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Swiss Cooperation Programme South Caucasus Region 2022–2025



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Foreword

The South Caucasus is a passageway between Europe and Asia, a corridor for transporting goods and energy. Historically, it is a place where humans of different backgrounds meet and live together. Switzerland is a strong partner of the countries of the South Caucasus. It has many interests in the region, such as economic cooperation and investments, migration as well as peace and security. It promotes regional dialogue, human rights, open and democratic societies and equal opportunities for development.

Swiss engagement in the South Caucasus dates back to 1988 and has expanded ever since through strong bilateral interventions in Armenia, Azerbaijan and Georgia and results in the area of economic and democratic development. Switzerland is considered a trusted development partner, with effective cooperation instruments. And thanks to its neutrality and expertise, it is also seen as a trustworthy partner in conflict transformation and mediation. The longstanding protecting power mandates for Georgia and Russia form but one example of this.

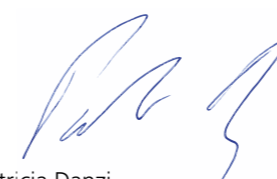
The Swiss Cooperation Programme 2022–25 for the South Caucasus reaffirms Switzerland's continued commitment to promoting peaceful, inclusive and resilient societies in the region. Building on past achievements, Switzerland intends to make an effective contribution to the region's development pathways by focusing on three thematic areas: Governance and Peace, Economic Development and Employment, and

Environment and Climate Change. The financial commitment for this period amounts to CHF 80 million.

This programme will be implemented jointly by the Swiss Agency for Development and Cooperation (SDC), the State Secretariat for Economic Affairs (SECO) and the Peace and Human Rights Division (PHRD) of the State Secretariat for Foreign Affairs. It was developed in close consultation with national and local authorities, partners from civil society and the private sector. It has been carefully designed to address the priorities and needs of our partner countries, in line with both the principles defined in Switzerland's International Cooperation Strategy 2021–24 and the 2030 Agenda for Sustainable Development.

With embassies in Armenia, Azerbaijan and Georgia, and with its three International Cooperation teams operating as a single Regional Cooperation Office for the South Caucasus, Switzerland is pursuing a regional approach to challenges in the region. Bilateral cooperation is complemented by regional interventions covering all three countries, in the aim of fostering a culture of dialogue and cooperation in such a challenging context.

We are confident that the goals and priorities set out in this programme are conducive to promoting the sustainable and inclusive development of the South Caucasus.



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1. Development context

Located between the Black and Caspian seas – as well as between the Russian Federation, Turkey and Iran – the **South Caucasus is a highly diverse region**, that links Europe with Asia and plays a significant role as a transport corridor for goods and energy. In addition, the Caucasus ecoregion is one of the world's richest in terms of biological diversity. Since the collapse of the Soviet Union and re-emergence of Armenia, Azerbaijan and Georgia as independent republics, the region has made progress – though uneven – towards functioning democratic and market systems. However, the combined effect of conflicts (Nagorno-Karabakh, South Ossetia, Abkhazia), divergent geopolitical orientations, complex domestic politics and the COVID-19 pandemic has hampered this development. Fragmentation, uncertainty and volatility also characterise the South Caucasus as a region prone to fragility and conflict.

The recent 44-day violent flare-up of the Nagorno-Karabakh conflict, which ended in November 2020, had a considerable human, economic and political impact, and underscored divergent **geopolitical orientations** in the region. While Armenia relies strongly on Russia and the Collective Security

Treaty Organization (CSTO) of post-Soviet states, Azerbaijan has strengthened its ties with Turkey, and Georgia sets its sights across the Black Sea, aspiring to become a member of the European Union (EU) and the North Atlantic Treaty Organization (NATO). Turkey expanded its influence, and Russia further strengthened its presence by mediating the Nagorno-Karabakh ceasefire and sending peacekeeping troops. Meanwhile, China sees the South Caucasus as a transit corridor, but still plays a minor role in the region, limited to a couple of loan-based investments and various soft-power measures. Finally, the US and the EU keep a strategic eye on the region and support the reform processes.

The region's **security and political challenges** have tended to **overshadow its economic and governance agendas**, and this may have undermined governments' willingness to undertake structural reforms and put their countries on sustainable growth paths. Restrictions adopted by governments to fight COVID-19, including temporary border closures and other limits on people's movement, have worsened regional fragmentation, with the **exception of the transit of goods**.

The view over Mount Kazbegi and the village of Gergeti at its foot, Georgia. ©Paata Vardanashvili



Agriculture is a major source of employment in the three South Caucasus countries. ©UNDP/Vladimir Valishvili

Over the last five years, **domestic politics** in the region has been marked by power struggles and to varying degrees, countries remain **prone to civil unrest**.

In **Armenia**, massive protests driven by widespread frustration caused by corruption gave rise to the Velvet Revolution in May 2018, leading to the appointment of an opposition leader as the head of the government. The newly elected parliament, new prime minister and government enjoyed relatively high levels of trust and popular support despite mounting criticism of their inability to implement reforms. After the Nagorno-Karabakh conflict, calls for the resignation of the Prime Minister and his government became pressing; yet, in snap elections held in June 2021, the incumbent majority clearly won the elections.

In **Azerbaijan**, early parliamentary elections, held in February 2020 with the declared objective of accelerating reforms, did not change the balance of power. The outcome of the Nagorno-Karabakh conflict strengthened the government's position, despite some criticism following the deployment of Russian peacekeepers. The government faces the enormous task of rehabilitating the conflict-affected regions, and this is expected to be a major focus in the medium term.

In **Georgia**, demonstrations pointed to several problems – corruption among the elite, erosion of the rule of law and of the judiciary's independence, and the visit of a Russian delegation to the parliament. But the unrest also was the result of a highly polarised political scene, with growing confrontation between the ruling party and the opposition. This conflict, accompanied by increasing fragmentation within the ruling

party, led to several changes of prime ministers (in 2018, 2019 and 2021) and government reshufflings. The 2020 elections failed to offer a solution, and domestic political actors appeared unable to find a way out of the crisis without mediation by the international community.

These developments reflect the importance of **supporting these countries, which are members of the Council of Europe, towards inclusive democratic systems**, with civil society playing an important role. In this regard, decisive action is needed to promote human rights, good governance, the rule of law and the separation of powers.

All three countries of the South Caucasus region are classified as middle income, and have achieved moderate to strong growth over the last few years, with modest improvements of their Human Development Indicators (HDIs). The **COVID-19 pandemic and the strict measures adopted by the authorities to contain it** have jeopardised these gains and slowed the decline in poverty. Governments intervened massively to fight recession, raising the stakes of the public sector in the economy and increasing the need for fiscal consolidation in the medium term. In Armenia and Azerbaijan, post-war expenditures will put additional strain on state budgets.

Economies in the region remain highly **vulnerable to geopolitical and external shocks**, mostly due to their structure and **lack of diversification**. All are overly reliant on a narrow range of exported goods or services (oil and gas in Azerbaijan, mining in Armenia and tourism in Georgia) and on remittances. The region is also characterised by **high inequality**, with poverty mostly affecting rural populations and specific



Climate change and adverse environmental impact affect people and country economies undermining development progress. ©Giorgi Nikolava

groups, like minorities and female-headed households. There is still a need to improve the **protection of democracy, human rights** and the rule of law in general and within the context of protecting minorities. In all three countries, women remain underrepresented in governance, have less access to finance, to education and to labour markets, and carry a disproportionate burden of unpaid domestic work. The pandemic has worsened **gender and social inequality**.

Whilst the pandemic has prompted some migrants to return, the lack of economic prospects will continue driving internal **migration** to national capitals as well as emigration. Georgia has begun negotiating agreements with several EU countries to facilitate labour migration. Yet continued rural-urban migration as well as the emigration of labour mainly to Russia and Turkey also underlines the urgent need to provide the population, in particular young women and men, with better means and **skills** to build decent livelihoods in their own countries.

Agriculture continues to serve as a major source of employment, but farmers must boost productivity and quality to compete with imports and to access global markets. Key measures for achieving inclusive economic growth and sustainable livelihoods in the three countries include efforts to move up key value chains, support **small and medium-sized enterprises (SMEs)**, and promote **local economic devel-**

opment, whilst ensuring adaptation to climate change and the sustainable use of natural resources. Regulatory reforms and an **improved business environment** are also needed to attract investments.

Several studies have highlighted the vulnerability of the mountainous countries of the South Caucasus to **climate-related stresses**, especially landslides, floods and droughts. Natural disasters have caused considerable economic damage (including reduced agricultural production), taken lives and displaced local populations across the region. Earthquakes, for example, have caused avalanches and large-scale mudflows. Increasing aridity and land degradation also pose major threats in parts of the region. In response, the countries need to build the capacity and knowledge required for effective prevention and adaptation. Environmental and climate adaptation initiatives can also serve to build confidence in conflict zones.

2. Swiss foreign policy and the donor landscape in the South Caucasus

Given its relative proximity to the South Caucasus, Switzerland has a clear interest in helping safeguard **peace and stability** there by promoting regional dialogue, human rights, democratic values and equal development opportunities. Thanks to Switzerland's neutrality and expertise, effective development instruments and successful results to date, countries in the region see it as a trustworthy partner in **conflict transformation and mediation** as well as in economic and democratic development. This reputation is reinforced by Switzerland's longstanding protecting power mandates for Georgia and Russia, and the common membership with Azerbaijan in the **Swiss-led voting group of the Bretton Woods institutions and of the Global Environment Facility (GEF)**. This partnership contributes to stronger and more efficient multilateral institutions.

Switzerland has major **economic interests** in the South Caucasus. Economic development along with improved regional stability and increased integration between countries would create **market and investment opportunities for Swiss enterprises** (e.g., in the IT, energy, construction, pharmaceutical, transport, tourism and agribusiness sectors), and allow them to take full advantage of current trade and investment agreements. A further reason for Switzerland to help achieve security and peace in the region is that stability will guarantee the transport of gas and oil via pipelines, thus protecting Switzerland's **energy security**.

Switzerland also has an interest in **improving migration management**. Through its international cooperation, Switzerland helps address the **root causes** of migration by providing populations with ways to **raise living standards** in their own countries and with better means to **fight climate change** and other natural hazards. Through its migration cooperation and the anticipated conclusion of a **migration partnership with Georgia**, Switzerland would also like to help improve the capacities and management of migration movements, through regular dialogues and interventions of mutual interests. Such a migration partnership will complement this Swiss Cooperation Programme and strengthen Switzerland's engagement in the region.

