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### Annex 3: Action Fiche Georgia

#### 1. IDENTIFICATION

Title/Number	Twinning & Technical Assistance Facility to the EU- Georgia ENP AP implementation (CRIS ENPI/2010/22152)		
Total cost	€7.2 million		
Aid method / Method of implementation	Project approach – centralised		
DAC-code	43010	Sector	Multi Sector

#### 2. RATIONALE

##### 2.1. Sector context

Georgia in the last 4 years has enjoyed rapid GDP growth, which was expected to continue over the next years. In the first half of 2008, Georgia still enjoyed strong growth rate (12.4%) with average inflation rate of 9.2%, which had increased to 11.3% in July 2008. Economic growth was driven by a financial intermediation, hotels and restaurants, transport and communication, real estate and construction. In 2009 GDP might drop in Georgia by 4.5% to 5%. The Georgian 2008 - 2009 economic downturn follows a period of sustained economic growth since the 2003 Rose Revolution based on a liberalization process and strong political commitment to market-based reforms. The Georgian economy grew by 43% in the four years to 2007 thanks to strong inflows of external funding – both foreign direct investment and portfolio finance. These inflows on the Capital Account financed in full the deficit on the Current Account and fed a rise in domestic consumption.

The economic recession started in mid-2008 as a result of the military conflict with Russia, which raised the assessment of the country risk, and the global financial and economic crises. To face the internal and external economic shocks, the Government of Georgia has sought economic assistance from the international community, which has pledged 4.5 billion USD to be delivered during 2008- 2010. In addition, the Government of Georgia has implemented economic, fiscal, and monetary policies aiming at: (i) returning to a sustained economic growth; (ii) maintaining macroeconomic stability (and safeguarding the financial sector) with low to moderate inflation over the medium term; (iii) continuing to reduce the burden of the state on the economy and improve public service delivery by reducing tax rates, reducing the share of state budgetary expenditure as a share of GDP, and improving the efficiency of public finances.

The inflow of donor assistance and a careful macro economic policy is at present enabling the Government of Georgia to maintain some macro economic stability. However, difficulties linked with further pressures on the financial system and a contraction of public expenditures capacities cannot be excluded. Together with the IMF, the Government of Georgia is currently identifying different options for a response strategy.

In 2004, Georgia was included among the countries benefiting from the European Neighbourhood Policy (ENP). In November 2006 the EU-Georgia ENP Action Plan covering 5-year time-frame was agreed. Since that time the Government of Georgia has been working on the ENP AP Implementation. The recent political instability and the open conflict between Georgia and Russia

have affected the process. In this situation the economic development and the fight against poverty became ever important for the Georgian Government.

In summer 2008 the European Commission put forward concrete ideas for enhancing relationship with neighbouring countries, including Georgia, through Eastern Partnership. This would imply new association agreements including deep and comprehensive free trade agreements with those countries willing and able to enter into a deeper engagement, gradual integration in the EU economy and allow for easier travel to the EU through gradual visa liberalisation, accompanied by measures to tackle illegal immigration.

The Partnership would also promote democracy and good governance; strengthen energy security; promote sector reform and environment protection; encourage people to people contacts; support economic and social development; offer additional funding for projects to reduce socio-economic imbalances and increase stability.

## **2.2. Lessons learnt**

As of 2007, with the adoption of the European Neighbourhood and Partnership Instrument (ENPI), Georgia became eligible to benefit from “Institutional Twinning”. This instrument has proved to be very effective in institution building and administrative capacity development of candidate countries and more recently in ENPI countries.

During the first 3 years of Twinning operations in Georgia a strong sensitisation and promotion campaigns have been conducted. The technical assistance to the establishment and further strengthening of the Twinning, TAIEX and SIGMA Administration Office (PAO) in Georgia has been provided. As a result of promotion of the Twinning instrument, 1 Twinning project is under implementation, 1 at the contract negotiation stage; 1 selection meeting foreseen in November 2009. 10 projects are in the pipeline and it is expected that in the beginning of 2010 at least 6 calls for proposals will be launched. The further operation of the Twinning facility is a gradual but progressive process as the interest regarding this instrument is being increased among public institutions of Georgia.

