

THE ROLE OF THE US IN THE MODERNIZATION OF THE COUNTRY. THE CASE OF MOLDOVA AND GEORGIA*

Abstract

Moldova and Georgia - countries, which showed great results in democracy and liberalization promotion. The US is one of the main actors that played an important role in democracy and economic development in these countries. It is important to evaluate the role of the US in the democratization and liberalization of both countries, to show main objectivities of US agencies and programs, which operating in Moldova and Georgia. Comparing two Cooperation Strategies implemented in Moldova and Georgia, directions of cooperation should be pointed out. Hence, USAID has almost the same policies towards democracy promotion and economic growth, however the Georgia-USAID Cooperation Strategy has one important distinction from the Moldovan one, USAID is working on increasing of engagement with the occupied territories. The Moldova-USAID Cooperation Strategy has no such direction, however it with well-known that US has some projects in Transnistria, following article will cover them. The main conclusion of the article is that US's activity in Georgia is much higher than in Moldova. According to the Georgia-USAID Cooperation Strategy, USAID plays an essential role in coordinating the donor activity in Georgia. As part of donor coordination efforts led by the Ministry of

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Finance, USIAD continues to participate in various donor coordination forums. On the contrary, USAID in Moldova, according to the Moldova--USAID Cooperation Strategy, has no such function.

Introduction

The importance of US's support can not be underestimated for these two countries. Being a part of former soviet republics and a part of Russian "close abroad" policy, these two countries are facing challenges in their western-oriented development, including democratic and liberal. It is considered as Russia is not interested in having successful democratic states at its borders. A successful democracy in the neighborhood could rise question about the dominant position of authoritarian governance in the post-soviet space (Lebanidze, 2016).

The US relations with Georgia and Moldova started soon after the Soviet Union passed away and developed constantly in economic, democratic, judicial, governmental and military directions. Main agencies trough witch these post-soviet countries received about all aid from the US are United States Agency for International Development (USAID) and Millennium Challenge Corporation (MCC). USAID launched an assistance program in Moldova in 1992 aiming to establish health and social safety net programs, foster democratic processes, and help to restructure and privatize key industries to jump-start economic growth (History (Moldova)). The same year USAID began operating in Georgia, programs included initiatives for stimulating economic growth, develop democratic institutions, enhance energy security, and improve health and education (History (Georgia)). MCC is a bilateral United States foreign aid agency established by the U.S. Congress in 2004. It appeared in Moldova in 2006 and in Georgia in 2005.

More close cooperation between US and Georgia and Moldova started after these both countries declared pro-western orientation, which affected their political, social and economic development. In 2003 the Rose Revolution occurred in Georgia, since this date the Government of Georgia has carried out numerous economic and governance reforms, enabling a rise in the living standards of its citizens. In Moldova the

changes in its orientation started in 2009, Moldovans broke from eight years of Communist party leadership, electing a more western-oriented government that promised change and greater integration with Europe.

This article is aimed to compare USAID and MCC policies and approaches for Moldova and Georgia. The main source of information for this comparison are documents and strategic plans elaborated by USAID and MCC, as well as information provided on their web pages.

It is obvious that all transformations are closely linked to foreign policy (Ambrosio, 2014) and international actors, among which is the US. Concerning amount of the US support to Georgia and Moldova different sources give different information. E.g. Institute for Development of Freedom of Information providers with the following information: US has provided about 912 mln US\$ as gratuitous financial support for Georgia in FY1995-FY2015 (International Financial Grants, 2015). The United States has been Georgia's largest bilateral aid donor, budgeting cumulative aid of \$3.37 billion in FY1992-FY2010 (all agencies and programs) (Nichol, 2013). Since 1992, the USG has invested over \$3 billion in Georgia (including funds allocated in response to the 2008 conflict) (USAID in Moldova). Speaking about Moldova, since 1992, the US have invested more than \$1 billion through U.S. Government assistance programs (USAID in Georgia).

USAID in Moldova and Georgia: main goals of cooperation, strategies and interests.

At the beginning, it should be mentioned that Moldova is a self-declared neutral country and does not seek NATO membership, but participates in NATO's Partnership for Peace (PFP) program. Moldova's main foreign policy objective currently is to sign an Association Agreement with the EU (Woehrel, 2014) and US fully supports Moldova in its goal. In contrary, Georgia has an intention to join the NATO, and this is reflected in USAID Country Development Cooperation Strategy for Georgia. The US has provided over \$1.5 billion in assistance to Georgia through USAID (USAID in Georgia) and more than \$1 billion to Moldova (USAID in Moldova).

USAID in Moldova launched four new external and independent sector assessments, including Democracy and Human Rights; Good Governance; Economic Growth; Biodiversity. The Mission to Georgia conducted five sector assessments focused on democracy and governance, conflict mitigation, agriculture, the financial sector, and education to bolster existing analyses.

