

## Annex 1 – Annual Action Programme 2012 for Georgia

### 1. IDENTIFICATION

Title/Number	Framework programme in support of EU-Georgia Agreements (CRIS: ENPI/2012/23281)		
Total cost	EUR 20 million		
Aid method / Method of implementation	Project approach – direct centralised management / joint management with the Food and Agriculture Organisation (FAO), the United Nations Development Programme (UNDP)		
DAC-code	15110	Sector	Public sector policy and administrative management

### 2. RATIONALE

#### 2.1. Sector context

The European Neighbourhood Policy Action Plan (ENP Action Plan), adopted in 2006, sets out the mutually agreed political priorities for cooperation between Georgia and the EU. Since the entry into force of the ENP Action Plan, Georgia has made progress in implementing agreed reforms, particularly as regards the rule of law and the economic sector. There is widespread recognition of progress in justice sector reform, improvement of the business climate and combating corruption.

Georgia also remains committed to European integration. The Eastern Partnership envisages the prospect for concluding an EU-Georgia Association Agreement (AA) including the establishment of a Deep and Comprehensive Free Trade Area (DCFTA) once the relevant conditions are met. In recognition of Georgia's European choice, negotiations on the Association Agreement started in July 2010 and negotiations between Georgia and the EU on the Deep and Comprehensive Free Trade Area were officially launched in February 2012. Given the importance of these agreements and the highly technical nature of the DCFTA in particular, the European Commission has developed Comprehensive Institution Building (CIB) to assist the Georgian authorities in this process. Georgia has actively supported the Eastern Partnership including CIB which is designed as a flexible programme to support the implementation of key reforms within the state institutions charged with the negotiation and implementation of the provisions of the AA and the DCFTA. The CIB focuses on key institutions defined within the "Comprehensive Institution Building Framework Document"<sup>1</sup>. These institutions are distributed across three clusters agreed as vital for the effective implementation of the future agreements: (i) the co-ordination cluster, (ii) the trade cluster and (iii) the oversight cluster.

All CIB institutions have developed Institutional Reform Plans (IRPs), which set out the key reforms required by each institution and, at the same time, provide a framework for EU and other donors' assistance.

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<sup>1</sup> The Framework Document entered into force on 2<sup>nd</sup> October 2010 at the signature of a CIB Memorandum of Understanding between the Government and the European Commission.

In addition, continuing support will be provided for those areas of co-operation prioritised in the ENP Action Plan.

## **2.2. Lessons learnt**

The EU has been providing support for capacity development to Georgia through technical assistance and other instruments (Twinning and TAIEX since 2007 and SIGMA since 2008). A total of EUR 28.6 million was allocated to the twinning/technical assistance facility in the period 2007-2011. There are currently 16 twinning projects at various stages from preparation through to implementation. TAIEX remains by far the most popular instrument in Georgia with over 150 applications submitted to date. Several SIGMA projects have also been implemented in recent years.

In terms of the CIB, it is more difficult to speak of lessons learnt, as the experience is too recent and the implementation has not yet started. As concerns programming and contracting, however, it is important to highlight the need to remain as flexible as possible. The fact that CIB foresees a comprehensive package of support for each institution presents great opportunities, but also challenges. The main opportunity is represented by the fact that a well-designed Institutional Reform Plan provides a detailed reference document for donors. Provided that all of the institution's needs are accurately reflected in the document, interested donors can provide targeted support, while the institution is in the position to efficiently manage and co-ordinate donor interventions. The comprehensive nature of the CIB also presents certain challenges, in that many different types of activities, ranging from legislative work and policy development through human resource development, quality management systems and procurement are required to achieve the necessary institutional reforms. These institutional demands need to be met while respecting contractual and financial procedures. At the same time, a balance must be struck which does not overburden the Delegation's human resources.

## **2.3. Complementary actions**

Support under the present programme, for both the new enhanced agreements and the ENP Action Plan, is complementary to existing bilateral assistance between the EU and Georgia. In Georgia, a significant proportion of bilateral assistance is provided through budget support disbursed against the achievement of benchmarks in Sector Policy Support Programmes (SPSP) in the areas of public finance management, regional development, criminal justice, vocational education and training and support for Internally Displaced Persons (IDP). With the exception of public finance management, these sectors for the most part do not overlap with the competencies of institutions selected under the CIB. However, some Sector Policy Support Programmes under preparation will focus on areas which are relevant to certain CIB institutions, e.g. SPSP in agriculture – National Food Agency (NFA); and private sector development – National Accreditation Centre (NAC), and the Georgian Centre for Standards, Technical Regulations and Metrology (GEOSTM). Hence, the institutional strengthening of the CIB institutions has the potential to enhance the capacity of our partners in government and result in a more efficient use of resources. Activities financed under this programme will be co-ordinated with other support provided to the given sector, through the respective steering mechanism foreseen in each case.

