

Assessment Report

Planning, Receiving, Disbursing and Absorbing ENPI Funding in Georgia

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GLOSSARY

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| AAP | Annual Action Program, based on National or Regional Indicative Programs, identifying projects and initiatives to be funded under ENPI and their specific allocations |
| Budget support (BS) | International financial assistance through which money is sent directly to the target country's national budget. There are two forms of BS: general Budget Support and sectoral Budget Support, that is, assistance for specific sectors of the national economy: healthcare, education, and so on. |
| CIBP | Comprehensive Institution-Building Program |
| ENP | European Neighborhood Policy, the EU's general policy framework for interaction with its immediate neighbors |
| ENPI | European Neighborhood and Partnership Instrument, a policy framework for financial and technical cooperation between the EU and ENP countries |
| Entry point | Opportunity for non-state actor (NSA) involvement in the policy process |
| EUMM | EU- Monitoring Mission to Georgia |
| GF | Governance Facility. ENPI funds to facilitate the greatest progress in improving governance |
| Indicative Program | A document defining funding allocations for the priority areas set out in the Strategy Paper for a 3-4 year period |
| IDP | Internally Displaced Person |
| IFS | Instrument for Stability |
| INSC | Instrument for Nuclear Safety Cooperation |
| IRP | Inter-Regional Program |
| JMA | Joint Managing Authority in Cross-Border Cooperation, the authorized executive body of a participating EU Member State selected to manage the CBC program on behalf of all participants |
| JMC | Joint Monitoring Committee, the main joint decision-making body in Cross-Border Cooperation programs |
| JMG | Joint Monitoring Group, established to monitor the use of Budget Support, composed of national and EC officials. It is in charge of overseeing, coordinating data collection in line with the achievement of a set of benchmarks, preparing a Progress Report, and drafting a mid-term review |
| MDG | Millennium Development Goal |
| National Program | A national-level program for the delivery of EC assistance through ENPI. |
| NIF | The Neighborhood Investment Facility fund, set up to support lending to ENPI countries by international financial institutions |
| NIP | National Indicative Program, defines in greater detail the focus of operations in 2007-2013 in accordance with the Country Strategy Paper |
| NIF | Neighborhood Investment Facility, an innovative instrument of the ENP, aiming at mobilizing additional funding for infrastructure projects in the Neighborhood area |
| NSA | Non-state actor. A non-state institutions, civil society organizations |
| oQSG | Office Quality Support Group |
| Programming | A decision-making process aimed at defining the EC strategy, budget and priorities for spending aid in non-EU countries |
| RIP | Regional Indicative Program |
| ROM | Results-Oriented Monitoring System |
| RSP | Regional Strategy Paper |
| SIGMA | A joint EU-OECD technical assistance initiative whose purpose is to assess progress in reforms and to assist beneficiary administrations in establishing good public sector practices and procedures |
| Strategy Paper | A document covering a seven-year period of the EC's financial perspective and identifying EU assistance priorities for a target country or region |
| TACIS | <i>Technical Aid to CIS</i> program, a foreign and technical assistance program implemented by the European Commission to help members of the CIS and Mongolia, in their transition to democratic, market-oriented economies. TACIS has been subsumed in the EuropeAid program |
| TAIEX | Technical Assistance and Information Exchange, an instrument introduced in the ENP framework. TAIEX aims to foster political and economic cooperation in a number of areas, primarily the approximation, application and enforcement of EU legislation ¹ |

¹ http://ec.europa.eu/europeaid/where/neighborhood/overview/taidx_en.htm

EXECUTIVE SUMMARY

Together with EU Eastern Partnership countries and other members of the European Neighborhood Policy, Georgia receives significant funds from the European Union through its European Neighborhood and Partnership Instrument (ENPI). By and large, ENPI funds can be spent on technical assistance and targeted administrative measures, investments and investment-related activities, sector and general Budget Support, debt relief measures, food security measures, contributions to the European Investment Bank or other financial intermediaries, for loan funding, equity investments, guarantee funds or investment funds, interest-rate subsidies, insurance against non-commercial risks, and micro-projects. About 95% of ENPI funding covers activities contained in country-specific strategies, while the remaining 5% goes to cross-border initiatives.

By the end of 2009, the European Commission planned to conclude consultations on the Mid-Term Review (MTR) of the ENPI in most ENP countries in order to finalize the new term of the National Indicative Program, 2010-2013. The main objective of the review process is to ensure more openness at the EC during MTR consultations and to take into account as much feedback as possible at the ENPI programming stage.

According to EC official documents like the Initial Concept Note for Georgia, 2009, this time the Review process was characterized by greater involvement of CSOs and NSAs, compared to last year's ENPI programming phase, and heightened interest on their part in the possibility of engaging in dialog with the EC and member governments. Yet, the results of a study conducted in Georgia among NGO leaders in July 2009 showed that the number of NGOs involved in the ENPI programming processes was quite limited, which is likely to hamper the continuity of the process.

This report presents a thorough overview of how ENPI funding is planned, received, disbursed and absorbed in Georgia. It also assesses civil society capacity to evaluate ENPI budgetary support, the effectiveness of government spending in ENPI priority sectors, and technical assistance projects and other ENPI expenditures. The study also evaluates the role of civil society in defining priorities in EU-Georgia bilateral relations, its capacity to absorb ENPI funds, and its degree of participation in ENPI monitoring.

The Georgian NGO community started debating the efficient use of EU assistance programs after the August 2008 war, when the size of the National Indicative Program (NIP) increased substantially and EU-pledged additional assistance to Georgia came to about EUR 500 million for 2008-2010. By contrast, Georgia was allocated EUR 120.4 million in 2007-2010. Part of the amount allocated to ENPI programs goes to sectoral Budget Support, which is why the international community, donors and local CSOs attach great importance to monitoring these funds.

The report finally provides policy recommendations for the National Government on the effective use of assistance from Western countries, how to improve the sustainability of NGOs and cooperation with the government. In addition to the requirement of working with the government, the EU is advised to improve access to information for civil society, to develop mechanisms for structural consultations with the government and civil society, to increase the capacity of civil society, and to take the lead in trilateral dialog among civil society, the national government and the EU. Recommendations for Georgian NGOs include measures to increase professional and institutional capacities within these organizations.

Some of the key recommendations for the EU, national government and CSO in Georgia are summarized here.

Recommendations for the EU

- Invite civil society to become involved in the EU-government dialog and policy development process on an equal footing with the national government and ensure civil society involvement in joint monitoring efforts with the European Commission and government by inviting NGOs to join ENPI monitoring committees;
- Ensure proper observance of the principle of partnership, which emphasizes NGO involvement at all stages of ENPI fund disbursement; NGO involvement should become an indispensable condition in all recipient countries. For this purpose, the European Commission should develop universal basic standards to ensure NGO participation in the planning, implementation, and monitoring of ENPI-funded actions;
- Strengthen the professional skills and expertise of NGO representatives and independent experts by fostering better communication with EU structures, support for cooperation and communication between NGOs and European institutions of similar profile and experience;
- Ensure the allocation of special funds for the civil sector's active involvement in policy debates, advocacy, and monitoring;
- Ensure simplified access for civil society to increased funds allocated under ENPI, including by simplifying application procedures;
- Improve cooperation and coordination between representatives of the non-government sector and increase the number of EU programs that could strengthen local CSO network communication with European networks and organizations;
- Designate the objectives for Budget Support, which are important for institution-building in the government but do not require large funds. An accompanying project should be ready for cases where additional funds may be necessary to spend to achieve the necessary indicators;
- Ensure a continuous process of EU mediation in the constructive settlement of disputes. Within ENPI, pay particular attention to poverty alleviation, access to resources, and preventing migration, social, and environmental degradation.

Recommendations to the Georgian government

- Raise public awareness of programs and actions carried out through the ENPI and ensure that appropriate EU documents, including working versions, are available in Georgian;
- Develop procedures that facilitate the involvement of various sectors of civil society in the ENPI planning and monitoring process, which will greatly facilitate the efficiency of limited administrative resources and the likelihood of absorption.
- Develop procedures that ensure the evaluation of direct or sectoral Budget Support and increase the involvement of NGOs in evaluating and monitoring.
- Facilitate the broad implementation of TWINNING and TAIEX programs in different government agencies, obliging the latter to implement appropriate changes;
- Publish a register of grants on the website of the Finance Ministry. The law "On Grants" does not require any grants received to be automatically reflected in the state budget. The publication of a register of grants could be a good way to overcome this problem.
- Facilitate the activities of donors, including the EU, in support of the sustainability of NGOs and better cooperation between the government and the non-government sector;
- Develop a policy document such as a cooperation program or strategy to define main principles of "good partnership" between the government and the non-government sector. When working on a strategy, an agreement must be reached between the government and the civil sector on selecting mechanisms for improved funding of the non-government sector;
- Institutionalize cooperation between the non-government sector and the government by agreeing on various methods and mechanisms for cooperation. In particular, the government should facilitate the sustainability of the civil sector by developing appropriate legislation, that is, facilitating diversified sources of funding.

Recommendations for Georgian NSAs

- Promote the formation of broad coalitions and networks to facilitate various activities in the context of the ENPI, starting with public awareness-raising, monitoring, advocacy, and providing services. Intensify networking and support its expansion. Develop mechanisms for coordination and exchange of information;
- Strengthen the capacity of a wide range of NGOs to engage effectively in the planning and prioritization of ENPI funding, such as by participating in various steering committees within the government, consulting with the European Commission, joining discussion forums and so on, including available resources for monitoring;
- Increase capacity to conduct monitoring of ENPI funds with possible monitoring tools;
- Increase awareness and improve knowledge of EU development, foreign policy and budget planning in order to plan and develop appropriate advocacy strategies in relations between EU institutions and the Georgian government;
- Expand relations with European organizations working on problems of development, human rights, gender, poverty reduction, and environmental protection;
- Raise awareness of the ENPI among local, grassroots organizations;
- Improve management and professional skills within civil society and enhance its sustainability;
- Increase the transparency of government agencies through better cooperation between NGOs and the legislature, which is one of the most important requirements for cooperation with Europe.

This analytical report was prepared by a team of experts from CSOs based in Tbilisi. During the study, experts conducted desk research, and held in-depth interviews with informed officials from the government and the EC delegation office in Georgia. Analysts and experts participated in a survey conducted among CSOs, organized roundtable discussions on the ENPI, and supported the program. The authors would like to express a gratitude to the many individuals, EC and Georgian government officials, and members of non-government sector who have generously given their time and expertise in support of this report.

INTRODUCTION

Together with EU Eastern Partnership countries and other members of the European Neighborhood Policy, Georgia receives significant funds from the European Union through its European Neighborhood and Partnership Instrument (ENPI). By and large, ENPI funds can be spent on technical assistance and targeted administrative measures, investments and investment-related activities, sector and general Budget Support, debt relief measures, food security measures, contributions to the European Investment Bank or other financial intermediaries, for loan funding, equity investments, guarantee funds or investment funds, interest-rate subsidies, insurance against non-commercial risks, and micro-projects.

This report presents a thorough overview of how ENPI funding is planned, received, disbursed and absorbed in Georgia. It also assesses civil society capacity to evaluate ENPI budgetary support, the effectiveness of government spending in ENPI priority sectors, and technical assistance projects and other ENPI expenditures. The study also evaluates the role of civil society in defining priorities in EU-Georgia bilateral relations, its capacity to absorb ENPI funds, and its degree of participation in ENPI monitoring.

The Georgian NGO community started debating the efficient use of EU assistance programs after the August 2008 war, when the size of the National Indicative Program (NIP) increased substantially and EU-pledged additional assistance to Georgia came to about EUR 500 million for 2008-2010. By contrast, Georgia was allocated EUR 120.4 million in 2007-2010. Part of the amount allocated to ENPI programs goes to sectoral Budget Support, which is why the international community, donors and local CSOs attach great importance to monitoring these funds.

The report finally provides policy recommendations for the National Government on the effective use of assistance from Western countries, how to improve the sustainability of NGOs and cooperation with the government. In addition to the requirement of working with the government, the EU is advised to improve access to information for civil society, to develop mechanisms for structural consultations with the government and civil society, to increase the capacity of civil society, and to take the lead in trilateral dialog among civil society, the national government and the EU. Recommendations for Georgian NGOs include measures to increase professional and institutional capacities within these organizations.

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1. ENPI IN BRIEF

Since 1 January 2007, as part of the reform of EC assistance instruments, MEDA, TACIS and various other programs have been gradually replaced by a single instrument, the European Neighborhood and Partnership Instrument.² The ENP Action Plan (AP) is the central element of the European Neighborhood Policy and ENPI is the main financial mechanism through which assistance is given to ENP and Partner Countries³ including Russia. The EU has agreed such plans with 16 ENP member states. The AP is a basic document that sets out an agenda of political and economic reforms with short- and medium-term priorities and provides a blueprint for further activities between the EU and its partner country. The ENPI cooperation instrument is managed by EuropeAid, whose decisions taken at the political level are turned into actions on the ground.³

Regulation (EC) 1638/2006⁴ lays down the general provisions establishing the ENPI and outlines phases of the ENPI assistance cycle and programming phase. It also lays out the fundamental principles of ENPI assistance: complementarity, partnership and co-funding. Indeed, ENPI assistance is to complement or contribute to national, regional or local strategies and measures. Regulation 1638 states:

“Community assistance under this Regulation shall normally be established in partnership between the Commission and the beneficiaries. The partnership shall involve, as appropriate, national, regional and local authorities, economic and social partners, civil society and other relevant bodies.”

“The beneficiary countries shall associate the relevant partners as appropriate, in particular at regional and local level, in the preparation, implementation and monitoring of programs and projects.”

Allocation mechanisms for ENPI programs are based on the needs and features of the partner country, the level of ambition of the partnership between the partner country and the EU, progress towards meeting agreed objectives⁵ especially in governance and reform⁶, and the partner's capacity to manage and absorb assistance.

ENPI assistance is disbursed through three types of programs:

- National programs for each partner country: one for each of the 16 participating countries;
- Regional programs: three regional programs⁷ one each for the East and the South, and one trans-regional program covering both;
- 15 Cross-Border-Cooperation (CBC) programs.⁵

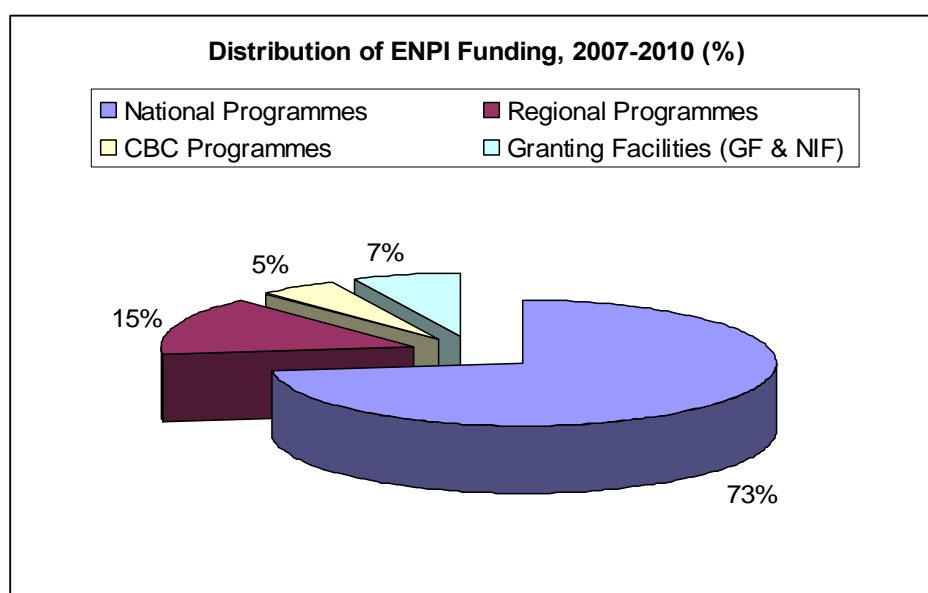
The total ENPI assistance budget for 2007-2013 is over €12bn, a 35% increase over the previous seven-year period. National programs account for the lion's share of this spending⁸ €4.1bn of the €5.6bn available for 2007-2010. Next come regional cooperation with €2.8bn and cross-border cooperation with €2.27bn. The remainder, €400mn, is to support the Governance Facility and the Neighborhood Investment Fund (Fig.1).

² Regulation 1638/2006 was adopted on 26 October 2006.

³ http://www.enpi-info.eu/main.php?id=402&id_type=2

⁴ Regulation (EC) 1638/2006 of the European Parliament and the Council of 24 October 2006 Laying Down General Provisions Establishing a European Neighborhood and Partnership Instrument http://ec.europa.eu/world/enp/pdf/Oj_L310_En.Pdf

⁵ <http://www.enpi-programming.eu/wcm/en/regional-updates/cross-border-cooperation.html>



National, regional, and CBC programs have their priorities defined in three essential documents:

- **Strategy Papers** (SPs) constitute the principal reference framework for ENPI programs. They cover the entire seven-year span of the EC's Financial Perspective⁶ although they are reviewed at mid-term, and set out the priority areas for action. Current SPs cover the period 2007-2013.
- **Indicative Programs** (IPs) are drafted twice per Financial Perspective, at the outset and at the three- or four-year mark, and set the funding allocations for each priority contained in the Strategy Paper. Current IPs cover 2007-2010.
- The operational aspects of national and regional program implementation are defined in **Annual Action Programs** (AAPs), which identify the projects to be funded and set their allocation. As such, they are the key document for the actual commitment of EU funds under these programs. As for CBC programs, they are concretely implemented through seven-year **Joint Operational Programs** (JOPs), which identify priorities and objectives and include indicative funding allocations. Actual funding decisions are set out in seven-year funding agreements.

