Swiss Cooperation Programme
South Caucasus Region
2022–2025
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.
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 Caucasian 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 this region and support the reforms 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.

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 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
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 development, 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.

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, 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.

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 Azerbaijani player, Shagriyar Imanov, to rework 12 Western songs and play them on the traditional tar. 8SDC

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

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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

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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.

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 (particularly 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 Vatchouli
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 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.

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).

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

The table below provides an overview of Switzerland’s programme objectives as part of the broader Swiss Coop. Prog. IC Strategy. The table outlines the programme’s prioritised outcome areas, thereby reflecting the strategic priorities of Switzerland’s IC Strategy, as well as the specific impact that its interventions are expected to achieve.

<table>
<thead>
<tr>
<th>Swiss Prog. Outcomes</th>
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</table>
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 discourse, 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:

- 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.

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

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
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 and 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:

- 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 (UNSDS) reform.

Switzerland will continue to rely on different aid modalities (e.g., bilateral and regional projects, global initiatives, and multi-actor 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-hows 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

Swiss portfolio outcome 1: Protecting and promoting civic engagement and space as well as cooperation in the region Contributing to sub-objectives of the ICY 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 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 (SPO1) to be responsive to these demands.

1.2 Number of civil society initiatives that
Indicators:
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.

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.

Assumptions:
• 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.
• Avances for multi-country cooperation on women’s empowerment are forged to replace inflexible regional exchanges.

Regional strategies
Caucasian Regional Research Agenda; Egmontian Conservation Plan for the Caucasus.

Indicators
1.1 Number of civil society organisations that contribute to multi-stakeholder dialogue or to respect for human rights and equality.
Baseline: 6
Target: 12
Source: implementing partners’ reports
1.2 Number of civil society initiatives that contribute to preventing or transforming conflicts and building cross-conflict trust.
Baseline: 10
Target: 18
Source: implementing partners’ reports
1.3 Number of persons from groups left behind benefiting from projects to reduce exclusion, discrimination and inequality. (PDV_AR1_1)
Baseline: 0
Target: 150
Source: UNW’s annual reports

1.4 Number of cross-conflict confidence-building initiatives increases. (REG)
Baseline: 0
Target: 100
Source: implementing partners’ reports
1.5 Number of women beneficiaries with increased information, strengthened capacities and skills to participate in economy. (REG)
Baseline: 0
Target: 1,850
Source: UNW’s annual reports
1.6 Number of women obtaining new or better employment. (IED_AR1_1) (REG)
Baseline: 0
Target: 350
Source: ISET’s reports
1.7 Number of cross-border market linkages in the supported value chains. (REG)
Baseline: 0
Target: 5
Source: reports of implementation partners
1.8 Number of knowledge exchanges and multi-stakeholder dialogues on disaster risk management, climate change adaptation and sustainable mountain development. (REG)
Baseline: 1
Target: 5
Source: Sustainable Caucasus’ annual reports

1.3 Gender Equality Index for the South Caucasus. (REG)
Baseline: TBD
Target: 5
Source: reports (e.g. UNW’s annual reports)

1.4 Number of regional intercultural dialogues and exchanges in the fields of visual and performing arts connecting Armenian, Azerbaijani and Georgian artists. (REG)
Baseline: 0
Target: At least 15
Source: implementing partners’ reports
1.5 Number of women beneficiaries with increased information, strengthened capacities and skills to participate in economy. (REG)
Baseline: 0
Target: 1,850
Source: UNW’s annual reports

1.6 Number of women obtaining new or better employment. (IED_AR1_1) (REG)
Baseline: 0
Target: 350
Source: ISET’s reports
1.7 Number of cross-border market linkages in the supported value chains. (REG)
Baseline: 0
Target: 5
Source: reports of implementation partners
1.8 Number of knowledge exchanges and multi-stakeholder dialogues on disaster risk management, climate change adaptation and sustainable mountain development. (REG)
Baseline: 1
Target: 5
Source: Sustainable Caucasus’ annual reports

Risks:
• The governments become increasingly centralised (esp. when facing large-scale public health concerns) and delay the devolution and delegation of competencies.
• 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, CSSOs are left out or their positions are not considered.
• Only lip service is paid to gender equality concerns, women’s empowerment and participation.
• UNOS groups continue to be marginalised and disregarded.

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)
Baseline: 0
Target: At least 6
Source: governments’ reporting under CEDAW, the UNW’s publications and reports
1.5 Volume and percentage change of intra-regional exports of agricultural products. (REG)
Baseline: USD 144.7mn (2019)
Target: USD 160mn
Source: EBA

1.1 Number of cross-conflict confidence-building initiatives increases. (REG)
Baseline: 0
Target: 100
Source: implementing partners’ reports
1.2 Number of women beneficiaries with increased information, strengthened capacities and skills to participate in economy. (REG)
Baseline: 0
Target: 1,850
Source: UNW’s annual reports
1.3 Gender Equality Index for the South Caucasus. (REG)
Baseline: TBD
Target: 5
Source: reports (e.g. UNW’s annual reports)

Funds available for interventions amount to CHF 9.8 million.2

Partnerships
Main national institutional partners: 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 LEI (GE). Stakeholders in Abkhazia.
Main international implementing partners: UN agencies.
Civil society organisations: women resource centres, Action Against Hunger, local and regional NGOs.
Private sector: business associations.

