



**THIS ACTION IS FUNDED BY THE EUROPEAN UNION**

**ANNEX I**

of the Commission Implementing Decision on the Annual Action Programme 2020 in favour of Georgia

**Action Document for COVID-19 Resilience Contract for Georgia**

**ANNUAL PROGRAMME/MEASURE**

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation and action programme/measure in the sense of Articles 2 and 3 of Regulation N° 236/2014.

<b>1. Title/basic act/ CRIS number</b>	COVID-19 Resilience Contract for Georgia CRIS number: ENI/2020/042-821 financed under the European Neighbourhood Instrument
<b>2. Zone benefiting from the action/location</b>	Georgia  The Action shall be carried out at the following location: countrywide.
<b>3. Programming document</b>	Single Support Framework for EU support to Georgia (2017-2020) <sup>1</sup>
<b>4. Sustainable Development Goals (SDGs)</b>	Main SDGs: - SDG 1 End poverty in all its forms everywhere - SDG 3 Good health and well-being - SDG 8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all  Other significant SDGs: - SDG 2 Zero hunger - SDG 10 Reduced inequalities
<b>5. Sector of intervention/ thematic area</b>	Economic development and market opportunities Strengthening institutions and good governance
<b>6. Amounts concerned</b>	Total amount of European Union (EU) contribution EUR 75 000 000 of which EUR 75 000 000 for Budget Support

<sup>1</sup> Commission Implementing Decision C(2017) 8160 of 7.12.2017 adopting a Single Support Framework for European Union support to Georgia for the period 2017-2020.

<b>7. Aid modality(ies) and implementation modality(ies)</b>	Budget Support  <b>Direct management</b> through: Budget Support (State and Resilience Building Contract)			
<b>8 a) DAC code(s)</b>	12110 - Health policy and administrative management 12250 - Infectious disease control 15110 - Public sector policy and administrative management 15125 - Public Procurement 15142 - Macroeconomic policy 16010 - Social protection			
<b>8 b) Main Delivery Channel</b>	12000 – Recipient government			
<b>9. Markers (from CRIS DAC form)</b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Participation development/good governance	<input type="checkbox"/>	X	<input type="checkbox"/>
	Aid to environment	X	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality and Women’s and Girl’s Empowerment	<input type="checkbox"/>	X	<input type="checkbox"/>
	Trade Development	X	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	<input type="checkbox"/>	X	<input type="checkbox"/>
	Disaster Risk Reduction	<input type="checkbox"/>	X	<input type="checkbox"/>
	Inclusion of persons with disabilities	<input type="checkbox"/>	X	<input type="checkbox"/>
	Nutrition	<input type="checkbox"/>	X	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Biological diversity	X	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	X	<input type="checkbox"/>	<input type="checkbox"/>
<b>10. Internal markers</b>	<b>Policy objectives</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Migration	X	<input type="checkbox"/>	<input type="checkbox"/>
	COVID response	<input type="checkbox"/>	<input type="checkbox"/>	X

## **1 BACKGROUND AND CONTEXT DESCRIPTION**

### **1.1 Context and problem description**

After several years of economic growth and overall positive economic and social transformation, Georgia is facing like many countries around the world a serious socio-economic crisis linked to the COVID-19 pandemic. Whilst the Government's actions have been generally seen as timely and appropriate, the COVID-19 outbreak is putting very strong pressure on the Government's resources to effectively adjust and respond to the crisis in its health, social and economic dimensions.<sup>2</sup>

In line with the Single Support Framework for EU support to Georgia (2017-2020), the response by the EU to the devastating effects of the COVID-19 crisis under the "Team Europe" approach calls for a new budget support programme.