Swiss cooperation is guided by the Swiss Foreign Policy Strategy 2020–23 and Switzerland's International Cooperation Strategy 2021–24. Switzerland's **thematic expertise** corresponds well to the development needs and priorities of countries in the South Caucasus in terms of implementing

the **2030 Agenda for Sustainable Development**. Swiss know-how is proving to be increasingly valuable for inclusive governance and public financial management, business climate and financial sector development, local economic development as well as for the reinforcement of agribusiness value chains and tourism – all crucial for building diversified economies. To enhance vocational training, it is important to rely on models of dual vocational education and training/work-based learning as well as on mechanisms for coordination between public and private actors. Switzerland has first-class research institutions whose expertise (particularly in environmental sciences) can be used to benefit the South Caucasus region. Switzerland's **regional approach** adds value to the cooperation. **This approach consists of bilateral interventions complemented by regional interventions covering all three countries. It offers opportunities to foster a culture of dialogue in the region.**

Governments and other partners consistently highlight that Switzerland promotes systemic change through long-term engagement, has no hidden agenda and upholds high **quality standards** in programme management, whilst showing the necessary **flexibility** to adjust and react swiftly, as demonstrated during the COVID-19 crisis. Using the platforms led by the UN Resident Coordinator, Switzerland closely coordinates with **other development partners** in the South Caucasus. The main ones active in the region include the EU, the US, Germany, Japan, Sweden, the Netherlands and Austria, along with United Nations organisations (UNDP, UN Women, UNICEF, UNHCR, FAO and IFAD), international financial institutions (WBG, IMF, EIB, EBRD and ADB), the OSCE, Council of Europe and ICRC. Switzerland has built strong alliances, particularly with Austria, for joint cooperation, which fosters effectiveness. EU partners appreciate Switzerland as a like-minded development actor.

3. Results from the period 2017–21 and lessons learned

During the period 2017–21, with a budget of roughly CHF 85 million, Switzerland worked with a variety of partners, at regional and bilateral (multi-country) level, to support reforms strengthening effective democratic institutions and promoting peace, to contribute to inclusive economic growth, and to improve livelihoods. The results of the Swiss interventions are significant and have had a positive impact on the lives of people in the South Caucasus.



In all three countries, women make large contributions to local economies, be it unpaid work at home, on farms or in private businesses. ©UN Women

3.1. Regional results

At the regional level, through Switzerland's support for **women's economic empowerment** (WEE), 1,150 women in Armenia, Azerbaijan and Georgia obtained employment. Azerbaijan opened three women's resource centres, which offer free training courses. In addition, the intervention encouraged the private sector to adopt the Women's Empowerment Principles (WEPs), thus incentivising businesses to empower women in the workplace, marketplace and community. Fifteen private companies of the region adopted the WEPs. Partnerships forged with labour ministries in Armenia and Georgia assessed the regulatory impact of the relevant International Labour Organisation (ILO) conventions on national regulatory frameworks regarding gender equality, in order to inform advocacy and policy dialogue with decision-makers.

The intervention also worked with national statistics offices to calculate gender pay gaps and to map the national social protection floors, steps that proved instrumental to revealing gender disparities in labour relations and to defining basic social security guarantees, respectively.

To address **climate change** at the regional level, Switzerland supported the development of a methodology for multi-hazard mapping. A distance-learning module on disaster risk management (DRM) and hazard mapping on a regional basis is now available in English from Georgia's Ilia State University, with translations for partner universities in Armenia and Azerbaijan. The 2nd Caucasus Mountain Forum, held in 2019 and attended by over 150 participants from 6 countries of the larger Caucasus region, endorsed the *Caucasus Regional Research Agenda 2020–30* as a common framework for applied research.



A small grant from the regional arts and culture programme enabled a prominent Azeri player, Shagriyar Imanov, to rework 12 Western songs and play them on the traditional tar. ©SDC

The regional **arts and culture** programme achieved outstanding results through its social multiplier effect, particularly during the COVID-19 pandemic. Summer school participants developed 10 documentary films on social issues, and over 20,000 people attended screenings in the three countries. The intervention also established a mobile photography museum and awarded grants to 22 women photographers for

social projects. Thirteen sessions of the photography museum and 36 workshops on the Fabrika of Images platform were organised for the rural population (with a focus on youth) in Armenia, Azerbaijan and Georgia. Thirty-seven small-scale cultural projects in the South Caucasus received support through a small-grants scheme.

A **key lesson learned** when working at the regional level is that this requires flexibility and pragmatism: while the overall goal of an intervention is valid throughout the region, activities need to be tailored to the national and local contexts. Partnering with non-governmental actors and fostering people-to-people exchanges are powerful means to work cross-border and strengthen integrative processes. Such topics as women's economic empowerment, disaster risk reduction and research on climate change are better addressed at technical level in order to remain mutually beneficial and conflict sensitive. Similarly, arts and culture, including through film and photography, proved to be relevant for raising both urban and rural people's awareness of a wide range of issues related to human rights, conflict, gender, and migration.

3.2. Multi-country results: effective democratic institutions, human safety and security

To improve access to public services, to enhance their quality and to foster democratic governance, Switzerland assisted the governments of Armenia and Georgia in elaborating key policy documents to increase **decentralisation** (e.g., a decentralisation strategy, a mountainous regions development strategy and local self-governance legislation). The Swiss programme also worked to strengthen governance and management capacity in these countries by introducing an e-governance system, helping elaborate development plans, and providing municipal staff with training sessions. In 52 municipalities in Armenia and 63 in Georgia, Swiss-funded interventions helped strengthen the capacities of municipal employees. More than 1.5 million citizens in Armenia and Georgia received transparent, efficient online delivery of public services.

In **Azerbaijan**, in the field of public financial management, the government's public debt management benefitted from Swiss technical assistance. Further, significant results were achieved in terms of capacity-building for government financial statistics and macro-economic forecasting. With Swiss-funded support, the State Tax Service developed and tested a prototype model to **estimate tax expenditures**. The model covers the major tax instruments: value added tax, corporate and personal income taxes, and the simplified tax.

The following key **lessons** were **learned**: (i) It may be appropriate to shift the strategic focus towards local governance or non-governmental stakeholders, notably by supporting civil society organisations (CSOs) and the private sector in their efforts to strengthen engagement for better policymaking and local economic development; (ii) local self-governments



The Citizen Office of the municipality of Abovyan, Armenia, ensures convenient and quality administrative service provision to local residents. ©GIZ

(LSGs) play a crucial role in crisis management, as the COVID-19 pandemic made clear, requiring both short-term and medium-term policy responses, including improved LSG capacity; (iii) engagement in governance, human rights and democratisation must remain a long-term goal with many setbacks on the way and fruits yielded only over time; (iv) a close policy dialogue and the adoption of safeguards, up to suspending projects if partial targets are not achieved, have proven crucial in ensuring progress in implementing sensitive reforms and for adapting to changing framework conditions.

The **confidence-building projects that involved Georgia and its break-away territories** focused particularly on strengthening fairness and transparency during elections, minority integration and participation, and civil society dialogue in the context of the Abkhazian conflict. In this regard, several dialogues resulted in publications and recommendations, and in concrete joint cross-conflict problem-solving activities in the fields of the environment, energy, human rights and education. Georgian authorities incorporated into their activities in particular a new peace initiative, various recommendations and other inputs from experts and civil society representatives on trade, energy and economic cooperation. An important **lesson learned** is that working in conflict-affected regions requires a flexible approach to meet local needs and respond to opportunities, while at the same time keeping in mind the sensitive political environment. Therefore, close dialogue with stakeholders on all sides of the conflict is highly important at every stage of the programme.

3.3. Multi-country results: inclusive and sustainable economic development

In **Armenia** and **Georgia**, where the Swiss programme focused on **agriculture, policy dialogue** between development partners improved veterinary service provision, food safety and quality standards, and pasture management.



Packaging cheese in one of the cheese factories in the region of Kakheti, Georgia. ©SDC/Goga Chanadiri

Through this and other measures, the programme supported the creation of 2,250 on-farm and off-farm **jobs** (about 30% for women) and increased the net **income** of 125,000 beneficiaries by 10–30%. More than 100 SMEs received support to develop new products or brands in the dairy, meat, wool and honey value chains, enabling them to comply with international standards and thus improving their access to attractive **markets** within and outside their countries.

In **Georgia**, the Swiss programme also enhanced the quality, accessibility and attractiveness of **vocational education and training** (VET) in agriculture by supporting the drafting and implementation of a new VET law, which enabled more active private-sector engagement and introduced a work-based learning modality. About 5,000 young people and adults (33% of them women) took part in improved long-term and short-term courses, whilst 10,000 farmers received advanced extension services. Amongst graduates from agricultural VET courses, 62% (30% of them women) found new employment, whilst 70% of self-employed adult farmers applied advanced practices, which helped increase their productivity and incomes.

In **Azerbaijan**, the Swiss programme focused mostly on enhancing the business environment and **access to finance**. Notable results included the establishment of two financial infrastructure facilities: namely the Private Credit Bureau (PCB) and Movable Assets Registry. The latter reduces gender gaps by helping women, who often do not own land or other property, to access credit using alternative forms of collateral. Furthermore, the implementation and use of a cash-flow-linked agriculture risk assessment tool considerably increased the access to finance for agribusiness.

A key **lesson learned** was that the **market systems development (MSD) approach** is instrumental to achieving systemic change and sustainable results in a comprehensive and coherent manner. Another lesson is that the focus on **agriculture** proved to be especially relevant, since most of the poor and vulnerable groups work in this sector. Moreover, agricultural projects demonstrated high effectiveness in boosting income and employment, thus helping to reduce migration and poverty. The COVID-19 pandemic further underlined the importance of agriculture and food. Agriculture was one of the few sectors to record growth in 2020 despite the pandemic. Yet farmers might face increased cross-border tensions because of the Nagorno-Karabakh conflict in November 2020. This could affect agricultural output.

Overall, the **COVID-19 pandemic** has created many challenges for the region that require action. Particularly concerning is the precarious socio-economic situation of vulnerable groups, which represent a significant proportion of the population. The pandemic has underlined the need to (a) strengthen the capacities of agricultural producers and SMEs; (b) enhance governments' competence in economic reform; and (c) improve the access of vulnerable groups to information as well as economic resources and political institutions, with the aid of new information technology.

Finally, exploiting **synergies** helped boost impact. The economics and governance interventions, for example, by joining forces and combining expertise, achieved success at the municipal level in data collection and management, sustainable pasture management (with good collaboration between municipalities and farmers in Armenia), and the exploitation of economic opportunities.

4. Implications for the Cooperation Programme 2022–25

During the period 2017–21, the Swiss Cooperation Programme for the South Caucasus yielded promising results. Considering the context and the lessons learned described in the sections above, as well as the priorities of Switzerland's International Cooperation Strategy 2021–24, the Swiss **Cooperation Programme will adapt** its programming as follows.

Switzerland will **deepen its regional approach to build confidence** and **promote peaceful, inclusive and resilient societies**. Through interventions that promote dialogue and the exchange of ideas and technical solutions, the programme will encourage regional cooperation and foster

peace. These efforts will focus on cross-sectoral areas that are of mutual interest for all three countries and that present **technical entry points**, such as economic cooperation (primarily cross-border trade), women's empowerment, climate change adaptation and environmental issues, and intercultural dialogue. Switzerland is already implementing a number of **regional interventions** in these areas. To give vulnerable groups a stronger voice in public discourse, Switzerland will deepen the development perspective of its arts and culture programme. To this end, it will consistently incorporate and promote values such as social inclusion, cultural diversity and mutual respect in interventions across the region. To further support women's empowerment in the region, Swiss interventions will continue basic analytical work in this area, and will make the results of these analyses readily available to inform awareness-raising, public debate and policy development. The Swiss programme will strive to enhance dialogue and joint action with the private sector and to strengthen women's involvement in local and national politics. Regional exchanges on climate-related issues will be pursued. The regional approach will catalyse the current multi-country portfolio of **bilateral interventions**. It will do so by **building on** the existing entry points and identifying new ones, in order to establish further linkages and cooperation.

Engagement with **non-governmental actors**, such as civil society organisations and the media, and with the private sector and academic institutions, as well as people-to-people exchanges, will be at the root of the regional approach to foster integrative processes.