Table 1. Strategic documents and instruments by ENPI Program

| | National Program | Regional Programs | | Cross-Border-Cooperation program (CBC) |
|--|-----------------------------|----------------------------------|-------------------------------------|---|
| | | Interregional Program | Eastern Regional Program | |
| Strategic document (7 years) | Country Strategy Paper | Interregional Strategy Paper | Eastern Regional Strategy Paper | CBC Strategy Paper |
| Medium-term planning document (3-4 years) | National Indicative Program | Interregional Indicative Program | Eastern Regional Indicative Program | CBC Indicative Program |
| Operational document | Annual Action Program | Annual Action Program | Annual Action Program | Joint Operational |

⁶ The EU Financial Perspective is the seven-year budgetary framework agreed by the Council, the Commission, and the Parliament.

| | | | | Program (7 years) |
|------------------------------|--|--|-------------------------------|----------------------|
| Funding Agreement | AAP attached to FA | AAP attached to FA | AAP attached to FA | JOP attached to FA |
| Instruments available | Budget Support; technical assistance, incl. TWINNING & TAIEX | Technical assistance projects, granting facilities | Technical assistance projects | Grants |

Apart from ENPI funds, partner countries get financial assistance from a number of other programs: European Instrument for Democracy and Human Rights (EIDHR) and, in extraordinary cases, the Instrument for Stability, which focuses on democratic elections and crisis management, and the Instrument for Nuclear Safety Cooperation (INSC).

1.1 From TACIS to ENPI

The European Neighborhood Policy (ENP) was developed in 2004 with the objective of avoiding the emergence of new dividing lines between the enlarged EU and its neighbors and, instead, strengthening the prosperity, stability and security of all concerned. To reach this objective, the European Union offers financial and technical assistance under EU External Relations to countries within the ENP framework, as long as they meet the strict conditions of government reform, economic development and other urgent issues relating to democratic transformation. To this end, the EU has various instruments at its disposal, including old well-tested and new ones, such as the European Neighborhood and Partnership Instrument, the Neighborhood Investment Facility (NIF) and the Governance Facility.

Georgia officially became a recipient of EU assistance programs under the ENP on 14 November 2006, when the EU-Georgia Action Plan was inaugurated. It offered the opportunity for Georgia to develop an increasingly close relationship with the EU that would go beyond cooperation and would involve a significant measure of economic integration and deepening of political cooperation with the EU.

Until 31 December 2006, EC assistance to the countries of the European Neighborhood Policy was provided under various geographical programs including TACIS for eastern neighbors and Russia, and MEDA for southern Mediterranean neighbors, as well as thematic programs such as EIDHR (European Initiative for Democracy and Human Rights).

The European Commission's total assistance to Georgia in 1992-2006, including humanitarian aid and the TACIS NIP, amounted to EUR 505.2mn,⁷ of which EUR 129mn was TACIS assistance. Under the TACIS NIP, the European Commission assisted Georgia in developing free market economy and building democratic institutions; introducing institutional, legal and administrative reform in terms of the rule of law,⁸ justice and home affairs,⁹ institutional capacity-building in the tax and customs administration; primary healthcare, social assistance and child welfare reform. Several projects funded under the TACIS NIP are still operating in Georgia. They are due to be completed in the next two years. In addition, the

⁷ European Neighborhood and Partnership Instrument, Georgia, Country Strategy Paper, 2007-2013

⁸ The CFSP budget of the EC is also used to fund the activities of the EU Special Representative for the South Caucasus and the Rule of Law Mission in Georgia, EUJUST Themis.

⁹ In justice and home affairs, the European Commission works through its regional program, addressing issues such as integrated border management, migration and asylum and combating organized crime. In Georgia, the JHA component of the TACIS regional program addresses drug trafficking through the South Caucasus Anti-Drug Program (SCAD). SCAD has been running since 2001. Under the CSFP, the EU Special Representative (EUSR) has a border team stationed in Georgia, with the aim of assisting the Georgian government in establishing an integrated border management strategy. The Commission is also supporting the internal reform of the Ministry of Justice and the Ministry of Interior.

activities of the EU Special Representative for the South Caucasus and the EU Monitoring Mission (EUMM) in Georgia are funded from the EC's Common Foreign and Security Policy (CFSP) budget. Georgia has also benefited from grants under the TACIS Regional Program, TRACECA and INOGATE, the sustainable management of Natural Resources.¹⁰

TACIS was replaced in 2007 by ENPI. **Whereas TACIS offered mainly a number of projects involving technical assistance, the ENPI provides both general/sectoral Budget Support and technical assistance to partner countries, thus increasing local ownership of EC assistance**

1.1.1. Budget support: promoting national ownership

Budget support (BS) is the primary type of financial assistance provided under ENPI. It can be defined as

“the transfer of financial resources of an external funding agency to the National Treasury of a partner country, following the respect by the latter of agreed conditions for payment. The financial resources thus received are part of the global resources of the partner country, and consequently used in accordance with the public financial management system of the partner country.”¹¹

Given its nature, Budget Support is only used at the national level; funding channeled through regional and CBC programs is used for technical assistance.

Budget support is different from Balance of Payments assistance, when aid funds are transferred to a target country's national bank to underpin the national currency, and from the project assistance. There are two forms of Budget Support: general Budget Support and sectoral Budget Support, that is, assistance for specific sectors of national economy, such as healthcare, education, and so on.

Budget support is the most convenient way to fulfill the requirements of the Paris Declaration regarding the efficiency of international aid during the implementation of international development programs. Every action area defined in the Paris Declaration has its own progress indicator and Budget Support requires satisfying at least seven of the 12 indicators of the Paris Declaration.¹²

*"Budget support is not designed to finance any specific investment but to enable governments to implement their policies; it covers either the whole area of government action in the case of general Budget Support, or just a sector of it in the case of sectoral Budget Support. Sectoral Budget Support differs therefore from general Budget Support in that it concerns one or more sectors, and is subject to any conditions applied in the sector or sectors concerned."*¹³

Georgia's 2007-2010 NIP states that “as far as the move to new delivery mechanisms and funding methods, such as Budget Support, is concerned, the assumption is that the current positive trend of the Georgian government towards adopting effective planning and budgeting instruments will be further extended to other relevant policy areas. Improved public financial management, with donor support as appropriate, and a stable macroeconomic framework will be also necessary.”

¹⁰ The TACIS regional program, Transport Corridor Europe-Caucasus-Asia or TRACECA, aims to develop existing transport infrastructure in the region and ensure its connection with TENs. The INOGATE or Interstate Oil and Gas Transit to Europe program supports transportation of energy resources and their safety and security.

¹¹ OECD/DAC, *Harmonizing Donor Practice for Effective Aid Delivery*, Volume 2, 2006

¹² European Commission, “Budget Support: A question of mutual trust,” Luxembourg, Office for Official Publications of the European Communities, 2008

¹³ Ibid.

In recent years, the EC consulted with the Georgian government on the 2007-2008 Annual Action Programs in order to identify priority areas for ENPI assistance, namely sectoral Budget Support programs. Past experience shows that it takes about one year to develop such a program. Government officials and EC representatives hold regular talks during the development of a program. To make the correct choice, the EC concentrates on those areas where the government's interest and willingness are obviously high. On the one hand, the EC is keen to ensure that a national government adheres to its obligations under the program and assumes its share of the responsibility to continue results-oriented efforts after the program is approved. Besides, the EC prefers to focus on those areas in which it has enough institutional experience and expertise. These must be areas where other countries have carried out successful reforms. Donors have an opportunity to create added value.

After ENPI came into force, the EC and the Georgian government reached an agreement that in 2007-2009, in line with Georgia's CSP, the country would get assistance through the programs shown in the Table 2.¹⁴

Table 2: ENPI Budget Support Programs in Georgia for 2007-2009

| Budget Support Programs in Georgia | Signed | Allocation (millions EUR) |
|---|---------------|--------------------------------------|
| Public Finance Management Reform in Georgia | 2007 | 16.0 |
| Economic Rehabilitation and Confidence Building for Abkhazia, Georgia and Adjacent Areas in Western Georgia | 2007 | 4.0 |
| Support to the Reform of the Criminal Justice System in Georgia | 2008 | 16.0 |
| Support to Peaceful Settlement of Georgian Internal Conflicts | 2008 | 6.0 |
| Sector Policy Support related to Vocational Training | 2009 | 19.0 |
| Twinning and Technical Assistance Facility to the EU-Georgia ENP | 2009 | 8.4 |
| Support for the action program for Georgian IDPs, part I | 2008 | 10.0 |
| Support for the action program for Georgian IDPs, part II | 2009 | 51.5 |
| Support to Georgia's IDPs Action Plan: 2009 Part III | 2009 | 53.5 |
| Regional development in the areas of ethnic minorities | 2009 | 3.0 |

These programs fall under sector Budget Support, not under general Budget Support.

The first sector Budget Support program, which was endorsed in 2007, provided support to PFM (Public Financial Management) reforms. The next two sector Budget Support programs were signed in 2008 and covered Reform of the Criminal Justice System and support for the action program for IDPs.¹⁵

The 2009 AAP addresses sector policy support related to vocational training. According to Georgian official documents, discussions between the EC Delegation and the Ministry of Education and Science on the Coordination Matrix are currently under way. A funding agreement was supposed to be ready for signing at the end of October 2009.¹⁶

The 2007 Budget Support program for IDPs was suspended in Abkhazia and neighboring Georgian territories in 2008. Talks are currently under way between the Georgian Reintegration Ministry and the EC on prospects of further assistance.

¹⁴ EU Assistance Programs, Office of the State Minister of Georgia on European and Euro-Atlantic Integration, 2009 <http://eu-integration.gov.ge/uploads/databaseolo.doc>

¹⁵ A full description of implementation, monitoring and evaluation procedures for Budget Support programs in Georgia is in Annexes 1, 2 and 3.

¹⁶ Georgia's Progress Report on Implementation of the ENP Action Plan, January-June 2009, Office of the State Minister of Georgia for European and Euro-Atlantic Integration, July 2009

After prolonged negotiation with the EC Delegation, the Government of Georgia approved a proposal by the EC Delegation to direct funds envisaged in the 2008 ENPI AAP for the Support to Peaceful Conflict Settlement (EUR 6mn) to the improvement of living conditions for the internally displaced population affected by the conflict in August 2008. A Memorandum of Understanding was signed by the Government of Georgia and the European Commission on 1 October 2008. Parts II and III of the AAP for Georgian IDPs were signed in June 2009 and assistance funds were to be allocated shortly thereafter.¹⁷

1.1.2. Technical assistance

New forms of technical assistance have been extended to ENP partners under the ENPI. Legislative approximation, regulatory convergence and institution-building are being supported through mechanisms that have proved successful in transition countries that are now EU member states, that is, targeted expert assistance, long-term Twinning arrangements with EU Member State administrations at the national, regional or local levels, and participation in relevant Community programs and agencies.

The EC defines technical assistance (TA) as the provision of resources aimed at helping partner countries develop the structures, strategies, human resources and management skills needed to strengthen their economic, social, regulatory and administrative capacity.¹⁸

Under ENPI, technical assistance is no longer the predominant channel for the Commission's external assistance programs to Georgia. Nevertheless, it remains an essential tool. Major technical assistance instruments include:

- **Individual technical assistance projects** carried out by external contractors hired to contribute to capacity-building in the state apparatus;
- **TAIEX** (Technical Assistance and Information Exchange Instrument) provides centrally-managed short-term technical assistance in the field of approximation, application and enforcement of European Union legislation;¹⁹
- **Twinning** aims to contribute to the development of modern and efficient administrations²⁰ through the long-term secondment of public servants from EU Member States to the public administrations of beneficiary countries.
- **SIGMA** (Support for Improvement in Governance and Management), a joint EU-OECD initiative (mainly funded by the EU) whose role is to assess the progress in reforms [and] to assist beneficiary administrations [in establishing] good public sector practice and procedures.²¹

1.1.2.1. Twinning Programs in Georgia

Twinning is an EC initiative originally designed to help candidate countries acquire the necessary skills and experience to adopt, implement and enforce EU legislation. Since 2004, Twinning has also been available to countries in the ENP region. On a demand-driven base, the projects bring together public sector expertise from EU Member States and partner countries, with the aim of enhancing cooperation activities. Twinning projects are joint projects, shared by the two partner administrations. The partner country retains ownership.

¹⁷ Ibid.

¹⁸ http://ec.europa.eu/enlargement/how-does-it-work/technical-assistance/index_en.htm

¹⁹ Ibid.

²⁰ Ibid.

²¹ Ibid.

The Twinning Program administration in Georgia is located in the Office of the State Minister for European and Euro-Atlantic Integration. The Minister is responsible for coordinating the process.

Only one Twinning program is currently under way in Georgia: Capacity Enhancement for Implementing the Bologna Action Lines in Georgia (CEIBAL). CEIBAL is being implemented by the Ministry of Education and Science and its senior and junior partners: the German Ministry of Education and Science and the International Centre for Pedagogical Studies in France. In addition, preparation of the project for institutional development of the Georgian National Museum has reached its final stage and the necessary agreement should be signed soon.

Three more Twinning programs are under development today.²² One of them is to harmonize Georgia's civil aviation standards with European norms and standards. Another program will help Georgia develop an efficient border and migration control system within the Interior Ministry. The main objective of the third program is to support the Revenues Department of the Georgian Finance Ministry in upgrading the national customs system.

According to Georgian government official sources, negotiations with the EC on the Component "Regional Development in Areas with Ethnic Minorities" were under way, together with an elaboration of the Action Fiches on Sector Policy Support Related to vocational training and Twinning/TA Facility components. As a result of negotiations, the 2009 AP budget breakdown was modified and €2mn from the €5mn envisaged for the Regional Development component was transferred to the Twinning/TA Facility allocation (€6.4mn+€2mn).

The Action Fiche of the Sector Policy Support related to Vocational Training has already been elaborated and agreed with the Ministry of Education and Science. €2mn from the Twinning/TA facility allocation will be used for TA projects of the Ministry of Regional Development and Infrastructure. As regards the remaining €3mn from the Regional Development component allocation, the ECD intends to find additional funding and discuss with GoG ways of applying these funds for IDPs Support.²³

1.1.2.2. TAIEX

TAIEX (Technical Assistance and Information Exchange) was introduced to the ENPI region in 2006 to offer short-term assistance and advice to Partner Countries as they implement their ENP Action Plans. It was initially set up in 1996 to provide short-term, targeted technical assistance to the then-candidate countries. It supports Neighborhood countries in the approximation, application and enforcement of EU legislation. It is mainly demand-driven, channels requests for assistance, and contributes to the delivery of appropriate tailor-made expertise to address problems at short notice. Assistance is given through expert missions, workshops or seminars and study visits

The TAIEX instrument has been available for Georgia since January 23, 2006, when it was extended to the countries of the Neighborhood. The implementation of this new instrument is supported by a TAIEX National Contact Point within the Program Administration Office (PAO).

The main target groups are:

- Civil servants working in public administrations at the national and sub-national level and in association with local authorities;
- The Judiciary and Law Enforcement authorities;

²² The list of other Twinning programs that are being reviewed by the EC is in Annex 4.

²³ Office of the State Minister of Georgia on European and Euro-Atlantic Integration, EU Assistance Programs, <http://eu-integration.gov.ge/uploads/databasebolo.doc>

- Members of Parliament and civil servants working in Parliamentary and Legislative Councils;
- Professional and commercial associations representing social partners, as well as representatives of trade unions and employers' associations;
- Interpreters, revisers and translators of legislative texts;
- Public agencies.

TAIEX's main objectives are:

- To provide short-term technical assistance and advice on the transposition of EU legislation onto the national legislation of beneficiary countries and on the subsequent administration, implementation and enforcement of such legislation.
- To provide technical training and peer assistance to partners and stakeholders of the beneficiary countries.
- To be an information broker by gathering and making available information.
- To provide database tools for facilitating and monitoring the approximation progress as well as to identify further technical assistance needs.