In order to deal with the current socio-economic difficulties, the Government of Georgia (GoG) elaborated an "Anti-Crisis Economic Plan" which was presented on 24 April 2020 and which was further elaborated in a policy document addressed on 30 April 2020 by the Georgian Prime Minister to Olivér Várhelyi, Commissioner for European Neighbourhood and Enlargement. The plan is composed of immediate and midterm perspectives and presents the measures undertaken by the Georgian authorities to support the social and economic recovery following the consequences of the COVID-19 pandemic. The plan is indicative and subject to further modifications as the situation evolves and implementation progresses.

The plan totals GEL 3.5 billion (approximately EUR 1 billion) and consists of three major components.

- 1) In order to reduce the negative effects of loss of income and to preserve jobs and support vulnerable groups, the plan envisages to provide financial assistance to workers (employed, self-employed and informal workers) who have lost their jobs, to support companies so that they maintain jobs, to provide support to vulnerable families and also to further index pensions.
- 2) In order to restore macroeconomic stability, to support entrepreneurs and boost growth, the plan envisages a VAT refund mechanism, targeted support to SMEs, support to rural settlements as well as targeted support to the tourism sector.
- 3) Finally, the plan contains several measures aimed at strengthening the healthcare system and fighting against the pandemic. Funds are to be provided in particular to purchase Personal Protective Equipment (PPE) and to ensure diagnostics and treatment of COVID-19 patients.

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<sup>2</sup> See further info on economic impact of COVID-19 crisis in 1.2.2 Macroeconomic policy.

In the plan, the Government of Georgia commits to pursue structural reforms in several fields (such as education, energy, capital markets, the business environment) in order to transform, diversify and increase the resilience of the Georgian economy. It also takes into consideration opportunities for the development of a more sustainable and environmentally friendly economic model in line with the spirit of the EU Green Deal.

The GoG will coordinate and monitor the development of the above-mentioned actions and policies, including possible necessary reviews. The “Anti-Crisis Economic Plan” will be monitored bi-annually by the Administration of the Government in line with the Policy Planning Handbook and the relevant annexes on Monitoring and Evaluation. The responsible agency for each objective and measure will be in charge of developing sectoral performance based action plans with further specified outcomes, outputs, Key Performance Indicators (KPIs) and budgets based on the evidence based policy and the budgeting principles of the GoG.

The Anti-Crisis Economic Plan presented by the GoG is overall deemed relevant in setting a wide range of government interventions to address key social and economic issues including on both the supply and demand side and with structural reform benchmarks. As such, this plan is meant to contribute to cushioning socio-economic decline in Georgia. Some of the specific measures such as for instance the proposed credit-guarantee scheme will have to be carefully developed and will require external expertise and support in order to maximise their effectiveness. Whilst measures to support the informal sector may prove difficult to implement, their success will be important as this category represents a big part of the most vulnerable populations. It will also be important to ensure that Occupational Safety and Health (OSH) issues are further taken into consideration in the process of economic recovery. The plan will also need to properly tackle throughout its implementation the divide between rural areas and secondary towns and urban centres. Appropriate support and close monitoring and evaluation should permit to adjust design and implementation to a fluid situation and thus help reach these objectives. This support and monitoring are important elements of the credibility of the plan, together with its detailed costing, massive pledges by development partners, and a series of performance indicators.

## **1.2 Other areas of assessment**

### **1.2.1 *Fundamental values***

Georgia has demonstrated its commitment to fundamental values – as also set out in the EU-Georgia Association Agreement. Fundamental values of democracy and human rights are protected by the Georgian Constitution in line with the main international standards. Nonetheless, the following issues call for regular dialogue and monitoring: enforcement of judicial decisions, independence and impartiality of the judiciary, electoral reform and administration, the effective implementation of the anti-discrimination law, rights of persons with disabilities, labour rights, child protection, gender equality and violence against women and domestic violence.

