

### ANNEX 3

of the Commission Implementing Decision on the Annual Action Programme 2013 in favour of the Republic of Georgia

#### Action Fiche for the Framework programme in Support of EU-Georgia Agreements

## 1. IDENTIFICATION

Title/Number	Framework programme in Support of EU-Georgia Agreements ENPI/2013/024-706		
Total cost	Total estimated cost: EUR 19 million  Total amount of EU budget contribution: EUR 19 million		
Aid method / Method of implementation	Project approach  Direct centralised management (grants – call for proposals and direct award; procurement of services)  Joint management with UNDP		
DAC-code	15110	Sector	Public sector policy and administrative management

## 2. RATIONALE AND CONTEXT

### 2.1. Summary of the action and its objectives

The overall objective of the programme is to continue to effectively support Georgia in the implementation of future agreements between Georgia and the EU: Association Agreement, Deep and Comprehensive Freed Trade Area, Visa Liberalisation and Readmission Agreements, and in meeting the objectives set out in the EU-Georgia ENP Action Plan. The Comprehensive Institution Building (CIB) will continue to support several selected public institutions involved in the preparation and implementation of the above mentioned agreements.

### 2.2. Context

#### 2.2.1. Country context

##### 2.2.1.1. Economic and social situation and poverty analysis

Georgia is a small developing economy with a population of about 4.5 million people and a gross national income (GNI) per capita of USD 3,136<sup>1</sup>. Georgia undertook economic, social

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<sup>1</sup> GNI of 2011 (www.geostat.ge).

and governance reforms over the past eight years. These include impressive progress in reforming the role of the state vis-à-vis the private sector, dramatically reducing corruption, and creating positive start-up environment for business. Sound fiscal and monetary policies supported by structural reforms were able to unleash the supply-side dynamics and positively impacted economic growth in larger Georgian cities, e.g. Batumi and Tbilisi. The August 2008 conflict and the following global economic downturn have altered the dynamic. Despite sharp decrease of the foreign investments after the 2008 conflict, Georgia maintained macroeconomic stability and recovered from the crises.

However, political and economic reforms only marginally improved employment and living conditions of the poor. Poverty and unemployment remains traditionally high in the country (about 27.8% and 15.1%). In terms of the distribution of the poor and unemployed persons across urban and rural areas, rural rates are higher than urban ones, and the incidence of extreme poverty in rural areas is almost twice than in urban areas. As a result, the consumer expenditures of 23% of the Georgian population - i.e. over 1.2 million people- were below the 60% of median subsistence level.

The real GDP growth could amount to 7% in 2012 and is planned to reach 6% in 2013. Real growth was posted notably to the following sectors: financial Intermediation (16.8%), hotels and restaurants (11.3%), manufacturing (19.7%), communication (11%), real estate (19.4%).

Prices of key consumer price index (CPI) basket components have been stable, having marginal deflation to -0.9 % (year to year) in December. In order to avoid economic slow down, the National Bank of Georgia has implemented relevant monetary measures decreasing the refinancing rate in November to 5.25%.

External trade data for January-November of 2012 show that exports of goods and services slightly decreased year-on-year by (amounting to USD 1,320 million) however imports slightly increased (amounting USD 4,347 million). It has to be noted that Georgia traditionally has a large trade deficit that is counterbalanced by remittances, foreign direct investment (FDI) and external assistance. The current account deficit is projected to 10.8% of GDP, which is 1% better than in 2011. FDI is predicted to be maintained at least at 6% of GDP. The Government also aims to invest in large scale infrastructure projects in transport and communal services, as well as in agriculture.

The major macroeconomic challenge continues to be to sustain economic growth while promoting balance of payments adjustment. This requires increase of private capital inflows and domestic lending in support of investment projects

Maintaining macroeconomic stability and promoting investment remain key priorities of the Government's new Strategy "for Strong, Democratic and United Georgia".

#### 2.2.1.2. National development policy

The political programme of the coalition Georgian Dream "for Strong, Democratic, United Georgia" has become a basis for policy formulation after October 2012 when the coalition gained the majority of seats in the Parliament and formed the new Government. The party programme was reflected in the Basic Data and Directions (BDD) document which is the medium term budgetary policy document in place since 2005. The BDD for the years 2013-2016 defines a set of key reform priorities across sectors, including Public Finance Reforms.