There are three types of TAIEX assistance in Georgia: EU-Expert missions, Workshops or Seminars, and Study visits in EU Member States. In all, 10 TAIEX programs have been planned in the country so far.²⁴

- 1) A seminar with delegations from the World Organization for Animal Health (OIE), EU member states, and the regional commission of OIE discussed various joint initiatives, Tbilisi on October 2, 2006.
- 2) An international conference on new challenges for the South Caucasus, namely the problems of drug trafficking and international terrorism, Tbilisi, 29 March 2007.
- 3) A seminar on problems related to the disposal of pesticide waste, Tbilisi, 4 June 2007.
- 4) An expert mission on sustainable soil management, Tbilisi, 22 October 2007.
- 5) A discussion/debate on conflict resolution mechanisms in Georgia and Europe, Tbilisi, 17 December 2007.
- 6) An expert mission on an animal identification and registration system, Tbilisi, 3 March 2008.
- 7) A civil aviation expert mission, Tbilisi, 9 June 2008.
- 8) A seminar on mobility, Tbilisi, 25 June 2008.
- 9) A seminar on border guard management, Batumi, 26 June 2008.
- 10) An expert mission on the efficiency of under the Bologna Process, Tbilisi, 22 July 2008.²⁵

In 2008, the Program Coordinating Unit – the Office of the State Minister on European and Euro-Atlantic Integration – received 51 applications. 17 different state institutions submitted TAIEX applications in the first half of 2009, four of which received a positive response.

1.1.2.3. SIGMA

SIGMA (Support for Improvement in Governance and Management) is a joint European Commission and OECD initiative. Principally funded by the EU, it focuses on strengthening public management in areas such as administrative reform, state procurement, public sector ethics, anti-corruption, and external and internal financial control. Demand-driven, it has been assisting countries in installing governance and administrative systems appropriate to a market economy, functioning under the rule of law in a democratic context.

²⁴ Georgia's Progress Report on ENP Implementation, January-June 2009

²⁵ www.taielex.europa.eu

SIGMA advises transition countries on improving public governance at the central government level and helps assess implemented reforms. These programs are based on the norms of promoting adherence of public sectors to European democratic values and the rule of law. In addition, programs can be worked out on the basis of "success stories." Both TAIEX and SIGMA are funded by the IRP funds.

The implementation of SIGMA in Georgia began in June 2008. Three state institutions have applied for SIGMA assistance on the following issues:²⁶

- State Audit Chamber - Interaction forms, procedures and methods of public sector external and internal audit
- Ministry of Finance - Support to the Legal Department of the Ministry of Finance
- Parliament of Georgia - Developing the Twinning Fiche. The overall objective of the project is to streamline the legislative process (drafting of laws).
- Parliament of Georgia - Civil service reform.

1.1.3. Innovating through New Tools

In addition to these instruments, the European Commission has developed some additional tools for ENPI, the Governance Facility (GF) and the Neighborhood Investment Facility (NIF) designed to foster good governance and sound investment.

Governance Facility (GF)

In 2006, the European Commission endorsed the Governance Facility "intended to provide additional support, on top of the normal country allocations, to acknowledge and support the work of those partner countries that have made most progress in implementing the agreed reform agenda set out in their Action Plan. In line with an assessment of progress made in implementing the (broadly-defined) governance aspects of the Action Plans, this funding would be made available to top-up national allocations, to support key elements of the reform agenda; this will help reformist governments to strengthen their domestic constituencies for reform."²⁷

Governance, as defined in EC documents, includes: respect for human rights and fundamental freedoms, support for democratization processes, respect for the rule of law, and access for all to an independent justice system; access to information; a government that governs transparently and is accountable to the relevant institutions and its electorate; human security; management of migratory flows; effective institutions; access to basic social services; sustainable management of natural and energy resources and of the environment; and the promotion of sustainable economic growth and social cohesion in a climate conducive to private investment.

The 2007-2013 GF budget is EUR 300mn, in EUR 50mn annual installments. The Georgian government has not been a recipient of GF funds yet.

Neighborhood Investment Facility

Bringing together grant funding from the European Commission and the EU Member States and loans from European Public Finance Institutions, the NIF is an innovative instrument of the ENPI aimed at mobilizing additional funding for infrastructure projects in the Neighborhood. The NIF focuses on the key

²⁶ Georgia Progress Report, July 2009.

²⁷ Principles for the Implementation of a Governance Facility under ENPI. Available at http://ec.europa.eu/world/enp/pdf/governance_facility_en.pdf

sectors of energy, environment and transport while also providing support to SME development and social sector infrastructures.

The European Union intends to allocate €700 million to the NIF for 2007-2013. The Facility benefits also from financial contributions by EU Member States whose resources are pooled and better streamlined to the benefit of Partner Countries. By encouraging joint European operations, the NIF paves the way for concrete donor coordination, the division of labor and the harmonization of procedures. In its first 15 months of operations, the NIF provided support to projects representing a total investment of about €7.3 billion.

NIF operations constitute a practical lever focusing on countries with ENP Action Plans agreed with the EU. On a case-by-case basis, other Neighborhood countries may also benefit from NIF grant support for projects of a Cross-Border or regional nature to which the EU and its Neighborhood partners attach particular importance.

NIF is an innovative financial mechanism aimed at mobilizing additional funding to cover the investment needs of the neighboring region for infrastructure in sectors such as transport, energy, the environment and social services, that is, the construction of schools and hospitals. The Facility will also support the private sector through risk capital operations targeting Small and Medium Enterprises (SMEs).

Under the NIF, Georgia has received EUR 8mn worth of technical assistance, intended to lay the groundwork for a EUR 200mn credit to Georgia's energy sector for the construction of a high-voltage power transmission line. The credit will be provided by three European financial institutions: the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB) and KfW (Germany).

Georgia is a recipient under two projects in the NIF framework:

- The Black Sea Energy Transmission System: Total cost: €220mn of which €8mn is funded by NIF. €3mn of the €8mn will be relocated to cover extra investment costs caused by the selection of an alternative route for the transmission line in order to mitigate the project's environmental impact on the Borjomi-Kharagauli National Park.
- The Framework for Capacity-Building to support Financial Intermediaries. Total cost: €36,250,000, of which €2,800,000 is funded through NIF.

Planned projects:

- Tbilisi Railway Bypass Environmental Clean-up: NIF contribution €8.5mn.
- Establishment of European Neighborhood Fund (ENBF): NIF contribution €8.5mn.

1.2 EU funding priorities for Georgia

As a policy- and country-driven instrument, ENPI provides the basis for coherent and cohesive technical and financial cooperation between Georgia and the EC. In addition, the introduction of the conditionality integral to Budget Support could well provide an impetus for better governance.

A Country Strategy Paper for Georgia was elaborated by the European Commission for 2007-2013 and published in 2007.²⁸ The CSP lists the objectives of EU/EC cooperation with Georgia and outlines the Georgian policy agenda, as well as the country's political, economic, social and environmental situation.

²⁸ CSP (2007) 672

The paper describes past and ongoing EC assistance to Georgia, the key lessons learned for the new programming cycle, and the response strategy proposed by EC.

1.2.1. National allocation for Georgia

The ENPI planning and programming stage began in Georgia in 2007. NIP, covering 2007-2010, provides EC assistance for the first four years of the CSP and focuses on assisting Georgia in fulfilling its commitments under the ENP AP and contributing to the attainment of the country's Millennium Development Goals (MDGs) and supporting the Georgian government's political and economic reforms.

Apart from technical assistance, the EC was advised to provide Georgia with a Budget Support scheme and to facilitate as much as possible the transition from technical assistance to Budget Support; where appropriate, be complementary with other donor and IFI interventions.

The Country Strategy Paper on Georgia identified priorities for ENPI funding in 2007-2013 period.²⁹ Under NIP 2007-2010 Georgia gets EUR 120.4mn for the priority sectors shown in Table 3.

Table 3. ENPI Priorities and Funding for Georgia (2007-2010 NIP)

| Priority Area | Sub-priorities | Indicative Budget (mn Euro) |
|---|---|-----------------------------|
| 1. Support for democratic development, the rule of law and governance | 1.1: Democracy, human rights, civil society 1.2: Rule of law and judicial reform 1.3: Good governance, public finance reform and administrative capacity building | 31.5 |
| 2. Support for economic development | 2.1: Promoting external trade and improving the investment climate 2.2: Supporting PCA/ENP AP implementation and regulatory reforms 2.3: Education, including vocational education, science and people-to-people contacts/exchanges | 31.5 |
| 3. Support for poverty reduction and social reforms | 3.1: Strengthening social reforms in health and social protection 3.2: Rural and regional development | 38.4 |
| 4. Support for peaceful settlement of Georgia's internal conflicts | | 19.0 |
| Total | | 120.4 |

In addition to the amount provided under this NIP the EU, after the August 2008 war in Georgia, increased its assistance programs substantially and EU-pledged assistance came to about EUR 500m for 2008-2010.

At a donors' conference organized by the European Commission and the World Bank in October 2008, the EU pledged a maximum of €500mn for 2008-2010, out of a total pledge by international donors of €3.7bn. It should be mentioned that these EC funds draw on several EC financial instruments, including the ENPI.

These additional funds, according to the Commission, are not considered for the drafting of the new NIP 2011-13 as they have been granted to compensate a serious negative impact on the Georgian economy,

²⁹ http://ec.europa.eu/world/enp/pdf/country/enpi_csp_georgia_en.pdf

including a drop of foreign and domestic investments and decreasing state revenues with the repercussions of the global economic downturn, which has also partially affected Georgia.

The specific objectives to be pursued in any given year are laid out in an Annual Action Program, which determines the corresponding allocations.

On October 16, 2009, the Commission adopted a contribution cap of €27.4mn for Georgia under the 2009 AAP.³⁰ The decision was made on the basis of the ENPI CSP 2007-2013 for Georgia and NIP 2007-2010 adopted by the Commission, which set three priorities:

- rule of law and good governance;
- support for economic development and ENP Action Plan implementation;
- support for poverty reduction and social reforms.

The two objectives pursued under the 2009 AAP were:

6 Support for the Vocational Education and Training (VET) Sector, €19mn

To contribute to the implementation of the national VET strategy, the main objective of which is to prepare a competitive workforce for domestic and international markets, and to foster a convergence of Georgia's VET system with EU standards. This will contribute to economic development, poverty reduction and social reforms in Georgia.

6 Twinning and Technical Assistance Facility for ENP AP implementation, €8.4mn

To support the Georgian administration and related institutions to effectively undertake the commitments set in the ENP Action Plan and their national reform programs. (Twinning €6.4mn, TA €2mn)

1.3 Regional Programs: Complementing national strategies³¹

1.1.3. Eastern Regional Program

The EC-ENPI Eastern Regional Strategy Paper (RSP) 2007-2013 was formally adopted by the Commission on 7 March 2007 and addresses EC activities at a sectoral level for all Eastern partner countries: Ukraine, Belarus, Georgia, Azerbaijan, Armenia, and Russia. The **EC-ENPI Eastern Regional Strategy Paper (RSP)** aims at advancing cooperation in areas of mutual interest and benefit between the partner countries themselves and between the EC and the partner countries.

According to the RSP the assistance under the ENPI Eastern Regional Program during the 4 years covered by IP 2007-2010 will focus on five key priority areas:

- 1) Networks, particularly energy and transport networks;
- 2) Environment and forestry;
- 3) Border and Migration Management, Combating International Crime, and Customs;
- 4) People-to-people Activities;
- 5) Anti-personnel landmines, explosive remnants of war, small arms and light weapons.

In total, the EC plans to grant €223.5mn, which would apply to the entire 4-year period of this IP. (see table 2 for details).

³⁰ Commission Decision of 16/10/2009 on the ENPI Annual Action Program 2009 in favor of Georgia.

http://ec.europa.eu/europeaid/documents/aap/2009/aap_2009_geo_en.pdf

³¹ Details are provided in the separate ENPI Eastern Regional Strategy 2007-13 and Regional Indicative Program 2007-10 (CSP 2007-2010).

Table 4. ENPI Eastern Regional Priorities and Finding (2007-2010)

| Priority Area | Sub-priorities | Indicative Budget (m Euros) |
|--|--|-----------------------------|
| 1. Networks, particularly energy and transport networks | Sub-priority 1: Transport Sub-priority 2: Energy Sub-priority 3: SME Regional Cooperation | 56-78 (25-35%) |
| 2. Environment and forestry | | 56-78 (25-35%) |
| 3. Border and Migration Management, the Fight against International Crime, and Customs | | 45-67 (20-30%) |
| 4. People-to-people Activities | | 22-34 (10-15%) |
| 5. Anti-personnel landmines, explosive remnants of war, small arms and light weapons | | 11-22 (5-10%) |
| | | Total = 223.5 (100%) |

1.3.2 ENPI Inter Regional Program

The Interregional Program Strategy Paper (IRSP) defines priorities that could be best implemented at interregional level. Within this framework the EC supports the reform and transition processes underway in the EU's neighboring partner countries through proven and effective cooperation instruments: TAIEX, SIGMA.

The total amount offered by the EC in the framework of IRSP for 2007-2010 was 523.9 mn Euro. According to the IRSP these instruments ensure practical transfer of European know-how, supporting the partners upgrade and modernizing of their institutions. They promote approximation to EU law and policies, enhance cooperation, economic integration and democratic governance, and cover a number of fields including trade energy, environment, education, health and research (see Table 3).

Inter-Regional Program covers five priority areas specified in the 2007-2010 Regional Indicative Program (RIP) (see Table 5 for details).

Table 5. ENPI Interregional Priorities and finding (2007-2010)

| Priority Area | Sub-priorities | Indicative Budget (mn Euro) |
|--|---|-----------------------------|
| 1. Promoting reform through European advice and expertise | 1. TAIEX 2. SIGMA | 40 (7.6%) |
| 2. Promoting higher education and student mobility | 1. Promoting institutional cooperation in higher education 2. Promoting student mobility | 218.6 (42%) |
| 3. Promoting cooperation between local actors in the partner countries and in the EU | | 14.3 (2.7%) |
| 4. Promoting implementation of the ENP and the Partnership with Russia | | n/a |
| 5. Promoting Investment projects in ENP partner countries | | 250 (48%) |
| | | Total = 523.9 (100%) |

1.4 ENPI Cross-Border Cooperation Programs opportunities for border regions

While CBC only accounts for 5% of ENPI assistance, the 2007-2013 Cross-border Cooperation Strategy Paper (CBCSP) states that cross-border cooperation is a key priority and that ENPI has considerably enhanced [its] scope, both qualitatively and quantitatively.³² Since 2007, CBC technical assistance has been provided through the Regional Capacity Building Initiative (RCBI).

The 2007-2013 CBCSP identifies four core issues to be addressed through 15 Cross-border-Cooperation technical assistance programs (covering nine land borders, three sea crossings and three sea basins).

Thus, the CBC Strategy Paper contains four key objectives:

- Promoting economic and social development in border areas
- Addressing common challenges
- Ensuring efficient and secure borders
- Promoting people-to-people cooperation

The 2007-2010 CBC Indicative Program (CBCIP) explains in detail the specific objectives, expected results, indicators, and risks associated with the core issues laid out in the Strategy Paper. While CBC programming does not include Annual Action Programs, each program has its own funding agreement. While these agreements are officially in the public domain, they are, in practice, highly difficult to obtain.

Total funding available for CBC programs for the period 2007-2010 is €583.28 mn, of which €274.92 mn will come from ENPI and the remainder (€308.36 mn) from the European Regional Development Fund (ERDF). The CBCIP foresees a further €535.13 mn for the period 2011-2013 (€252.23 mn from ENPI and €282.93 mn from ERDF).

In addition to funding for the programs, a small facility of €4.9mn will be created to finance actions aimed at facilitating the exchange of experience and best practices among the program partners, with a view to helping enhance the preparation, implementation and management of current and future CBC programs.

The programs are subject to a mid-term review (MTR), normally in 2009. The results of such review could lead to adjustments in the 2011-2013 CBCIP. The MTR takes into account any changes in cooperation priorities, socio-economic developments, results observed from the implementation of the designated measures and from the monitoring and evaluation process, and any need to adjust the amounts of funding available and reallocate available resources across different programs. A review can take place at an earlier stage, if this is necessary to address specific issues affecting the implementation of a program.

As it does not have physical borders with the future enlarged EU, Georgia is to be involved in multilateral cooperation around the Black Sea program only. The ENPI contribution to the Black Sea Program budget will be €17.3mn and will be managed by the Joint Managing Authority (JMA), led by the Ministry of Regional Development and Housing, Romania.

³² *Cross-border Cooperation Strategy Paper 2007-2013 & Indicative Program 2007-2010*, p. 3.

2. MAKING ENPI COUNT: PLANNING, IMPLEMENTING, MONITORING AND EVALUATING

2.1. Two levels: Program and Operational

The use of ENPI funding is a complex sequencing of procedures and phases that work with a large number of national and European actors. ENPI planning and monitoring can be organized into two categories: programming and operational.

At the program level, priorities are defined by Strategy Papers, Indicative Programs and Annual Action Programs, which are adopted and prepared by the EC in close cooperation with the national government. As most ENPI funding is directed through the national programs, the main attention is concentrated on national-level programming.

At the operational level, implementation is usually guided by a large range of instruments, phases of implementation and operational handbooks, all tailored to the particular features of specific programs: NIF, Twinning, TAIEX and CBC. Most programs are managed in a centralized manner, which gives the national government extensive management responsibilities, or via project-based approaches, including through international consortia, agencies such as the UN, or consultancies selected by the EC.

Programming is generally conducted in a similar, standardized manner for all ENP countries. Since ENPI is a policy-driven instrument, its assistance priorities are intended to support the priorities and reforms of the beneficiary states, adding financial and technical support to accomplish their objectives.

