

ACTION FICHE FOR GEORGIA

1. IDENTIFICATION

	Title	Twinning Facility in Support of the EU- Georgia ENP AP implementation.		
	Total cost	€ 4 million		
	Aid method / Management mode	Project approach – centralised management		
	DAC-code	43010	Sector	Multi Sector

5. RATIONALE

5.1. Sector context

In 2004, Georgia was included among the countries benefiting from the European Neighbourhood Policy. This latter has opened a new partnership prospective, by intensifying political, security, economic and cultural relation with the EU. In June 2005, The Council welcomed the decision to start negotiation for the Action Plan, which, once agreed with the Georgian Authorities, was endorsed the 14th of November 2006. It covers 5 year timeframe, and its implementation will help Georgia in deepening economic integration and political co-operation with the EU.

Since, the Government of Georgia has been working on the ENP AP Implementation Programme. The latter will define actions, timeframe and targets related to the implementation of the ENP AP. The document, once approved, will become instrumental for the EC to identify more thoroughly, areas of intervention for EC assistance including Twinning.

However, the Government has already indicated in previous discussions that will attach particular importance in the coming years to trade related regulatory reforms because trade facilitation is high on the political agenda.

The EU-Georgia ENP Action Plan not only opens the prospective to Georgia for a more significant degree of economic integration *“through a stake in the EU Internal Market”* but it also intends to be instrumental to *“deepening trade and economic relations; providing the opportunity for convergence of economic legislation, the opening of economies to each others and continued reduction of non-tariff barriers to trade, which will stimulate investment and growth”*.

The ENP AP aims at promoting further economic integration based on the adoption and implementation of economic trade – related rules and regulations with the potential to enhance trade, investment and growth. Priority areas 2 and 3, as well as chapter 4.5 “Trade related issues, market and regulatory reforms” list activities which need be undertaken to partially achieve this end.

Since the “Rose Revolution”, the Georgian Government has introduced several reforms which have ensured the overall macro-economic stability, fiscal consolidation and continuous growth.

In the last three years, Georgia has made considerable progress in improving the investment climate and in the area of economic liberalisation. The Government adopted a new tax and customs code, reducing taxes and eliminating close to 90% of licensing requirements.

These changes have enabled the Government to curb corruption and to triple the state budget in only 3 years. In 2006 the World Bank’s Doing Business Report has ranked Georgia as World’s best reformer.

Georgia is, however, still in the process of consolidating the good results achieved so far and vulnerable to external shocks. In 2006 Georgia had to face a major crisis due to the Russian ban on import of Georgian products and the sharp increase of energy prices

Since the Russian embargo, the Georgian Government has looked into possibilities to diversify trade and access new markets, thus to undertake reforms in trade related areas.

In order to develop export, Georgia should aim at reducing non tariffs barriers. In this context it should undertake reforms that will lead to the recognition of conformity assessments and should strive affiliate status and eventual membership of relevant European (CEN⁷, CENELEC⁸, EA⁹) and international (ISO¹⁰, ILAC¹¹) standardisation and accreditation organisations.

Moreover, as agriculture remains the leading sector in GDP and exports, particular attention should be paid to WTO and EU provisions on food safety, veterinary and phytosanitary standards. Failure to adopt international standards, will not allow Georgia to unlock export and investment potential in agricultural and food-processing sectors

To this end, the Georgian Ministry of Economic Development, with the assistance of the UNDP, has began to assess the extent to which Georgian trade is affected by tariff and non tariff barriers. Georgia is also seeking to conclude a Free trade Agreement (FTA) with Turkey and has requested the EU to explore the possibility to open negotiations for a FTA with the EU.

In this context and according to the agreements set forth in the ENP AP, DG TRADE decided to launch a study on the economic feasibility, general economic impact and implications of Free Trade Agreements between the EU and Armenia and Georgia respectively. The study should be completed by the end of 2007.

In addition to reforms aiming to facilitate trade, Georgia still needs to pay attention to other issues which are included under Priority area 1, most notably the establishment of an efficient and fair judicial system, border mangement, fight against corruption, independent oversight of State Budget execution, and, linked to this, reforms of business relevant administration.

⁷ European Committee for Standardisation, CEN

⁸ European Committee for Electrotechnical Standardisation, CENLEC

⁹ European Cooperation for Accreditation, EA

¹⁰ International Organisation for Standardisation, ISO

¹¹ International Laboratory Accreditation Cooperation, ILAC

5.2. Lessons learnt

Since independence, the TACIS programme has contributed to the transition towards a market economy and building democratic institutions, notably by providing assistance in the field of legal and regulatory reforms and the approximation of Georgian legislation to that of the EU. Weak administration and institutional capacities have often undermined the effectiveness of assistance provided under TACIS. According to the TACIS evaluation conducted in 2005, the efficiency of TACIS interventions has been limited by inadequate delivery mechanisms.

Another limiting factor in TACIS past implementation, has been the significant time gaps between the identification of the interventions for the project and *de facto* project starts. This has limited the possibility of TACIS to respond to fast changing needs of the beneficiary countries.

As of 2007, with the adoption of the ENPI, Georgia became eligible to benefit from “Twinning”. This instrument has proved to be very effective in institutional building and administrative capacity development of candidate countries and more recently in the Meda region.

The Government of Georgia has already expressed interest in Twinning, as it sees greater advantages in creating direct links with public administrations of Members states as well as with New Member States that coming from a similar past have succeeded in the transition (e.g. Baltic Countries).

Nevertheless, the introduction of the Twinning facility should be gradual in Georgia 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 to be effective it should abide 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.

