

## ACTION FICHE FOR GEORGIA - ENPI AAP 2008

### 1. IDENTIFICATION

Title	Twinning and Technical Assistance Facility in support to the EU-Georgia ENP AP implementation. – CRIS N° ENPI/2008/019-751		
Total cost	€ 6.8 million		
Aid method / Management mode	Centralised management		
DAC-code	43010	Sector	Multi Sector

### 2. RATIONALE

#### 2.1. Sector context

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

The government's reform efforts in economic liberalisation and in the fight against corruption have already achieved tangible results in several areas, as reflected in the World Bank's “2007 Doing Business Report”. The World Bank ranks Georgia's business environment at 18th place in the world, an impressive improvement from the 112th place just two years before. Equally, according to the Transparency International Report, a significant reduction in corruption has taken place in 2007: Georgia received 3.4 points (out of a total ten), ranking 79th among 180 countries. This year's positive jump means that Georgia has moved out of the group of countries considered to have a rampant corruption problem (those under 3.0). Nevertheless, a score of 3.4 still indicates that corruption is a significant problem in the public sector. According to the Fitch Rating Agency in June 2007 Georgia earned rating BB-.

The Government adopted a new tax and customs code, reducing taxes and eliminating close to 90% of licensing requirements. Besides having an effect on governance and corruption, these reforms have allowed the Government of Georgia (GoG) to triple the state budget in only 3 years.

In the area of public finance management, the main results were linked to the establishment of the single treasury account, the enforcement of the new budget system law and the introduction of the Medium Term Expenditure Framework (MTEF).

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

In spite of sustained economic growth, the high poverty levels still represent a serious challenge, with about one third of Georgia's population living below the poverty line.

According to the official national statistics, the poverty level increased from 2004 to 2005 (from 35,7% to 39,4%). This was largely due to the downsizing of the public sector and the restructuring of privatised companies and the increase in unemployment that followed. However, according to the official data in 2006 poverty level has slightly decreased (37.8%).

Georgia's democratic institutions are in place, but further efforts need to be made to ensure that a democratic and human rights culture takes root in Georgian society.

Public administration reform is still at an early stage. The lack of institutional stability and the continuous changes and restructuring within the public administration are putting at risk the sustainability of reforms and affect negatively on the overall governance.

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 negotiations for the Action Plan, which, once agreed with the Georgian Authorities, was endorsed the 14<sup>th</sup> of November 2006. It covers a 5-year timeframe, and its implementation will help Georgia in deepening economic integration and political co-operation with the EU.

The EU-Georgia European Neighbourhood Policy Acton Plan (ENP AP) not only opens the prospective to Georgia for a more significant degree of economic integration. It also enhance the cooperation in the area of justice, democratic development, freedom and security; encourages economic development and poverty reduction, helps to devise and implement the policies and measures to promote economic growth and social cohesion, promotes sustainable development and strengthens regional cooperation.

In order to address the priorities and goals of the National Indicative Programme (NIP) 2007-2010, the EC, along with other instruments of its assistance (budget support and technical assistance), will continue application of the Twinning facility started by AP 2007. For the implementation of the NIP priority area number 2 related to economic development, the EC will continue application of this instrument, proven to be very effective in numerous countries. The Twinning facility will also be used for other sectors covered by NIP Priority area 1 - support for democratic development, rule of law and governance, and NIP Priority area 3 – support for poverty reduction and social reforms, including all their sup-priorities.

## **2.2. Lessons learnt**

Since independence, the TACIS programme has contributed to the transition towards a market economy and the building of 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 start. 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 institution building and administrative capacity development of candidate countries and more recently in the Mediterranean region.

During the first year of twinning operations in Georgia, a strong information and sensitisation campaign has been conducted. The Twinning introductory mission took place in April 2007 and the Twinning Launching Workshop was organised in the end of November 2007. From May 2007 to April 2008, technical assistance has been provided to support the establishment of a well-functioning Programme Administration Office (PAO) in Georgia. In the latter framework, the Annual Working Plan for the first Twinning projects should be elaborated. The technical assistance of the PAO will be continued in order to ensure the proper functioning of the programme. The introduction 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**

Since 2007, the EC started its assistance through the Annual Action Programme 2007, which supports 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 2007 built on and complement activities of on-going projects financed under TACIS and other instruments. The Public Finance Management (PFM) project, besides working at central level with the MoF, supports line ministries that are already receiving technical assistance from TACIS (Ministry of Health, Ministry of Agriculture, and Ministry of Justice). The aim is to support their budget and financial management capacity in order to prepare the ground for sectoral budget support from 2009 onwards.

The PFM programme is complementary also to the programmes of the World Bank and other donors involved in PFM namely the Poverty Reduction Support Operations (PRSOs) of the Bank and the Public Sector Financial Management Reform Support Program (PSFMRS), co-financed under a pooling arrangement also by DFID, Dutch Government and SIDA.

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

### **2.4. Donor coordination**

The implementation of NIP and ENP AP mainly involves the Georgian Government, the European Union and its Member States. Co-ordination is ensured thorough regular meetings with Economic Counsellors of EU Member Countries' representations on questions related to economic development and in particular to trade and investment issues. Besides, 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 on other sectors (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 general objective is to contribute to Georgia meeting the objectives of the EU- Georgia ENP Action Plan.

#### *Specific Objective*

- To build the capacity of a number of selected Georgian ministries and agencies to comply effectively with the commitments set forth in the EU-Georgia ENP Action Plan, as well as in their national reform and development programmes;
- To contribute to the harmonisation of Georgian legislation to EU principles, norms and standards according to the provision of the PCA, the ENP AP and the NIP and to progressive economic integration between Georgia and the EU;
- To assist at various stages of the EU-funded project cycle management (hereafter PCM-related TA), notably in the preparation of sector-wide support, in the priority sectors of the 2007-2010 NIP.

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

The project expected results are:

- 3 or 4 Georgian institutions develop an efficient peer to peer relation with a similar administration of an EU Member state, paving the way to a long lasting cooperation between those two institutions, thus improving Georgian capacities to deal with PCA and ENP implementation issues;
- Clear progresses in implementation of the ENP AP and PCA, through the provision of TA;
- Deeper economic and commercial integration with the EU market;
- Enhanced quality of EU assistance through provision of TA in the management of the project cycle (notably design of Sector Policy Support Programmes)

### **3.3. Stakeholders**

The beneficiaries will be the public administration and other institutions that 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 that have a stake in the implementation of the NIP may also be targeted.

### **3.4. Risks and assumptions**

#### Risks:

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**

The measures foreseen in this programme will have a direct impact on democratic development, governance, integration in world economy, poverty reduction and social reforms.

## **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 EUR 6.8 million, to be indicatively broken down between € 4.8m for twinning contracts and € 2.0m for contracts to support the government in the area of legal and policy reforms as well as for some PCM-related TA

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.