In this context, the Twinning facility will still abide by the following requisites:

- be flexible in order to respond to changing needs;
- be demand-driven responding to specific requests of the beneficiary institutions;
- respond to some form of competition between the institutions (due to the limitation in funds);
- be complementary to other instruments (TA and budgetary supports) and to on-going projects.

## **2.3. Complementary actions**

The EU through the Annual Action Programme 2010 continues supporting the implementation of the priority areas of assistance defined in the National Indicative Programme 2007-2010 and also in the National Indicative Programme 2011-2013 in the context of the policy objectives defined by the EU-Georgia ENP AP.

The activities foreseen under the AP 2010 build on and complement activities of on-going and planned projects financed under ENPI, like Sector policy support Programmes ( Support to the reform of criminal justice system in Georgia, Support to the Vocational Education & Training (VET) sector reform in Georgia, Support to the Regional Development) and other Programmes under this instrument.

The upcoming Twinning operations, based on the past experience, will complement assistance mentioned above, whereby the assistance will be provided by a peer-to-peer partnership between EU and Georgian administrations.

## **2.4. Donor coordination**

The implementation of NIP and ENP AP mainly involves the Georgian Government, the European Commission and EU Member States. Co-ordination is ensured through regular meetings with Economic Counsellors of EU Member States' representations and the European Union Delegation on questions related to economic development. Besides, specific assistance on issues related to tax and customs, standardisation, intellectual property rights, food safety and veterinary law have and will be co-ordinated with IFIs (World Bank) and other countries' assistance (i.e. USA) to ensure coherence in the approach.

In addition, regular Donors' meetings on other sectors (education, health and social, justice) are held in Tbilisi to share information and strategies. The Delegation on a regular basis is organizing round tables with the EU Member States to discuss cooperation issues and coordination.

## **3. DESCRIPTION**

### **3.1. Objectives**

#### General Objective

The project intends to contribute to the gradual harmonisation of Georgian legislation with EU principles, norms and standards according to the provision of the Partnership and Cooperation Agreement, the ENP AP and the National Indicative Programme (NIP) and to the progressive economic integration of Georgia and the EU.

#### Specific Objective

The objective of the project is to support the Georgian administration and the relevant institutions in the implementation of the NIP in the areas with the potential to enhance trade, investment and growth, rule of law, education, environment, social and health reforms, rural and regional development.

### **3.2. Expected results and main activities**

The expected results of the project are:

- Deeper economic integration of Georgia with the EU internal market;
- Regulatory and institutional approximation in areas with the potential to enhance trade, investment promotion and growth;
- Improved efficiency, competence and integrity of the Justice Sector Institutions (Ministry of Justice (including the Office of the Prosecutor General), Ministry of Internal Affairs, Ministry of Corrections and Legal Assistance, Public Defender's Office);
- Strengthen independence and capacity of the Judiciary;
- Improved policy making and good governance;
- Improved migration management system;
- Enhanced border management;

- Modernisation of the Georgian administration in order to effectively implement the ENP AP;
- Increased efficiency of social assistance for vulnerable social groups;
- Improved quality and capacity of the Georgian administration in the areas of education, science and training systems;
- Strengthened rural and regional development.

### **3.3. Risks and assumptions**

#### Risks:

Political instability, weak institutional capacity; high staff turnover and continuous restructuring of the public administration may hamper the effectiveness of the projects

#### Assumptions:

Continued commitment from the Georgian Government to the PCA and ENP AP implementation is assumed. It is also assumed that the Georgian beneficiaries will contribute to the logistical arrangements in order to ensure the successful implementation of this programme

### **3.4. Crosscutting Issues**

#### Environment:

The project will have a direct impact on the environment as it is expected that the projects in this field will be elaborated and implemented within this project.