Promoting non-violent conflict resolution mechanisms within democratic processes and increasing the participation and integration of ethnic and religious minorities will further strengthen the resilience of societies. Relationships between the government of Georgia and the break-away region of Abkhazia leave some space for initiatives aimed at **confidence building** and **conflict transformation**. Switzerland will continue to build on its credibility as a trusted partner and seize opportunities to contribute to conflict transformation. Such opportunities include fostering triple-nexus synergies between existing peace promotion activities and pursuing development interventions in the water, sanitation and hygiene (WASH) and agricultural sectors.

In each country of the region, educated and active citizens as well as stable institutions will serve as the cornerstone of



Vulnerable communities, women especially, were the first to receive immediate assistance at the outset of the Covid-19 pandemic. ©UNDP/Vladimir Valishvili

Switzerland's efforts to **promote inclusive governance, sustainable growth, peace and resilience**. Strengthening democracy, the rule of law, economic governance, human rights and gender equality will remain fundamental in this regard. It will also be critical to continue long-term engagement in territorial and decentralisation reform. In addition, it is necessary to further strengthen local fiscal and political jurisdictions and improve service delivery. New frameworks to incentivise local economic initiatives are also needed, together with support for key institutions at central level and the promotion of local democracy, participation and accountability. For all governance-related objectives, Switzerland will have realistic expectations, including a mid-term time horizon that provides for temporary setbacks.

The **promotion of inclusive economic growth and of a conducive, environmentally friendly business environment** will be combined **with a focus on the agricultural sector** and on the sustainable management of natural resources as well as action addressing climate change. To promote economic recovery, enhanced resilience and effective reform, Switzerland will continue to foster opportunities for income and employment (e.g., through tourism and new agricultural value chains) and to support more resilient framework conditions. Whilst stimulating growth through market

development, the Swiss programme will promote the sustainable use of natural resources such as forests. Improving the availability of private capital and developing a vocational education system that meets the needs of agriculture and sectors related to it are also key requirements for the success of these efforts. A further imperative is to mobilise domestic resources for sustainable economic growth.

The unique natural capital of the South Caucasus region is threatened by climate change and the impact of activities such as large-scale infrastructure development and various extractive industries. **To encourage climate action and sustainable resource management, Switzerland will broaden its current focus – both conceptually and through action on the ground.** The Swiss programme will strengthen the interface between climate change mitigation and adaptation as well as the protection of biodiversity and the environment with sustainable natural resource management and economic growth. In support of these efforts, it will continue to disseminate high-quality information and analysis as well as best practices for sustainable resource management. Key aims are to (a) create an enabling political environment and (b) strengthen the institutional capacities of governments and other stakeholders in policy design and implementation.



A total of 201'000 sq. meters of contaminated land in Abkhazia will be cleared to ensure safe return of around 6'000 people to their places of residence. ©The Halo Trust

5. Strategic orientation and Swiss priorities 2022–25

The **overall goal** of the Swiss Cooperation Programme for the South Caucasus 2022–25 is: *People of the region benefit from sustainable and inclusive economic and social development, democratic public institutions, human security, peace, and increased climate change resilience, achieved through regional dialogue and cooperation.*

With emphasis on coherence and synergy, the Swiss programme will continue to focus on a limited number of **development themes**: governance and peace, economic development, and the environment and climate change. In these thematic areas, the Swiss programme will encourage initiatives that both engage the region as a whole or create or strengthen linkages among the three countries. The Swiss programme will thus pursue **four portfolio outcomes**, in which bilateral (multi-country) and regional policy objectives align with Switzerland's International Cooperation Strategy 2021–24 (see Figure 1: Results framework synopsis, below, and Annex 2: Theory of change).

leave no one behind (LNOB), Swiss interventions will **target** some of the groups **left behind** such as women and youth, minorities and rural populations and will focus on their particular needs regarding capacity building, education, political representation and economic opportunities. In designing solid strategies to reach them with flexible modalities, the Swiss programme will also be better aligned with the socio-economic vulnerabilities unveiled by the COVID-19 pandemic.

Gender and good governance will be treated as **transversal themes**. In addition, the Swiss programme will systematically consider how its interventions influence or are influenced by migration, the environment, digitalisation and the media, which will be treated as **mainstream topics** throughout the portfolio. In line with adaptive management practices, the Swiss programme will mitigate potential negative developments due to contextual changes while increasing the interventions' impact where possible, e.g., by working with the media to better communicate about supported reforms.

Switzerland adopts **a systematic approach to poverty reduction, gender equality and social inclusion**. In order to

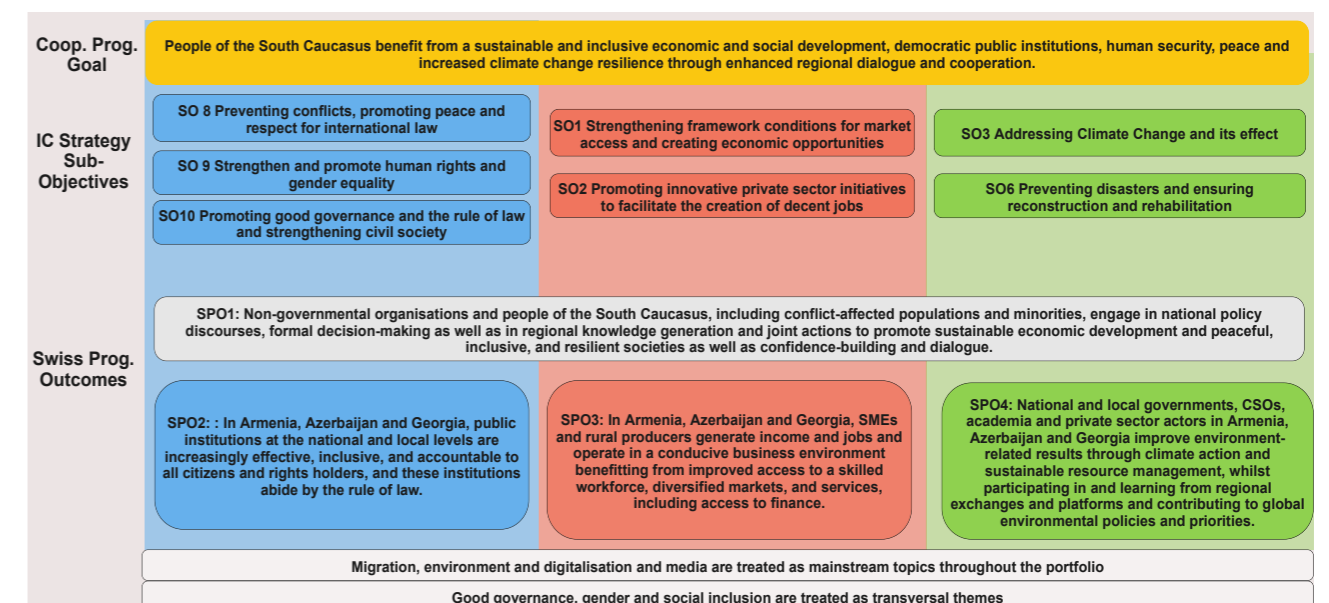


Figure 1: Results framework synopsis

5.1. Protecting and promoting civic engagement and space as well as cooperation in the region

Swiss portfolio outcome 1: Non-governmental organisations and people of the South Caucasus, including conflict-affected populations and minorities, engage in national policy discourses, formal decision-making as well as in regional knowledge generation and joint actions to promote sustainable economic development and peaceful, inclusive and resilient societies, as well as confidence building and dialogue.

This Portfolio Outcome is innovative: it reflects the regional approach of the Swiss programme, capturing the cross-border effects of all interventions – including those implemented at bilateral (multi-country) level – that foster integrative processes. Targets and results will be measured at regional level with specific indicators.

CSOs are struggling to find a voice, to engage in dialogue and information exchange, and to fulfil their public control role over state institutions, as well as to help shape conflict transformation strategies. The media space for impartiality is facing growing threats. The Swiss programme will intensify its engagement with civil society as well as on the civic space.

Women and men, including conflict-affected populations and minorities, will be able to participate in confidence building, dialogue and public discourse, influencing policies that affect their safety, well-being and human rights. They will be empowered to challenge outdated gender norms and various restrictive practices affecting their civil, cultural, economic, political and social rights, and to contribute to conflict transformation. More specific aims for Outcome 1 are to:



A young girl in Baku receives her first coloring book, which was designed for raising children's awareness of gender roles. ©SDC

→ Seek **women's empowerment** by creating an enabling policy and legislative environment, building the capacities of national entities and local partners concerned with gender equality, and incentivising the private sector to engage women and men alike.

→ **Strengthen democracy and democratic values** by fostering a pluralistic, innovative and participatory cultural sector through intercultural dialogue and exchanges.

→ Foster a whole-of-society approach through the **integration and participation** of ethnic and religious minorities and **strengthen respective consultative mechanisms** between the government and CSOs.

→ Foster the contribution of CSOs to **confidence building & dialogue** and their inclusion in shaping governments' conflict transformation strategies.

→ Promote the regional flow of production factors (including goods and people) as well as ideas and information, and promote **opportunity-driven cross-border trade**.

→ Support **organisational partnerships that have regional reach** through networks, platforms, consortia and other organisations.

→ Support **independent media** and bolster the **freedom of expression**.



Registration of property has become easy throughout Azerbaijan due to a Swiss-funded project on cadaster. ©SDC

5.2. Strengthening democracy and public institutions

Swiss portfolio outcome 2: In Armenia, Azerbaijan, and Georgia, public institutions at national and local levels are increasingly effective, inclusive and accountable to all citizens and rights holders, and these institutions abide by human rights and the rule of law.

Democratic reforms have been slow, with considerable backsliding, fading trust in institutions and increasingly polarised politics. Expenditures related to the COVID-19 pandemic have put additional strain on state budgets. An inefficient judicial system has proved unable to deter rising corruption or curb informal and illegal economic activities, resulting in violence, tension and increased marginalisation. Human rights are also facing additional pressure.

Increasingly transparent and inclusive public institutions at national and local levels will become more accountable to their citizens, will exercise their functions more effectively, and will involve non-governmental stakeholders and civil society in local decision-making. More specific aims for Outcome 2 are to:

→ Make **public finance management more effective**, predictable, and sustainable, whilst increasing transparency and accountability in the budget process, strengthening debt management, and stabilising the financial sector.

→ **Promote local democratic governance**, participation and accountability by supporting local councils and fostering active citizenship practices (including for women, minorities and left behind groups).

→ Achieve **state reform and territorial reform/decentralisation** for local political, administrative and economic development.

→ Encourage participatory **democracy, human rights**-based approaches **and rule of law** reforms to curb corruption, promote local democracy, participation, and accountability, including public oversight over the parliament.

→ Strengthen **democratic processes** and non-violent conflict resolution mechanisms.



The community center will serve the residents of the mountainous village of Chrebalo and 7 nearby villages in Georgia. ©UNDP/Vladimir Valishvili



Following the consolidation of municipalities in Armenia, a series of construction works were implemented in the municipality of Akhtala. ©GIZ



Work-based learning in agriculture offers a solution for decreasing youth unemployment in rural areas of Georgia. ©SDC/Goga Chanadiri

5.3. Improving economic development and creating decent jobs

Swiss portfolio outcome 3: In Armenia, Azerbaijan and Georgia, SMEs and rural producers generate income and jobs by operating in a conducive business environment and benefiting from improved access to a skilled workforce, diversified markets, and services, including access to finance.