Actions planned under this programme are complementary to activities currently being implemented or planned by other donors. This is highlighted by the fact that several Member States and International Organisations have expressed keen interest in the content of the IRPs. In some cases IRPs have been produced based on the active inputs of donors already working

with the given institutions. In other cases the existing use of twinning in some institutions has ensured interest on the part of selected MS. The United States, UN agencies and the Council of Europe are all working with several of the CIB institutions and are kept apprised of the development and objectives of the relevant IRPs.

## **2.4. Donor coordination**

Co-ordination is ensured by the active participation of donors, sometimes with the inclusion of the Georgian authorities. The EU Delegation regularly organises meetings of Member States' Development Counsellors and also chairs donor co-ordination groups in a variety of sectors. Other donors chair certain sectors depending on their level of interest and involvement. In addition to these existing mechanisms, the Delegation has made a particular effort to keep all stakeholders involved in providing support to CIB institutions informed of developments with a view to co-ordinating potential inputs, both technical and financial, to the implementation of the IRPs. Co-ordination has been particularly active around the provision of support to the National Food Agency (NFA), the Public Defender's Office (PDO), the Parliament, the Civil Registry Agency (CRA), the National Accreditation Centre (NAC) and the Georgian Centre for Standards, Technical Regulations and Metrology (GEOSTM). The Delegation will continue to make full use of the existing donor structures to ensure co-ordination and complementarity of all actions under the Programme.

## **3. DESCRIPTION**

### **3.1. Objectives**

The overall objective of the programme is to effectively support Georgia in the preparation and implementation of new contractual relations between Georgia and the EU and in meeting the objectives set out in the EU-Georgia ENP Action Plan.

The specific objectives of this programme are the following:

- To ensure effective institution-building of a limited number of core institutions which are central in preparing the ground for and implementing the future Association Agreement and the DCFTA.
- To support the relevant institutions within the Georgian administration to comply with commitments set out in the EU-Georgia ENP Action Plan.

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

To meet the above objectives, the following results are expected:

#### **3.2.1 Result 1 – Strengthened capacity of CIB institutions to implement provisions of the new agreements.**

Based on the CIB Framework Document support will focus on three clusters with the following indicative list of institutions:

- Institutions in charge of reform co-ordination and negotiation of enhanced agreements – the **co-ordination cluster** (the Prime Minister's Office, the Ministry of Foreign

Affairs, the Office of the State Minister of Georgia on European and Euro-Atlantic Integration, the Civil Registry Agency of the Ministry of Justice<sup>2</sup>)

- Institutions in the area of trade negotiation and implementation of the DCFTA – the **trade cluster** (National Food Agency, the National Accreditation Centre, the Georgian Agency for Standards, Technical Regulations and Metrology).
- Institutions in the area of democratic development, good governance and human rights – the **oversight cluster** (the Public Defender's Office, the Chamber of Control of Georgia, the Parliament of Georgia)

A total of eight institutions received already support under the 2011 CIB financial allocation. Building on work already carried out, some institutions, such as the National Food Agency and the Georgian Agency for Standards, Technical Regulations and Metrology will receive continued support under the 2012 CIB financial allocation to achieve the objectives set out in their IRPs. In addition three other institutions which were not covered previously, the National Accreditation Centre, the Chamber of Control and the Parliament, will receive support.

Activities within the co-ordination cluster will focus on enhancement of capacities for strategic planning of the regulatory approximation process, co-ordination of overall policy-making processes, monitoring and reporting of the entire process from start to finish, as well as internal and external communication.

Activities within the trade cluster will be targeted at creating adequate institutional structures and administrative capacities for the negotiating process, and achieving a basic level of regulatory approximation with the EU-related legislation and standards in the crucial areas of technical barriers to trade, accreditation system, sanitary and phyto-sanitary measures, competition policy and intellectual property rights.

Activities within the oversight cluster will be geared towards fostering monitoring and steering capacities of the approximation process.

