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Action Fiche Georgia - ENPI AAP 2009

1. IDENTIFICATION

	Title	Twinning & Technical Assistance Facility to the EU- Georgia ENP AP implementation (CRIS: ENPI/2009/21068)		
	Total cost	€8.4 million		
	Aid method / Management mode	Project approach – centralised management		
	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.

While the current trade balance had recorded a deficit of 33 per cent of GDP, mainly due to the large volume of imports compared to exports, total FDI for 2007 accounted for US\$ 1.6 billion, and an estimate of US\$ 1.2 billion for 2008. The European Union, with Germany and Bulgaria as major traders, remains the largest commercial partner.

Georgia had made considerable progress in improving the investment climate and in the area of economic liberalisation since the "Rose revolution". FDI surged in the last two years to more than one billion USD or 15.3 – 19.8% of GDP. About a third of foreign investment in recent years was used for the construction of pipelines by foreign firms. The biggest investors are USA followed by Great Britain. Kazakhstan and Azerbaijan and even Russia contributed large amounts in recent years.

Before the open conflict between Russia and Georgia on August 2008, economic growth was running in double digits. With such strong growth, there were inevitably inflationary pressures, but the central Bank was bringing these under control. The external current account deficit was large, but it was fully financed by private capital inflows and, in particular, foreign direct investment.

Recent political instability and the open conflict between Russia and Georgia have negatively impacted the economic growth.

On 22 October 2008 at the Donors Conference held in Brussels, the State and private donors together have pledged US\$ 4.55 billion over the next three years to help Georgia in post-war recovery. The sum includes about US\$ 3.7 billion from governments and US\$ 850 million from private donors.

In December 2008 the European Union decided to give Georgia a duty-free access with GSP+.

The Government of Georgia envisages to counterbalance the effects of the crises by using this funding for investing the infrastructure projects, which will stimulate the economy. Besides, to make certain steps for ensure liquidity of the banking system; increase spending on the social programmes.

In 2004, Georgia was included among the countries benefiting from the European Neighbourhood Policy. 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 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 2 years of Twinning operations in Georgia a strong sensitisation and promotion campaigns have been conducted. The technical assistance to the establishment and strengthening of the Twinning, TAIEX and SIGMA Administration Office (PAO) in Georgia have been and will be provided. As a result of promotion of the Twinning instrument, 1 Twinning project is under the contract negotiation stage; 5 projects are in the pipeline and it is expected that by the end of 2009, at least 4 call for proposals will be launched. The introduction and further operation of the Twinning facility is a gradual process because of the weaknesses of the public administration mainly due to continuous changes in staff and low institutional memory/capacity.

In this context, the Twinning facility will be still abided to 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 EC through the Annual Action Programme 2009 continues supporting the implementation of the priority areas of assistance defined in the National Indicative Programme 2007-2010 and in the context of the policy objectives defined by the EU-Georgia ENP AP.

The activities foreseen under the AP 2009 build on and complement activities of on-going and planned projects financed under ENPI, like Sector policy support Programmes (Public finance Management (PFM) project, Support to the reform of criminal justice system in Georgia, Support to the VET sector reform in Georgia) 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 Commission 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 continue the contribution to the gradual harmonisation of Georgian legislation to EC principles, norms and standards according to the provision of the PCA, ENP AP and NIP and to the progressive economic integration between Georgia and the EU.

Specific Objective

The objective of the project is to support the Georgian administration and relevant institutions in the implementation of the NIP in 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 with the EU internal market
- Regulatory and institutional approximation in areas with the potential to enhance trade, investment promotion and growth;
- Improved efficiency, knowledge and integrity of the judiciary and law enforcement agencies;
- Greater independence and capacity of the criminal justice sector institutions (police, prosecutor's office, judiciary);
- Improved political governance
- Modernisation of the Georgian administration in order to effectively play a role in the implementation of 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. Stakeholders

The beneficiaries will be the public administration and other institutions which are directly concerned with the implementation of the Priority areas 1, 2 and 3 of the NIP 2007-2010. Special attention will be given to some line ministries and public institutions which are directly responsible for planning and implementing reforms in judiciary and rule of law sector; directly or indirectly promote trade and investment, reforms in education (including vocational training), social and health sectors, e.g. Ministry of Justice, Prosecutor-General's Office, 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 PAO, will be responsible for the planning and implementation of the twinning arrangements.

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 NIP Priority and the ENP AP implementation plan 2) commitment in terms of political back up, financial and human resources allocated by the beneficiary, 3) first-come first-served basis.

3.4. 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;

It is also assumed that the Georgian beneficiaries will contribute to the logistical arrangements in order to ensure the successful implementation of this programme

3.5. Crosscutting Issues

Coherence with the cross-cutting issues can be characterised as follows:

- *Good governance and human rights:*

The project will have a direct impact on the good governance and human rights as it will prepare the ground for the projects in the field of good governance and human rights;

- *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.

- *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.

4. IMPLEMENTATION ISSUES

4.1. Implementation method

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.

4.3. Budget and calendar

The programme foresees an envelope of €8.4 million that will be used to finance the next three or four Twinning projects in Georgia and technical assistance complementary to Twinning (like preparation of launching framework contracts aimed at supporting not only twinning projects elaboration financed on the 2009 budget but also those, which will be financed on the 2010 budget). A part of this amount will be also used for technical assistance not directly related to the twinning projects, but demand driven by the GoG and necessary for the implementation of ENP AP and NIP priorities and for the preparation of sectors for future twinning projects. This technical assistance will be harmonised with backbone strategy recommendations.

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.