The region's need for post-COVID recovery poses major challenges, but might also create opportunities for economic diversification and digitalisation, along with the creation of a conducive business environment as well as an efficient and fair tax structure. SMEs, women, youth and rural producers require improved access to markets and finance, so they can diversify production; they also need better vocational education and training to improve job skills, create decent employment and lower outmigration flows.

To foster economic recovery, resilience and reform, the Swiss Cooperation Programme will stimulate the creation of climate-resilient income and employment opportunities specifically in rural areas, notably in tourism and new agricultural value chains. The programme will also aim to create sound macroeconomic conditions, a conducive business environment and improved access to resources, markets and a skilled workforce. More specific aims for Outcome 3 are to:

- Improve livestock-based agriculture by **developing additional value chains** (such as rural tourism); improving the production of key inputs and outputs (such as fodder, meat, leather and wool); and providing vocational education and training in agriculture (i.e., dual education). Activities will integrate environment-relevant and climate-related considerations.
- Enhance **capacity for macro-economic planning** (including the analysis of fiscal policy and risks) and for the management of public investment, strategically aligned with the given country's needs.
- Provide SMEs and local producers with **better access to finance** (such as bank loans) by improving their financial literacy and management capacity, whilst also improving their access to markets and helping them reduce their operational costs, thus enhancing the investment climate and **business environment**.
- **Close the gap between skills and labour market needs** by strengthening the role of the private sector in the VET system (e.g., in developing curricula, setting standards, conducting training and administering student examinations), and by strengthening public-private coordination bodies and mechanisms in VET.
- **Strengthen the capacity of local self-governments (LSGs)** to create opportunities for local economic development, whilst boosting the participation of the rural population (particularly women) in LSGs' decision-making and helping increase the effectiveness and transparency of public services through digitalisation.
- **Create new opportunities for employment** and income generation to reduce outmigration.

5.4. Strengthening climate resilience and sustainable resource management

Swiss portfolio outcome 4: National and local governments, CSOs, academia and private sector actors in Armenia, Azerbaijan and Georgia improve environment-related results through climate action and sustainable resource management, whilst participating in and learning from regional exchanges and platforms, and contributing to global environmental policies and priorities.

The region's natural resources (water, forests and biodiversity) are not being managed sustainably, and this increases the risk of natural disasters. Commitment to addressing environmental challenges is declining. Moreover, there are limited governance mechanisms or avenues for public participation in decision-making to enhance environmental protection incentives for adherence to international environmental agreements.

To encourage action on climate change, conservation and environmental protection, the Swiss programme will enhance its engagement in the area of sustainable resource management with an integrated approach of sustainable economic growth in mountainous areas. In support of these efforts, the programme will continue to disseminate high-quality information, analysis and best practices for sustainable resource management to (a) create an enabling political environment and (b) strengthen the institutional capacities of the government and other stakeholders for policy design and implementation. Governments, citizens and private sector actors will protect and sustainably use their natural resources, whilst contributing to global policies aimed at promoting sustainable development. More specific aims for Outcome 4 are to:



Sustainable management of forests is key to diversifying livelihood opportunities, conserving biodiversity and responding to climate change. ©SDC/Maia Duishvili

- **Enhance the resilience of vulnerable people, communities and regions** in the face of climate-related threats and natural hazards through measures that include the creation of national systems for multi-hazard risk mapping, monitoring, modelling and forecasting.
- Intensify action-oriented research, policy advisory work and university curriculum development related to **climate change and disaster risk reduction**.
- Link the **climate change** and **biodiversity** agendas with **economic growth**.
- Encourage scientists' work and CSOs' **evidence-based policymaking and advocacy** in the region on issues related to climate change adaptation and sustainable mountain development, whilst also promoting cross-border technical cooperation in climate change adaptation.
- Support local authorities and citizens in their efforts to adopt **sustainable resource management** practices in particular for forests, and create opportunities to sustainably diversify incomes.

6. Programme management and implementation

The Swiss Cooperation Programme for the South Caucasus 2022–25 will be jointly implemented by several Swiss government actors – the SDC, SECO, and the Peace and Human Rights Division (PHRD). Switzerland has embassies in Armenia, Azerbaijan and Georgia, and the international cooperation teams in all three countries (which are fully integrated with the embassies and operate as a single regional cooperation team) will guide and supervise the development portfolio. Whereas the PHRD’s activities remain focused on Georgia, the programme will continue and, where possible, expand the regional approach adopted in the prior period.

Based on good practice identified in implementing the development portfolio so far, Swiss government entities engaged in the South Caucasus (the SDC, SECO and the PHRD) will coordinate their regional efforts more closely and exploit triple nexus synergies to increase impact. This is already the case in Abkhazia, for instance, where the PHRD and SDC, including its Humanitarian Aid, closely coordinate their actions. The Swiss programme will also ensure good coordination with the Swiss State Secretariat for Migration (SEM), as it already does in Georgia. Switzerland will pay particular attention to the complementarity of its activities with like-minded development partners, such as the EU, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and Austrian Development Agency (ADA) as well as with multilateral organisations, such as the UN, the IMF and the World Bank Group, and regional organisations, such as the OSCE, Council of Europe and the UNECE. Given the vital role of collaboration for overcoming global challenges, Switzerland will make special efforts to diversify its international partnerships and will focus more strongly on local CSOs and private-sector actors to promote development through policy dialogue and joint initiatives to reach scale. The 2030 Agenda for Sustainable Development provides the main framework for these efforts. Switzerland will continue to work closely with the UN Resident Coordinators to support the implementation of the United Nations Development System (UNDS) reform.

Switzerland will continue to rely on different aid modalities (e.g., bilateral and regional projects, global initiatives, and multi-donor and topical trust funds), and on a mix of selected instruments (e.g., contributions to multilateral agencies, bilateral interventions, and support for civil society and the private sector). To create the conditions for sustainability, the programme will pay particular attention to institutionalising

its interventions, and whenever possible, it will use country systems. Given the central role of the private sector in sustainable development, Switzerland will seek to enhance its private-sector engagement in the South Caucasus. To this end, the Swiss programme will explore efficient, large-scale solutions for promoting entrepreneurial ideas and innovative business models, and for transferring the know-how required to overcome development challenges.

7. Programme steering

A management team led by the Head of Regional Cooperation based in Tbilisi – together with cooperation teams from the embassies in Armenia and Azerbaijan – will steer the programme. Developments in each country will be closely monitored, both in the overall programme and in specific interventions. Particular attention will be paid to: (i) the implementation of reforms and the enabling environment; (ii) the situation in disputed territories and of ethnic minorities in bordering regions; and (iii) the status of regional dialogue and cooperation. Ongoing result monitoring will be conducted at country and regional levels. Efforts to understand and reduce gender gaps will be maintained for the full duration of the programme’s monitoring and steering processes.

The country context is monitored through the Monitoring System for Development-Related Changes (MERV), which tracks economic, social, environmental and political developments and how they affect the Swiss programme. Scenarios will be reviewed, and programme adaptations adopted, if needed. MERV is conducted at least once a year.

Monitoring along the results framework (Annex 1) assesses progress toward Swiss portfolio outcomes and contributions to selected regional and country development outcomes, to the objectives of Switzerland’s International Cooperation Strategy 2021–24 and the 2030 Agenda for Sustainable Development.

The results framework will be reviewed during the mid-term review of the Swiss programme. The capacity of the cooperation team to implement Conflict Sensitive Programme Management (CSPM) will be reinforced.

The programme disbursements provided for within the Swiss Cooperation Programme South Caucasus 2022–25 amount to CHF 80.22 million. Overall, the SDC’s contribution will amount to CHF 62.62 million, SECO’s to CHF 12 million, and the PHRD’s to CHF 5.6 million.

The information on planned commitments and disbursements for the four-year period of this strategy is indicative. Actual disbursements will depend on various factors, such as the framework conditions of the partner country and the available disbursement credits authorised by the Swiss parliament.

Annex 1: Results framework 2022–25

<p>Swiss portfolio outcome 1: Protecting and promoting civic engagement and space as well as cooperation in the region Contributing to sub-objectives of the IC Strategy 2021–24: SO 8 Building confidence, preventing conflicts, and promoting peace and respect for international law SO 9 Strengthening and promoting human rights and gender equality SO10 Promoting good governance and the rule of law, and strengthening civil society</p>		
<p>Theory of change: IF women, men and CSOs in the South Caucasus are actively and inclusively partaking in national and local-level decision-making, confidence building and dialogue processes affecting their lives and IF regional and multi-country learnings in the fields of peace, gender, governance, cross-border markets, environmental risks and culture are being exchanged and capitalised upon, THEN the societies across the region will become more peaceful, just, tolerant and resilient, BECAUSE citizens' and CSOs' awareness and capacities have been strengthened and BECAUSE women and men demand to be engaged into governance processes and have a right to be heard while authorities are supported (SPO2) to be responsive to these demands.</p>		
(1) Swiss portfolio outcome	(2) Contribution of Swiss programme	(3) Regional development outcomes
<p>Outcome statement: Non-governmental organisations and people of the South Caucasus, including conflict-affected populations and minorities, engage in national policy discourses, formal decision-making as well as in regional knowledge generation and joint actions to promote sustainable economic development and peaceful, inclusive, and resilient societies as well as confidence building and dialogue.</p> <p><u>Indicators:</u> 1.1 Number of civil society organisations that contribute to multi-stakeholder dialogue or to respect for human rights and equality. (REG) <i>Baseline: 6</i> <i>Target: 12</i> <i>Source: implementing partners' reports</i></p> 1.2 Number of civil society initiatives that contribute to preventing or transforming conflicts and building cross-conflict trust. (REG) <i>Baseline: 10</i> <i>Target: 18</i> <i>Source: implementing partners' reports</i> 1.3 Number of persons from groups left behind benefitting from projects to reduce exclusion, discrimination and inequality. (POV_ARI_1) (REG) <i>Baseline: 0</i> <i>Target: 500</i> <i>Source: UNW's annual reports</i>	<p>Support for CSOs' activities and capacity building, and for the empowerment of citizens, in particular women, increases participation in decision-making processes and exchanges and builds confidence across conflict lines.</p> <p><u>Assumptions:</u></p> <ul style="list-style-type: none"> The governments are open to working in partnership with external actors. NGOs and CSOs are aware of their rights and are actively exercising them through various platforms and means. Governments and de facto authorities are ready to engage in confidence-building measures and involve civil society. Women and women-led CSOs become increasingly active in voicing their concerns and advocating for their rights. Governments see an added value in engaging conflict-affected persons (esp. women, ethnic minorities) in political discourse. Women's economic empowerment stays high on the governments' agenda. Governments strive to increase women's political representation at different levels of governance. Avenues for multi-country cooperation on women's empowerment are forged to replace infeasible regional exchanges. 	<p>Outcome statement: Women and men in the South Caucasus (including conflict-affected populations and minorities) benefit from socio-economic and civic engagement, actively participate in public discourse and foster intercultural and cross-conflict dialogue.</p> <p><u>Regional strategies</u> Caucasus Regional Research Agenda; Ecoregional Conservation Plan for the Caucasus.</p> <p><u>Indicators:</u> 1.1 Number of cross-conflict confidence-building initiatives increases. (REG)¹ <i>Baseline: 0</i> <i>Target: 500</i> <i>Source: government's reports</i></p> 1.2 CSO Sustainability Index. (REG) <i>Baseline: Sustainability evolving or impeded (approx. average of 4.5% for all 3 countries)</i> <i>Target: Sustainability enhanced</i> <i>Source: USAID-funded annual CSO Sustainability Index</i> 1.3 Gender Equality Index for the South Caucasus. (REG) <i>Baseline: TBD based on ISET work, once WEE II starts</i> <i>Target: TBD based on ISET work, once WEE II starts</i> <i>Source: ISET's reports</i>