### **2.2.2. Sector context: policies and challenges**

The European Neighbourhood Policy Action Plan (ENP AP), adopted in 2006, sets out the mutually agreed political priorities for cooperation between Georgia and the EU. It remains valid until replaced by the EU-Georgia Association Agreement (AA).<sup>2</sup> Since the entry into force of the ENP AP, Georgia has made progress in implementing agreed reforms. Georgia's commitment to European integration remains strong.

In recognition of Georgia's European choice, negotiations on the Association Agreement were commenced in July 2010. Readmission Agreement entered into force in March 2011. Negotiations for the Deep and Comprehensive Free Trade Area (DCFTA) began in early 2012 and a dialogue on Visa Liberalisation with Georgia started in June 2012.

In the framework of the Eastern Partnership (EaP), the Commission has developed the Comprehensive Institution Building (CIB) to assist Georgia in preparing for the Association Agreement (AA), DCFTA, Visa Liberalisation (VL) and Readmission Agreement (RA) and subsequent implementation of obligations assumed under the agreements. The CIB focuses on the key institutions in implementing these agreements as defined within the CIB "Framework Document"<sup>3</sup>. These institutions are distributed across three clusters agreed as vital for the effective implementation of the future agreements:

1. Cluster of institutions in charge of reform co-ordination and negotiation of enhanced agreements (co-ordination cluster);
2. Cluster of institutions in the area of trade and on preparations for negotiations on the DCFTA (DCFTA cluster);
3. Cluster of institutions in the area of democratic development, good governance and human rights (oversight cluster);

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

### **2.3. Lessons learnt**

The implementation of the CIB started successfully in Georgia in 2012 with projects supporting the IRPs of the Public Defender's office, the National Food Agency, the Civil Service Development Agency, and the Georgian National Agency for Standards and Metrology. It should be stressed that the quality and coherence of the Institutional Reform Plans (IRPs) are crucial for their sustainability and reliability. Experience showed that the quality of IRPs varies and some of the IRPs need update and adjustment especially concerning baseline, targets and result-oriented indicators.

This issue was identified and addressed on the occasion of the 1<sup>st</sup> CIB Steering Committee, held on 3<sup>rd</sup> July 2012. In consequence, concrete steps are currently undertaken to revise several IRPs in order to adjust them to the priorities and needs the new Government of Georgia that took office following the Parliamentary Elections on 1<sup>st</sup> October 2012.

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<sup>2</sup> Should the Association Agreement enter into force during the implementation period of the activities set out in this action fiche, the AA will automatically become the reference document for activities.

<sup>3</sup> The Framework Document entered into force on 2<sup>nd</sup> October 2010 at the signature of a CIB Memorandum of Understanding between the Government of Georgia and the Commission.

## **2.4. Complementary actions**

Support under the present programme, for both the new enhanced agreements and the ENP Action Plan, is complementary to existing bilateral assistance between the EU and Georgia. In Georgia, a significant proportion of bilateral assistance is provided through budget sector support in the areas of public finance management, regional development, criminal justice, vocational education and training and support for Internally Displaced Persons (IDP). This support does not overlap with CIB actions even though some institutions are the same as care is taken that assistance is well-coordinated. Complementarity exists with the European Neighbourhood Programme on Agriculture and Rural Development (ENPARD Georgia) as well as with the future programme on Border management and migration funded under the Eastern Partnership Integration and Cooperation (EaPIC) programme.

The EU has been providing support for capacity development to Georgia through technical assistance and other instruments (Twinning and TAIEX since 2007 and SIGMA since 2008). There are currently 16 twinning projects at various stages ranging from preparation up to implementation. TAIEX remains by far the most popular instrument in Georgia with over 150 applications submitted to date. Several SIGMA projects have also been implemented in recent years and the priority areas for future projects are set. These institution building instruments are successfully applied by a number of beneficiaries, including the CIB institutions (like Georgian National Agency for Standards and Metrology, State Ministry for European and Euro-Atlantic Integration, etc).

Actions planned under this Programme are complementary to activities currently being implemented or planned by other donors. This is highlighted by the fact that several Member States and International Organisations have expressed their keen interest in the implementation of IRPs. Some EU Member States (Sweden, Germany), the United States, UN agencies and the Council of Europe are working with several beneficiaries of the CIB (such as Public Defender's Office, the National Food Agency, etc) and plan to assist in the implementation of the IRPs.