USAID's main goal in Moldova is a better-governed country with improved living standards for its citizens. USAID Country Development Cooperation Strategy for Moldova contains two development objectives: (1) effective and accountable democratic governance and (2) investment and trade in targeted sectors. Both objectives divided into directions of cooperation.

USAID's goal for Georgia is to sustain Georgia's progress in its democratic, free-market, Western-oriented. Country Development Cooperation Strategy for Georgia encloses three development objectives (1) democratic checks and balances and accountable governance enhanced; (2) inclusive and sustainable economic growth; and, (3) increasingly stable, integrated and healthy society.

As can be seen, the goals for both countries are different and reflect the level of country development and its will for modernization, democratization and liberalization. For Moldova, the poorest country in Europe, one of the main problems is poverty, so improving of living standards for Moldovan citizens became a goal for the USAID. Georgia made a good step forward in democratic development, liberalization and corruption reduction, thus USAID's goal is to sustain Georgia's progress in developing.

First development objective of USAID in Moldova is **Effective and Accountable Democratic Governance**, which focuses on supporting of democratic reforms. Following directions could be founded: Increasing Citizen Engagement in Governmental Decision-Making, transparency and accountability of Moldovan Justice System and strengthening local government capacity to respond to citizens' needs. This development objective is divided into three directions: *increasing citizen engagement in governmental*, which includes decision

making, more effective and sustainable civil society, more inclusive and representative political participation. Second direction is *transparent and accountable Justice system*, this direction consists increasing of citizen demand for effective justice and more capable and professional justice system. Third direction is to *strengthen local government capacity to respond to citizens' needs*, includes improving of management systems and increasing of financial viability of public services. First development objective in Georgian Country Development Cooperation Strategy is called **Democratic checks and balances and accountable governance enhanced** and has following directions: *informing and engaging citizenry*, which includes improving of the civil environment and supporting civil society development, increasing civic activism among young people; development of think tanks and professional business associations, increasing access to independent and reliable sources of information. Creation of *competitive, deliberative and transparent political and electoral process*, with following directions: increasing of the political pluralism, increasing of capacity, openness and legislative independence, increasing of Georgia's ethnic minorities integration, increasing of women's representation and participation. *Independent, consistent, and professional application of the rule of law*, which includes following points of implementation: access to justice increasing, judicial independence and capacity increasing, civic participation in judicial affairs increasing, skills, knowledge, and ethical standards of legal professionals enhancing. *Transparent, responsive and effective governance and service delivery* which includes following points of implementation: national administrative capacity and participatory decision making developing, municipal capacity, service delivery, and participatory decision-making enhancing, openness at all levels of government increasing.

Thus, this objective is focused on civil society, improving judicial system and effective governance. There is no such a point as electoral process in Moldova's Cooperation Strategy, there is no information on whether USAID playing any role in electoral process improving. The first development objective is much more detailed and

elaborated for Georgia, than for Moldova. The activity of the USAID in Moldova is quiet poor, e.g. there are eight projects on democratization and good governance, which are implementing now (USAID in Moldova). Unlike in Moldova, according to the official web site, USAID in Georgia is developing 18 projects connected with democracy promotion (USAID in Georgia).

Second development objective of the USAID in Moldova is **Investment and Trade in Targeted Sectors**. It bifurcates into *improving economic foundation for growth*, which includes improved business and trade enabling environment and increasing access to finance, and *improving private sector competitiveness in selected industries*, with increasing productivity and expanding market linkages. In contrary USAID Cooperation Strategy for Georgia is much larger and detailed then for Moldova. Second objective of the USAID in Georgia is **Inclusive and sustainable economic growth**. It is divided into four directions: *Improving economic governance and leadership*, which includes: increasing of economic growth, think tank and professional business association development, legislative and policy reforms. *Increasing competitiveness and employment generation in targeted sectors*, which contains following directions: SME development and growth, agricultural production/ productivity and market linkages increasing, access to capital increasing, business acumen developing. *More responsible management and development of Georgia's natural endowments*, which contains following directions: climate change mitigation increasing, sound management of water resources and the broader environment improving, waste management improving. *Quality and market oriented workforce enhanced*, which contains following directions: basic education improvements sustained, higher and vocational education developed, professional/in-service training enhanced.

Finally, the last objective that can be founded only in Georgia-USAID Cooperation Strategy is **increasingly stable, integrated and healthy society**, divided into three directions: *Increased engagement with the occupied territories*, which includes: expanded opportunities for

dialogue and confidence building with Abkhazia, Conflict mitigation with South Ossetia, advanced GOG human and institutional capacity to facilitate peace processes enhanced. *Increased inclusion of target populations*, which includes increasing integration of Georgia's ethnic minorities, broader representation, participation, and inclusion of women, supporting to other disadvantaged groups sustained. *Improved and sustainable health outcomes and decreased incidence of communicable disease*, which includes equitable utilization of quality health care services, individual, institutional and systems capacity building.