### 1.2.2 Macroeconomic policy

Georgia has been implementing stability-oriented policies in the context of an International Monetary Fund (IMF) programme. Based on the latest available estimates, the COVID-19 crisis is however expected to hit the country as follows:

- The economy is set for a significant recession in 2020, especially in the second and third quarter of the year. A recovery could be possible from the fourth quarter of 2020, depending on the duration of the epidemic in the country and beyond. Both consumption and investment are expected to turn negative in the recession months. Furthermore, the contribution of net exports of goods and services is likely to also be negative due to a total freeze of international tourism for, at least, several months. Recent estimates taking into account the impact of the virus suggest an economic contraction of around 4% in 2020.
- Short term inflationary pressure is to persist, but inflation is expected to remain stable around 3.5% in 2020. Due to the cost of measures to mitigate the impact of the crisis, increased healthcare spending and lower revenues, the fiscal deficit in 2020 is expected to increase to some 8.5% of GDP. The debt to GDP ratio is expected to reach 62.5% in 2020, i.e. above the 60% ceiling of the Economic Liberty Act (which can be justified given the state of emergency). By 2025 the debt to GDP ratio is expected to be back to 50% (this ratio does not include debt of State Owned Enterprises).
- Similarly, Georgia’s balance of payments is likely to come under heavy pressure due to multiple shocks. The current account deficit, which narrowed to 5.1% of GDP in 2019, is expected to increase to slightly above 11% for 2020 due to three main factors: reduced FDIs, a sharp deterioration of the services balance (mainly tourism) and a lower inflow of remittances, which in 2019 were an equivalent of 10% of GDP.
- The financial account will also deteriorate due to a likely lower inflow of FDI and an outflow of portfolio capital.
- The external funding gap is tentatively estimated by the IMF at around USD 1.6 billion in 2020-2021.

The authorities have announced numerous measures to cope with the crisis, these measures form part of the “Anti-Crisis Economic Plan” which was presented on 24 April 2020 and which was further elaborated in a policy document addressed on 30 April 2020 to Olivér Várhelyi, Commissioner for European Neighbourhood and Enlargement.<sup>3</sup>

Georgia will need assistance from its international partners to cover the balance-of-payments gap. On 1 May 2020, the IMF Executive Board completed the sixth review under the Extended Fund Facility (EFF) and approved the augmentation of access to support Georgia address the COVID-19 pandemic<sup>4</sup>. This entails an increase in IMF support to Georgia by 130% of the quota (about USD 375 million) to help finance health and macroeconomic stabilisation measures, meet urgent balance of payments needs arising from the COVID-19

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<sup>3</sup> See further details in 1.1 Context and problem description.

<sup>4</sup> <https://www.imf.org/en/News/Articles/2020/05/01/pr20202-georgia-imf-execbrd-complete-6threv-eff-approves-request-support-address-covid19>

pandemic, and catalyse support from the international community. The disbursement associated with this review (about USD 200 million) will be allocated for budget support to help the authorities meet urgent medical and socio-economic needs, to be disbursed with the completion of this review.

The Georgian authorities expect to receive additional support from the European Union and the European Investment Bank, the Asian Development Bank (ADB), the Asian Infrastructure Investment Bank (AIIB), the European Bank for Reconstruction and Development (EBRD), the Federal Republic of Germany through Kreditanstalt für Wiederaufbau (KfW), the French Republic through the Agence française de Développement (Afd), and the World Bank Group (WB).

Close monitoring of the situation will be performed in coordination with the IMF and other partners such as the EBRD, the EIB and the World Bank. In conclusion, the response by the Georgian authorities to the crisis is assessed as relevant and credible to restore key macroeconomic balances.

### **1.2.3 Public Financial Management (PFM)**

During the last decade, Georgia has demonstrated progress in PFM and Domestic Revenue Mobilisation (DRM) through the following key reforms:

- Expansion and strengthening of fiscal discipline and budgeting;
- Enhancement of technical capacity in the Central Harmonization Unit (CHU) and selected line ministries and State Audit Office (SAO) for performance audits;
- Rolling out of rules and procedures for the establishment of financial control;
- Improvement of the regularity of consideration of SAO reports by the Parliament;
- Enhancement of the parliamentary capacity for budget and fiscal analysis and positive emphasis on citizen engagement in the budget process.