## **2.5. Donor coordination**

Co-ordination is ensured by the active participation of donors, sometimes with the inclusion of the Georgian authorities. The EU Delegation regularly organises meetings of Member States' Development Counsellors and also coordinates as well as chairs sectorial donor co-ordination groups in a variety of sectors. In addition to these existing mechanisms, the EU Delegation has made a particular effort to keep all stakeholders, which provide support to CIB institutions, informed of the implementation of the IRPs. Co-ordination has been particularly active when it comes to the provision of support to the National Food Agency (NFA), the Public Defender's Office (PDO), the Parliament, the Public Service Development Agency, the National Accreditation Centre (NAC) and the Georgian Centre for Standards, Technical Regulations and Metrology (GEOSTM). The EU Delegation will continue to make full use of the existing donor structures to ensure co-ordination and complementarities of all actions under the Programme.

### 3. DETAILED DESCRIPTION

#### 3.1. Objectives

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

The specific objectives of this programme are the following:

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

#### 3.2. Expected results and main activities

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

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

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

- Institutions in charge of reform co-ordination and negotiation of enhanced agreements – the **co-ordination cluster**
- Institutions in the area of trade negotiation and implementation of the DCFTA – the **trade cluster**
- Institutions in the area of democratic development, good governance and human rights – the **oversight cluster**

The 2013 financial allocation (of EUR 12 millions) will build on work already carried out in previous years, in particular on the implementation of the Institution Reform Plans (IRPs<sup>4</sup>). It will supplement financial assistance under the 2011 and 2012 CIB financial allocations for some institutions under the above stated clusters (namely Civil Service Development Agency, National Food Agency; Georgian Agency for Standards and Metrology; Public Defender's Office, State Audit Office)

The need of further support to some institutions under the clusters has been intensively discussed during bi-lateral meetings with the Georgian institutions representatives, as well as at the ENP Committee meetings as the main decision making body on EU assistance in the

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<sup>4</sup> As yet 8 IRPS have been developed and approved by the Georgian institutions, beneficiaries of the CIB. From February 2013 several IRPs are being revised (Coordinating cluster, Parliament of Georgia, GEOSTM, State Audit Office) following the requirements and priorities set by the new Government of Georgia

Government of Georgia. It is also reflected in the adjusted IRPs for these institutions following the conclusions of the 1st Steering Committee on CIB.

Activities within the trade cluster will be targeting the following institutions:

The National Food Agency with a focus on further capacity building in the field of legislation alignment, including expertise in EU legislation, legal translation, elaboration of tables of correspondence, facilitation of legislation drafting; technical assistance and training to improve the NFA management systems and support legislation implementation and alignment process; technical assistance, training, materials and inventory for food safety, animal health and phyto-sanitary specific topics; enhancing information/communication capacities.

The Georgian Agency for Standards and Metrology focused on further institutional reinforcement of structures and administrative capacities of the necessary for the regulatory approximation with EU-related legislation and standards in the crucial areas of technical barriers to trade.

Activities within the oversight cluster will be targeting all three comprised institutions (Public Defender's office, Parliament of Georgia and State Audit Office) and be geared towards further reinforcement in monitoring and steering capacities of the approximation process based on the activities reflected in the respective IRPs.

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

Within this Programme continuous support will be provided provisionally to the priorities of rule of law (area 1), improving the business and investment climate (area 2), environment (area 3) and transport and energy (area 8) of the ENP Action Plan.

Under priority 1 it is provisionally foreseen to provide assistance in enhancing legal drafting and representation capacities of line ministries and the Ministry of Justice (MoJ) including through improved research capacities and interagency coordination; ensure effective implementation and monitoring of contracts, treaties and decisions of international courts (i.e. European Court of Human Rights/ECHR) as well as to strengthen capacities of the MoJ in litigation and representation in international courts and arbitration bodies; strengthen reporting capacities of the relevant authorities to respective international organizations. Support to the Ministry of Corrections and Legal Assistance of Georgia in sharing best EU practices within its remit is also provisionally foreseen hereunder.

Under priority 2 it is provisionally foreseen to provide assistance in enhancing capacities of the investigation services of the Ministry of Finance aimed at improvement the related legal framework for tackling tax crimes via approximation to the EU regulations; human resource management improvement, administrative capacity building activities.

Under priority 3 it is provisionally foreseen to provide assistance to the Ministry of Environment for joining the UNECE Convention on Environmental Impact Assessment in a Transboundary Context (Espoo Convention) and the Protocol on Strategic Environmental Assessment (The Kyiv [SEA] Protocol).

Under priority 8 it is provisionally foreseen to provide assistance in the areas of transport, namely in the field of civil aviation (the follow-up project of the ongoing twinning project in this field) as well as to the Georgian Maritime Transport Agency ensuring legal and institutional compliance with the requirements of the Maritime Labour Convention of 2006

It is also envisaged to support closer cooperation of relevant Georgian agencies with a number of interested EU Agencies (European Aviation Safety Agency (EASA), European Police College (CEPOL), FRONTEX, EUROJUST, EUROPOL), once the necessary arrangements are in place.