The substance of the ENPI Strategy for Georgia and its NIP is based on strategic choices and policy options made by the Georgian government. ENPI is implemented by the national government, but is independent of domestic policy cycles. The EU Program Coordination Unit in the Office of the State Minister for European and Transatlantic Integration in Georgia is the main coordinating body during the planning and application of ENPI assistance.

The planning and provision of ENPI assistance can be divided into three general phases.

1. Strategic policy priorities are identified by the Government of Georgia

Since ENPI is a policy-driven instrument, its assistance priorities are a function of Georgia's own policy priorities. The content of ENPI SPs and IPs ultimately depends on the strategic choices made by the Georgian government.

2. Program-level planning, implementation, monitoring, and evaluation

The EC programming cycle is not attached to the Georgian policy-making schedule. Nevertheless, the measures laid out in CSPs and IPs are designed to support the priorities of the Government of Georgia.

ENPI programming involves regular consultations with the EU Program Coordination Unit (PCU) in the Office of the State Minister for European and Transatlantic Integration of Georgia. The PCU coordinates the process of preparation and follow-up of international agreements and other regulatory documents related to EU-funded programs and projects with the EU and line ministries.

The SP and IP are drafted and revised by the EC in consultation with the national government. These are translated into operational terms by the AAP, which is also the result of cooperation between the EC and national authorities.

Despite its annual character, AAP implementation can last more than three years, accompanied by three annual disbursements in different fiscal years.

3. Operational-level implementation, monitoring, and evaluation

Implementation is the translation of assistance priorities into concrete measures through specific instruments: Budget Support, technical assistance, Twinning, and TAIEX. The operational level leaves more room for Georgian input into types of aid and specific target areas, and relies on the Government of Georgia for a significant portion of implementation, monitoring, and evaluation activities.

As the identification of strategic priorities by the Government of Georgia is an internal issue that is not part of ENPI-specific planning processes, this paper will focus on Phases 2 and 3.

2.2. Program level

ENPI assistance is based on three programming documents drawn up by the EC. The key EC bodies involved in the preparation of these documents are indicated in Table 6. CSPs and IPs constitute the general framework, whereas AAPs are operational documents.

Table 6. Programming Documents and Responsible Bodies

| Programming Document | Responsible EC Body |
|---|--|
| 7- year Country Strategy Paper | DG External Relations (DG RELEX), in consultation with local EC delegation |
| 3- or 4- year Multi-annual Indicative Program | DG External Relations (DG RELEX), in consultation with local EC delegation |
| Annual Action Program | DG EuropeAid (DG AIDCO), in consultation with local EC delegation |

2.2.1. Strategy Paper Preparation

The Country Strategy Paper for Georgia (2007-2013) is the principal reference framework for the ENPI program and sets out the priority areas for action. It describes EC assistance over a period of seven years and follows the Partnership and Cooperation Agreement (PCA) and the EU-Georgia Action Plan (AP). Future EC priorities for assistance to Georgia are presented under the seven chapter headings of the Action Plan. EC assistance priorities apply to all EC assistance instruments and programs that will or might be available to Georgia. Gender equality will be integrated to the fullest possible extent into programs for all the priorities outlined as a cross-cutting issue:

- Political dialog and reform;
- Cooperation for the resolution of Georgia's internal conflicts;
- Cooperation on justice, freedom and security;
- Economic and social reform, poverty reduction and sustainable development;
- Trade-related issues, market and regulatory reforms;
- Cooperation in specific sectors: transport, energy, environment, Information Society and Media, R&D;
- People-to-people contacts.

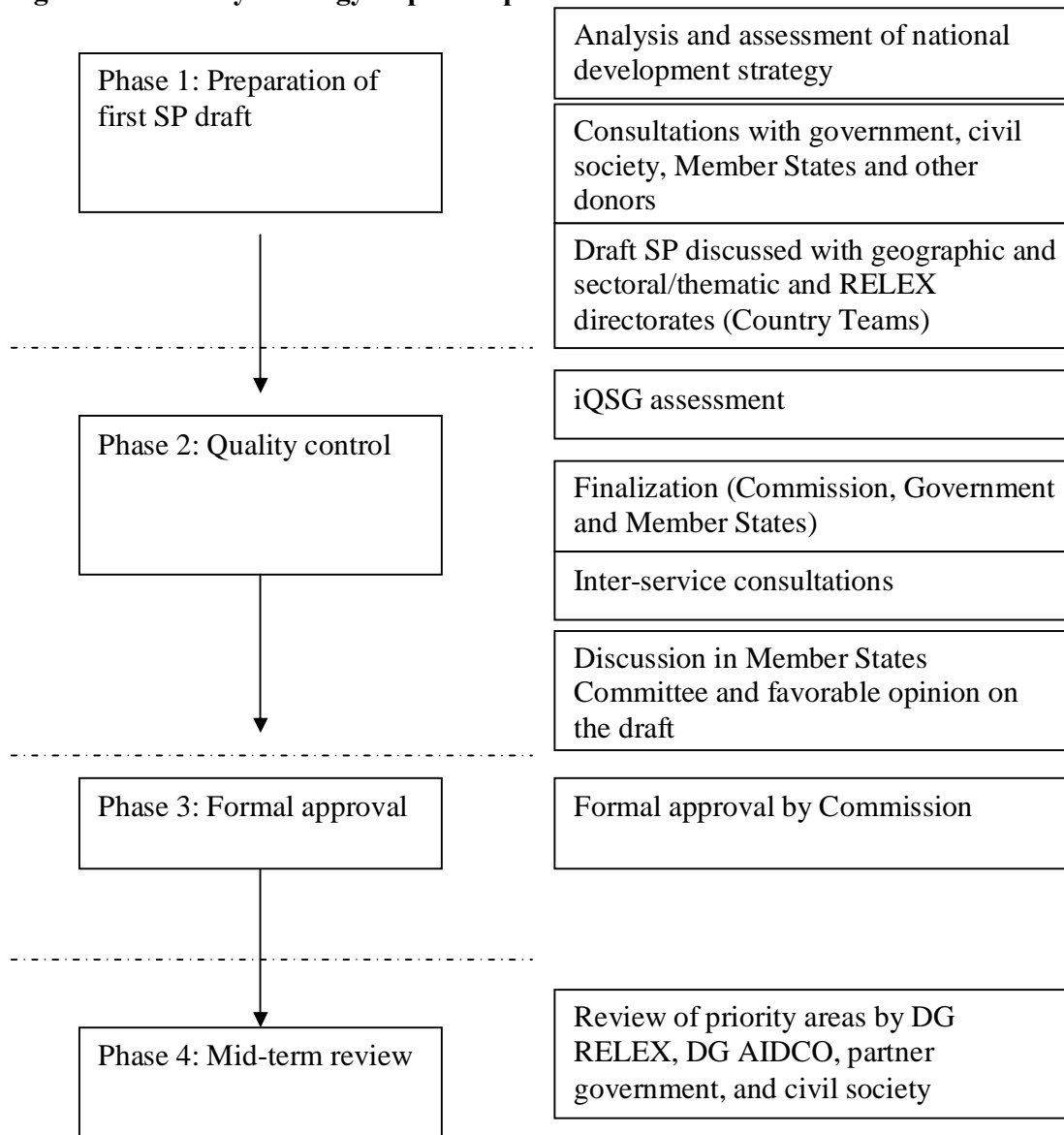
SP preparation can take between 12 and 18 months. This drafting process involves many Commission services, as well as the EC delegation in the partner country and a number of local partners.

To assist with the preparation of CSP guide programs through the entire process a special document called the *Common Framework for Country Strategy Papers* has been developed. The Common Framework is a valuable tool for other strategy papers, such as the regional or thematic program papers. In the context of the EC's external cooperation and programming, it describes also a key decision-making process aimed at defining the EC strategy for countries receiving external assistance.

Moreover, decision-making in the programming process involves consulting with the Government and civil society of partner countries, as well as with Member States and other donors in order to ensure that, on one hand, the EC's overall objectives are in line with the strategies of the countries concerned and, on the other, that possible synergies between the EU action and the intervention of other donors are not overlooked.

According to EU internal regulations, the phases are to be performed progressively, with each phase completed before the next begins in order to ensure that they are completed in time.

Diagram 1. Country Strategy Paper Preparation.



The drafting process consists of four phases³³:

The **Preliminary Phase** is devoted to determining the timeframe of activities and drafting a schedule.

Phase I involves drafting the first version of the SP, which includes:

- Analysis and assessment of the national development strategy;
- Consultations with government, Civil Society, Member States and other Donors.

These consultations are intended to ensure that policy debates on development strategies include all interested stakeholders.

According to the EC Programming Guide for Strategy Papers,

“The role of EC Delegations is to facilitate the conduct of such dialog between NSAs on one hand and between local authorities and government structures on the

³³ http://ec.europa.eu/development/how/iqsg/programming_drafting_process_en.cfm

other, and not to play the proxy for the government. **It is the responsibility of partner country governments to engage in constant dialog with NSAs and LAs**, and it is only in difficult cases, such as lack of political will on the part of government or lack of local tradition of participation of NSAs and LAs in these processes, that the Delegation should, as a last resort, take the initiative to conduct the consultation, without involving the government.³⁴

The Draft CSP is then discussed with geographic and sectoral/thematic and RELEX directorates, that is, the Country Team.

During **Phase II**, Quality Control activities are carried out, which means:

- assessments are made by the interservice Quality Support Group;
- elements are finalized in the field among the EC, government and member states;
- interservice consultations are held;
- the draft is discussed in member states committee and a favorable opinion elicited.

Should the draft need substantial modification, it should be returned for more discussion to the DG RELEX Country team.

During **Phase III**, the Commission formally approves the draft in writing. Should there be an unfavorable conclusion, the draft goes back to the DG RELEX country team for further work.

The European Parliament and the governments and national parliaments of Member States are all involved in the programming process. They amend and approve the general policies, the multi-annual financial perspectives, and the annual budgets proposed by the Commission. In addition, they give their opinion on the strategies for each Commission-run program.

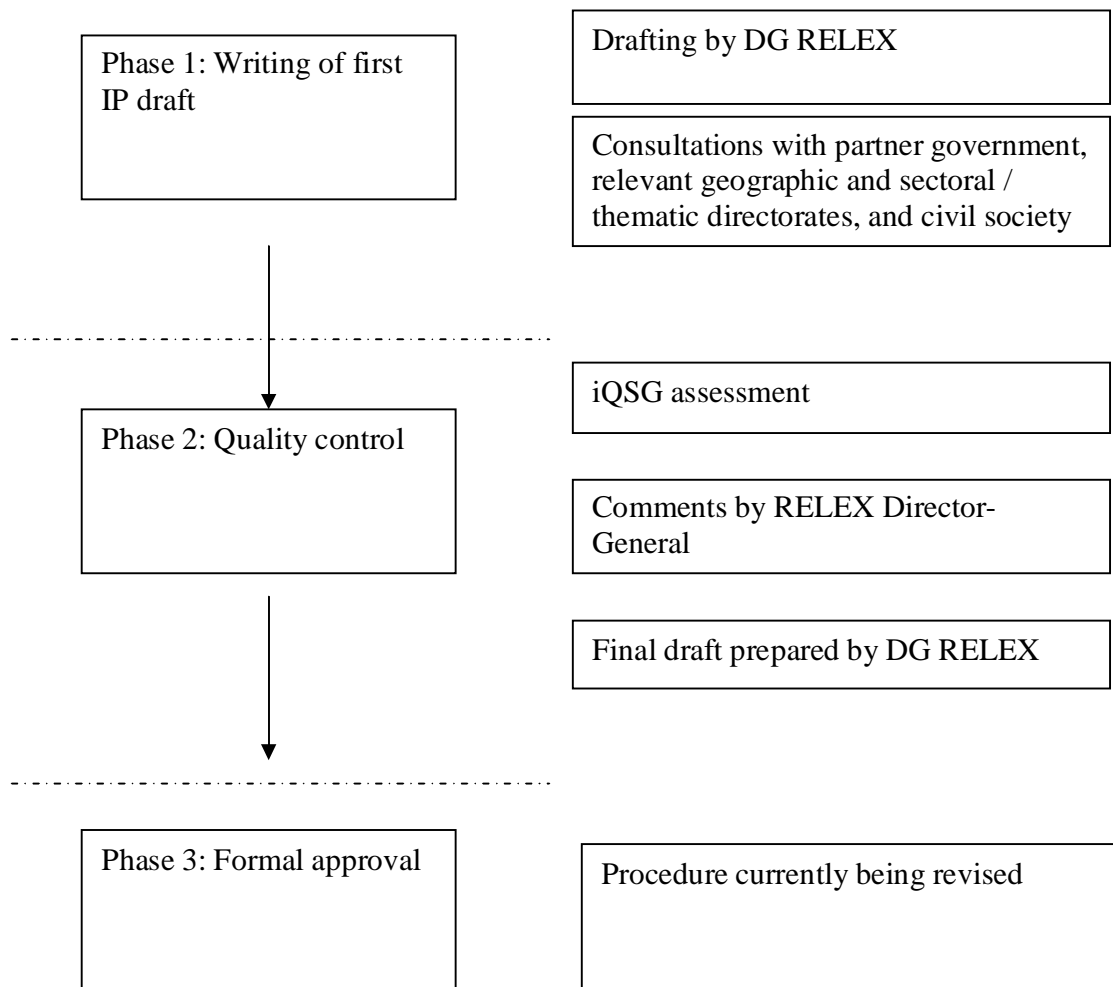
Only after discussions with stakeholders in partner countries is the SP presented to the representatives of all EU Member States who have to give their consent, before the Commission can make a final decision.

2.2.2 Indicative Program Preparation

The Indicative Program refines the priorities set out in Strategy Papers and sets out an indicative budget for a three- or four-year period. With its detailed information on areas for cooperation, priorities and project goals, it serves as the framework within which Annual Action Programs are prepared.

³⁴ http://ec.europa.eu/development/icenter/repository/iqsg_consultation_NSAs_en.pdf. Emphasis added.

Diagram 2. National Indicative Program Preparation



1. First Draft

The draft IP is prepared by DG RELEX in consultation with the partner country's government and the relevant geographic and sectoral / thematic directorates.

2. Quality Control

The IP draft is submitted to iQSG for quality assessment. As with the draft SP, iQSG assesses the overall quality of the document, as well as its internal coherence and its coherence with other documents. The draft is then commented upon by the Director-General of DG RELEX. The final draft is prepared by DG RELEX and presented to the ENPI Management Committee.

3. Formal approval

The procedure for formal approval is currently being revised. According to the previous procedure, the IP was signed by the Director-General of DG RELEX and the National Coordinator.

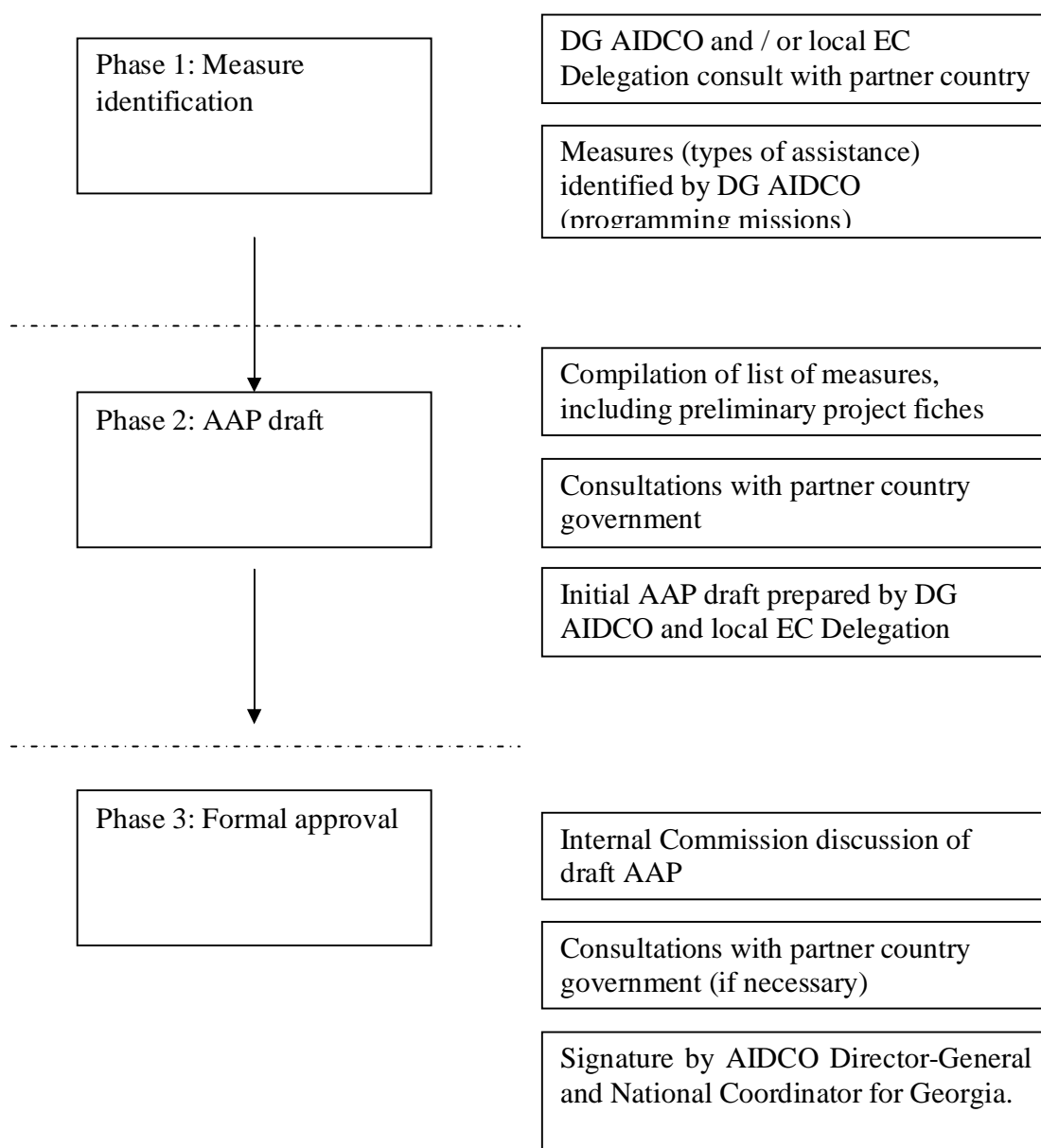
The first NIP (2007-2010) for Georgia defines in greater detail the focus of operations within the national envelope. It is intended to guide planning and project identification by defining a limited number of priority areas, together with the objectives and results to be achieved. The NIP stipulates sub-priorities for each of the three main priorities identified in the Strategy Paper.