Despite this positive performance, Georgia's financial system has to pass the COVID-19 stress test that requires maintaining the balanced attention between the immediate needs and medium term policy reforms. Medium term policy objectives align with the EU fiscal and budgetary standards related to consolidation of fiscal reports, putting in place fiscal rules and strengthening fiscal impact of evaluation of new initiatives. Other reforms, following the National and Subnational PEFA (2018) assessments which give very high scores to Georgia include fiscal risk reporting, consolidation of financial statements, development and implementation of a debt management strategy and strengthening the revenue administration. Some weaknesses were identified in areas that are particularly relevant for budget support in support of major public infrastructure investment, namely in public investment management, public asset management and procurement (lack of an independent and impartial public procurement dispute review system and legislative scrutiny thereof).

The reform focus of the Ministry of Finance is set by the PFM Strategy 2019-2022 that captures most of the weaknesses identified by PEFA assessments, the IMF's Fiscal Transparency Evaluation (FTE) and Public Investment Management Assessment (PIMA) reports, the Open Budget Index, the Tax Administration Diagnostic Assessment Tool (TADAT) and requirements of EU Budget Directives.

Policy coordination amongst different PFM stakeholders is organised via the PFM Coordination Council of Georgia, which includes the participation of representatives of civil society organisations, IFIs and of the EU Delegation.

The "Anti-Crisis Economic Plan" elaborated in March-April 2020 by the GoG will require amendments to the 2020 State Budget. At the time of writing, the draft budget amendments are under preparation and they should be sent as a package to the Parliament in mid-May 2020. The amendments will reflect revised revenue and expenditure projections. Expenditures related to COVID-19 recovery are expected to appear as separate budget lines under the budget headings of the respective line ministries and agencies.

Following the COVID-19 crisis, procurement rules have not been changed. Exceptional procurement rules have been applied during a certain period for the few municipalities which were in full lock-down during the time of the COVID-19 pandemic. The number of direct procurements has significantly increased as more organisations could justify an emergency situation and obtain a permission from the State Procurement Agency; as a mitigation measure and to ensure transparency information on direct procurement contract awards is available online and accessible to external stakeholders on one website.

EU-Georgia policy dialogue and cooperation in the field of PFM remains strong, and ongoing and new joint actions support national progress in PFM. In this framework, a budget support programme ("EU4 Economic Governance and Fiscal Accountability") was launched in summer 2019. Measures to address challenges in public investment management, asset management and public procurement are targeted by the programme and followed-up in the policy dialogue.

**The PFM strategy remains relevant and credible. The crisis context will however require close monitoring of exceptional spending / procurement procedures, financial management and control safeguards.**

#### **1.2.4** *Transparency and oversight of the budget*

The Basic Data and Directions Document for 2020-2023 (which is the medium-term budgetary framework of Georgia) and the Annual State Budget Law 2020 were published and budgetary information is generally accessible, timely, comprehensive, and sound. External audit and control are also performed. The crisis context will however require close monitoring of budget amendments that will capture the COVID-19 crisis response of the Government, the package of amendments is to be published on the website of the Ministry of Finance as soon as these will be submitted to the Parliament.

The Open Budget Index (OBI) published end-January 2018 ranks Georgia as number five amongst all the assessed countries. In particular, Georgia makes all key budget documents publicly available online in a timeframe consistent with international standards and confirms an increase of 14 points compared to the 2015 OBI score. Such progress puts Georgia ahead of other countries in the Neighbourhood and Western Balkans regions and confirms the capacity of past and ongoing EU-Georgia policy dialogue and cooperation to deliver strong results in a critical governance area.

The Parliament holds hearings on the SAO's annual report as well as the report on the execution of the State Budget, and parliamentary hearings are carried out timely. The technical capacities of the Budget Office of the Parliament are progressing, but more is needed to provide a timelier service to all relevant Committees.