For all interventions relating to both the CIB and non-CIB activities, a proportionate part of the budget for each activity, in accordance with the Communication and Visibility Manual for EU External Actions, will be set aside in order to fund visibility and communication activities. Where applicable, beneficiaries/implementers will be asked to draw up communication plans. Visibility actions will be implemented in line with the existing requirements.

### **3.3. Risks and assumptions**

The following risks have been identified:

- Lack of political commitment to and quality of the reform process
- high turnover of staff;
- weak planning and coordination capacity;

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

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

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

### **3.4. Cross-cutting issues**

All activities under this programme will be designed and implemented in accordance with principles of good governance and human rights, gender equality and environmental sustainability, public service reform and the inclusion of socially or economically deprived groups wherever these issues are of particular relevance to the institutions to be assisted.

### **3.5. Stakeholders**

The stakeholders in the CIB are the beneficiary institutions, the Programme Administration Office (PAO) both as beneficiary and co-ordinating body from the Georgian side, the EU and its Member States, other donors and civil society representatives. As outlined above, the CIB has the potential to be highly participatory. Several Member States and international organisations already working with the CIB institutions have expressed an interest in further

participating in the CIB, either by direct financing or through their own programmes. This applies primarily to the institutions included in the oversight and trade clusters.

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

## **4. IMPLEMENTATION ISSUES**

### **4.1. Financing agreement**

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of the Financial Regulation.

### **4.2. Indicative operational implementation period**

The indicative operational implementation period of this action, during which the activities described in sections 3.2. and 4.3. will be carried out, is 60 months, subject to modifications to be agreed by the responsible authorising officer in the relevant agreements. The duration takes into account the important number of contracts to be launched.

### **4.3. Implementation components and modules**

The appropriate implementation modality will be selected in consultation with each beneficiary based on their needs and Commission services' assessment as to what contracting modality best meets the criteria of efficiency and effectiveness. In some cases, Twinning contracts are already ongoing and this will be the preferred option to continue. Taking this into account, it can be provisionally assumed that the implementation of the programme will be as described in the following modules.

#### ***4.3.1. Grants: call for proposal for Twinning projects (direct centralised management)***

Under the present programme, it is expected to conclude up to 8 Twinning grant contracts.

- (a) Objectives of the grants, fields of intervention, priorities of the year and expected results

The Twinning calls for proposals modality will be used for implementing actions under objectives defined in section 3.1.

The activities and expected results of the Twinning calls for proposals will be in line with the expected results and activities defined in section 3.2.

- (b) Eligibility conditions

In line with Article 15(2)(a) ENPI, participation in Twinning calls for proposals is limited to public administrations of the EU Member States, being understood as central or regional authorities of a Member State as well as their bodies and administrative structures and private law bodies with a public service mission under



their control provided they act for the account and under the responsibility of that Member State.

(c) Essential selection and award criteria

The essential selection criterion is the operational capacity of the applicant.

The essential award criteria are the technical expertise of the applicant, and the relevance, methodology and sustainability of the proposed action.

(d) Maximum rate of co-financing

The rate of co-financing for Twinning grant contracts is 100%<sup>5</sup>.

(e) Indicative timing to launch the calls

The launch of the calls for proposals is indicatively planned to start in the 3rd quarter of 2014, depending for each Twinning call for proposals on the time needed to finalise the Twinning fiches.

(f) Use of lump sums/flat rates/unit rates

Twinning contracts include a system of unit costs, defined in the Twinning Manual, for the reimbursement of the public sector expertise provided by the selected Member States administrations. This system of unit rates exceeds the amount of EUR 60,000 per beneficiary of a Twinning contract.

**4.3.2. Grant: direct award (direct centralised management)**

Under the present programme, it is expected to conclude up to 6 direct grant contracts with Georgian beneficiary institutions, wherever this can be assessed as the most appropriate way to reach objectives of the programme.

(a) Objectives of the grant, fields of intervention, priorities of the year and expected results

Direct grants will be used for implementing actions under objectives defined in section 3.1.

The activities and expected results of the direct grants will be in line with the expected results and activities defined in section 3.2.