The new NIP for 2011-2013 for Georgia has not been finalized yet, but the suggested priorities and sub-priorities for the 2011-2013 NIP have been defined in an 'Initial Concept Note, Potential priority areas for ENPI, NIP 2011-2013', a semi-official document published on the web in 2009.³⁵

2.2.3. Annual Action Program preparation

AAP preparation is sometimes called the 'identification phase'. It connects the overall strategy contained in the CSP and IP to the specific measures and initiatives needed for its implementation. AAPs define specific sectors and projects to be supported, as well as the expected results, management procedures, and budget. They also detail operations and set out an implementation timetable.

Diagram 3. Annual Action Program Preparation



³⁵ http://ec.europa.eu/world/enp/mid_term_review/initial_concept_note_georgia_en.pdf

1. Measure (types of assistance) identification

Measure identification is mainly done through programming missions during which EC representatives (DG AIDCO and/or the local EC delegation) consult with stakeholders in the partner country in order to define the specific measures to be taken to implement the CSP and NIP. Country stakeholders include the government, other donors, potential beneficiaries, and others.

2. AAP drafting

Once the measures have been identified, they are compiled into a list that, where possible, also includes preliminary project fiches. Based on this list, the EC determines priority measures, in consultation with the partner country's government if necessary). EuropeAid and the local EC Delegation then draft the AAP, consulting with the government as necessary.

3. AAP approval

The draft AAP is discussed internally by the Commission, which also engages with the partner government. When consensus is reached, the AAP is signed by the National Coordinator in Georgia and the Director-General of DG AIDCO.

The operational aspects of national and regional program implementation are defined in AAPs that identify the projects to be funded and their allocations. As such, the AAP is the key document for the actual commitment of EU funds. Each project has a specific action fiche, stipulating the title of the project, the total cost, aid method/management mode, project sector. Also, AAPs describe in detail the rationale and country context, description and implementation issues.

Usually, the Government advocates for the priorities for which it has already prepared and approved a sectoral strategy or its national program. EU assistance generally follows a well-defined set of procedures and stages to deliver targeted assistance to its partners. Operational programming, which depends to the largest extent to national authorities, can sometimes challenge even the most generous offers from the Commission. This is especially true with the system of public procurement, which is deficient.

EU financial assistance is based on the N+2 principle, with N representing the year of the given AAP. It means that every annual AAP takes an additional two years for assimilation and the completion of financial accounts. 12-month programs have specific implementation rules. For instance, the first detailed AAP was prepared in 2007 and its implementation funds were allocated from the 2007 tranche.

Every annual plan must be approved by the European Commission. EC approval gives the green light to grant competitions in the framework of the plan. It means that, allowing for administrative procedures, the 2007 AAP was effectively implemented in 2008. The results of 2007 projects, including financial reports, were summarized in 2009. That is why the 2007 AAP was actually completed two years later. The same scheme will be applied in the last year of the program, in 2013: related projects will be carried out in 2014, while the final reports will be submitted in 2015. The final program report will be prepared in 2015. These principles make it necessary to strictly abide by project implementation terms, since unused funds must be returned in time.

2.2.4. Program-level Monitoring and Evaluation: An incomplete system

There is no ENPI-specific program-level monitoring and evaluation system. ENPI is only monitored and evaluated through the mid-term review process described here. In-depth monitoring and evaluation of ENPI funding only occurs at the project level, which is described in Section 3.2. This section was prepared on the basis of various official documents and consultations with EC officials.

2.2.5. Mid-term CSP Review / Preparation of New NIP

Country Strategy Papers are reviewed by the EC at the three- or four-year mark, as part of the drafting process for the new National Indicative Program. The exercise is designed to identify:

- a. Areas that have not been adequately covered by European Community or other donor assistance but which represent key priority areas in need of financial assistance;
- b. Areas for which follow-up assistance is required for previous programs;
- c. Areas that have been covered in the past, and for which assistance is no longer a priority.³⁶

The mid-term review exercise, which takes approximately one year, is carried out by DG RELEX, with the participation of DG AIDCO, the appropriate EC Delegation, government of the partner country, and interested non-state actors, who are invited to submit comments and recommendations and participate in roundtable discussions.

The evaluation of ENPI programming documents began in 2008 and will end with the development of new NIPs. In 2009, apart from carrying out consultations with NGOs, the delegations of the European Commission were instructed to publish concepts of NIPs on their websites in April 2009, in order to get feedback from stakeholders.

According to EC official documents like the Initial Concept Note for Georgia, 2009, this time the Review process was characterized by greater involvement of CSOs and NSAs, compared to last year's ENPI programming phase, and heightened interest on their part in the possibility of engaging in dialog with the EC and member governments. Yet, the results of a study conducted in Georgia among NGO leaders in July 2009 showed that the number of NGOs involved in the ENPI programming processes was quite limited, which is likely to hamper the continuity of the process.

According to Art. 7.1 of the ENPI Regulation, a Mid Term Review (MTR) of the majority of the ENPI programming documents¹ has been carried out between December 2008 and October 2009. The MTR enabled the Commission to take into account possible evaluations in the relevant policy framework, any changes in the country situation, or the evolution of the international environment, and so prepare the new Indicative Programs for 2011-13³⁷.

2.3. Operational level: Translating policy into actions

As mentioned earlier, each operational instrument has its own planning, implementation, and monitoring processes. This section describes the processes associated with two main instruments: Budget Support and individual technical assistance projects.

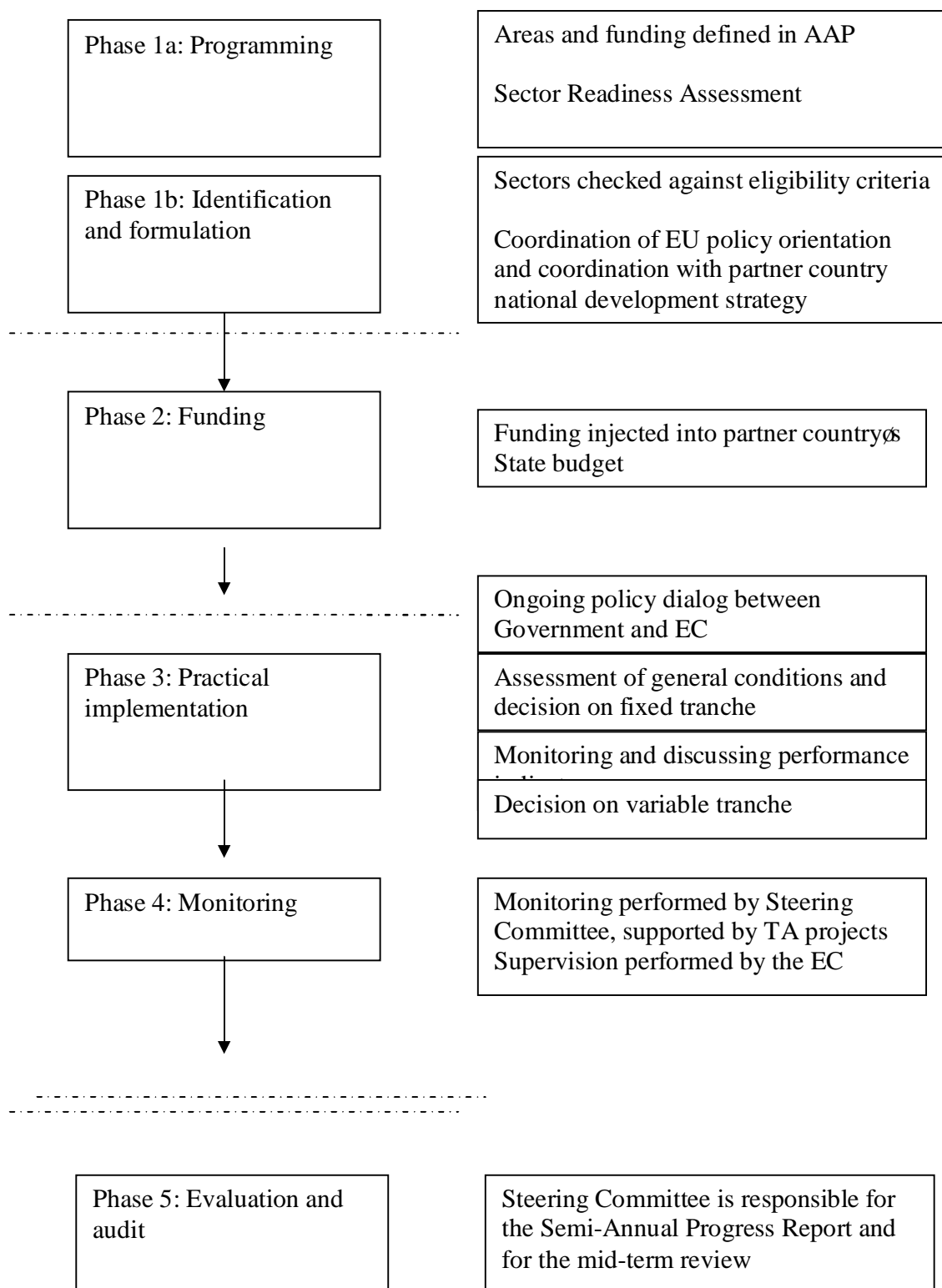
2.3.1. Budget support

Broadly speaking, Budget Support (BS) follows a 5-stage process.

Diagram 4. Budget Support Cycle

³⁶ EC Concept Note on 'Potential Priority Areas for ENPI National Indicative Program (NIP) for Ukraine 2011-2013', p. 1.

³⁷ http://ec.europa.eu/world/enp/mid_term_review/091211_cso_consultation_on_mtr_enpi_programming_documents.pdf



1. Programming

Sectors are identified as the result of negotiations between the EC and the government of Georgia. Priority areas and specific allocations for BS assistance are laid out in the ENPI programming documents – CSPs, NIPs, and AAPs – and are based on:

- the Commission's overall country strategy;

- the current agenda of EU-Georgia relations;
- the results of the Commission's past cooperation with the Government;
- a Sector Readiness Assessment (SRA)³⁸;
- the political situation.

Budget support procedures are laid out in a set of guidelines published by DG AIDCO and DG RELEX. According to these guidelines, during the identification and formulation process, attention is paid to:

- eligibility criteria (national policy and strategy, macroeconomic framework, public financial management);
- wider analysis of the context (the budget, donor coordination, performance measurement, capacity development);
- the policy orientations of the EU;
- lessons learnt from previous experience;
- other planned interventions.³⁹

The programming process also includes the formulation of performance indicators used to determine whether the partner country has respected the minimum criteria for the various tranches of Budget Support funding to be disbursed. These are determined jointly by DG AIDCO, supported by external experts, and government bodies of Georgia.

2. Funding

The money is transferred from the EC to the national budget of Georgia. Funding is broken down into tranches, with the initial tranche transferred after signing the Funding Agreement, and subsequent ones conditional on adherence to predefined performance indicators on the part of the beneficiary government, as assessed by the Steering Committee.

3. Practical Implementation

Once it becomes part of the beneficiary country's own budget, Budget Support is used according to the financial management procedures of the relevant authorities, usually a Ministry.

According to the Guidelines on the Programming, Design & Management of General Budget Support, implementation concerns two main areas: (i) 'pursuing dialog on key areas, such as national policy and strategy, the macroeconomic framework, and public financial management' and (ii) 'reporting to EC headquarters on these issues.'⁴⁰ This phase usually involves four elements:

- É Ongoing policy dialog between the Government and the EC, with the possible involvement of other development partners;
- É An assessment of general conditions and a decision on the fixed tranche;
- É Monitoring and discussion of performance indicators;
- É A decision on the variable tranche, that is, BS funding whose transfer is conditional on the partner country's adherence to conditions set out in the BS Funding Agreement.

³⁸ As noted in Section 1.1.1, the seven areas assessed in the SRA are: (i) National development or reform policy and strategy; (ii) Macroeconomic context; (iii) Budget and Medium-Term Expenditure Framework (MTEF); (iv) Public Financial Management; (v) Donor Coordination; (vi) Performance Measurement; (vii) Institutional assessment and capacity development.

³⁹ While identification and formulation are not *per se* part of the programming phase, the Guidelines on the Programming, Design & Management of General Budget Support state that 'the identification and formulation stages should be seen as part of a continuous process of program preparation addressing similar issues. The distinction between identification and formulation is to some extent an administrative one, based on the presentation of an Identification Fiche at the end of identification, and the presentation of a Funding Proposal or Annual Action Program/Action Fiche, at the end of formulation.' Source: DG AIDCO & DG Relex, 'Guidelines on the Programming, Design & Management of General Budget Support,' January 2007, p. 40.

⁴⁰ DG AIDCO & DG Relex, Guidelines on the Programming, Design & Management of General Budget Support, January 2007, p. 70.

4. Monitoring

Oversight of the overall program is entrusted to the Steering Committee, usually chaired by the Minister of designated Ministry. Committee members are both high-level officials from all ministries and institutions involved in the implementation of the program and representatives of the European Commission.

The Steering Committee must meet at least twice a year to review progress and decide on any proposed modification to the program. To facilitate sound implementation, the Steering Committee has to ensure compliance with the policy conditions stipulated in the Agreement.

The Budget Support program is to be supervised by the European Commission Delegation in Tbilisi.

5. Evaluation and audit

The evaluation is an assessment that is as systematic and objective as possible of an ongoing or completed project, program or policy, its design, implementation and results. The aim is to determine the relevance and fulfillment of objectives, developmental efficiency, effectiveness, impact and sustainability. The evaluation should provide information that is credible and useful, enabling the incorporation of lessons learned into the decision-making process for both recipients and donors.

Prior to the completion of the sector Budget Support program, the Commission is designating its consultants to carry out an independent final evaluation of the program. The program will be subject to independent reviews that will assess the level of compliance/performance with the conditions/indicators set forth in the Funding Agreement. The European Commission might mandate consultants to audit, in close cooperation with the proper CEBs in Georgia.

Moreover, the European Commission will manage the use of the technical assistance funds allocated to the program. If deemed necessary, the Commission can audit the books and other program-related documents within seven years after the final report is issued.

The European Commission's anti-corruption service, the European Anti-Fraud Office (OLAF), has the Georgian government's consent to carry out on-the-spot audits and inspections, in line with EU financial regulations, in order to prevent misappropriation of program funds and other illegal activities.

2.3.2. Technical assistance projects

Individual TA projects to be funded are identified in AAPs and implemented by private consulting firms. Individual project Terms of Reference (ToRs) are prepared either by EC staff or by external consultants, with participation from EU Program Coordination Unit (PCU) in the Office of the State Minister of Georgia on European and Euro-Atlantic Integration when necessary.

The EU technical assistance programming process follows a Project Cycle Management model. The PCU in Georgia, is especially involved in the first two phases of the project cycle:

- (i) strategy definition / annual programming;
- (ii) project identification.

The later phases of the project cycle—funding, implementation, monitoring and evaluation—are essentially managed directly by the EC, with the administrative participation of Georgian authorities, with the exception of evaluation, which is performed without government participation.

Monitoring⁴¹

Technical assistance monitoring is generally carried out by external experts hired by the EC Delegation. In this instance, monitoring can be defined as the systematic, continuous collection, analysis and use of information for the purpose of managing and decision-making in order to:

- ensure that projects remain on course to reach their goals, with any adjustments being made with minimal disruption;
- support regular reporting mechanisms;
- ensure early feedback from project implementation to subsequent project design.⁴²

On the EC side, there are two types of monitoring: internal and external.

Internal monitoring

Internal monitoring is an integral part of day-to-day project management. The contractor monitors and reports on four basic points on a regular basis:

- Which activities are underway and what progress has been made?
- At what rate are the means being used and costs incurred in relation to the progress of implementation?
- To what extent are the results furthering the project purpose?
- What changes have occurred in the project environment? Do the assumptions still hold true?