As a direct result of EU-Georgia policy dialogue and cooperation, the Ministry of Finance is now publishing regularly a 'Citizen's Guide to the State Budget' in Georgian and in English which better informs citizens and media on budget planning and priorities. The Guide also outlines the amount and the nature of transfers provided to local self-governments.

## 2 RISKS AND ASSUMPTIONS

<b>Risks</b>	<b>Risk level (H/M/L)</b>	<b>Mitigating measures</b>
Political confrontation and poor conduct of the 2020 parliamentary elections. Difficulties to form a government after the elections.	M	Important political dialogue promoted by the EU between majority and the opposition. Ensuring wide buy-in.
Macroeconomic instability, economic/financial crises and/or poor public finance management disallows the budget support modality.	M/L	Continuous policy dialogue with the government; reinforced economic/financial monitoring and other supportive measures; identification of possible impacts and remedial actions. Coordinated support between International Financial Institutions (IFIs), International Organisations (IOs).
Duplication with other EU and donors' initiatives.	L	The Action will enhance coordination mechanisms between the development partners for the implementation of complementary initiatives.
Policy measures and supporting actions do not achieve a tangible impact on the life of citizens and the economy.	M	Inclusive policy dialogue and assistance to set up targets, take corrective actions and monitor the effects of policies.
Weakening financial management and control procedures, misuse of direct awards in procurement and public investments.	M	Inclusive policy dialogue and assistance to apply EU Fiscal Rules, procurement and investment management standards and practices.

Some of the support measures could be difficult to implement in practice and could miss those who are targeted and most in need.	M	Inclusive policy dialogue and assistance available through other types of EU assistance (governance, business development...) to ensure that all vulnerable groups are reached.
Economic recovery orientation could be less mindful of environmental protection and climate change mitigation.	M	Continuous policy dialogue of the EU to promote the implementation of sustainable and environmentally friendly policies, supported by large policy based loans or budget support amounts. Launch of the “EU Resilience Facility” which will support sustainable and environmentally friendly recovery in Georgia.
Economic recovery could not take sufficient account of improvement of OSH.	M	Continuous policy dialogue of the EU to promote OSH. EU-funded projects in Georgia focusing on reinforcement of OSH.
<b>Assumptions</b>		
<ul style="list-style-type: none"> <li>• Political stability during the years 2020-2021 and proper process of the parliamentary elections in autumn 2020.</li> <li>• No considerable geopolitical tensions to happen during the implementation period.</li> <li>• Maintenance of stability-oriented macroeconomic policy and progress in the implementation of public finance management reforms.</li> <li>• Government priorities are communicated clearly.</li> <li>• Effective coordination between development partners, Civil Society Organisations (CSOs), social partners and private sector is in place.</li> </ul>		

### 3 COMPLEMENTARITY, SYNERGY AND DONOR COORDINATION

In the EU response to the crisis, synergies are sought between this programme and the following operations:

- EU Resilience Facility for Georgia: Economy, Environment, Health and Migration Management (“The EU Resilience Facility”) which will support sustainable and environmentally friendly recovery in Georgia;
- COVID-19 related Macro-Financial Assistance (MFA) package for Georgia 2020;
- Budget Support under European Neighbourhood Programme for Agriculture and Rural Development in Georgia, phase IV (ENPARD Georgia IV);
- Budget Support under EU4 Integrated Territorial Development (EU4ITD);
- EU Initiative on Health Security

- ADB Policy Based Loan on social protection and fiscal resilience;
- ADB grant support for priority health sector supplies and equipment, COVID-19 related;
- WB COVID-19 Emergency Response;
- AFD Social Sector Programme;
- United Nations Children’s Fund (UNICEF) COVID-19 response focusing on education, child protection, health, nutrition and WASH (Water, Sanitation and Hygiene).

