

Annex 3: Action Fiche for Georgia AAP 2011

1. IDENTIFICATION

Title/Number	Framework Programme in support of EU-Georgia agreements (CRIS: ENPI/2011/22567)		
Total cost	EUR 9.73 million – EU Contribution		
Aid method / Method of implementation	Project approach – direct centralised / joint management		
DAC-code	15110	Sector	Public sector policy and administrative management

2. RATIONALE

2.1. Sector context

The European Neighbourhood Policy Action Plan (ENP AP), adopted on 14 November 2006, sets out the mutually agreed political priorities for cooperation and is valid until 2011, with a possible extension until the conclusion of a successor document¹.

Since 2007, Georgia has made progress in implementing the ENP AP priorities, especially in rule of law and economic reforms. Progress has been achieved in justice sector reform, improving the business climate and the fight against corruption. Georgia has been, and remains, committed to European integration. Such a track record has allowed Georgia to further enhance its relationship with the EU as witnessed by the commencement of negotiations on a new Association Agreement with the EU on July 2010.

Efforts are underway to ensure that negotiations on a Deep and Comprehensive Free Trade Area (DCFTA) with Georgia can be launched as soon as possible, taking into account the progress made in the implementation of the Commission's "key recommendations" to Georgia. In order to assist the Georgian partners in this process, the European Commission has developed a new instrument, the Comprehensive Institution Building Programme, which is largely complementary to the existing activities/instruments/tools.

Negotiations with the Government of Georgia culminated in the definition of a "Comprehensive Institution Building (CIB) Framework Document"² which identifies three clusters of institutions requiring institutional strengthening:

1. Cluster of institutions in charge of reform co-ordination and negotiation of enhanced agreements

¹ if the ENP Action Plan is replaced by another document during the implementation period of this Comprehensive Institution Building Programme (CIB), the successor document should be used as complementary guidance

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

2. Cluster of institutions in the area of trade and on preparations for negotiations on the DCFTA
3. Cluster of institutions in the area of democratic development, good governance and human rights (Oversight bodies)

The first cluster requires preparation for negotiations and co-ordination. Capacity enhancement of the concerned institutions will have to focus on their strategic planning of the regulatory approximation process, co-ordination of overall policy-making processes, facilitation of institutional and structural changes in the concerned institutions as they may be required for the negotiation and subsequent implementation of the new agreements, monitoring and reporting of the entire process from start to finish, as well as internal and external communication.

In 2008, in close co-operation with the Georgian authorities, a fact-finding mission to assess Georgia's preparedness to begin negotiations on a DCFTA was undertaken. Key findings were the need to i) create adequate institutional structures and administrative capacities for the negotiating process, ii) achieve a basic level of regulatory approximation with the EU-related legislation and standards in the crucial areas of Technical Barriers to Trade, Sanitary and Phyto-Sanitary measures, Competition Policy and Intellectual Property Rights. Substantial progress has been made on laying out a roadmap for the achievement of pre-conditions for regulatory approximation, but sustained efforts will be necessary to strengthen the capacities of the institutions involved if they are to achieve the necessary reforms.

Democratic values and respect for human rights are a cornerstone of the EU-Georgia relationship. Encouraging political pluralism, respect of human rights and good governance and achieving a balance of power between the legislative and executive branches are important parts of the democratic reform process in Georgia. Public 'oversight institutions' need to be strengthened in order to carry out their functions effectively. Support in this area is fundamental to the consolidation of democratic reforms.

The Government is now developing, with assistance from the European Commission, comprehensive Institutional Reform Plans (IRP) for all the clusters of institutions identified in the CIB Framework Document. IRPs will constitute a sort of reform master plan for beneficiary institutions and a framework for EU's, and other donors', assistance.

To support all of the above, this Framework Programme will consist of three components: preparation for implementation of the CIB programme; implementation of the CIB programme; and other technical assistance/Twinning for support to other areas of cooperation under the EU-Georgia existing agreements not covered by the CIB.

2.2. Lessons learnt

- The European Commission has been providing technical assistance through Twinning and Taiex since 2007 and Sigma since 2008. A total of EUR 26.40 million was allocated to the Twinning/technical assistance facility in the period 2007-2010.
- Despite a broad information campaign, until 2009 the use of Institution Building Instruments (IBIs) was rather limited, due to the weak administrative capacity and substantial staff turnover on the Georgian side and the need to go through lengthy procedures before the real start of the projects. In 2009, an effort was made to make the

Twinning facility more flexible and demand-driven, in order to better respond to the beneficiary's needs.