Internal monitoring can be either traditional (financial monitoring performed by DG AIDCO), or operational (monitoring the operational success of projects).

Internal monitoring provides information through which implementation problems can be identified and solved and progress assessed. It allows the project managementô contractor and Commission Project Managerô to verify whether results and purpose are being met and to analyze changes in the project environment including key stakeholders, local strategies and policies. If progress falls short, corrective action has to be taken.

External monitoring

External monitoring is a monitoring system organized by the services of the European Commission through which external monitors are contracted in order to provide independent follow-up on project progress. While external monitoring used to be conducted mainly through in-person visits, since 2002-2003 the emphasis has been on results-oriented monitoring. Monitors examine project implementation, make field visits to project sites, and interview relevant stakeholders. They also prepare progress reports and possible recommendations for improvement. In principle, similar questions are asked as for internal monitoring, but instead of operations, activity and implementation issues, they focus on results and the achievement of project objectives. This means that questions on relevance, impact and sustainability are also raised.

External monitoring has a project advisory role and is aimed at improving the implementation of projects in order to achieve the project purpose in time, effectively and efficiently. Monitoring is not an inspection, but a careful analysis of the whole project process, resulting in conclusions and recommendations.

⁴¹ Points 4 (Monitoring) and 5 (Evaluation) were prepared with the help of the ôPractical Handbook on the Basics of Program/Project Monitoring & Evaluation,ö drafted as part of a TACIS project called ôSupport to the NCU in Ukraine.ö

⁴² EuropeAid Cooperation Office, *Handbook for Results-Oriented Monitoring of EC External Assistance*, April 2008, p. 12.

On the Georgian side, the PCU within the Office of the State Minister of Georgia on European and Euro-Atlantic integration regularly supervises and updates the databases of ongoing and planned EU aid programs and projects. Moreover, this PCU is responsible for progress reports on all aspects of EU assistance to the State Minister/National Coordinator⁴³ though this function is currently in its pilot phase. Still, **performance assessments for projects and programs are not being undertaken**. Given that TA funding is largely absorbed by foreign organizations, the State Ministry on European and Euro-Atlantic integration is not interested in evaluating the effectiveness of these projects and programs.

5. Evaluation

In most cases, the evaluation is conducted *post factum* and its main objective is to provide recommendations for future activities. It is handled by external consultants who are contracted with DG EuropeAid. There are both geographic and thematic coordinators.

Significantly, despite the EC's relatively extensive monitoring and evaluation system, TA projects are assessed, not by their impact, but on their fulfillment of predetermined management criteria, such as deadlines, budgets, and so on.

Box 1. Monitoring Criteria for TA Projects

Monitors look at four elements:

a) *Relevance and Quality of Design*

The appropriateness of the project purpose to the problems it was supposed to address and to the physical and policy environment within which it operates.

b) *Efficiency*

The cost, speed and management efficiency with which inputs and activities were converted into results and the quality of the results reached.

c) *Effectiveness*

An assessment of the contribution of the results to the achievement of the project purpose and how assumptions affected the project achievements.

d) *Impact to date*

The effect of the project on its wider environment and its contribution to the wider objective, as summarized in the project's overall objectives.

e) *Sustainability*

The likelihood of a continuation of the stream of benefits produced by the project. Sustainability begins with project design and continues throughout implementation

The EC selects an independent evaluating agency, which conducts consultations with GoG representatives, implementing ministries, other donors, and civil society representatives. ENPI is also subject to an evaluation by ROM, the Results Oriented Monitoring of EC External Assistance.⁴⁴ ROM activities are executed through a Framework contract fully managed by the relevant Directorate of EuropeAid and DG Enlargement.

Nevertheless, there is little available information about the monitoring efforts, while civil society is generally not involved in consultations over the implementation of the AAP. Thus, the most interesting activities are not available for the main actors, civil society experts and activists to scrutinize.

⁴³ <http://eu-integration.gov.ge/uploads/databasebolo.doc>

⁴⁴ http://ec.europa.eu/europeaid/how/ensuring-quality/rom/documents/handbook_rom_system_final_en.pdf

3. NSA INVOLVEMENT IN ENPI: LONG ROAD AHEAD

3.1. The importance of NGO participation in ENPI planning and implementation

According to the EU Commission Staff Working Paper, SEC(2000)1049, the purpose of CSPs is to provide a framework for EU Assistance programs based on EU/EC objectives, the Partner Country government Policy agenda, an analysis of the partner country's situation, and the activities of other major partners.

“It is very important that CSP should be drafted on the basis of discussions with the partner country ensuring sufficient ownership to facilitate successful implementation. In this context, policy dialogs should be encouraged and should lead, if possible, to mutual understanding and consensus. Any divergences between the country's own analysis and perception, and that of the Commission and associated donors, should be noted. The analysis and assessments will be discussed with the partner country, but not negotiated.”

The Commission working paper also states that, as part of the process and where possible, the government should **involve civil society in elaborating the national development strategy**. Civil society is, by its nature, disparate, ranging from Chambers of Commerce and municipal organizations to churches and human rights NGOs. However, it is also probably the single most important factor in development, in terms of human contribution and experience. An effective dialog between public and private actors will not only help to generate consensus on priorities, but will also help identify who is best placed to deliver specific services.

According to the programming guidance for Strategy Papers, NSAs and local authorities have become key partners of the EU in the EU development policy. This helps the EU to develop policies and identify priorities that ensure ownership and representation for the policy documents—mainly SPs and IPs. The main entity preparing the country strategic paper is DG RELEX, in close consultation with the national authorities of that country.

There are a number of reasons that make NGO involvement in the monitoring of the ENPI implementation so critical. NGOs can, among other things:

1. Promote greater transparency and the prevention of corruption and fraud;
2. Prevent the lobbying of non-state interests on the part of the private sector;
3. Facilitate the development of high-quality projects and effective absorption of funds;
4. Promote the expansion of limited administrative potential;
5. Facilitate the involvement of independent experts in designing and implementing project to improve social integration, gender equality, environmental protection, and quality of life;
6. Ensure effective use of European taxpayers' money;
7. Promote the culture of inclusive democracy;
8. Deepen the sense of ownership among ordinary citizens in order to legitimize projects—and the European Neighborhood Policy;
9. Respond to increased demand for assistance on the part of the EU.

Also, a 2009 report by the European Parliament calls on the European Commission, together with the partner governments, to further develop mechanisms for consultation with civil society and local authorities, in order to better involve them in the design and monitoring of the implementation of the

ENPI and of the national reform programs and asks the Commission to speed up publication of AAPs on its website and persuade partner governments to make their national programming documents regularly available to the public.⁴⁵

In line with this call from the European Parliament, the EC funds civil societies in neighboring countries to promote the development of civil society and facilitates its development using specific EIDHR and the Thematic Program for Non-State Actors and Local Authorities instruments. The Commission also enhances the independence and influence of civil society by facilitating cooperation and dialog with governments, which can also have a positive impact on the design of the ENPI. But the participation of civil society is particularly important in monitoring economic programs.

Although ENPI implementation implies public participation and the EU encourages this in the implementation of many programs, experience has shown that two years after the start of an action plan, a significant part of the public is not sufficiently informed on the latest ENPI initiatives.

According to civil sector representatives in Georgia, the majority of civil society supports the political objectives outlined in the Action Plan and is ready to actively facilitate their implementation. But for lack of proper information, it could prove not to have sufficient leverage to exert influence on the government and encourage activities within the framework of its relations with the EU.

3.1.1 The EU framework: Good intentions

The European Consensus on development⁴⁶ strengthens the principle of civil society participation by defining it as one of the common principles of EU assistance. Thus, the EU:

“ supports the broad participation of all stakeholders in countries development and encourages all parts of society to take part. Civil society, including economic and social partners such as trade unions, employers organizations and the private sector, NGOs and other non-state actors of partner countries in particular play a vital role as promoters of democracy, social justice and human rights.”⁴⁷

The role of the European Commission and Member States in the civil society dimension is primarily as facilitators, because public authorities cannot always set an effective agenda of consultations and involvement with active civil society entities in their countries. The Commission has prepared specific handbooks and sample templates for their national counterparts how to include civil society in the policy consultation framework. The Regulation (EC) 1638/2006, which contains general provisions establishing the European Neighborhood and Partnership Instrument mentions “fostering the development of civil society and of non-government organizations.”⁴⁸ It also contains a **list of non-state actors** who are beneficiaries of ENPI programs:

- non-government organizations (NGOs);
- organizations representing national and/or ethnic minorities;
- local citizens groups and traders associations;
- cooperatives, trade unions, organizations representing economic and social interests;

⁴⁵ Review of the European Neighborhood Policy Instrument, External relations, 19-02-2009, 13:36, http://www.europarl.europa.eu/news/expert/infopress_page/030-49781-047-02-08-903-20090218IPR49780-16-02-2009-2009-false/default_en.htm

⁴⁶ Joint statement by the Council and representatives of the governments of Member States meeting with the Council, the European Parliament and the Commission on European Union Development Policy: “The European Consensus” (2006/C 46/01)

⁴⁷ The European Consensus on Development

⁴⁸ <http://www.enpi.org.ua/index.php?id=30&L=1>

- local organizations, including networks, involved in decentralized regional cooperation and integration;
- consumer organizations, women's and youth organizations, teaching, cultural, research and other NGOs;
- universities;
- churches and religious associations and communities;
- the media;
- cross-border associations, non-government associations and independent foundations.

3.1.2. The national framework: limited access

The Georgian government seems to be not very interested in popularizing development priorities coordinated with the EU. Thus, public awareness in this area depends on private initiatives.

Respondents participating in this study pointed to the lack of public interest in the implementation of the EU Action Plan as a reason for the low level of awareness. This is somewhat due to both the general nature of ENPI programs and their complex content.

The problem is also that full information about the ENPI is available only in a foreign language. Regional NGOs in Georgia still face communication problems at this level. Awareness-raising sessions, workshops and discussions are rarely organized to include them.

Unfortunately, the number of experienced NGOs that work with both the EU Mission in Georgia and government agencies and are involved in monitoring the Action Plan is less than 10. The heads of several of these NGOs sit on the Public Council of Experts on European Integration set up under the Office of the Georgian Minister of State for European and Euro-Atlantic Integration. This means that the non-government sector communicates with the government mostly through this Office. Through its website, the Office regularly informs interested parties on measures promoting European integration. It has also organized annual international conferences on the implementation of the ENP Action Plan for the last three years (2007-2009). However, civil sector representation at such conferences is quite low – only a handful of people from NGOs participate.

Although there are a couple of good examples of cooperation between the non-government sector and the government, the current format of their relations can hardly be described as genuine cooperation. All these trends are caused by concrete reasons:

- ❖ Relations between NGOs and government agencies have not been institutionalized. They are not regulated by law and, ultimately, continue to depend on personal connections. Cooperation based on such personal relations is not sustainable.
- ❖ Frequent changes of officials within the government lead to special problems in the continuity of government relations with the public.
- ❖ Currently, the third sector in Georgia heavily depends on funding from foreign donors, while opportunities to get local assistance and government funding are quite limited.
- ❖ Coalitions and inter-sector cooperation are mostly encouraged by donors. Over the past years, donor support for coalitions in Georgia has steadily diminished, which has led to diminishing development of networks and a declining level of cooperation among organizations. Moreover, competition among NGOs is also evident. This further reduces the sector's impact on government policy.
- ❖ Although it is quite easy for the non-government sector to function and the relevant legislation is satisfactory – for instance, the registration process is simple and reporting requirements not burdensome – , there are quite a number of problems that hinder its sustainable development. For example, the procedure for allocating government grants to NGOs is not regulated by law, which puts

national and local budget funds out of reach to Georgian NGOs. This, in turn, leaves them financially very vulnerable.⁴⁹

Georgian officials have announced a plan to establish a state foundation to help develop and enhance the role of the third sector, in accordance with a Presidential order from May 19, 2009.⁵⁰ Similar approaches were used by countries aspiring to join the EU, when new opportunities for cooperation between the governments and non-government sectors opened with the arrival of EU structural assistance programs in the early 2000s. In Georgia's case, it is too early to speak about increased budget assistance from the EU, which would be similar to structural funds.

It remains unclear to what extent Georgia's State Budget will be able to cover additional commitments to NGOs given the economic crisis. However, new opportunities are clearly emerging in relations between the government and this sector. Whether the opportunities are effectively used or not depends on both the third sector's readiness and the government's genuine willingness to increase non-government involvement in decision-making and to foster its sustainability.

The European Commission does have the potential to support Government-NSA cooperation on a long-term basis through promoting contact and dialog between civil sectors and governments and by publicizing civil society engagement in planning, monitoring and evaluating EC programs. Three-way dialog is likely to concentrate on the drafting of AAPs, NIPs every 3-4 years, and reviewing CSPs. Georgian CSOs appear to be ready to share responsibility for EU policy and develop a sense of ownership in the implementation of the planned activities.

Another dimension for three-way cooperation could be the facilitation of Georgian NSAs in monitoring the ENPI. Still, it is not clear whether the Georgian government will embrace civil society participation in monitoring activities, such as by inviting NSAs to join Steering Committees for Budget Support programs or allow them to handle project-level monitoring.

3.2. Access to ENPI information vital to NSA involvement

The EC offers a few suggestions on NSA participation in the planning and monitoring of aid on its ENPI website.⁵¹ For instance, the Commission encourages NSAs to participate more actively in ENPI processes by getting more information on the ENPI programming process and to think of ways to engage regularly with EC representatives. However, the information available on ENPI is relatively scattered, which makes it difficult for an NSA to understand the whole process and see the stages at which it can enter and engage. Thus, it is difficult to see how an organization with limited or no knowledge of ENPI might feel compelled to get involved.

The posting of information on the ENPI website is by no means sufficient to stimulate an authentic and deep interest. Given that the Georgian environment is generally not conducive to NSA participation in the policy-making process and that both civil society consultations and ENPI are still new to Georgia, more needs to be done to inform and prepare civil society.

The Commission suggests a few concrete entry points for CSOs, such as during the drafting of the AAPs by April-May each year and the reviewing of the Country Strategy Paper and NIP every 3-4 years.

⁴⁹ In addition to these problems, the level of stability in this country and the likelihood of an escalation of conflicts also have a negative impact on sustainability and efficient functioning, on the success of reforms under way within the government, and the on implementation of projects supported by the EU and other donors. Analysis of EU assistance to Georgia, European Parliament Committee on Foreign Affairs, August 2008.

⁵⁰ <http://www.civil.ge/>, 19 May 2009.

⁵¹ <http://www.enpi-programming.eu/wcm/en/how-to-get-engaged/concrete-actions-to-take/enpi-civil-society.html>

Few Georgian NGOs, who are mostly located in Tbilisi and usually define themselves as think-tanks, are currently using these entry points, which mean that, all the more, other key, wide-ranging categories of non-state actors, such as trade unions, associations, advocacy groups, and grass-root organizations, are currently excluded from the process.

The exact level of ENPI awareness among Georgian NSAs is difficult to gauge, but it seems that knowledge of ENPI, while imperfect, is growing – a fact illustrated by the ongoing Country Strategy Paper mid-term review, the first such exercise since the Instrument's creation in 2007.