In the response of the international community, close coordination will be ensured between the EU and the following entities:

- International Monetary Fund;
- IFIs (EBRD, EIB, World Bank Group, ADB, KfW, AfD);
- UN Agencies (World Health Organisation, United Nations Development Programme, United Nations Children's Fund, International Labour Organisation);
- USAID.

For the purpose of ensuring complementarity, synergy and coordination, the Commission may sign or enter into joint donor coordination declarations or statements and may participate in donor coordination structures, as part of its prerogative of budget implementation and to safeguard the financial interests of the Union.

#### 4 DESCRIPTION OF THE ACTION

The Action consists of a new budget support contract. The budget support contract contributes to the comprehensive Anti-Crisis Economic Plan of the GoG. The below summarises the Anti-Crisis Economic Plan:

Results chain		Indicator	Source of data	
IMPACT	Impact (overall objective)	To mitigate the health, social and economic impact of the COVID-19 crisis in Georgia.	<i>Level of poverty.</i>  <i>Percentage of economic contraction / growth in 2020 and 2021.</i>	UNDP Human Development Report.  IMF statistics.
	Outcome 1 (specific objective)	1. Citizens provided with social support to cope with the negative effects of the COVID-19 crisis.	<i>Number of citizens (men and women) having benefited from targeted social support.</i>	Government report on Anti-Crisis Economic Plan, IMF,

Results chain			Indicator	Source of data
			<i>Amount of social support provided to citizens in the framework of the Anti-Crisis Economic Plan.</i>	OECD, IFIs.
	Outcome 2 (specific objective)	2. Businesses provided with support to manage economic recovery.	<i>Number of economic entities / individuals having benefited of grant programmes from Government entities.</i>  <i>Amount of financial support provided to economic entities and individuals.</i>	Government report on Anti-Crisis Economic Plan, IMF, OECD, IFIs.
	Outcome 3 (specific objective)	3. Health system provided with equipment and supplies to deal with health problems resulting from the COVID-19 crisis.	<i>Amount of financial support to the health sector.</i>  <i>Number of COVID-19 patients treated by the National Health System</i>	Government Report on Anti-Crisis Economic Plan, WHO, CSOs.
INDUCED OUTPUT(S)	Induced Output(s) related to Outcome 1	1.1 Hired employees who have lost their jobs or are on unpaid leave receive social support.  1.2 Employers who retained jobs receive subsidies.	<i>Number of employees (men/women) having received social support. Average amount of support by categories of population.</i>  <i>Number of employers (men/women) having retained jobs who received subsidies. Average amount of subsidies by categories of population. Number</i>	Government report on Anti-Crisis Economic Plan, IMF, OECD, IFIs.  Government report on Anti-Crisis Economic Plan, IMF, OECD, IFIs.

Results chain		Indicator	Source of data
	<p>1.3 Persons employed in informal sector or self-employed receive one-time assistance.</p> <p>1.4 Vulnerable families receive financial assistance.</p> <p>1.5 Pension indexation introduced in January 2021.</p>	<p><i>of retained jobs.</i></p> <p><i>Number of persons (men/women) employed in informal sector or self-employed having received one-time assistance.</i></p> <p><i>Average amount of assistance by categories of population.</i></p> <p><i>Number of vulnerable families having received financial assistance. Average amount of assistance by categories of population.</i></p> <p><i>Number of pensions (men/women) indexed.</i></p> <p><i>% of indexation by categories of pensioners.</i></p>	<p>Government report on Anti-Crisis Economic Plan, IMF, OECD, IFIs.</p> <p>Government report on Anti-Crisis Economic Plan, IMF, OECD, IFIs.</p> <p>Government report on Anti-Crisis Economic Plan, IMF, OECD, IFIs.</p>
Induced Output(s) related to Outcome 2	<p>2.1 VAT refund mechanism comes into force for businesses.</p> <p>2.2 SME receive funding secured by SME guarantee scheme.</p> <p>2.3 Financial support provided to rural settlements.</p>	<p><i>Number of businesses receiving VAT refund.</i></p> <p><i>Number of SMEs (owned by men/women) receiving funding secured by credit-guarantee scheme.</i></p> <p><i>Number of rural settlements benefiting</i></p>	<p>Government report on Anti-Crisis Economic Plan, IMF, OECD, IFIs.</p> <p>Government report on Anti-Crisis Economic Plan, IMF, OECD, IFIs.</p> <p>Government report on Anti-Crisis Economic</p>