- The interest and commitment of the partner's administration has considerably increased in 2010. At the moment 2 Twinning projects are being implemented, 7 Projects will start implementation during 2011, while a further 8 are at different stages of preparation. 1 Sigma project has already been finalised, 4 are ongoing and 3 more are in the pipeline. TAIEX is the most used tool amongst the IBIs with over one hundred applications having been submitted by Georgian institutions to date.
- It should be mentioned that CIB differs from other forms of technical assistance in that it implies a vertical comprehensive approach to institutional reforms by concentrating on one institution, as opposed to a particular process which may be common to several institutions, as is the case with SIGMA assistance.

2.3. Complementary actions

CIB will come in as a complement to existing bilateral assistance between the European Commission and Georgia. At the moment there are Sector Policy Support Programmes, which involve a major component of budget support, in the areas of public finance management, regional development, criminal justice, vocational education and training and housing for Internally Displaced Persons (IDP). The strengthening of related institutions through CIB will hopefully result in enhanced capacity of our partners and more efficient use of resources.

Furthermore, the Twinning instrument is generating an increasing interest in Georgia. Certain institutions included in the CIB Programme are already beneficiaries of twinning projects and it is expected that this instrument can play a significant role in implementing Institutional Reform Plans (IRPs). Other technical cooperation instruments (TAIEX, SIGMA, classical technical assistance, grants, works and supply contracts) have already been used during the preparatory and formulation stages of the IRPs and will also be employed during the implementation of some of the concrete activities foreseen in the IRPs. (For an update on the state of play of the CIB see annex I).

A number of institutions which are included in the CIB also benefit from support provided by other donors, among them EU Member States, international organisations and the United States.

2.4. Donor coordination

The Georgian Government recently declared its readiness to start negotiations to join the Paris Declaration. At the moment, co-ordination is ensured by the active intervention of the donors, sometimes with 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 the institutions which will be a focus of the CIB 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 provision of support to the National Food Safety Authority (NFSA), the Public Defender's Office (PDO), the Parliament, the Civil Registry Agency (CRA), the Georgian Accreditation Centre (GAC) and the Georgian Centre

for Standard and Metrology (GEOSTM). In some of these institutions, other donors are already providing support which is in line with what is set out in IRPs, or would be ready to do so within a short period of time.

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 (Association Agreements, DCFTA, Visa Facilitation and Readmission Agreements and, eventually, a visa liberalisation road-map) and in meeting the objectives of 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 that are central in preparing the ground for and implementing future Association Agreements and DCFTAs.
- To support the relevant institutions within the Georgian administration to comply effectively with the commitments set forth in the EU-Georgia ENP Action Plan.
- To implement preparatory, supervisory, monitoring, audit and evaluation work necessary for timely and efficient launch and implementation of actions in the framework of ENPI annual programming exercises in priority sectors in line with EU-Georgia ENP Action Plan.

3.2. Expected results and main activities

To meet the objectives above, the current Framework Programme will have the following components:

1. Preparatory work for the development of CIB Institutional Reform Plans

1.1. Support to the CIB Coordinator

The office of the State Minister on European and Euro-Atlantic Integration, and more specifically the Programme Administration Office (PAO), has been appointed as overall CIB Co-ordinator in Georgia. At present the PAO is being supported by the technical assistance project aimed at strengthening the operational capacities of the PAO (TA available until the end of 2011) and by GEPLAC on an *ad hoc* basis. GEPLAC has been responsible for supporting the CIB Co-ordinator in the organisation of several seminars to explain the IRP concept to beneficiary institutions and partially support them in elaborating these documents, where necessary. The CIB Co-ordinator has also requested GEPLAC to contract an expert who would make an initial draft of the joint IRP for the MFA, the PMO and the State Ministry for European and Euro-Atlantic Integration. Despite these positive steps, additional support will be required to assist the CIB Co-ordinator to fulfil his responsibilities in relation to the programme. As a result, the PAO will be able to support the overall process from design to implementation of the IRPs, and beyond that, to monitoring of progress and reporting to relevant Sub-Committees or steering committees. This assistance will most likely take the form of technical assistance.