5.3. Complementary actions

The EC is implementing under the Tacis Action Plans 2004 – 05 and 2006 several projects in the area of legal approximation and institutional capacity building aimed at facilitating trade and enhancing conditions for business development (notably GEPLAC VI; support to tax and customs reforms; SPS controls, quality management system), as well as projects which promote the establishment of an efficient and fair judicial system and improved management of external borders.

The upcoming Twinning operations will complement and build from the experiences gained by the above Tacis projects and will bring an enhanced framework for cooperation whereby the assistance will be provided by a peer to peer partnership between EU and Georgian administrations.

5.4. Donor coordination

The implementation of ENP AP mainly involves the Georgian Government, the European Union and its Member States. Co-ordination is ensured through regular meetings with Economic Counsellors of EU Member Countries' representations on questions related to economic development and in particular to trade and investment issues. In addition, specific assistance on issues related to tax and custom, or 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 Donor's meetings are held in Tbilisi to share information and strategies. The Delegation is organizing every 6 weeks a round table with the EU Member States to discuss cooperation issues and coordination.

6. DESCRIPTION

6.1. Objectives

General Objective

The project intends to contribute to the harmonisation of Georgian legislation to EU principles, norms and standards according to the provision of the PCA and ENP AP and to the progressive economic integration between Georgia and the EU.

Specific Objective

The project objective is to support the Georgian administration and relevant institutions in the implementation of the ENP AP in areas with the potential to enhance rule of law, governance, trade, investment and growth.

6.2. Expected results and main activities

The project expected results are:

- Deeper economic integration with the EU internal market

Regulatory and institutional approximation in areas with the potential to enhance trade, investment and growth;

- Modernisation of the Georgian administration in order to effectively play a role in the implementation of the ENP AP.

- Enhanced good governance

Due to the demand driven approach the facility should be flexible in terms of the areas of intervention. In addition a thorough campaign of information and sensitisation is necessary for the effective start of Twinning in Georgia. This information campaign will help also in defining further the areas and institutions that are most suitable for *Twinnable* projects.

The Twinning facility will be managed by the PAO (Programme Administration Office) through a form of centralised management. The PAO will be assisted by a support project for

the management of the programme. The Delegation will ensure the *liaison* between the PAO and technical DGs, and will manage the technical assistance component. The Delegation will be also associated in the evaluation of Twinning Fiches.

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 project 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.

6.3. Stakeholders

The beneficiaries will be the public administration and other institutions which are directly concerned with the implementation of the ENP AP. Special attention will be given to some line ministries which are directly responsible for planning and implementing reforms which directly or indirectly promote trade and investment e.g. Ministry of Agriculture, Ministry of Finance, Ministry for Economic Development as well as Ministry for European Integration. However, other institutions which have a stake in the implementation of the ENP AP may be targeted, e. g. Ministry of Justice, Ministry of Interior (Border Guards).

The State Ministry for EU Integration, which hosts the PAO, will be responsible for the planning and implementation of the twinning arrangements.

6.4. Risks and assumptions

The project will have to face several challenges linked to the novelty of the instrument and to the capacity of the Government of Georgia to plan and implement reforms.

The Georgian Government must continue to be committed in the implementation of the ENP AP.

Most Georgian Ministries suffer from weak institutional capacity; while high staff turnover and continuous restructuring of the public administration may hamper the effectiveness of the projects.

The institutions involved need to show political support as well as more practical commitment in providing human and financial resources.

6.5. Crosscutting Issues

The measures foreseen in this programme will have direct impact governance, integration in world economy and poverty reduction.

7. IMPLEMENTATION ISSUES

7.1. Implementation method

Centralised management

7.2. Procurement and grant award procedures

The measure will be implemented through Twinning and/or technical assistance contracts. In case supply of equipment is required for the benefit of the project a limited number of supply contracts may also apply.

The Twinning facility will be managed by the PAO (yet to be established) through a form of centralised management. The PAO will be assisted by a support project for the management of the programme. The Delegation will ensure, with Headquarters (AIDCO/A6), the *liaison* between the PAO and technical DGs, and will manage the technical assistance component. The Delegation, together with the Beneficiary administration, will evaluate Twinning Fiches.

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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.

7.3. Budget and calendar

The programme foresees an envelope of Euro 4 million that will be used to finance the first three or four Twinning projects in Georgia. Some funds can be used, as preparatory phase, for traditional technical assistance in order to better define the options for reform and prepare the receiving administration.

The contribution of the Georgian Government in terms of human and financial resources is also required in accordance with the Twinning practices and provisions.

The introduction of Twining will require a big effort in terms of information and training. A framework contract will be launched in April 2007 in order to provide support to the State Ministry for EU Integration to establish a PAO and to identify first *Twinnable* projects.

In addition two missions from AIDCO/A6 are foreseen during 2007 for the establishment of the managing structure and the public launch of the Twinning instrument in Georgia. These events should serve for the sensitisation and information of Georgian authorities about the new opportunities offered by Twinning. All these activities will be preparatory to the first Twinning projects that should start in 2008.

It is foreseen that all the components of the project will be finished 48 months after signature of the Financing Agreement.

7.4. 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.

7.5. 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, audit of programme will also take place.

7.6. Communication and visibility

Significant efforts will be made to ensure that communication and information about the new opportunities offered by Twinning will be provided to the Georgian authorities. Several events will be organised to increase awareness and explain the main objectives of the twinning facility to officials Governmental and other institutions. In addition, the Participation of the EU Member countries will increase visibility and impact of the EU assistance.

Tailored events will be organised when new twinning arrangements begin and end in Georgia, to inform the press and the wider public.