1 Mainly PHRD activities in Georgia (also applies to Swiss portfolio outcome indicators 1.1 and 1.2).

<p>1.4 Number and types of regional intercultural dialogues and exchanges in the fields of visual and performing arts connecting Armenian, Azerbaijani and Georgian artists. (REG) <i>Baseline: 0</i> <i>Target: At least 50</i> <i>Source: implementing partners' reports</i></p> <p>1.5 Number of women beneficiaries with increased information, strengthened capacities and skills to participate in economy. (REG) <i>Baseline: 0</i> <i>Target: 1,850</i> <i>Source: UNW's annual reports</i></p> <p>1.6 Number of women obtaining new or better employment. (IED_ARI_2) (REG) <i>Baseline: 0</i> <i>Target: 680</i> <i>Source: SCO AR, implementing partners' reports (e.g. UNW's annual reports)</i></p> <p>1.7 Number of cross-border market linkages in the supported value chains. (REG) <i>Baseline: 0</i> <i>Target: 5</i> <i>Source: reports of implement. partner</i></p> <p>1.8 Number of knowledge exchanges and multi-stakeholder dialogues on disaster risk management, climate change adaptation and sustainable mountain development. (REG) <i>Baseline: 1</i> <i>Target: 5</i> <i>Source: Sustainable Caucasus' annual reports</i></p>	<p>Risks:</p> <ul style="list-style-type: none"> The governments become increasingly centralised (esp. when facing large-scale public health concerns) and delay the devolution and delegation of competences. Limited space continues to be allocated for women's and ethnic minorities' participation in conflict-related discourse and dialogues affecting them. Confidence-building efforts in conflicts are hampered by politisation and overriding security concerns. CSOs are left out or their positions are not considered. Only lip service is paid to gender equality concerns, women's empowerment and participation. LNOB groups continue to be marginalised and disregarded. Regional cultural exchanges are hampered due to the complex geopolitical situation. The space for participation in national policy discourse and decision-making gets limited for the citizens and CSOs. 	<p>1.4 Number of sound policies and/or enforceable laws adopted at national level for the promotion of gender equality and the empowerment of women. (REG) <i>Baseline: 0</i> <i>Target: At least 6</i> <i>Source: governments' reporting under CEDAW, the UNW's publications and reports</i></p> <p>1.5 Volume and percentage change of intra-regional exports of agricultural products. (REG) <i>Baseline: USD 144.7m (2019)</i> <i>Target: USD 160m</i> <i>Source: MEPA</i></p>
<p>(4) Lines of interventions</p> <ul style="list-style-type: none"> Seek women's empowerment in economic, social and civic life in the three countries by creating an enabling policy and legislative environment, building the capacities of national entities and local partners concerned with gender equality, and incentivising the private sector to engage women and men alike. Strengthen democracy and democratic values and human rights by fostering a pluralistic, innovative and participatory cultural sector in the three countries through intercultural dialogue and exchanges. Foster a whole-of-society approach through the integration and participation of ethnic and religious minorities and strengthen respective consultative mechanisms between government and CSOs. Promote confidence-building activities across conflict lines (ABK/SO). Continue policy dialogue with government/de facto authorities to foster, also by consulting CSOs' representatives, pragmatic and consistent conflict transformation policies. Promote the regional flow of production factors (including goods and people) as well as ideas and information, notably by supporting a vibrant civic space and diverse media landscape; focus here on the elements in society that show the most promise for promoting peaceful, inclusive and resilient societies. Support organisational partnerships that have regional reach through networks, platforms, consortia and other organisations. 		
<p>(5) Resources, partnerships (Swiss programme)</p> <p>Funds available for interventions amount to CHF 9.8 million.²</p> <p><u>Partnerships</u> Main national government institutions: Ministry of Justice (AR, GE), Ministry of IDPs from the Occupied Territories, Labour, Health and Social Affairs (GE), State Committee for Family, Women and Children Affairs (AZ), State Ministry for Reconciliation and Civil Equalities (GE), Ministry of Foreign Affairs (GE). Local authorities: municipalities, associations of municipalities. Other public institutions: Creative Georgia LEPL (GE). Stakeholders in Abkhazia. Main international implementing partners: UN agencies. Civil societies organisations: women resource centres, Action Against Hunger, local and regional NGOs. Private sector: business associations.</p>		

2 Subject to change based on decisions in Parliament.

Swiss portfolio outcome 2: Strengthening democracy and public institutions Contributing to the sub-objectives of the IC Strategy 2021–24: SO 8 Building confidence, preventing conflicts, and promoting peace and respect for international law SO 9 Strengthening and promoting human rights and gender equality SO10 Promoting good governance and the rule of law and strengthening civil society		
Theory of change: IF public institutions at the national and local levels are inclusive and accountable to all rights holders and IF they abide by the rule of law, THEN the use and allocation of public resources will be transparent and effective and THEN people will benefit from environments conducive to active citizenship practices, economic activities and cross-border initiatives, BECAUSE the capacities of executive and legislative bodies have been developed and BECAUSE reforms are supported and implemented.		
(1) Swiss portfolio outcome	(2) Contribution of Swiss programme	(3) Multi-country development outcomes
<p>Outcome statement: In Armenia, Azerbaijan and Georgia, public institutions at national and local levels are increasingly effective, inclusive, and accountable to all citizens and rights holders, and these institutions abide by the rule of law.</p> <p><u>Indicators:</u></p> <p>2.1 Number of supported local authorities that have benefitted from increased budget resources. (GOV_AR12) (AR, GE) <i>Baseline AR: 34</i> <i>Target AR: 52</i> <i>Source: Municipality Budget / Municipal Management Information System (MMIS)</i></p> <p><i>Baseline GE: 0</i> <i>Target GE: 23</i> <i>Source: reports of implementing partner</i></p> <p>2.2 Proportion of supported subnational governments that are satisfied with the dialogue and responsiveness of other government units. (GOV_TR13) (AR) <i>Baseline AR: 90%</i> <i>Target AR: 97%</i> <i>Source: municipality survey (conducted by project)</i></p> <p>2.3 Number of people participating in and influencing public service provision, decision-making and budgets in their localities. (GOV_AR1_1) (AR, GE) <i>Baseline AR: 396,600 (16.2% of population residing outside of Yerevan)</i> <i>Target AR: 650,000 (26.5% of population residing outside of Yerevan)</i> <i>Source: implementing partners' reports</i></p> <p><i>Baseline GE: 0</i> <i>Target GE: 500,000</i> <i>Source: reports of implementing partner</i></p> <p>2.4 Number of women beneficiaries who contributed to local planning and budgeting/ GRB discussions (AR, GE) <i>Baseline AR: 0</i> <i>Target AR: 100</i> <i>Source: UNW's annual reports</i></p> <p><i>Baseline GE: 0</i> <i>Target GE: 100</i> <i>Source: UNW's annual reports</i></p> <p>2.5 Number of gender transformative policy and legislative reforms in place. (GEN_TRI_1) (AR, GE) <i>Baseline AR: 0</i> <i>Target AR: 2</i> <i>Source: UNW's annual reports, Parliament's decision(s)</i></p>	<p>Through policy dialogue and support for reforms on governance, decentralisation and the rule of law as well as capacity building in selected areas, decision-making and public financial management become more transparent, inclusive and efficient.</p> <p><u>Assumptions:</u></p> <ul style="list-style-type: none"> The governments are open to working in partnership with external actors. Citizens are aware of their rights and seldom experience problems in exercising them. Governments encourage and welcome active citizenship practices. Authorities are committed to the ongoing reform processes. <p><u>Risks:</u></p> <ul style="list-style-type: none"> Public institutions become increasingly centralised, limiting interactions and exchanges with citizens and CSOs. Citizens and CSOs are discouraged from exercising and claiming their rights. Territorial/decentralisation reforms get halted. Women's economic and political empowerment is not high on the governments' agenda. Regional exchanges are not possible due to a complex geopolitical situation. Democratic backslide continues, adversely affecting local democratic governance, participation and accountability. 	<p>Outcome statement: Women and men in Armenia, Azerbaijan and Georgia benefit from more inclusive, accountable and effective public sectors, and from environments conducive to active citizenship practices, economic activities and/or cross-border initiatives.</p> <p><u>National strategies</u></p> <p>AR: Government Programme (2019); Armenian Strategy for Territorial Development 2016–25.</p> <p>AZ: Azerbaijan 2030 National Priorities for socio-economic development; Medium and long-term strategy for government debt management; Strategy for the development of civil service in 2019–25.</p> <p>GE: Decentralisation Strategy 2020–25; Strategy for Development of High Mountain Settlements 2019–23; Gender Equality Concept; Human Rights Strategy 2021–30; National Strategy for Labour and Employment Policy 2019–23.</p> <p><u>Indicators:</u></p> <p>2.1 Number and proportion of municipalities with responsive, inclusive, participatory and representative decision-making. (AR, GE) <i>Baseline AR: 34</i> <i>Target AR: 52</i> <i>Source: implementing partners' reports</i></p> <p><i>Baseline GE: 0</i> <i>Target GE: 23</i> <i>Source: reports of implementing partner</i></p> <p>2.2 Number of adopted policies and reforms, especially in the field of fiscal policy reform, influencing changes in the LSGs' budget resources. (AR, AZ, GE) <i>Baseline AR: 2 (Law on fiscal equalisation; Roadmap for decentralisation)</i> <i>Target AR: 4 (New law on fiscal equalisation; law on decentralisation)</i> <i>Source: Government/Parliament decisions</i></p> <p><i>Baseline AZ: 0</i> <i>Target AZ: 3</i> <i>Source: Pres. administration</i></p> <p><i>Baseline GE: 0</i> <i>Target GE: 3</i> <i>Source: implementing partner reports</i></p> <p>2.3 Number and types of state-citizen partnerships at the local level. (AR, GE) <i>Baseline AR: 1 (LSG Law)</i> <i>Target AR: 2 (Amendment to LSG Law)</i> <i>Source: Parliament decision</i></p>