### **3.2.2 Result 2 – Enhanced implementation of the EU-Georgia ENP Action Plan**

This Programme will also cover a number of areas that are a priority under the ENP Action Plan. In agreement with the Georgian authorities, institutions with a key role to play in achieving priorities under the ENP Action Plan will receive support in meeting their objectives.

Given the complexity of the programme and the significant number of different beneficiary institutions, technical assistance is also necessary to support the management and the reporting of the programme as well as for different tasks related to programme cycle management.

### **3.3 Risks and assumptions**

The following risks have been identified:

- political commitment to and quality of the reform process

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<sup>2</sup> As a result of preparatory discussions for the CIB implemented under the 2011 AAP, the Georgian translation agency (MATSNE) was also included as a beneficiary of assistance under the programme.

- high turnover of staff;
- weak planning and coordination capacity;

The success of the intervention will highly depend on a number of assumptions:

- Georgia will maintain its commitment to enhanced relations with the European Union and will be willing to pursue negotiations leading to the establishment of a DCFTA with the EU. Once the agreements are concluded, Georgia will remain committed to implement the obligations arising from the agreements;
- The selected institutions will allocate the necessary human, financial and technical resources to the implementation of the IRPs.

Risks and assumptions particularly related to the implementation of the IRPs can be mitigated by continuous policy dialogue as well as provision of the necessary technical support to those institutions.

### **3.4 Crosscutting Issues**

Special attention will be paid to ensure the protection of the environment, encourage gender equality and equal opportunities, and promote good governance and human rights, including the protection of ethnic minorities and the inclusion or socially or economically deprived groups wherever these issues are of particular relevance to the institutions to be assisted.

### **3.5 Stakeholders**

The stakeholders in the CIB are the beneficiary institutions, the PAO, both as beneficiary and co-ordinating body from the Georgian side, the EU and its Member States, other donors and civil society representatives. As outlined above, the CIB has the potential to be highly participatory. Several MS and international organisations already working with the CIB institutions have expressed an interest in participating in the CIB, either by direct financing or through their own programmes. This applies primarily to the institutions included in the oversight and trade clusters, though co-operation is also wide in the case of the Civil Registry Agency.

Other stakeholders, such as civil society organisations and non-state actors, will be consulted in the implementation and monitoring of the CIB with a view to promoting reform, transparency and public accountability.

## **4. IMPLEMENTATION ISSUES**

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

The method of implementation will be direct centralised management by means of procurement (services and equipment<sup>3</sup>), grants (including in a limited number of cases direct award of grants to the beneficiary institution), and twinning contracts.

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<sup>3</sup> In line with the CIB Guidelines, supply of specialised EU norm-driven equipment can be envisaged. In accordance with the Twinning Manual, limited resort to supply contracts can be made on request from twinned beneficiary institutions.

The appropriate implementation modality will be selected in consultation with each beneficiary based on their needs and Commission services' assessment as to what contracting modality best meets the criteria of efficiency and effectiveness. In some cases, Twinning contracts are already ongoing and this will be the preferred option to continue. In other cases contribution agreements using the possibility of joint management may be envisaged.

Joint management through the signature of an agreement with an international organisation in accordance with Article 53d of the Financial Regulation are envisaged, in particular with UNDP (for support to the Parliament) and FAO (for support to the National Food Agency) who comply with the criteria provided for in the applicable Financial Regulation and are covered by the Financial and Administrative Framework Agreement (FAFA) of 29 April 2003) signed between the United Nations and the Commission. These international organisations have been selected according to their i) specific competence to support implementation of a certain Institutional Reform Plan, ii) previous experience in collaborating with the beneficiary iii) agreement with the beneficiary and consultation with other relevant stakeholders and iv) an assessment of other actions in the sector.

The change of management mode constitutes a substantial change except where the Commission "re-centralises" or reduces the level of tasks previously delegated to the beneficiary country, international organisation or delegatee body under, respectively, decentralised, joint or indirect centralised management.

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

##### **1) Contracts**

All contracts for 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 the 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.

##### **2) Specific rules for grants**

The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EU external actions. They are established in accordance with the principles set out in Title VI 'Grants' of the Financial Regulation applicable to the general budget. When derogations to these principles are applied, they shall be justified, in particular in the following cases:

- Financing in full (derogation to the principle of co-financing): the maximum possible rate of co-financing for grants is 80%. Full financing may only be applied in the cases provided for in Article 253 of the Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the Financial Regulation applicable to the general budget of the European Communities.