Concerning rouge territories, USAID is implementing two projects: preservation of Abkhaz language by Abkhaz and Georgians and Georgian-Abkhaz and Georgian-Ossetian people-to-people reconciliation. However, in spite the fact that there is no separate objectivity in USAID-Moldova development strategy, USAID has a project Agriculture Competitiveness and Enterprise Development Project (ACED), which represents USAID's first substantial enterprise development effort in Transnistria and focuses on helping micro-, small- and medium-sized enterprises (MSMEs) in the Transnistrian region to grow and become more competitive (USAID in Moldova).

Another important issue is coordination between donors. This topic was cursorily mentioned in USIAD-Moldova Country Development Cooperation Strategy: Together with the close coordination with other 10 international donors (Country Development Cooperation Strategy). In contrary, in Georgia, the Mission has well developed working relationships with other diplomatic missions, donors, and international organizations providing assistance to Georgia. As part of donor coordination efforts led by the Ministry of Finance, Mission personnel continue to participate in various donor coordination forums. Donor coordination remains strongest at the sector level, where donors and Georgian partners work together to address development challenges (Country Development Cooperation Strategy). Thus, USAID in Georgia plays an important role in coordinating other donors and elaborating a common action plan. Unfortunately, there is no information about the same strategy in Moldova. Coordination processes are highly important

because the activities of various uncoordinated donors may actually conflict and undermine development objectives (Lawson, 2013).

Following conclusions can be drawn USAID plays an important role for both countries, however, as can be seen, USAID is more active in Georgia than in Moldova.

Millennium Challenge Corporation

Millennium Challenge Corporation started its 5 years program Compact I in Georgia in 2005 and in Moldova in 2010. In Moldova, the program focused on irrigation reconstruction, access to agricultural finance, and the rehabilitation of an integral section of the country's national road network (Moldova Compact). The Compact in Georgia focused on rehabilitating regional infrastructure and enterprise development to improve the lives of the poor by helping them integrate economically through improved access to jobs and markets, by providing more reliable access to basic services, and by providing capital and technical assistance for enterprise development (Georgia Compact). Total grant for Georgia was \$395,300,000, for Moldova \$262,000,000.

The other program for Moldova started in 2006 and ended in 2010 was called Moldova Threshold Program. The program aimed to address areas of persistent corruption including in the judiciary, health care system, and tax, customs and police agencies. Grant Total: \$24,700,000. This program became a part of donors' attempts to eradicate corruption in Moldova. However, unfortunately, the situation on the corruption is very grievous. In 2015, it was revealed that close to 15 percent of Moldova's gross domestic product of approximately \$8 billion disappeared in a massive corruption scandal involving three of the country's largest banks (Tomkiw, 2016).

Compact II for Georgia was in 2013-2014 and aimed to improve the quality of education in the science, technology, engineering, and math (STEM) fields and increase the earning potential of Georgians through strategic investments from the start of a student's general education to graduation from technical training and advanced degree programs (Georgia Compact II).

Conclusions

The article is reviewing the US policy towards Moldova and Georgia in the frame of country modernization and reforms and comparing USAID and MCC approaches. As it can be seen, the U.S. foreign policy looks for to helping both Moldova and Georgia sustain progress to strengthen its democratic, freemarket, Western-oriented transformation.

This means consolidating and advancing democratic and economic reforms, strengthening institutional checks and balances, enhancing informed civic participation, ensuring a fair and open arena for political and economic competition, and promoting inclusion of women, ethnic minorities, and vulnerable populations in the country's development. A related objective is to support Georgia's territorial integrity, prevent any resumption of military conflict, and gradually expand interaction and cooperation between the Georgian government and people and the people living in the occupied territories of Abkhazia and South Ossetia. U.S. foreign policy objectives seek also to continue and strengthen the partnership between the U.S. and Georgia in support of our shared objectives, including in the areas of trade, security, counterterrorism, counter proliferation, disease detection and control, and law enforcement.

This can be explained by the idea that Georgia constitutes bigger geopolitical interest to the US. Especially since 2004, Georgia has been a part of the US political agenda, for many reasons: (1) the U.S. aims to prevent Russian dominance in the country. (2) Region's security and the war on terrorism; in particular, the security interest has arisen after 9/11, when the Central Intelligence Agency in the U.S. heard the call from Afghanistan to Georgia. (3) The USA is interested in the securing of transport links and the energy sector (Utiashvili, 2014). In contrary, Moldova has no such geopolitical position, which could attract attention of the US.

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