The first mission of the EC delegation visited Georgia in February 2009 and met 25 leading NGOs representing civil society that same month. A second meeting with the mission was held on 22 April, when the mission presented its initial indicative plan for 2010-2013. The mission continued accepting feedback on it until 20 May. Before the design of the initial initiative in April 2009, recommendations on ENPI priorities prepared with the assistance of the Aprove network were submitted by 28 Georgian NGOs to the Commission. In addition, back in July 2008, Eurostep organized the first ENPI national meeting with the participation of NGOs. Representatives of both the EC and the government attended it. The meeting was intended to raise NGO capacity in the process of design and midterm review on the one hand and identify the priorities that civil society deems important for the successful implementation of the Neighborhood Policy.⁵²

3.3. Improving the system and using what's available

3.3.1. NSA entry points into CSP preparation process: Missed opportunities

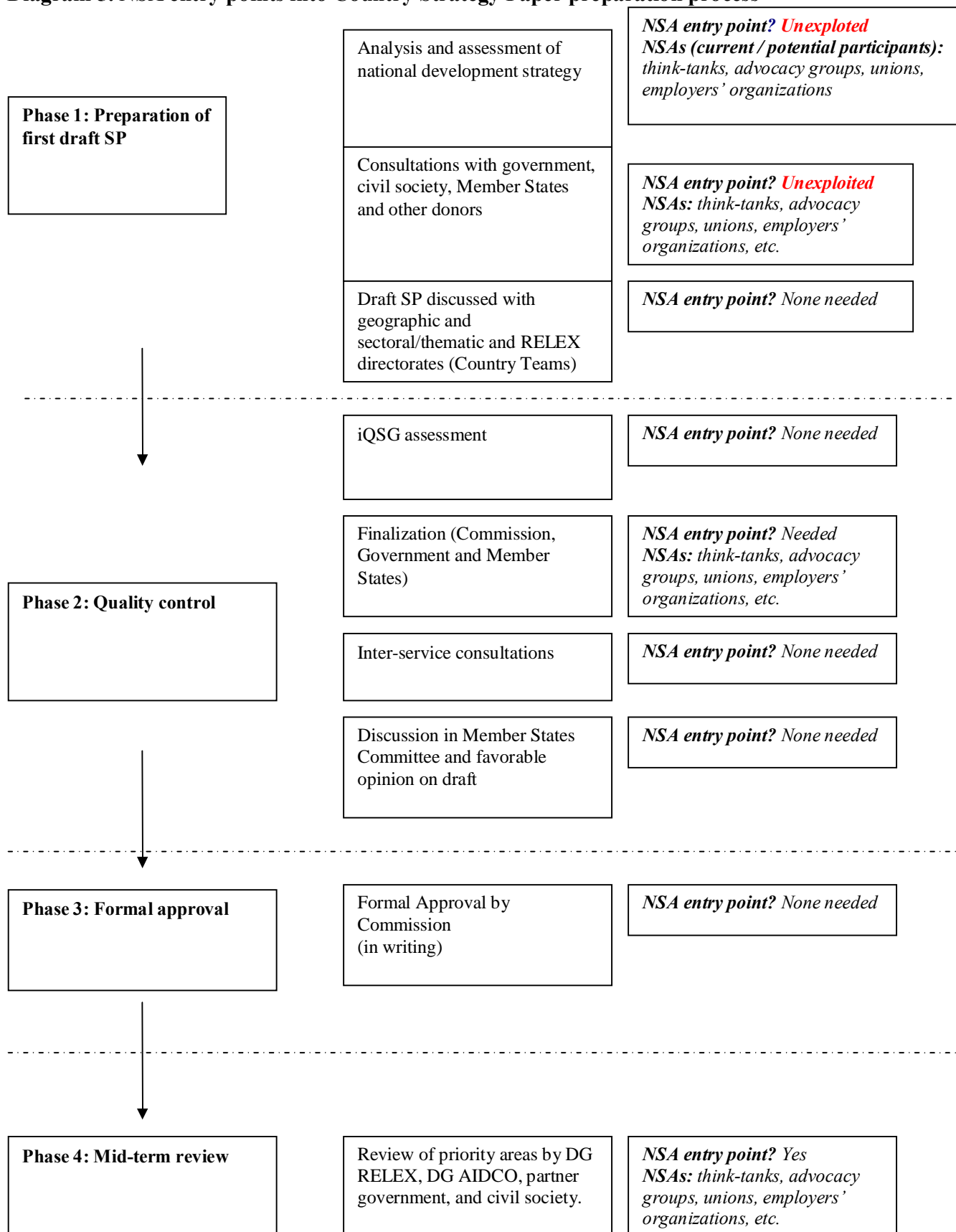
The diagram below illustrates current and potential NSA entry points into the CSP preparation process. It shows that NSAs can get involved from the very outset while consultations are ongoing between DG RELEX, national authorities and EU Member States. This represents the key NSA way into the CSP preparation process, as input is necessarily more potent upstream than downstream. The earlier NSAs get involved, the greater their impact on priority-setting will be. The problem is that this entry point is not being exploited by the NSAs.

The absence of NSA input in the finalization phase is another key feature of the CSP preparation process. Indeed, while upstream input is crucial, it is not enough. For NSA involvement in the priority-setting process to have an impact, NSAs must be able to affect the final draft of the document. This makes it possible for them to ensure that their earlier input has been understood and taken into account and to provide feedback on specific components of the CSP.

The diagram here shows that NSAs can participate in the mid-term review process, which also includes the drafting of the new NIP. This represents an excellent opportunity for NSAs to participate in program-level monitoring and evaluation of the ENPI, as the dual nature of the exercise means that it is possible to troubleshoot problems with the previous NIP and adapt to new challenges practically in real time.

⁵² The report from the 14-15 July workshop now is available at www.greenalt.org.

Diagram 5. NSA entry points into Country Strategy Paper preparation process



3.3.2. NSA entry points into NIP preparation process: The importance of being early

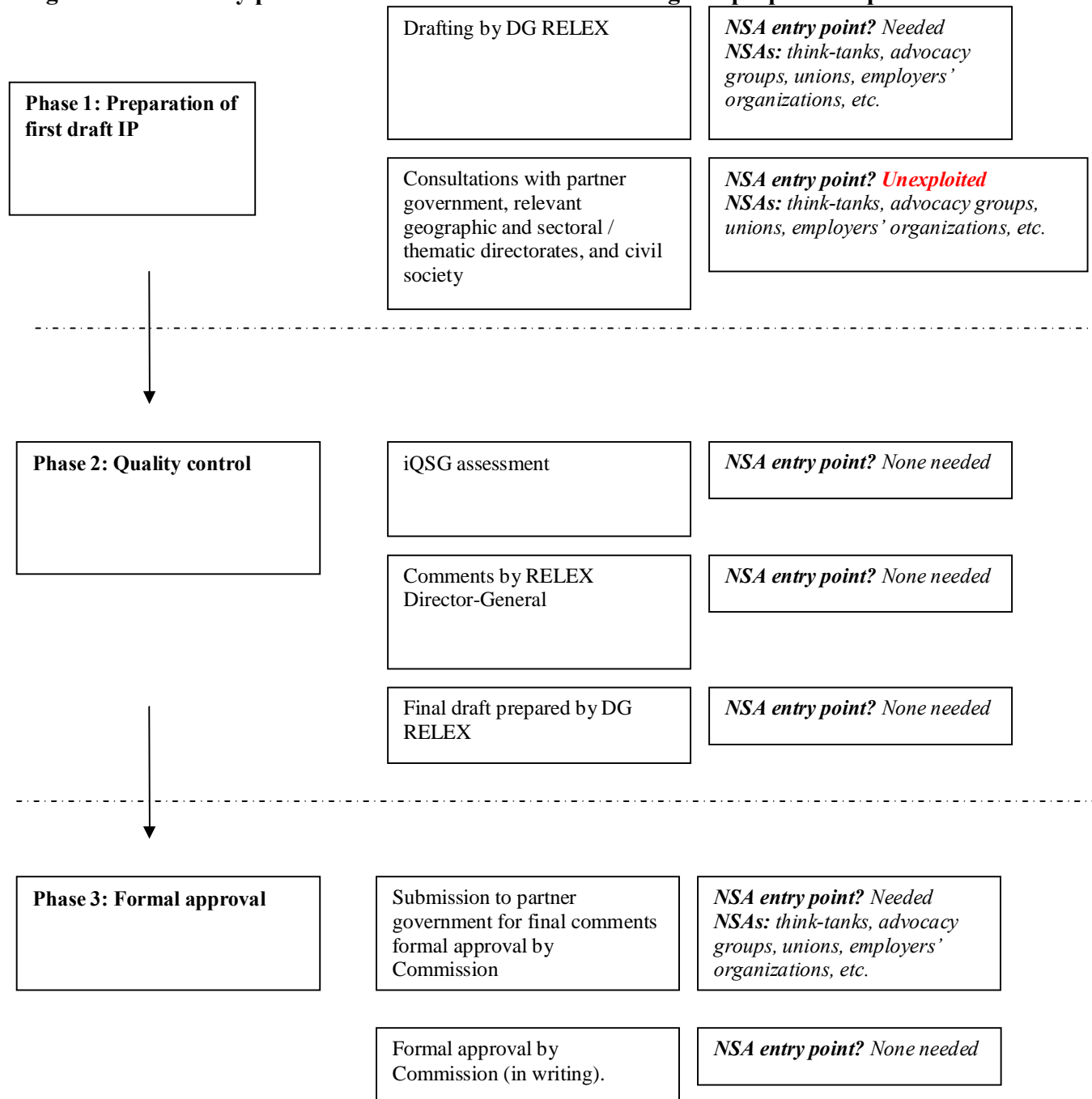
Diagram 6 shows that, as with the CSP, the NIP preparation procedure allows non-state actors to participate at the beginning of the process, through consultations during which they can comment on the draft NIP⁶ also known as a “Concept Note” put forward by DG RELEX. Again, this is not taken advantage of by Georgian NSAs.

While this is an important entry point, the fact remains that NSA engagement begins once the EC has already developed a draft NIP. In other words, NSAs only enter the process once the main priorities have been identified. As a result, it is unlikely that NSA input can do much more than tweak the existing document.

NSA consultations should instead take place as part of the initial drafting process by DG RELEX. This should not be a major challenge, as NSAs participate in CSP preparation and are therefore already involved in the multi-annual ENPI programming processes.

As in the CSP preparation process, NSAs should also be involved in the finalization phase in order to ensure that their input has been adequately digested and, where possible, integrated into the final draft.

Diagram 6. NSA entry points into the National Indicative Program preparation process.



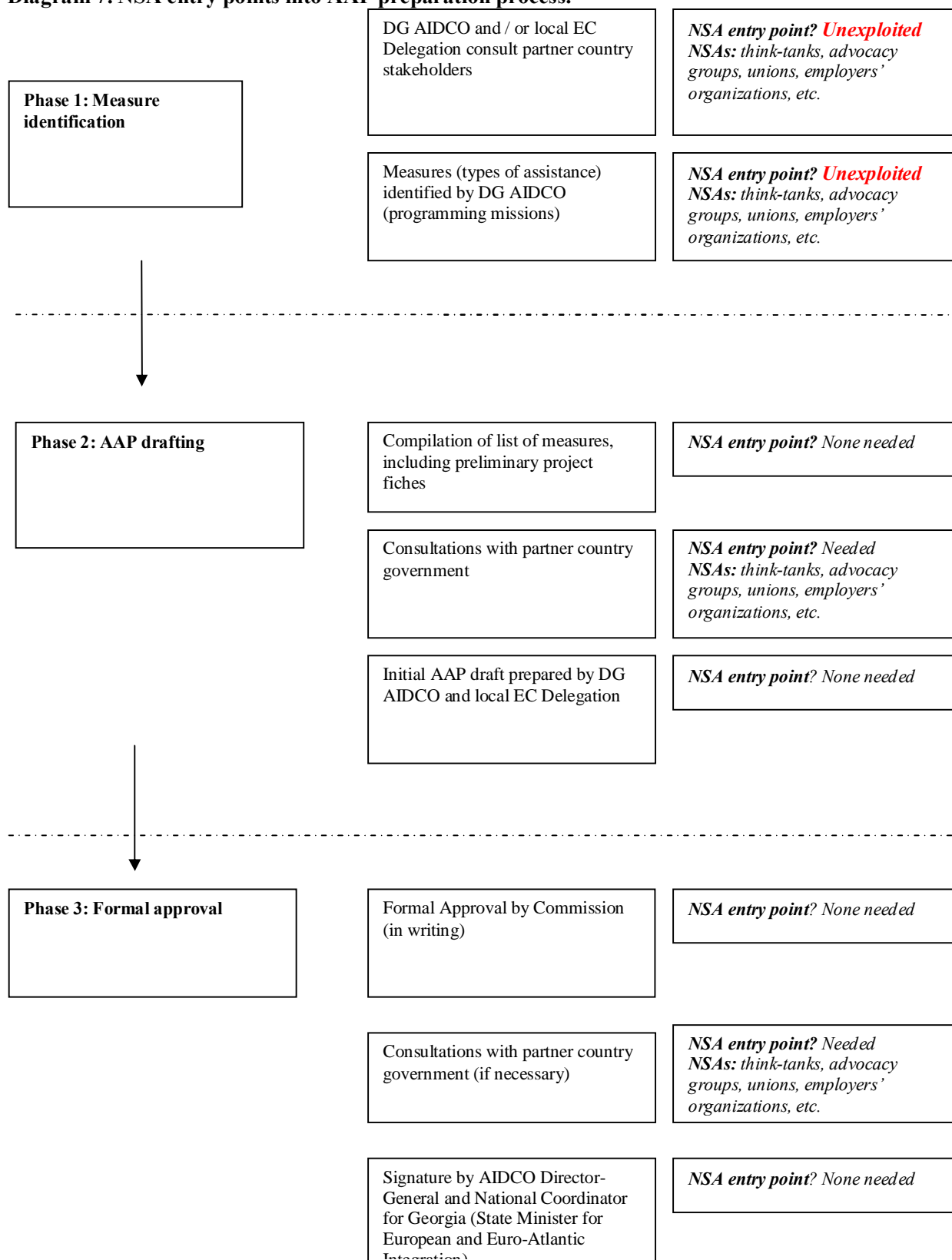
3.3.3. NSA entry points into AAP preparation process: Follow-through needed

The AAP preparation process, in contrast to CSP and NIP, provides an entry point for NSA involvement at its very outset. NSAs are to participate in the initial consultations and the measure identification phase led by DG AIDCO and the local EC delegation. They can thus make their voices heard before any drafts are prepared. As it is in the AAP that projects are selected and funds allocated, this is highly significant: it allows for the possibility of NSA impact going beyond priority-setting and affecting the more concrete and operational aspects of ENPI. This opportunity is not being used by Georgian NSAs.

It should be noted that NSAs are left out of the consultations held between the EC and Georgian authorities immediately prior to the actual drafting of the AAP. As noted in discussing CSP and NIP preparation procedures, it is essential that NSAs be included in the actual drafting process in order to ensure that their input has been taken into account and to request explanations where it has not.

Finally, NSAs do not participate in the formal approval procedure, which can include consultations between the EC and the partner government when necessary. While these consultations deal more with troubleshooting than with priority-setting and project selection, NSA input could provide a useful external perspective on the issues raised by either party.

Diagram 7. NSA entry points into AAP preparation process.



3.3.4. NSA entry points into Budget Support process: Not enough access

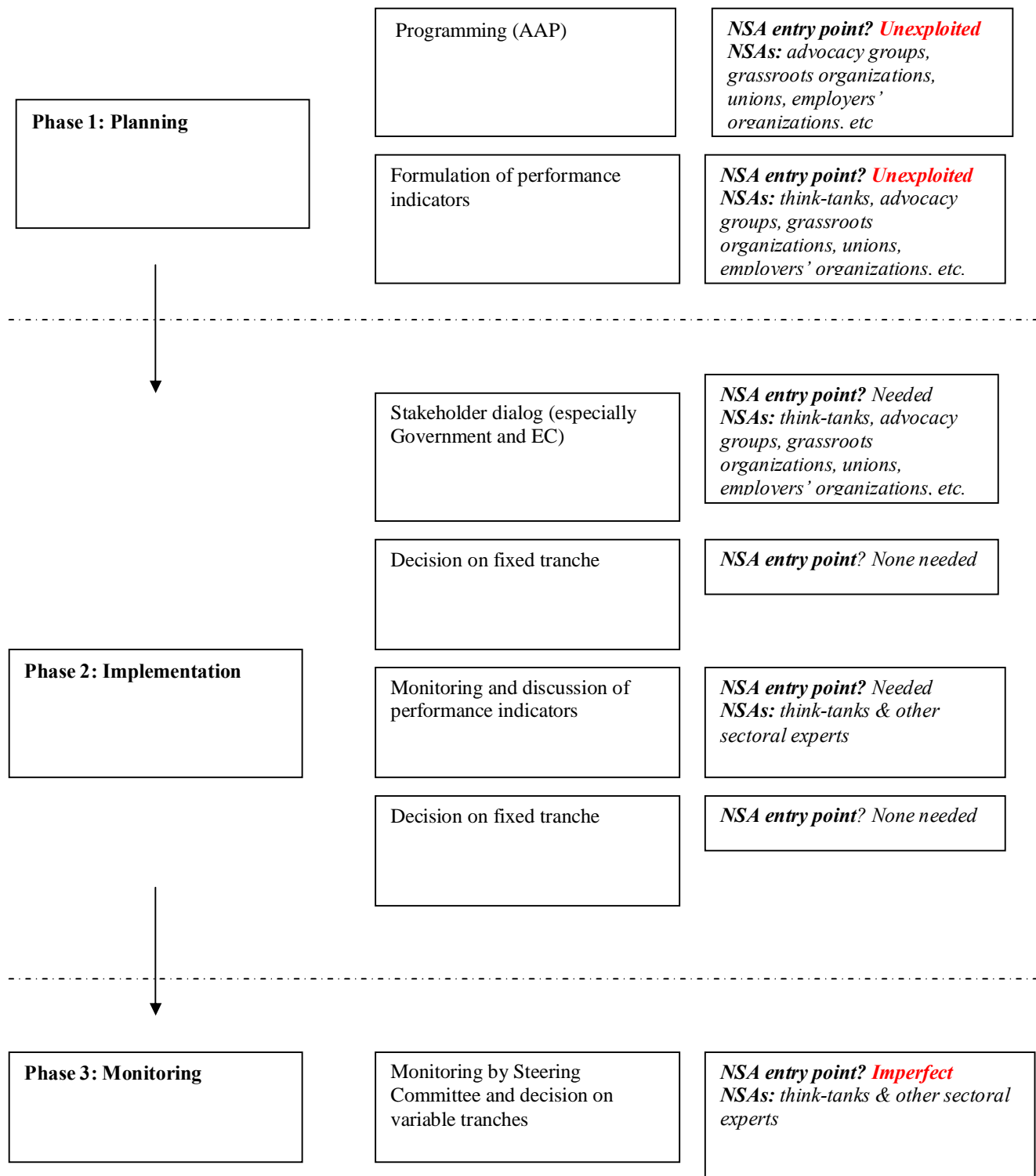
While Budget Support sectors and allocations are laid out in AAPs, in whose preparation NSAs can (but do not use this advantage) have an active hand, these decisions are the result of negotiations between

the EC and the Georgian authorities, without NSA participation. As a result, NSA involvement in the AAP elaboration procedures does not influence the choice of Budget Support sectors or setting of the corresponding allocations.