Results chain			Indicator	Source of data
			<i>from financial support from the Government and regional authorities.</i>	Plan, IMF, OECD, IFIs.
Induced Output(s) related to Outcome 3	3.1 Personal Protective Equipment (PPE) purchased for the healthcare system.		<i>Number and quality of PPE purchased for the healthcare system.</i>	Reports of Ministry of Health, WHO, CSOs.
	3.2 Increased capacity to make diagnosis.		<i>Number of WHO recognised COVID-19 tests executed.</i>	Reports of Ministry of Health, WHO, CSOs.
	3.3 Increased capacity. treatment		<i>Number of intensive care places available in hospitals.</i>	Reports of Ministry of Health, WHO, CSOs.

For that purpose, the budget support contract will assist Georgia through financial transfers, policy dialogue, performance and capacity development.

## 5 IMPLEMENTATION

### 5.1 Financing agreement

In order to implement this Action, it is foreseen to conclude a financing agreement with the partner country.

### 5.2 Indicative implementation period

The indicative operational implementation period of this Action, during which the activities will be carried out and the corresponding contracts and agreements implemented, is 24 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Decision and the relevant contracts and agreements.

### **5.3 Implementation of the budget support component**

#### **5.3.1 Rationale for the amounts allocated to budget support**

The amount allocated for the budget support component is EUR 75 000 000. This amount stems from the most recent forecasts of the fiscal impact of the crisis, which could result in shortfall of revenue and additional spending estimated at EUR 1 billion.

#### **5.3.2 Criteria for disbursement of budget support**

a) The general conditions for disbursement of all tranches are as follows:

- Satisfactory progress in the implementation of the Anti-Crisis Economic Plan in response to COVID-19 crisis and continued credibility and relevance thereof;
- Maintenance of a credible and relevant stability-oriented macroeconomic policy or progress made towards restoring key balances;
- Satisfactory progress in the implementation of reforms to improve public financial management, including domestic revenue mobilisation, and continued relevance and credibility of the reform programme;
- Satisfactory progress with regard to the public availability of accessible, timely, comprehensive and sound budgetary information.

b) The performance indicators for disbursement that may be used for variable tranches will aim at promoting actions and measuring their effects in the response to the COVID-19 crisis. A limited number of indicators will be developed which indicatively fall into the below areas of support:

- Social support provided to citizens, such as that for vulnerable or other disadvantaged groups, or for those whose livelihoods are particularly at risk.
- Support provided to business to mitigate the impact of containment measures and/or to foster sustainable and green economic recovery, including possible related structural reform steps.
- Health response to the pandemic and/or health system recovery and health standards improvement.
- Measures to enhance public finance management, including oversight, commensurate with the implementation of a large fiscal stimulus by the public sector.
- Progress on political priorities as outlined in section 1.2.1.

The chosen performance indicators and targets to be used for disbursements will apply for the duration of the Action. However, in duly justified circumstances, the Government of Georgia may submit a request to the Commission for the targets and indicators to be changed.

Note that any change to the targets should be agreed ex-ante at the latest by the end of the first quarter of the assessed year. The agreed changes to the targets and indicators shall be agreed in advance and may be authorised in writing (either through a formal amendment to the financing agreement or an exchange of letters).

In case of a significant deterioration of fundamental values, budget support disbursements may be suspended, reduced or cancelled, in accordance with the relevant provisions of the financing agreement.

### **5.3.3**     *Budget support details*

The budget support component consists of a fixed and a variable tranche to be disbursed indicatively in September 2020 (EUR 60 000 000 fixed tranche) and mid-2021 (EUR 15 000 000 variable tranche).