1. Manly PDV activities in Georgia (also applies to Swiss portfolio outcome indicators 1.1 and 1.2).
2 Subject to change based on decisions in Parliament.
### Annex 1: Results framework 2022–25

#### 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 reforms are supported and implemented.

#### 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.

#### Indicators:

**2.1 Number of supported local authorities that have benefited from increased budget resources:**

<table>
<thead>
<tr>
<th>Swiss portfolio outcome</th>
<th>Contribution of Swiss programme</th>
<th>Multi-country development outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>SO10 Promoting good governance and the rule of law</td>
<td>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.</td>
<td>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 cross-border initiatives.</td>
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<td>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 cross-border initiatives.</td>
</tr>
</tbody>
</table>

**2.2 Proportion of supported subnational governments that are satisfied with the dialogue and responsiveness of other government units:**

- **Source:** UNW's annual reports
- **Baseline AR: 1 (LSG Law)**
- **Target AR: 3**
- **Baseline GE: 0**
- **Target GE: 100**
- **Baseline AZ: 0**
- **Target AZ: TBD based on initial mini-PEFA, once project starts.**

**2.3 Number of gender transformative policy and legislative reforms in place:**

- **Source:** UNW's annual reports
- **Baseline AR: 0**
- **Target AR: 100**
- **Baseline GE: 0**
- **Target GE: 100**
- **Baseline AZ: 0**
- **Target AZ: TBD based on initial mini-PEFA, once project starts.**

**2.4 Number of persons benefitting from measures related to local economic development:**

- **Source:** reports of implementing partner
- **Baseline AR: 396,600 (16.2% of population)**
- **Target AR: 650,000 (26.5% of population)**
- **Baseline GE: 0**
- **Target GE: 500,000**
- **Baseline AZ: 0**
- **Target AZ: TBD based on initial mini-PEFA, once project starts.**

**2.5 Ranking Open Budget Index.**

- **Source:** reports of implementing partner
- **Baseline AR: 9**
- **Target AR: 6**
- **Baseline GE: 0**
- **Target GE: 4**
- **Baseline AZ: 0**
- **Target AZ: TBD based on initial mini-PEFA, once project starts.**

**2.6 Transparency International Corruption Perceptions Index Score.**

- **Source:** reports of implementing partner
- **Baseline AR: 58**
- **Target AR: 52**
- **Baseline GE: 0**
- **Target GE: 4**
- **Baseline AZ: 0**
- **Target AZ: TBD based on initial mini-PEFA, once project starts.**

**2.7 MEASURES FOR IMPROVING THE REGULATORY AND INSTITUTIONAL FRAMEWORK.**

- **Source:** reports of implementing partner
- **Baseline AR: 1 (LSG Law)**
- **Target AR: 2**
- **Baseline GE: 0**
- **Target GE: 3**
- **Baseline AZ: 0**
- **Target AZ: TBD based on initial mini-PEFA, once project starts.**

**2.8 Number of consolidated measures strengthening the participation of peace-building organisations and human rights activists in relevant policy-making at national and local levels.**

- **Source:** reports of implementing partner
- **Baseline AR: 0**
- **Target AR: 1**
- **Baseline GE: 0**
- **Target GE: 1**
- **Baseline AZ: 0**
- **Target AZ: TBD based on initial mini-PEFA, once project starts.**

**2.9 Number of persons benefiting from measures related to local economic development.**

- **Source:** reports of implementing partner
- **Baseline AR: 396,600 (16.2% of population)**
- **Target AR: 650,000 (26.5% of population)**
- **Baseline GE: 0**
- **Target GE: 500,000**
- **Baseline AZ: 0**
- **Target AZ: TBD based on initial mini-PEFA, once project starts.**

**2.10 Number of persons benefiting from measures related to local economic development.**

- **Source:** reports of implementing partner
- **Baseline AR: 396,600 (16.2% of population)**
- **Target AR: 650,000 (26.5% of population)**
- **Baseline GE: 0**
- **Target GE: 500,000**
- **Baseline AZ: 0**
- **Target AZ: TBD based on initial mini-PEFA, once project starts.**

**2.11 Number of persons benefiting from measures related to local economic development.**

- **Source:** reports of implementing partner
- **Baseline AR: 396,600 (16.2% of population)**
- **Target AR: 650,000 (26.5% of population)**
- **Baseline GE: 0**
- **Target GE: 500,000**
- **Baseline AZ: 0**
- **Target AZ: TBD based on initial mini-PEFA, once project starts.**
(4) Lines of interventions

- 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 domestic institutions and conflict resolution mechanisms.