<p><i>Baseline GE: 0</i> <i>Target GE: 2</i> <i>Source: UNW's annual reports</i></p> <p>2.6 Measures for improving the regulatory and institutional framework. (SECO SI 1) (AZ) <i>Baseline AZ: 0</i> <i>Target AZ: 3</i> <i>Source: implementing partners' reports</i></p> <p>2.7 Measures for improving financial stability and market development. (SECO SI 3) (AZ) <i>Baseline AZ: 0</i> <i>Target AZ: 2</i> <i>Source: implementing partners' reports</i></p> <p>2.8 Number of consultative mechanisms strengthening the participation of peace-building organisations and human rights activists in relevant policy-making at national and local levels. (GE) <i>Baseline: 1</i> <i>Target: 3</i> <i>Source: implementing partners' reports</i></p>	<p><i>Baseline GE: 0</i> <i>Target GE: 2</i> <i>Source: reports of implementing partner</i></p> <p>2.4 Number of persons benefitting from measures related to local economic development (AR, GE) <i>Baseline AR: 396,600 (16.2% of population)</i> <i>Target AR: 650,000 (26.5% of population)</i> <i>Source: report of partner</i></p> <p><i>Baseline GE: 0</i> <i>Target GE: 500,000</i> <i>Source: reports of implementing partner</i></p> <p>2.5 Ranking Open Budget Index. (AZ, GE) <i>Baseline AZ: 35</i> <i>Target AZ: 40</i> <i>Source: Int. Budget Partnership</i></p> <p><i>Baseline GE: 5</i> <i>Target GE: 4</i> <i>Source: Int. Budget Partnership</i></p> <p>2.6 Transparency International Corruption Perceptions Index (Score). (AR, AZ, GE) <i>Baseline AR: 49</i> <i>Target AR: 54</i> <i>Source: Transparency International</i></p> <p><i>Baseline AZ: 30</i> <i>Target AZ: 32</i> <i>Source: TI Corruption Perceptions</i></p> <p><i>Baseline GE: 56</i> <i>Target GE: 58</i> <i>Source: TI Corruption Perceptions</i></p> <p>2.7 PEFA assessment results. (AZ) <i>Baseline AZ: TBD based on initial mini-PEFA, once project starts.</i> <i>Target AZ: TBD based on initial mini-PEFA, once project starts.</i> <i>Source: World Bank</i></p> <p>2.8 Respective government strategies are directed towards building confidence and dialogue elaborated in consultation with civil society (AR, GE) <i>Baseline AR: 2</i> <i>Target AR: 3</i> <i>Source: Government's reports</i></p> <p><i>Baseline GE: 2</i> <i>Target GE: 5</i> <i>Source: Government's reports</i></p>
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<p>(4) Lines of interventions</p> <ul style="list-style-type: none"> • Make public financial management (PFM) more effective, predictable and sustainable, whilst increasing transparency and accountability in the budget process, strengthening debt management and stabilising the financial sector. • Promote local democratic governance, participation and accountability by supporting local councils and fostering active citizenship practices, including for women. • Achieve state reform and territorial reform/decentralisation for local political, administrative and economic development. • Encourage participatory democracy, human rights-based approaches and rule of law reforms to curb corruption. • Strengthen democratic processes and non-violent conflict resolution mechanisms. <p>Gender: Inclusive institutions through: i) Gender action plans included in all new projects supported, ii) Support gender planning and budgeting in order to formulate policies/strategies that integrate women's and men's needs/rights, iii) Building the supported institutions' capacity regarding gender equality. Although the Aggregated Reference Indicators (ARIs) for Gender are embedded within SPO1 and 2, Gender as a line of intervention is relevant to all SPOs.</p>
<p>(5) Resources, partnerships (Swiss programme)</p> <p>Funds available for interventions amount to CHF 20.3 million.³</p> <p><u>Partnerships</u></p> <p>Main national government institutions: Ministry of Territorial Administration and Development (AR), Ministry of Justice (AR, GE), Ministry of Regional Development and Infrastructure (GE), Ministry of IDPs from the Occupied Territories, Labour, Health and Social Affairs (GE), State Ministry for Reconciliation and Civil Equalities (GE), Peace Fund (GE), Ministry of Economy (AZ), Ministry of Finance (AZ), Ministry of Agriculture (AZ), Central Bank (AZ), Chamber of Accounts (AZ).</p> <p>Local authorities: municipalities, associations of municipalities.</p> <p>Main international implementing partners: the WB, the IFC, UN agencies, the Council of Europe, the OSCE, GIZ.</p> <p>Civil society organisations: women resource centres, local and regional NGOs.</p> <p>Private sector: business associations.</p>

³ Subject to change based on decisions in Parliament.

<p>Swiss portfolio outcome 3: Improving economic development and creating decent jobs Contributing to sub-objectives of the IC Strategy 2021–24: SO1 Strengthening framework conditions for market access and creating economic opportunities SO2 Promoting innovative private-sector initiatives to facilitate the creation of decent jobs</p>		
<p>Theory of change: IF economic framework conditions and the competitiveness of private businesses are improved, and IF SMEs and rural producers in the three countries generate more income and jobs, THEN the region will experience an increase in productivity and trade turnover and THEN rural poverty and outmigration will be reduced BECAUSE reforms and the MSD approach have been promoted and BECAUSE access to finance and to skilled labour force, including women and vulnerable groups, has been improved.</p>		
(1) Swiss portfolio outcome	(2) Contribution of Swiss programme	(3) Multi-country development outcomes
<p>Outcome statement: In Armenia, Azerbaijan and Georgia, SMEs and rural producers generate income and jobs and operate in a conducive business environment benefitting from improved access to a skilled workforce, diversified markets, and services, including access to finance.</p> <p><u>Indicators:</u></p> <p>3.1 Number of contributions towards a Vocational Education and Training (VET) system that is more inclusive or more relevant to the labour market. (IED_TRI_3) (AR, GE) <i>Baseline AR: 0</i> <i>Target AR: 2</i> <i>Source: project reports</i></p> <p><i>Baseline GE: 0</i> <i>Target GE: 3</i> <i>Source: implementing partners' reports</i></p> <p>3.2 Number of A-VET trainees with new or improved employment. (AR, GE) <i>Baseline AR: 0</i> <i>Target AR: 150</i> <i>Source: project reports</i></p> <p><i>Baseline GE: 0</i> <i>Target GE: 1,000</i> <i>Source: implementing partners' reports (e.g., the GIZ)</i></p> <p>3.3 Number of persons obtaining new or better employment. (IED_ARI_2) (This ARI will also inform SECO SI 13: number of jobs created or retained or improved) (AR, AZ, GE) <i>Baseline AR: 0</i> <i>Target AR: 800 in agriculture</i> <i>Source: project reports</i></p> <p><i>Baseline AZ: 0</i> <i>Target AZ: 500</i> <i>Source: implementing partners' reports</i></p> <p><i>Baseline GE: 0</i> <i>Target GE: 3,000</i> <i>Source: implementing partners' reports</i></p> <p>3.4 Number of people with access to and making use of formal financial products and services. (IED_ARI_3) (This ARI will also inform SECO SI 12 SECO: number of companies or producers with access to capital) (AZ, GE) <i>Baseline AZ: 0</i> <i>Target AZ: 100</i> <i>Source: the IFC</i></p> <p><i>Baseline GE: 0</i> <i>Target GE: 1,500 SMEs</i> <i>Source: RSME Logframe</i></p>	<p>Through contributions to economic reforms, value chains and skills development, the competitiveness of private businesses will improve, and local economic development will be promoted.</p> <p><u>Assumptions:</u></p> <ul style="list-style-type: none"> • The governments are open to working in partnership with external actors. • Relevant reforms are adopted and implemented by the authorities. • Authorities are committed to developing a business environment conducive to the development of the private sector in rural areas. • Increased civic participation in local economic development, combined with improved capacities and transparency of LSGs, improves the business environment and investment in rural areas. • Active engagement of the private sector in VET increases the latter's relevance to market needs and will improve employment of trainees. • The countries' economies rapidly recover from the COVID-related recession. <p><u>Risks:</u></p> <ul style="list-style-type: none"> • Global crises (pandemic, armed conflict, economic downturn, devaluation of national currencies, etc.) reduce economic development opportunities and investment. • Reduced economic development increases rural poverty and outmigration. • Persisting monopolies, corruption and political tension hinder private-sector development and investment in rural areas. • Labour migration increases. 	<p>Outcome statement: Increase in productivity, trade turnover and employment in the region, especially in rural areas, contributing to the reduction of rural poverty and outmigration.</p> <p><u>National strategies</u></p> <p>AR: Government Programme (2019); SME Development Strategy 2020–24; Strategy and Main Directions for Economic Development Agricultural Sector 2020–30.</p> <p>AZ: Azerbaijan 2030 National Priorities for socio-economic development; Employment Strategy 2019–30; Youth Development Strategy 2015–25; State Programme on socio-economic development of the regions.</p> <p>GE: SME Development Strategy 2021–25; VET Strategy 2013–20; Agricultural and Rural Development Strategy 2021–27; National Strategy for civic equality and integration 2015–20; Migration Strategy 2021–30; Socio-economic Development Strategy 2021–30; Decentralisation Strategy 2020–25; Strategy for Development of High Mountain Settlements 2019–23.</p> <p><u>Indicators:</u></p> <p>3.1 Doing Business Index. (AR, AZ, GE) <i>Baseline AR: 74.5</i> <i>Target AR: 76</i> <i>Source: WB</i></p> <p><i>Baseline AZ: 76.7</i> <i>Target AZ: 78</i> <i>Source: WB DB</i></p> <p><i>Baseline GE: 83.7</i> <i>Target GE: 84</i> <i>Source: WB DB</i></p> <p>3.2 Percentage of rural poverty. (AR, GE) <i>Baseline AR: 33%</i> <i>Target AR: 30%</i> <i>Source: ArmStat</i></p> <p><i>Baseline GE: 23.7 (2019)</i> <i>Target GE: 22.0</i> <i>Source: GeoStat</i></p> <p>3.3 Gini index. (AR, GE) <i>Baseline AR: 0.29</i> <i>Target AR: 0.29</i> <i>Source: WB</i></p> <p><i>Baseline GE: 0.37 (2019)</i> <i>Target GE: 0.36</i> <i>Source: GeoStat</i></p>