- Derogation to the principle of non-retroactivity: a grant may be awarded for an action which has already begun only if the applicant can demonstrate the need to start the action before the

grant is awarded, in accordance with Article 112 of the Financial Regulation applicable to the general budget.

### 3) Joint management

All contracts implementing the action are awarded and implemented in accordance with the procedures and standard documents laid down and published by the International Organisation concerned.

### 4.3. Budget and calendar

The total cost of this programme is EUR 20 million. Out of this total cost, EUR 11 million is drawn from the 2011-2013 CIB allocation for Georgia<sup>4</sup>.

The tentative budget breakdown under the AAP 2012 allocation is as follows:

Implementation of activities related to the new enhanced agreements (Comprehensive Institution Building)	EUR 11 million
Implementation of activities related to priorities set out in the ENP Action Plan	EUR 6 million
Implementation Support AAP 2012, including evaluation and audit	EUR 3 million

The tentative budget breakdown for each implementation modality is as follows:

1. Twinning contracts	EUR 2.5 million
2. Grant contracts	EUR 7.5 million
3. Service contracts (complementary measures)	EUR 8.5 million
4. Contribution agreements	EUR 1.5 million
<b>Total</b>	<b>EUR 20 million</b>

Unspent funds from one component may be reallocated to another component. Any change shall be agreed between the parties and reflected in the update of the relevant IRP. Depending on progress achieved within the DCFTA negotiations and given the highly technical nature of the subject matter, it may be necessary to foresee assistance to additional institutions not yet covered under the CIB Framework Document. Additional funding may also be added by EU Member States or other donors willing to co-finance CIB activities.

The CIB will be co-financed by the partner country and by the EU. The partner countries will contribute to the CIB financially or in kind. A minimum financial contribution of 20% will be required when EU funding is used to purchase specialized EU norm-driven equipment or when the chosen contract modality is a direct grant award to the beneficiary organisation. In case of twinning and technical assistance operations, but also for IRP activities not related to

<sup>4</sup> The 2011-2013 CIB allocation for Georgia amounts to EUR 30 million.

procurement, it is expected that, as a minimum, the partner will provide a functioning office and counterpart staff.

Given the complexity of the programme and the significant number of different beneficiary institutions, funds are reserved for implementation support. Technical assistance is foreseen to support the Georgian counterpart, in particular for tasks of programme cycle management, such as the preparatory, supervisory, monitoring, reporting, audit and evaluation work necessary for the timely and efficient implementation of actions.

The foreseen operational duration of the programme is 60 months as from entry into force of the Financing Agreement. Procurement procedures, including for grants, are expected to be launched within 24 months and contracts concluded within 36 months following the entry into force of the Financing Agreement.

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

The Commission and the partner country will regularly review progress made in the implementation of the CIB through a special CIB Steering Committee (SC) which will meet twice a year. Apart from steering the overall process of CIB activities, the SC will also aggregate information about progress in implementing IRPs which will be made available to all relevant stakeholders. Beyond the immediate mandate of following CIB actions, the SC will also monitor other actions aimed at achieving objectives prioritised under the ENP Action Plan based on the results agreed during the project preparation phase.

At the level of the IRPs, one Management Committee (MC) per plan will be convened by the beneficiary institution involving the Commission and other co-financing donors. The committees will meet regularly to review progress on the basis of periodic reports.

In addition, the relevant sub-committees will devote sufficient time to an annual review of the CIB either as part of their regular agenda or through dedicated sessions. The CIB will also be one of the points on the agenda of the annual meeting of the Co-operation Committee. This annual review may lead to a re-allocation of funds among the different Institutional Reform Plans. The involvement of Member States will also be ensured through the established mechanisms.

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

Evaluation and audit will be decided by the European Commission and carried out with the support of external consultants recruited by the Commission. A mid-term evaluation and a final evaluation of the programme are envisaged with a particular emphasis on the CIB actions. Also a comprehensive audit will be carried out at mid-term and at the end of the programme.

In case of joint management, and where applicable, the provisions included in the relevant framework agreement(s) signed with international organisation(s) will apply.

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

Proper communication and visibility of the measure will be achieved via widespread dissemination of project achievements and results, as well as international visibility of twinning and technical assistance projects, for which a specific budget will be allocated.



Each project under this Framework Programme will have its own communication and visibility component and budget, according to the Communication and Visibility Manual for EU External Actions.

In case of joint management, and where applicable, the provisions included in the relevant framework agreement(s) signed with international organisation(s) will apply.