Gender: Include 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.

(5) Resources, partnerships (Swiss programme)

Funds available for interventions amount to CHF 20.3 million. Partnership:
- 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), Local authorities: municipalities, associations of municipalities.
- Main international implementing partners: the WB, the IFC, UN agencies, the Council of Europe, the OSCE, GIZ, Civil society organisations: women resource centres, local and regional NGOs.
- Private sector: business associations.

Swiss portfolio outcome 3: Improving economic development and creating decent jobs

Contribution to sub-objectives of the IC Strategy 2021–24:
- Through contributions to economic reforms, value chains and skills development, the competitiveness of private businesses will improve, and local economic development will be promoted.

Documents:
- 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 public policies, including the relevant reforms.
- The countries' economies recover from the COVID-related recession.

Indicators:

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Baseline</th>
<th>Target</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1 Number of contributions towards Vocational Education and Training (VET) system that is more inclusive or more relevant to the labour market (RED_TRE_3) (AR, GE)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>3.2 Number of A-VET trainees with new or improved employment (AR, GE)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.3 Number of persons obtaining new or better employment (RED_ARE_2) (This AR will also inform SECO Sl 13: number of jobs created or retained or improved) (AR, AZ, GE)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.4 Number of people with access to and making use of formal financial products and services (RED_ARI_3) (This AR will also inform SECO Sl 12: number of companies or producers with access to capital) (AZ, GE)</td>
<td></td>
<td></td>
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<tr>
<td>3.5 Percentage of rural poverty (AR, GE)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.6 Gini index (AR, AZ, GE)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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.

National strategies:
3.3 Number of smallholder farmers with increased incomes from agricultural production (AFS_AR, LJ) (AR, GE, AZ)
Baseline AR: 0
Target AR: 10,000
Source: implementing partners’ reports (e.g. UNW)
Baseline AZ: 0
Target AZ: 5,000
Source: implementing partners’ reports (e.g. UNW)
Baseline GE: 0
Target GE: 20,000
Source: implementing partners’ reports (e.g. UNW)

3.4 Number of seasonal and permanent labour migrants from rural areas (outside the country) (AR, GE)
Baseline AR: 45,000
Target AR: 45,000
Source: IOM and Armastar
Baseline GE: 3,000
Target GE: 2,000
Source: the IOM

4.1 Volume and percentage change of exports of agricultural products (AR, GE)
Baseline AR: USD 10m (2010)
Target AR: USD 200m
Source: Armastar
Baseline GE: USD 89m (2019)
Target GE: USD 900m
Source: Armastar

(4) Lines of interventions

- Promote 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 engage proactively for local economic development, whilst boosting the participation of the rural population (particularly women) in LSG - 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) Resources, partnerships (Swiss programme)

Source: Armastar

<table>
<thead>
<tr>
<th>Number</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>52</td>
<td>Training of 52 foresters as forest stewards</td>
</tr>
<tr>
<td>10</td>
<td>Training of 10 foresters as forest stewards</td>
</tr>
<tr>
<td>5</td>
<td>Training of 5 foresters as forest stewards</td>
</tr>
<tr>
<td>3</td>
<td>Training of 3 foresters as forest stewards</td>
</tr>
</tbody>
</table>

4 Subject to change based on decisions in Parliament.
Annex 2: Theory of change

Overall Goal

People of the South Caucasus benefit from sustainable and inclusive economic and social development, democratic public institutions, human security, peace, and increased climate change resilience, through enhanced regional dialogue and cooperation.

Multi-Country Development Outcomes and Regional Development Outcomes

- Increased in productivity, trade turnover and services, including access to finance.
- Women and men from the South Caucasus benefit from more inclusive, accountable to all citizens and rights holders, democratic public institutions at the national and local levels.
- Women and men from the South Caucasus, including conflict-affected populations and minorities, engage in national policy discourses, formal and informal institutions.
- People of the South Caucasus benefit from sustainable and inclusive economic and social development, democratic public institutions, human security, peace, and increased climate change resilience, through enhanced regional dialogue and cooperation.
- Support scientists and CSOs in the region with evidence-based policymaking and advocacy on issues related to climate-change adaptation and biodiversity agendas, and economic growth, through policy development and local projects.
- 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.
- When new interventions or intervention phases are designed, the potential for digitalisation and partnership with the media is explored.
- Funds available for interventions amount to CHF 15 million.
- Switzerland actively participates in the development partners' coordination processes, in particular the ones set up by the UN RC.
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- 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.
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:

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

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 5: Acronyms and abbreviations

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

Chashkhlok, Georgia. ©Goga Chansadri