#### Gender balance:

The project would help redress gender imbalances in several ways, including equal opportunity for participation in the Twinning operations. The staffing of the future Twinning projects and activities would be carefully monitored so that there is no gender bias.

#### Good governance and human rights:

The project will promote good governance and the protection of human rights as it prepares grounds for the projects in the field of good governance and rule of law.

### **3.5. Stakeholders**

The beneficiaries will be the public administration and other institutions directly concerned with the implementation of the Priorities under the NIP 2007-2010 and 2011-2013. Special attention will be given to some line ministries and public institutions which are directly responsible for planning and implementing reforms in justice and rule of law sector; promote trade and investment, reforms in education (including vocational training), social and health sectors, e.g. Ministry of Justice (including Prosecutor General's Office), Ministry of Corrections and Legal Assistance, Ministry of Interior, Public Defender's Office, Ministry of Agriculture, Ministry of Finance, Ministry for Economic Development, Ministry of Education and Sciences, Ministry of Labour, Health and Social Protection, as well as Ministry for European Integration. However, other institutions which have a stake in the implementation of the NIP may also be targeted.

The State Ministry for EU Integration, which hosts the Programme Administration Office, will be responsible for the planning and implementation of the twinning arrangements. The Twinning Steering Committee established in September 2009 aimed at disusing all issues related to the

Twinning/TA facility with active participation of the line ministries and EC Delegation will contribute to programme implementation process.

Georgian ministries will be responsible for the preparation of project proposals and for the technical implementation and follow-up. The Ministries will have to nominate a “focal point” within their organisation.

The projects will be selected on the basis of well defined criteria (to be further developed during formulation) such as: 1) coherence and relevance to the NIPs Priority and the ENP AP implementation plan 2) commitment in terms of political support, financial and human resources allocated by the beneficiary, 3) primacy of interest and application.

#### **4. IMPLEMENTATION ISSUES**

##### **4.1. Method of implementation**

Direct centralised management

##### **4.2. Procurement and grant award procedures**

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by ENPI Regulation. Further extensions of this participation to other natural or legal persons by the concerned authorising officer shall be subject to the conditions provided for in article 21(7) of the ENPI Regulation.

##### **4.3. Budget and calendar**

The programme foresees an envelope of €7.2 million that will be used to finance tentatively four or five upcoming Twinning projects in Georgia and technical assistance complementary to Twinning (such as framework contracts aimed at supporting not only twinning projects elaboration financed under the 2010 budget but also those which will be financed under the 2011 budget). A part of this amount will be also used for technical assistance (including works and supply contracts) and/or grant contracts/contribution agreements not directly related to the twinning projects, but requested by the Government of Georgia and necessary for the implementation of ENP AP and NIP priorities and for the preparation of sectors for future twinning projects. This technical assistance and/or grant contracts will be harmonised with backbone strategy recommendations and will be used for the preparation of the beneficiary institutions for cooperation under the Eastern Partnership.

Each above-mentioned component should include the necessary provision for audit, evaluation and communication/visibility activities (see sections 4.5 and 4.6 below).

The operational duration of the programme should indicatively be of maximum 48 months as from signature of the Financing Agreement. Evaluation and audit activities may take place after this period.

#### **4.4. Performance monitoring**

The project will be monitored according to standard procedures. Project monitoring and evaluation will be based on periodic assessment of progress on delivering of specified project results and towards achievement of project objectives. Suitable objectively quantifiable indicators will be agreed between the contracting Authorities and Project Partners.

#### **4.5. Evaluation and audit**

Appropriate planning and regular monitoring throughout implementation in the form of regular reports by the implementing administration will take place. Evaluation during implementation and at the end of the programme as well as audits of programme will also take place.

#### **4.6. Communication and visibility**

Appropriate communications and information activities will be planned and implemented by the Programme Administration Office and the beneficiaries of each specific project under the programme, in line with Commission guidelines for the visibility of external operations. These activities will target both Georgian public institutions and the Georgian public at large, with the aim of promoting a wider understanding of the relationship between Georgia and the EU in the context of the European Neighbourhood Policy.