Budget support is provided as direct untargeted budget support to the national treasury. The crediting of the euro transfers disbursed into Georgian Lari will be undertaken at the appropriate exchange rates in line with the relevant provisions of the financing agreement.

## 5.4 Indicative budget

	<b>EU contribution (amount in EUR)</b>	<b>Indicative third party contribution, in currency identified</b>
<b>Budget support</b>	<b>75 000 000</b>	<b>N/A</b>
<b>Evaluation and audit (ex-post)</b>	<b>N.A.</b> (To be covered by Global Allocation)	<b>N/A</b>
<b>Total</b>	<b>75 000 000</b>	<b>N/A</b>

## 5.5 Organisational set-up and responsibilities

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the Action.

## 5.6 Performance and results monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this Action will be a continuous process, and part of the Government's responsibilities. In addition to the regular budget execution reports the Government will regularly prepare and publish a report on the implementation of the Anti-Crisis Economic Plan. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results as measured by corresponding indicators, using the Anti-Crisis Economic Plan as reference.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

## 5.7 Evaluation

Having regard to the importance of the Action, an ex-post evaluation(s) will be carried out for this Action or its components via independent consultants contracted by the Commission.

The evaluation of this Action may be performed individually or through a joint strategic evaluation of budget support operations carried out with the partner country, other budget support providers and relevant stakeholders.

The Commission shall inform the implementing partner at least 60 days in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and

recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

The financing of the evaluation shall be covered by another measure constituting a Financing Decision.

## **5.8 Audit**

Without prejudice to the obligations applicable to contracts concluded for the implementation of this Action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

The financing of the audit shall be covered by another measure constituting a Financing Decision.

## **5.9 Communication and visibility**

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU. This obligation will be covered by the service contract "EU4Georgia phase 3 - Communicating the European Union in Georgia". The contractor will ensure effective and correct communication based on the Communication and Visibility Requirements for European Union External Actions (or any succeeding document). These requirements shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations. Additional Visibility Guidelines developed by the Commission (European Neighbourhood Policy and Enlargement Negotiations) and the Delegation to Georgia will be strictly adhered to.

This Action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation. It is the responsibility of the implementing organisations to keep the EU Delegations and, where relevant, the Commission (DG NEAR), fully informed of the planning and implementation of the appropriate milestones specific visibility and communication activities. The implementing partners shall grant an irrevocable licence to the EU to use communication material produced by them in the context of initiatives funded under the action document.

For the purpose of enhancing the visibility of the EU and its contribution to this Action, the Commission may sign or enter into joint declarations or statements, as part of its prerogative of budget implementation and to safeguard the financial interests of the Union.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

With regards to the Neighbourhood East, all EU supported actions shall be aimed at increasing the awareness level of the target audiences on the connections, the outcome, and the final practical benefits for citizens of EU assistance provided in the framework of this Action. Visibility actions should also promote transparency and accountability on the use of funds.

Outreaching/awareness raising activities will play a crucial part in the implementation of the Action, in the case of budget support the national government shall ensure that the visibility of the EU contribution is given appropriate media coverage. The implementation of the communication activities shall be the responsibility of the implementing organisations, and shall be funded from the amounts allocated to the action.

Where relevant, the provisions of the Financial and Administrative Framework Agreement concluded between the European Union and the selected international organisations shall apply.

This Action will be communicated externally as part of a wider context of EU support to the country, and where relevant to the Eastern Partnership region in order to enhance the effectiveness of communication activities and to reduce fragmentation in the area of EU communication.

The implementing organisations shall coordinate all communication activities with EU Delegations as well as regional communication initiatives funded by the European Commission to the extent possible. All communication strategies developed as part of this action shall ensure they are in line with the priorities and objectives of regional communication initiatives supported by the European Commission and in line with the EU Delegation's communication strategy under the "EU4Georgia" umbrella initiative.