3. Women empowered for local decision making</i>	<i>To organize training program for women politicians in Local leadership and decision making</i>	<i>2012-2013</i>	<i>UNGP_GIZ</i>
<i>4. Development of website of the organization</i>	<i>Introduction best practice dissemination tool in three national languages</i>	<i>2013-2015</i>	<i>GIZ</i>
Program 2			
<i>1. Opening Local democracy center</i>	<i>To establish school for democratic leadership and organize series of training for municipal officials from south Caucasus countries</i>	<i>2011-2014</i>	<i>UNDP, GIZ, EU, USAID</i>
<i>2 Introduce joint municipal service benchmarking</i>	<i>Developing joint regional inventory for the municipal companies and organize training courses for municipal service managers</i>	<i>2014-2016</i>	<i>USAID</i>

<i>3. Women Leadership school</i>	<i>Organize supper university for female local politicians</i>	<i>2012</i>	<i>UNDP</i>
Program 3			
<i>Covenant goes east</i>	<i>Popularize principles of the covenant of mayors, Assist municipalities to join and develop energy efficiency plans</i>	<i>2012-2014</i>	<i>EU</i>
<i>Introduce adaptive farming methodology</i>	<i>Training selected farmers in adaptive farming and help communities to address climate change</i>	<i>2014-2016</i>	<i>USAID</i>
<i>Standardization of Solid waste management</i>	<i>Establish a task force and develop common standards for solid waste collection treatment and management</i>	<i>2015-2016</i>	<i>KFW, WB</i>
Program 4			
<i>Promote cooperation in tourism sector</i>	<i>Assist tourist agencies from Georgia and Armenia to develop common marketing tools</i>	<i>2012-2014</i>	<i>GIZ</i>
<i>Make markets work for poor</i>	<i>Increase accessibility of farmers to the markets in Region and provide information about demand on agricultural goods</i>	<i>2011-2014</i>	<i>USAID, SDC</i>
<i>Develop Joint Strategy for Socio-Economic development plan form the municipalities of Euro Caucasus</i>	<i>To develop socio-economic profiles for the territory of Euro Caucasus. De set up common development objectives and action plan</i>	<i>2012-2016</i>	<i>MARTA, EU</i>