1.2. Support to the development of Institutional Reform Plans

The Programme will foster the development and design of Institutional Reform Plans for selected CIB institutions. The instrument chosen to support the development of an IRP at any given institution will be dependent on existing interventions and the capacity available within the institution itself. In some instances, technical assistance to the institution is already in place, in which case an *in situ* expert has been able to provide assistance to the institution (i.e. Prime Minister's Office, Ministry of European and Euro-Atlantic Integration, Ministry of Foreign Affairs). In other cases, the Delegation has contracted experts through the framework contract mechanism to conduct an institutional gap assessment and support the institution in drawing up an IRP based on its findings (i.e. Georgian Accreditation Centre, GEOSTM). TAIEX Assessment missions as well as SIGMA missions may also be used to support this process. In a limited number of cases, the institutions are able to develop the plans themselves with only minimal support. In such cases, the role of the CIB Co-ordinator becomes more important in ensuring that the IRP produced by the institutions is coherent with other plans and the general methodology, while respecting the need for flexibility. A Georgian Government-led assessment exercise of the progress made within the CIB institutions in drafting IRPs has been scheduled for mid-February. On the basis of this assessment, the Georgian government and the Delegation will be able to concretise proposals for the selection of institutions to be supported under the first tranche of the CIB. For a full update on the state of play in individual institutions, please see annex I.

2. Support to the implementation of selected components of Institutional Reform Plans

Based on the CIB Framework Document signed in October 2010 after several rounds of consultations between the European Commission and the Government of the Republic of Georgia, the CIB programme will focus on three clusters including a number of institutions.

The indicative list of institutions is as follows:

- Cluster of institutions in charge of **reform co-ordination and negotiation of enhanced agreements** (the Prime Minister's Office, the Ministry of Foreign Affairs, the Office of the State Minister of European and Euro-Atlantic Integration, the Civil Registry Agency of the Ministry of Justice)
- Cluster of institutions in the area of **democratic development, good governance and human rights** – Oversight Institutions (the Public Defender's Office, the Chamber of Control, the Parliament of Georgia)
- Cluster of institutions in the area of **trade and on preparations for negotiations on the DCFTA** (National Service for Food Safety, Veterinary and Plant Protection, the Georgian Accreditation Centre, the National Agency for Standards, Technical Regulations and Metrology).

The expected result of this component is to reform the aforementioned institutions, building their administrative capacities by starting the practical implementation of certain IRPs, to be selected among those which are more advanced in term of planning and implementation arrangements. The process of elaborating initial IRPs is drawing to a close in most institutions, with the exception of the majority of those in the first cluster. The Government of Georgia has been closely following the process of the formulation of the IRPs. To this end, the Government organised a seminar in November to explain the concept behind the IRPs.

During this seminar, which was attended by all beneficiary institutions, a deadline for end of January was given for preparing first drafts of the IRPs. Once IRPs are finalised, the EU will closely coordinate with the Government of Georgia to identify which activities among those included in the IRPs will receive priority support through the CIB.

3. Support to implementation of the EU- Georgia ENP Action Plan

Apart from the CIB related activities, this Programme will also cover those areas that are not directly linked to the CIB, but are priority areas under the ENP Action Plan and the National Indicative Programme (NIP). Various cooperation instruments (Twinning, classical TA, including works and supply, grant contracts) will be employed for the implementation of these projects, with a view to enhance beneficiary capacities. Twinning and TA projects will be selected on the basis of well defined criteria such as: relevance of a project to strategies and priorities, quality of the project contents and capacity of beneficiary administration to implement the project and complementarity with the CIB. The criteria applied allow for ranking and prioritisation of project ideas.

The programme will be also used for the monitoring and evaluation of previous programmes and for the programming of future ones, which will not exceed 2-3% of AAP budget.

3.3 Risks and assumptions

The following risks have been identified:

- political instability;
- lack of institutional capacity / 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;
- The selected institutions will be able to draft comprehensive and meaningful Institutional Reform Plans (IRPs) within a certain timeframe;
- 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 design and implementation of the IRPs can be mitigated by provision of the necessary technical support to those institutions.

3.4 Crosscutting Issues

When designing the Institutional Reform Plans and during their execution 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.

3.5 Stakeholders

The CIB allows for participation of other donors at all stages from IRP development through to implementation. MS willing to associate themselves with the design and contribute (through direct financing or via their own programmes) to implementation of IRPs for a given institution will be fully involved (joint missions, participation in the steering and monitoring mechanisms). Similar arrangements can be made with other interested donors. In some sectors (second and third clusters primarily), assessment of donor's interests is already ongoing.

Other stakeholders, such as civil society, will be consulted in the implementation and monitoring of the CIB with a view to promoting reform, transparency and public accountability. Consultation of donors takes place on a regular basis (see point 2.4 above), while the Delegation maintains close contact with the CIB institutions and CIB Co-ordinator in order to assess and co-ordinate any additional inputs and support, primarily in the form of technical assistance, which may be required.