<p>3.5 Number of smallholder farmers with increased incomes from agricultural production. (AFS_ARI_1) (AR, GE, AZ) <i>Baseline AR: 0</i> <i>Target AR: 10,000</i> <i>Source: implementing partners' reports (e.g. UNW)</i></p> <p><i>Baseline AZ: 0</i> <i>Target AZ: 5,000</i> <i>Source: implementing partners' reports (e.g. UNW)</i></p> <p><i>Baseline GE: 0</i> <i>Target GE: 20,000</i> <i>Source: implementing partners' reports (e.g. UNW)</i></p> <p>3.6 Number of returned migrants and forcibly displaced people reached by interventions that improve their livelihoods and employability. (MIG_ARI_2) (AR, GE)</p> <p><i>Baseline AR: 0</i> <i>Target AR: 2,000</i> <i>Source: implementing partners' reports</i></p> <p><i>Baseline GE: 160 (2020)</i> <i>Target GE: 2,000</i> <i>Source: IOM</i></p>		<p>3.4 Number of seasonal and permanent labour migrants from rural areas (outside the country). (AR, GE) <i>Baseline AR: 45,000</i> <i>Target AR: 45,000</i> <i>Source: IOM and Armstat</i></p> <p><i>Baseline GE: 3,000</i> <i>Target GE: 2,000</i> <i>Source: the IOM</i></p> <p>3.5 Volume and percentage change of exports of agricultural products. (AR, GE) <i>Baseline AR: USD 150m (2020)</i> <i>Target AR: USD 200m</i> <i>Source: Armstat</i></p> <p><i>Baseline GE: USD 891m (2019)</i> <i>Target GE: USD 900m</i> <i>Source: MEPA</i></p>
<p>(4) Lines of interventions</p>		
<ul style="list-style-type: none"> Improve livestock-based agriculture by developing additional value chains (such as rural tourism), improving the production of key inputs and outputs (such as fodder, meat, leather and wool), and providing vocational education and training in agriculture (i.e., dual education). Promote opportunity-driven cross-border trade and information-sharing in the region. Enhance capacity for macro-economic planning (including the analysis of fiscal policy and risks) and for management of public investment, strategically aligned with the country's needs. Provide better access to finance (such as bank loans) to local producers and rural SMEs by improving their financial literacy and management capacity, whilst also improving their access to markets and helping them reduce their operational costs, thus enhancing the investment climate and business environment. Close the gap between trained skills and labour market needs by strengthening the role of the private sector in the VET system (e.g., in developing curricula, setting standards, conducting training and administering student examinations), and by strengthening public-private coordination bodies and mechanisms in VET. Strengthen the capacity of LSGs to create opportunities for local economic development, whilst boosting the participation of the rural population (particularly women) in LSGs' decision-making and helping increase the effectiveness and transparency of public services through digitalisation. Create new opportunities for employment and income generation to reduce outmigration. 		
<p>(5) Resources, partnerships (Swiss programme)</p>		
<p>Funds available for interventions amount to CHF 35.12 million.⁴</p> <p><u>Partnerships</u></p> <p>Main national government institutions: Ministry of Territorial Administration and Development (AR), Ministry of Regional Development and Infrastructure (GE), Ministry of Economy (AR, AZ, GE), Ministry of Finance (AZ), Ministry of Agriculture (AR, AZ), Ministry of Environment Protection and Agriculture (GE); Central Bank (AZ, GE).</p> <p>Local authorities: municipalities, associations of municipalities.</p> <p>Other public institutions: State Food Safety Service (AR), National Food Agency (GE), Enterprise Georgia (GE).</p> <p>Main international implementing partners: the WB, the IFC, UN agencies, the GIZ, the EIB, the WWF, Mercy Corps, Swisscontact, the KfW.</p> <p>Civil society organisations: local and regional NGOs.</p> <p>Private sector: business associations, SMEs.</p>		

⁴ Subject to change based on decisions in Parliament.

<p>Swiss portfolio outcome 4: Strengthening climate resilience and sustainable resource management Contributing to sub-objectives of the IC Strategy 2021–24: SO 3 Addressing climate change and its effects SO 6 Preventing disasters and ensuring reconstruction and rehabilitation</p>		
<p>Theory of change: IF national and local governments intensify their efforts to support climate action and sustainable resource management in the South Caucasus and IF all actors are invited to join the process to utilise their respective knowledge and competence through various platforms and means, THEN the countries will better contribute to strengthening the global response to the threat of climate change and to building climate resilience and THEN people will benefit from enhanced resilience to climate-induced hazards BECAUSE capacities have been enhanced and regional exchanges fostered.</p>		
(1) Swiss portfolio outcome	(2) Contribution of Swiss programme	(3) Multi-country development outcomes
<p>Outcome statement: National and local governments, CSOs, academia and private-sector actors in Armenia, Azerbaijan and Georgia improve environment-related results through climate action and sustainable resource management, whilst participating in and learning from regional exchanges and platforms, and contributing to global environmental policies and priorities.</p> <p><u>Indicators:</u></p> <p>4.1 Number of persons trained on climate change issues. (CCE_ARI_2) (AR, GE) <i>Baseline AR: 0</i> <i>Target AR: 300</i> <i>Source: Crisis Management Academy</i></p> <p><i>Baseline GE: 0</i> <i>Target GE: 60</i> <i>Source: UNDP's annual reports</i></p> <p>4.2 Proportion of targeted stakeholders aware of and capable of better using information and tools to respond to climate change. (CCE_TRI_2) (AR, GE) <i>Baseline AR: 0</i> <i>Target AR: 45% (7 target communities / 117,000 population)</i> <i>Source: Living Landscape project report</i></p> <p><i>Baseline GE: 0</i> <i>Target GE: 48% (1.7m beneficiaries)</i> <i>Source: UNDP's annual reports</i></p> <p>4.3 Number of municipal authorities and citizens who have and use relevant technical and human capacities to participate in the better management of natural resources. (AR, AZ, GE) <i>Baseline AR: 34</i> <i>Target AR: 52</i> <i>Source: LSG Law</i></p> <p><i>Baseline AZ: 0</i> <i>Target AZ: 10</i> <i>Source: implementing partners' reports</i></p> <p><i>Baseline GE: 0</i> <i>Target GE: TBD at the start of the new forestry project</i> <i>Source: GIZ's biannual reports</i></p> <p>4.4 Number of forest-dependent families benefiting from sustainable forest management plans. (AR, GE) <i>Baseline AR: 0</i> <i>Target AR: 7 communities (117,000 people)</i> <i>Source: Living Landscape project report</i></p>	<p>The Swiss programme supports the development and use of capacities to address climate change related challenges. Through the support of local and regional initiatives the awareness of environmental issues and the resilience to natural external shocks is enhanced.</p> <p><u>Assumptions:</u></p> <ul style="list-style-type: none"> The governments are open to working in partnership with external actors. Relevant reforms are adopted and implemented by the authorities. Citizens become/are aware of environmental issues. <p><u>Risks:</u></p> <ul style="list-style-type: none"> Respect of the environment worsens and there are no governance mechanisms to protect the environment. Environmental priorities of governments change because of external shocks. Disregards of international environmental agreements. 	<p>Outcome statement: Women and men from the South Caucasus benefit from enhanced resilience to climate-induced hazards, take part in regional scientific cooperation on adaptation challenges and profit from diversified livelihood opportunities.</p> <p><u>National strategies</u></p> <p>AR: Government Programme (2019); Strategy for the Environment Protection and Management of Natural Resources (2018).</p> <p>AZ: Azerbaijan 2030 National Priorities for socio-economic development.</p> <p>GE: Climate Change Strategy 2030 and its Action Plan 2021–23; National Forest Concept and Forestry Code.</p> <p><u>Indicators:</u></p> <p>4.1 Number and proportion of municipalities with specific measures related to climate change adaptation/natural resource management incorporated into their development plans and budgets benefiting # persons. (AR, GE) <i>Baseline AR: 0</i> <i>Target AR: 15 municipalities (28%)</i> <i>Source: government report, project report</i></p> <p><i>Baseline GE: 0</i> <i>Target GE: 10 municipalities (15%)</i> <i>Source: government's reports, UNDP data</i></p> <p>4.2 Proportion of at-risk population covered by early warning systems of local preparedness. (DRR_TRI_4) (GE) <i>Baseline GE: 0</i> <i>Target GE: 48% (1.7m beneficiaries)</i> <i>Source: government's reports, UNDP data</i></p> <p>4.3 Paris Agenda GHG emission reduction. (GE) <i>Baseline GE: 30,000 tCO₂e_q</i> <i>Target GE: 35% reduction by 2030</i> <i>Source: the NDC</i></p> <p>4.4 Percentage of public expenditures for biodiversity conservation. (AR, AZ, GE) <i>Baseline AR: USD 10m</i> <i>Target AR: USD 12m</i> <i>Source: 2019–21 State Mid-Term Expenditure Framework</i></p> <p><i>Baseline AZ: USD 4.2m</i> <i>Target AZ: 10% (USD 4.6m)</i> <i>Source: Azerbaijan State Budget</i></p> <p><i>Baseline GE: USD 16.8m investment</i> <i>Target GE: USD 20m investment</i> <i>Source: Biodiversity Expenditure Review by the Government and UNDP</i></p>

<p>Baseline GE: 0 Target GE: TBD at the start of the new forestry project Source: GIZ's biannual reports</p> <p>4.5 Reduction of greenhouse gas emissions in Mt CO2 due to SFM practices. (CCE_TRI_4) (GE) Baseline GE: 0 tCO2eq Target GE: 5.3m tCO2eq (to be achieved in 2028) Source: GIZ's biannual reports</p>		
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(4) Lines of interventions

- Intensify action-oriented research, policy advisory work and **university curriculum development** related to **climate change**.
- Link the **climate-change and biodiversity agendas and economic growth** through policy development and local projects.
- Enhance the **resilience of vulnerable people**, communities and regions in the face of climate-related threats through measures that include the creation of national systems for multi-hazard, hydro-meteorological risk monitoring, modelling and forecasting.
- **Support scientists and CSOs** in the region with evidence-based policymaking and advocacy on issues related to climate-change adaptation and sustainable mountain development, whilst also promoting cross-border technical cooperation in climate-change adaptation.
- Help municipal authorities and citizens to adopt **sustainable management of natural resources** practices and create opportunities to diversify incomes through new forest-related value chains.

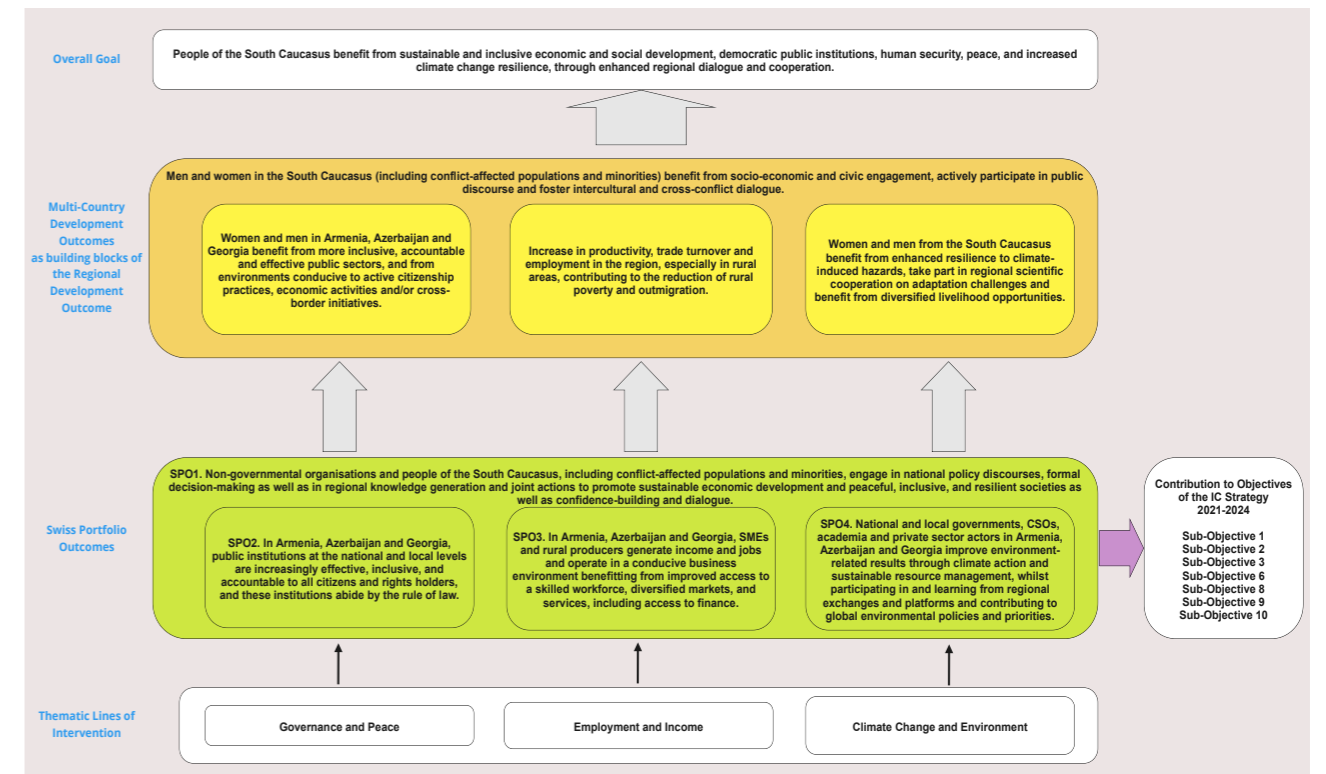
(5) Resources, partnerships (Swiss programme)

Funds available for interventions amount to CHF 15 million.⁵
Partnerships
 Main national government institutions: Ministry of Natural Protection (AR), Ministry of Environment Protection and Agriculture (GE), Ministry of Regional Development and Infrastructure (GE).
 Local authorities: municipalities, associations of municipalities.
 Main international implementing partners: UN agencies, the GIZ, the Green Climate Fund.
 Civil society organisations: local and regional NGOs.
 Private sector: business associations.
 Academic institutions: Scientific Network for the South Caucasus Mountain Region and related universities (including Turkey, Russia and Iran).