(b) Justification of a direct grant

Under the responsibility of the authorising officer by delegation, the recourse to an award of a grant without a call for proposals is justified when it is assessed that this is the most appropriate way for reaching the objectives of the programme,

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<sup>5</sup> As foreseen for in the Twinning Manual.

considering i.a. the specific technical competence, specialisation or administrative power of the public entities concerned.

(c) Eligibility conditions

Eligibility will be limited to those of the Georgian public entities that are involved in or targeted by the present programme, as listed in section 3 (non-exhaustive list).

(d) Essential selection and award criteria

The essential selection criteria are financial and operational capacity of the applicant.

The essential award criteria are relevance of the proposed action to the objectives of the programme; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(e) Maximum rate of co-financing

The maximum possible rate of co-financing for this grant is 80%.

The maximum possible rate of co-financing may be up to 100 % in accordance with Articles 192 of the Financial Regulation if full funding is essential for the action to be carried out. The essentiality of full funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management.

(f) Indicative trimester to contact the potential direct grant beneficiary

3<sup>rd</sup> quarter of 2014.

**4.3.3. Procurement (direct centralised management)**

Subject	Type	Indicative number of contracts	Indicative trimester of launch of the procedure
Support to the implementation of IRPs	Services	3	3 <sup>rd</sup> quarter of 2014
Activities related to priorities of ENP Action Plan and in new EU-Georgia Agreements	Services	4	4 <sup>th</sup> quarter of 2014
Evaluation and audit	Services	2	2 <sup>nd</sup> quarter of 2016 3 <sup>rd</sup> quarter of 2018

Communication and visibility	Services	Up to 3	According to needs (see section 4.8)
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#### **4.3.4. Joint management with an international organisation**

The action aimed at effective institution-building and proper implementation of oversight function by the Parliament of Georgia will be implemented in joint management with UNDP.

This implementation is justified because of i) its specific competence to support implementation of the Institutional Reform Plan of Parliament of Georgia; ii) its previous successful experience in collaborating with the Parliament of Georgia; iii) it is selected in agreement with the beneficiary and following consultation with other relevant stakeholders on the basis of working consultations with these parties; and iv) an assessment of other actions in the sector confirming the relevance and appropriateness of choosing UNDP to implement this particular assignment.

Joint management with this international organisation in accordance with Article 53d of the Financial Regulation 1605/2002 is possible because the organization is bound by a long term framework agreement (FAFA)

The change of management mode constitutes a substantial change except where the Commission "re-centralises" or reduces the level of budget-implementation tasks previously entrusted to the international organisation.

#### **4.4. Scope of geographical eligibility for procurement in direct centralised and decentralised management**

Subject to the following, the geographical eligibility in terms of place of establishment for participating in procurement procedures and in terms of origin of supplies and materials purchased as established in the basic act shall apply.

The responsible authorising officer may extend the geographical eligibility in accordance with Article ENPI 21(7) on the basis of the unavailability of products and services in the markets of the countries concerned, for reasons of extreme urgency, or if the eligibility rules would make the realization of this action impossible or exceedingly difficult.

#### **4.5. Indicative budget**

<b>Module</b>	<b>Amount in EUR millions</b>
4.3.1. – Twinning Call for proposals (direct centralised)	6.20
4.3.2. – Direct grants (direct centralised)	6.50
4.3.3. – Procurement (direct centralised)	4.85
4.3.4. – Joint management with UNDP	1.00
4.7. – Evaluation and audit	0.20

4.8. – Communication and visibility	0.25
<b>Totals</b>	<b>19.00</b>

#### **4.6. Performance monitoring**

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

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

In addition, the relevant sector sub-committees on Trade, Economic and Related Legal Affairs and Justice, Freedom and Security (JFS) that monitor the implementation of the EU-Georgia Partnership and Cooperation Agreement (PCA) will devote sufficient time to an annual review of the CIB either as part of their regular agenda or through dedicated sessions. The CIB will also be one of the points on the agenda of the annual meeting of the Co-operation Committee. This annual review may lead to a re-allocation of funds among the different Institutional Reform Plans. The involvement of Member States will be ensured through the established mechanisms.

#### **4.7. Evaluation and audit**

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

For the part of the action implemented under joint management, the provisions included in the relevant framework agreement will apply.

#### **4.8. Communication and visibility**

For all interventions relating to both the CIB and non-CIB activities, a proportionate part of the budget for each activity, in accordance with the Communication and Visibility Manual for EU External Actions, will be set aside in order to fund visibility and communication activities.

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.

Each project will have its own communication and visibility component and budget.

For the part of the action implemented under joint management, the provisions included in the relevant framework agreement will apply.