4. IMPLEMENTATION ISSUES

4.1. Method of implementation

The preferred option for implementation of this action will be direct centralised management by means of service, grant, Twinning and framework contracts for:

- Component 1 (CIB programme/ Co-ordinator support and IRP preparation)
- Component 2 (CIB Programme/ IRP implementation)
- Component 3 (Twinning, TA for the EU-Georgia AP implementation)

For component 2, in line with the CIB Guidelines, supply of EU norm driven equipment can also be envisaged. Only for component 2, works contracts for specialised infrastructure essential to implement an Institutional Reform Plan can also be envisaged.

For component 3, in line with the Twinning Manual, supply contracts can be made available on request from twinned beneficiary institutions.

According to the Guidelines for the preparation of the CIB programme, CIB will also be open to co-financing from other donors, and should allow for the participation of EU Member States and other donors willing to contribute to CIB programme implementation.

At present, the Government of Georgia is finalising "Institutional Reform Plans" for the beneficiary institutions included in the CIB Georgia Framework Document (ref. section 2.1). Given a limited allocation under this programme, negotiations on which activities shall be implemented this year and which one shall be postponed to the next Annual Action Programme are still ongoing with relevant Government services.

Therefore, and based on the needs that will be expressed by the beneficiary, one or more Contribution Agreements for the implementation of Component 2 and 3 of this action, excluding twinning projects, could be signed with the World Bank, UNDP or UNOPS. In this case, and limited to those particular cases, the method of implementation will be joint management.

The International Organisation will be selected according to its specific competence to support design and/or implementation of a certain Institutional Reform Plan, previous experience in collaborating with the beneficiary and agreement with other donors.

4.2. Procurement and grant award procedures

1) Contracts

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 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

EUR 30.86 million has been earmarked for CIB and Twinning-related activities for the period 2011-2013. However, the Government of Georgia in agreement with the European

Commission may decide to allocate a bigger amount to CIB from the total country allocation foreseen in the NIP³.

For the AAP 2011 EUR 9.73 million will be allocated for institutions mentioned in the CIB programme and to support other institutions relevant for the implementation of the ENP AP. In the case of CIB institutions, it is thought that the largest amounts of investment will be requested during the second and third years of implementation.

The tentative budget breakdown under the AAP 2011 allocation is as follows:

Component 1 (CIB programme/ Co-ordinator support and IRP preparation)	EUR 0.45 million
Component 2 (CIB Programme/ IRP implementation)	EUR 5.5 million
Component 3 (Twinning, TA for the EU-Georgia AP implementation)	EUR 3.78 million

Unspent funds from one component may be re-allocated to another component.

Additional funding might 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 European Commission. The partner countries will contribute to the CIB financially or in kind. A minimum financial contribution of 20% will be required when community funding is used to purchase equipment and/or to upgrade specialised infrastructure.

In case of twinning and technical assistance operations, it is expected that, as a minimum, the partner will provide a functioning office and counterpart staff.

Component 3 will be used for the implementation of the ENP Action Plan at a request from the Government for Twinning and other forms of Technical Assistance, not directly related to the CIB activities. Also, parts of this budget will be used to support Programme Cycle Management at various stages, such as: evaluation, audits, expert missions, monitoring, etc.

The foreseen operational duration is 48 months as from signature of the contracts/contribution agreement.

4.4. Performance monitoring

The Commission and the partner country will regularly review progress made in the implementation of the CIB. At the level of the CIB this will be done using the joint bodies set up for the implementation of the agreement in force. The relevant sub-committees will devote sufficient time to an annual review of the CIB either as part of its 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

³ Georgia National Indicative Programme 2011-2013:
http://ec.europa.eu/world/enp/pdf/country/2011_enpi_nip_georgia_en.pdf

funds among the different institutional reform plans. The involvement of MS will also be ensured through the established mechanisms.

At the level of the IRPs, one Steering Committee (SC) per plan (Joint SC and consequently a single IRP will be created for Cluster 1 Institutions, with the exception of the Civil Registry Agency) will be set up 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.

Monitoring of results achieved under the Twinning mechanism will be based on the mandatory results agreed during the project preparation phase.

4.5. Evaluation and audit

Evaluation and audit will be decided by the European Commission on a case-by-case basis and will be carried out with the support of technical advice of external consultants recruited by the Commission. A mid-term evaluation and final evaluation of the CIB programme implementation is envisaged

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 (section 4.2).

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