(6) Management/performance results, including Indicators (Swiss programme)

- Switzerland is acknowledged as a reliable partner in development partners' coordination and as a supporter of the UNDS reform.
Indicators:
 - Switzerland actively participates in the development partners' coordination processes, in particular the ones set up by the UN RC (*target: a leading role within at least 2 coordination platforms; target: substantial input provided to HQ regarding the implementation of the UNDS reform*).
 - Programmatic approaches with other development partners (for instance joint log-frames) are promoted, as well as modalities for delegated implementation (*target: at least 3 programmatic approaches or delegated modalities for new interventions or new intervention phases launched during the RP period*).
- Thematic coherence across the portfolio is enhanced.
Indicators:
 - Each project document includes a section on synergies with other Swiss interventions and activities (including triple-nexus aspects when relevant) describing concrete joint actions (*target: at least one concrete joint action in each intervention*).
 - A gender analysis and relevant social inclusion analysis informs new interventions and intervention phases, and adequate resources for gender equality and social inclusion mainstreaming are provided by partners. PSEAH is also integrated in the Partner Risk Assessment conducted by the SDC (*target: done for all new interventions and intervention phases*).
 - Switzerland ensures that interventions provide sex-disaggregated data and that if such data is not available, its establishment is facilitated (*target: done for all new interventions and intervention phases*).
 - When new interventions or intervention phases are designed, the potential for digitalisation and partnership with the media is explored (*target: at least 4 concrete uses of digitalisation or support to the media during the RP period*).
 - Risks from climate change, environmental degradation and natural hazards are systematically assessed using the Climate, Environment and Disaster Risk Reduction Integration Guidance (CEDRIG) light tool (*target: done for all new intervention and intervention phases*).
- Swiss projects have a clear exit strategy which allows for financial and operational sustainability of intervention results.
Indicators:
 - Switzerland ensures that the exit strategy is addressed and operationalised at the latest during the second intervention phase (*target: all ProDoc and CP of the second intervention phase include a roadmap for the exit strategy*).
 - Financial contributions by local partners are ensured to enhance local ownership (*target: co-financing shares are raised over time in at least 3 interventions*).

Annex 2: Theory of change



⁵ Subject to change based on decisions in Parliament.

Annex 3: Monitoring system

The Swiss Cooperation Programme for the South Caucasus 2022–25 is subject to systematic monitoring, which serves the following main purposes:

- Steering and adapting based on monitoring the assumptions and on evidence, in order to keep the effectiveness and relevance of the Swiss programme portfolio on track.
- Accountability for and reporting on results to different target groups, including the Swiss public and decision-makers as well as the public, beneficiaries and governments in the South Caucasus, and other interested parties.
- Learning by capitalising on lessons learned within the programme and with external partners.

The system monitors three dimensions: the South Caucasus context, the Swiss results framework and programme management. Different monitoring instruments are used and adapted as needed to monitor the three dimensions:

	Dimension	Monitoring Area	Instrument	Periodicity
1.	South Caucasus context	Political, social, economic and environmental developments in the South Caucasus based on country analyses (AM, AZ, GE), and how they affect the Swiss portfolio	Context discussion MERV Scenario Monitoring	Weekly meetings Annually: October
2.	Swiss results Framework	Progress in achieving expected Swiss outcomes, including the transversal themes, based on the results framework	Annual report	Annually: October
		Portfolio risk assessment based on analysis of project risks	Risk assessment tool	Bi-annually: March and October
		To assess the achievement of intended outcomes and outputs, monitor the assumptions and identify short-term adaptations of the annual programme	Mid-year review	Annually: Mai-June
3.	Programme management	Efficiency and effectiveness of the Swiss Cooperation Office for the South Caucasus and compliance with management and aid principles	Operational planning Project monitoring (incl. field visits)	Annually: January At least 1 visit per quarter
			Internal control system External audit	Annually: September

Progress in implementing the Swiss programme will be assessed at its mid-term review and adaptations of the results framework will be adopted if necessary.

Annex 4: Disbursements provided for within the Swiss Cooperation Programme 2022–25

Financial Planning

Swiss Cooperation Programme for the: **South Caucasus**
(Armenia, Azerbaijan, Georgia)

Duration of Cooperation Programme: **01.01.2022** until **31.12.2025**

Currency: **CHF**

Budget allocation of the Swiss Cooperation Programme for the South Caucasus 2022-25 (in CHF)								
Financial Year		2022	2023	2024	2025	Total 2022-25	in %	SDC share in %
Break down of the budget allocation according to Theme/Portfolio Outcomes								
<i>Theme/Portfolio Outcome 1&2</i>								
Governance and Peace	SDC - CEE	4'500'000	5'400'000	6'300'000	6'300'000	22'500'000		36%
	SECO	500'000	500'000	500'000	500'000	2'000'000		
	PHRD	1'400'000	1'400'000	1'400'000	1'400'000	5'600'000		
	Total	6'400'000	7'300'000	8'200'000	8'200'000	30'100'000	38%	
<i>Theme/Portfolio Outcome 3</i>								
Employment and Income	SDC - CEE	5'800'000	6'000'000	6'660'000	6'660'000	25'120'000		40%
	SECO	2'500'000	2'500'000	2'500'000	2'500'000	10'000'000		
	Total	8'300'000	8'500'000	9'160'000	9'160'000	35'120'000	44%	
<i>Theme/Portfolio Outcome 4</i>								
Climate Change and Environment	SDC - CEE	3'000'000	3'000'000	3'000'000	3'000'000	12'000'000		19%
	SDC - HA	750'000	750'000	750'000	750'000	3'000'000		5%
	Total	3'750'000	3'750'000	3'750'000	3'750'000	15'000'000	19%	
Total budget allocation		18'450'000	19'550'000	21'110'000	21'110'000	80'220'000	100%	100%
Break down of the budget allocation according to respective country / country offices								
Armenia	SDC - CEE	3'000'000	5'400'000	6'000'000	6'000'000	20'400'000	25%	33%
Azerbaijan	SECO	2'500'000	2'500'000	2'500'000	2'500'000	10'000'000	12%	0%
Georgia	SDC - CEE	6'800'000	6'000'000	6'960'000	6'960'000	26'720'000		43%
	SECO	500'000	500'000	500'000	500'000	2'000'000		
	PHRD	1'400'000	1'400'000	1'400'000	1'400'000	5'600'000		
	Total	8'700'000	7'900'000	8'860'000	8'860'000	34'320'000	43%	
South Caucasus	SDC - CEE	3'500'000	3'000'000	3'000'000	3'000'000	12'500'000		20%
	SDC - HA	750'000	750'000	750'000	750'000	3'000'000		5%
	Total	4'250'000	3'750'000	3'750'000	3'750'000	15'500'000	19%	
Total budget allocation (to IC-Offices)		18'450'000	19'550'000	21'110'000	21'110'000	80'220'000	100%	100%
Break down of the budget allocation by Swiss Federal Offices (for information purpose only)								
Budget allocated to IC-Office(s)		18'450'000	19'550'000	21'110'000	21'110'000	80'220'000	100%	
<i>thereof: SDC-Eastern Cooperation</i>		<i>13'900'000</i>	<i>14'400'000</i>	<i>15'960'000</i>	<i>15'960'000</i>	<i>59'620'000</i>	<i>74.3</i>	
<i>SDC-Humanitarian Aid</i>		<i>750'000</i>	<i>750'000</i>	<i>750'000</i>	<i>750'000</i>	<i>3'000'000</i>	<i>3.7</i>	
Total SDC		14'650'000	15'150'000	16'710'000	16'710'000	62'620'000	78.1	
Budget allocated to IC-Office(s)		18'450'000	19'550'000	21'110'000	21'110'000	80'220'000	100%	
SDC-Eastern Cooperation & Humanitarian Aid		14'050'000	15'150'000	16'710'000	16'710'000	62'620'000	78.1	100%
<i>Outcome(s): 1, 2, 3, 4</i>								
FDFA-Peace and Human Rights Division		1'400'000	1'400'000	1'400'000	1'400'000	5'600'000	7.0	
<i>Outcome(s): 1, 2</i>								
SECO-Economic Cooperation		3'000'000	3'000'000	3'000'000	3'000'000	12'000'000	15.0	
<i>Outcome(s): 2, 3</i>								
Total budget allocation by federal offices		18'450'000	19'550'000	21'110'000	21'110'000	80'220'000	100%	100%

Annex 5: Acronyms and abbreviations

ADA	Austrian Development Agency
ADB	Asian Development Bank
COVID-19	Corona virus disease 19
CSO	Civil Society Organisation
CSPM	Conflict Sensitive Programme Management
CSTO	Collective Security Treaty Organization
DRM	Disaster Risk Management
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
GEF	Global Environment Facility
GIZ	German Corporation for International Cooperation
HDI	Human Development Indicators
IC	International Cooperation
ICRC	International Committee of the Red Cross
IFAD	International Fund for Agricultural Development
ILO	International Labour Organisation
IMF	International Monetary Fund
LNOB	Leave No One Behind
LED	Local Economic Development
LSG	Local Self-Government
MSD	Market Systems Development
NATO	North Atlantic Treaty Organization
NGOs	Non-Governmental Organisations
OSCE	Organization for Security and Co-operation in Europe
PCB	Private Credit Bureau, Azerbaijan
PHRD	Peace and Human Rights Division, Swiss Department of Foreign Affairs
SDC	Swiss Agency for Development and Cooperation
SECO	Swiss State Secretariat for Economic Affairs
SEM	Swiss State Secretariat for Migration
SMEs	Small and Medium-Sized Enterprises
SPO	Swiss Portfolio Outcome
SO	Sub-Objective
UNDS	United Nations Development System
UNDP	United Nations Development Programme
UNECE	United Nations Economic Commission for Europe
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations International Children's Emergency Fund
UN Women	United Nations Entity for Gender Equality and the Empowerment of Women
VET	Vocational Education and Training
WASH	Water, Sanitation and Hygiene
WBG	World Bank Group
WEE	Women's Economic Empowerment
WEPS	Women's Empowerment Principles



Mountains of Ijevan region, Armenia. ©SDC



"Candy Cane Mountains" of Khizi and Siyazan regions, Azerbaijan. ©SDC



Chaukhebi, Georgia. ©Goga Chanadiri

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