Nor do NSAs participate in the elaboration of the performance indicators used to assess how Georgia's government performs with respect to the conditions set out for the disbursement the variable tranches. While most NSAs do not have the expertise necessary to engage in such technical work, some—namely think-tanks and some sector-specific NGOs, such as environmental groups—do. As noted earlier, current assessment criteria often focus on inputs and procedures, such as the adoption of certain measures, rather than on impact, such as increased efficiency. The participation of NSAs, who tend to be more result-oriented, could help address this problem.

The absence of NSAs in the Budget Support Steering Committee is also significant, as it excludes them from developing a monitoring system, performance monitoring, preparing the semi-annual progress report and the mid-term review, and decisions on the variable tranches.

Diagram 8. NSA entry points into Budget Support process



4. CONCLUSIONS AND RECOMMENDATIONS

Although members of the European Commission's working team held consultations with the Georgian government over several months⁵³ June-December 2006 in the process of elaborating Georgia's strategic document,⁵³ Georgian NGOs did not participate in any consultations with the government at this design stage. The non-government sector failed to take an active role in formulating Georgia's NIP.

The non-government sector's monitoring and assessment capabilities are weak within the framework of the three programs planned under the ENPI financial support program and currently implemented in Georgia. CSOs are not involved in the work of the Steering Committees that supervise Budget Support programs. These committees are staffed by ministry representatives, members of the organizations implementing current projects and EC representatives.

In addition, although information about the current programs is available and bilateral agreements between Georgia and the European Commission are posted on the Finance Ministry website, awareness among civil society representatives is limited. And no effort is being made to raise awareness of the content of programs, nor are professional debates being held on how the government meets the commitments it has taken under the programs.

The results of a study conducted among NGO leaders in July 2009 confirm this state of affairs. The study attempted to identify the level of civil sector involvement in and awareness of the ENPI and the implementation of the programs funded through this instrument in Georgia. All interviewed NGOs⁵⁴ no more than 10⁵⁵ were actively involved in monitoring the implementation of the EU-Georgia Action Plan in 2007-2009 and had prepared annual reports on this implementation for submission to the European Commission.

Most NGOs interviewed said that they had not been involved in identifying NIP priorities for 2007-2010 and they have only familiarized themselves with the identified priorities, without actually having participated in the programming process. While they did participate in the recent mid-term review (MTR) process, they were not involved in the design of AAPs for 2007, 2008 and 2009. In general, Georgian NGOs have very limited opportunities to make their own opinions on the design and implementation of actions within the ENPI framework known to the European Commission and government. Four of the interviewed organizations said that they get the opportunity to increase their knowledge on the issue mainly at face-to-face meetings with EC and government representatives.

Although some interviewed NGOs constantly monitor budget funds, the EU's sectoral Budget Support has remained beyond their purview. This is first and foremost due to the fact that they do not know the EU's programming cycle, its implementation and differences among various budget lines.

In monitoring and assessing various programs, NGOs encounter systemic problems, including, but not limited to:

- scant information available;
- delays in the submission of information;
- incompetence and frequent change of government officials;
- constant changes in the State Budget Law;

⁵³ At the initial stage, commission representatives met NGO members as well. In line with procedures described in the strategic document, consultations were held with representatives of both the government and civil society during the elaboration of the strategic document and negotiations on the Action Plan.

- difficulties obtaining information from public legal corporate bodies,
- a government that is disinterested in monitoring results.

The Georgian Finance Ministry regularly publishes all necessary information on its website, but it is not easy for the general public to understand, compare and absorb this information. Representatives of local government bodies are often unaware of the principles of designing, managing and monitoring a budget, which makes it more difficult to get information from them. Information on budget spending in previous years often gets lost. Regional NGOs and individuals willing to become involved in monitoring budget spending do not have sufficient knowledge of and information on how to overcome the aforementioned problems.

Box 2. Other results of the study

None of the interviewed organizations monitors ENPI programs, in particular, sectoral Budget Support. However, the intensive monitoring of grants allocated by international donors started after the Brussels conference, where Western donor organizations promised to allocate serious financial support to Georgia following the August 2008 war.

Only one organization participating in the study said that it monitors **state procurements**, noting at the same time that the procurements agency is institutionally undeveloped and mechanisms for internal and external oversight are weak. Georgian legislation also causes problems, as it is adjusted to a reality in which nothing is usually planned and everything is done on an *ad hoc* basis.

Experts note that the law is often violated during the procurement process. Tenders are sometimes biased and the agency's own monitoring is weak. Tender documents are hard to obtain. Even if the documents are submitted, the information required is so excessive (sometimes 3,000-65,000 pages) that it is effectively impossible to make use of it, given the third sector's limited resources.

According to NGOs, ENPI **funding for the Georgian civil sector** is insufficient, because most of the support comes from the Multi-State Thematic Program, which is mainly a Trans-Regional Program and, correspondingly, implies large competitions and complicated application forms.

NGOs have **insufficient information about the ENPI foundation** proper, budget planning and implementation, and various budget lines. Thus, leaders of the non-government sector point to complicated formal procedures established for participation in European Commission programs and scant information as factors hindering the non-government sector from obtaining support from the EC. Funds allocated by the local delegation come mainly from the EIDHR and are mostly concerned with human rights issues. The ENPI fund allocated for Georgian NGOs is very small.

Despite all these difficulties, most of the interviewed NGOs intend to participate in the implementation of the European Commission's ENPI and CBC programs.

In addition, according to the civil sector, in order to **become more actively involved** in the monitoring of public funds, the sector needs more knowledge, experience, and expertise, as well as more resources and opportunities for long-standing cooperation with the government, and more advocacy and lobbying of the results of the current monitoring. Only thus will Georgia's civil sector be able to effectively use the assistance provided within the ENPI framework.

Thus, although Georgian civil society is to a certain extent well-organized and experienced in the design of ENP Action Plans and monitoring of their implementation,⁵⁴ its NGOs have not yet had the opportunity to become actively involved in the ENPI, with the exception of a case whereby several Georgian NGOs at the initiative of European NGOs, participated in the MTR of ENPI programming documents.

It should be mentioned that the European Commission's opinion on the issue of involving civil society was appropriate. No later than in the initial draft of the NIP 2011-2013, it already noted a number of problems in the current areas of cooperation:⁵⁵

*"To specifically mention some lessons learnt from EC assistance to Georgia, one main challenge ... was a lack of common understanding between the EC and the Government of Georgia on principles of good governance and sustainable cooperation. Georgia should be encouraged to sign the Paris Declaration and the discussion leading to this could provide a useful space for debate on basic principles of cooperation. [One] challenge for EC-Georgia cooperation [has been] that some basics of the approach were not always shared. There is, for example, a clear need to base assistance on sector policies that have been elaborated in consultative and transparent processes. This is the key to ensure sustainability of government programs and accordingly assistance, especially in a politically rather instable environment"*⁵⁶.

This blueprint underscores the importance of civil society. Indeed, quite a few issues raised at the February 2009 meeting became part of the initial blueprint. Although NIP priorities for 2011-2013 have not changed, the Commission is aware of the need to more deeply integrate environmental, minority and IDP issues into the existing priorities and support the reinforcement of the role of NGOs, not only in designing a new plan, but also in monitoring its progress. At the same time, it emphasized that the process of developing the new NIP should go beyond obtaining input from CSOs and promoting dialog between the EC and CSOs, but also, more importantly between Civil Society and the Government of Georgia. The Commission also noted that active NGO participation and the resulting reinforcement of their role should be a priority.

According to the EC, comprehensive cooperation with civil society has proven a successful approach to ensure that reforms are sustainable and successful. In a situation where key government officials change as often as in Georgia, knowledge built-up in CSOs ensures that complex reforms and concepts can take roots despite a high turn-over among key stakeholders. This is why cooperation with civil society and a high level of transparency should be embedded as principles of cooperation to prevent individual stakeholders from challenging this issue.

In general, deficient benchmarking and the lack of appropriate monitoring are the main ENPI flaws. Although there is a certain system that the European Commission uses for assessment, it is not transparent. For example, the South ENPI strategic document for 2007-2013 states that "all actions must have a clear set of indicators for benchmarking and for efficiency assessment (real improvement in the local environment) of ENPI."⁵⁷ Yet there is no such wording in East ENPI documents and there is no

⁵⁴ Organized Civil Society in Georgia, Armenia und Azerbaijan, particularly against the backdrop of the European Neighborhood Policy, a study for the European Economic and Social Committee, 2009.

⁵⁵ http://www.enpi-info.eu/maineast.php?id=5734&id_type=1

⁵⁶ http://ec.europa.eu/world/enp/mid_term_review/initial_concept_note_georgia_en.pdf

⁵⁷ It should be stressed that all actions must have a clear set of indicators for benchmarking and for the needed efficiency assessment (real improvement in the local environment) of ENPI, Regional Strategy Paper 2007-2013 and Regional Indicative Program (2007-2010) for the Euro-Mediterranean Partnership.

framework of indicators that the Commission uses every year to assess the implementation of the ENPI in a country or region.

At the national level, the European Commission assesses progress in the government's activities on sector support and direct budget assistance, Twinning, TAIEX, and so forth on the basis of indicators established in the basic documents or agreements of specific projects. However, most of these indicators are quite technical in nature, which makes it difficult to use them in assessing the effectiveness of actions, that is, their impact on the local environment, or the cumulative impact of such actions. The involvement of NGOs in the design, monitoring, and assessment of ENPI will encourage the emergence of independent views on the progress and success of this Instrument.

Recommendations for the European Commission

Improving access to information

- Provide for the translation of all relevant EU official documents (including official working versions) into the local language on a continuous basis;
- Intensify information campaigns and promote the holding of conferences, public debates and seminars on EU policy and programs implemented in neighboring countries.

Establishing mechanisms for effective consultations

- Given the lack of a strong tradition of civil society participation in Georgia's policy-making process, maintain a separate track for civil society consultation with the EC;
- Make clear to the government that civil society participation in ENPI programming is mandatory;
- Consider creating new civil society entry points into relevant processes, such as the CSP mid-term review, the drafting of new NIPs and AAPs, and the formation and functioning of Budget Support Joint Monitoring Groups;
- Assist the Government of Georgia in identifying potential civil society participants in ENPI processes;
- Encourage small local NGOs to get involved in consultations;
- Ensure real observance of the principle of partnership,⁵⁸ which emphasizes NGO involvement at all stages of ENPI funding disbursement. To this end, the EC should develop universal basic standards to ensure NGO participation in the planning, implementation, and monitoring of ENPI-funded actions;⁵⁹
- Make the presence of civil society organizations in Budget Support JMGs mandatory. These could be selected on the basis of sectoral expertise and previous involvement in the planning and monitoring of ENPI;
- Establish technical assistance projects to support JMGs before the first tranche is transferred.

Raising potential of civil society

- Strengthen the professional skills and expertise of NGO specialists and independent experts by fostering better communication with EU structures and supporting cooperation and communication between NGOs and European institutions of similar profile and experience;
- Ensure the allocation of special funds for the civil sector's active involvement in policy debate, advocacy and monitoring;

⁵⁸ One of the principles of programming EU structural assistance in 2007-2013 is partnership. Following Council Regulation (EC) 1083/2006 of 11 July 2006, the partnership should include the preparation, implementation, monitoring and evaluation of operational programs (<http://www.esparama.lt/en/pasirengimas/partnership>). The partnership principle as defined in regulation could be easily adapted to ENPI regulation, in order to ensure the implementation of EP report recommendations (MK).

⁵⁹ The partnership principle is notably used in the ENPI regulations only for the Cross-Border Cooperation program in order to shape operational programs (Art. 19.4) and to select actions to be implemented under the program (Art. 19.9). However, the partnership principle is not emphasized in the implementation rules.

- Ensure simplified access to the increased funds allocated under the ENPI for civil society, including simplified application procedures;
- Provide workshops on ENPI monitoring for NSAs at both the programming and operational levels;
- Improve cooperation and coordination among NGOs and increase the number of EU programs that could strengthen communication between local organization networks and European ones.

Shaping three-way dialog: Civil society–national governments–the EU

- Invite civil society to become involved in the EU–government dialog and policy development process on an equal footing with the national government;
- Develop indicators to evaluate the observance of the partnership principle.

Changing ENPI regulations

- Ensure that ENPI regulations include provisions on protective mechanisms that prevent corrupt spending by the government;
- Develop mechanisms that ensure that any ENPI program is implemented in line with EU standards, norms and principles, such as assistance for IDPs or assistance in the energy and transport sectors;
- Include the necessary provisions in the agreement between the EU and the government to ensure the involvement of civil society in monitoring ENPI programs;
- Improve monitoring mechanisms in terms of transparency and availability and invite NGOs to join ENPI monitoring committees;
- Assign the objectives for Budget Support projects that are key to institutional strengthening in the government but are not very costly. A parallel project should be ready for situations, where additional funds may be necessary to spend to achieve the indicators properly.

Recommendations for the Government of Georgia

Ensuring effective use of assistance from Western countries

- Join the Paris Declaration on Aid Effectiveness and plan effective measures to implement it;
- Raise public awareness of programs and actions carried out through the ENPI;
- Ensure that appropriate EU documents, including working versions, are available in Georgian;
- Develop procedures that facilitate the involvement of various sectors of civil society in the ENPI planning and monitoring process, which will greatly facilitate the strengthening of limited administrative resources and the likelihood of absorption;
- Develop procedures that ensure the evaluation of direct or sectoral budgetary assistance and the increased involvement of NGOs in evaluation and monitoring;
- Facilitate the broad implementation of Twinning and TAIEX programs in different government agencies, obliging the latter to implement necessary changes;
- Publish a register of grants on the website of the Finance Ministry. Georgia's Law "On grants" does not provide for mandatory reflection of received grants in the State Budget, so the publication of a register of grants could be a good way to overcome the problem of transparency in this regard.

Improving sustainability of NGOs and deepening cooperation with government

- Develop a policy document, cooperation program or strategy, to establish the main principles of "good partnership" between the government and the non-government sector. When working on a strategy, agreement should be reached between the government and the civil sector on selecting mechanisms for improved funding of the third sector;
- Institutionalize cooperation between the non-government sector and the government by reaching an agreement on various methods and mechanisms for cooperation. In particular, the government should support the sustainability of the civil sector by developing appropriate legislation, such as, facilitating diversified sources of funding;

- Make consultation with NSAs while producing the national development strategy mandatory, drawing on foreign examples, such as the EU's minimum rules for consultation;
- Formalize NSA participation in the attraction and utilization of foreign aid in general and ENPI funding in particular in a normative act;
- Within the foreign aid coordination framework, develop procedures for the analysis and implementation of NSA input, including into ENPI processes;
- Facilitate the activities of donors, including the EU, in support of the sustainability of NGOs and better cooperation between the government and the non-government sector;

Recommendations for Georgian NSAs

Increasing capacity

- On the individual NSA level: examine the current NSA entry points described in this report, identify those in which a particular NSA is most likely to make a significant contribution, and use them;
- Establish close relations with the EC Delegation in Georgia in order to stay up-to-date on opportunities for NSA involvement in ENPI planning, monitoring, and evaluation;
- Promote the formation of broad coalitions and networks to facilitate various activities in the ENPI framework, starting with public awareness-raising, monitoring, and advocacy and including services. Intensify networking and support expansion; develop mechanisms for coordination and the exchange of information;
- Strengthen the capacity of a wide range of NGOs to engage in planning/prioritizing ENPI funding, including available resources for monitoring, by participating in various steering committees within the government, consulting with the European Commission, discussing at forums, and so on;
- Increase awareness and increase knowledge of EU development and foreign policy, and budget planning, in order to plan and develop proper advocacy strategies in interactions with EU institutions and the Georgian government;
- Expand relations with European organizations working on the issues of development, human rights, gender parity, poverty reduction, and environmental protection;
- Raise awareness of the ENPI among local, grassroots organizations;
- Improve management and professional skills in CSOs and increase their sustainability;
- Increase the transparency of government agencies by improving cooperation between NGOs and the legislature, which is one of the most important requirements for cooperation with Europe.

ANNEX 1: EU-GEORGIA PUBLIC FINANCE REFORM FINANCIAL AGREEMENT

General conditions

The program has a budget of EUR 16mn, of which EUR 15mn is earmarked for Budget Support and EUR 1mn for technical assistance, managed by the European Commission.

Improvement of PFM (Public Finance Management) will help to ensure a better allocation of scarce resources, improved service delivery, increased accountability and transparency, all of which contribute to economic growth and consequent poverty reduction.

The program will have impact on two key levels:

- 1) At the level of the Ministry of Finance, which has key responsibility for PFM reforms;
- 2) At the level of a line ministry and other state institutions where improvements in the budget process should lead to improved resource allocations, better service delivery and improved reporting and monitoring of state programs and public spending.

Specific objectives of the program are defined as:

- A better budget process based on MTEF (Medium Term Expenditure Framework) from formulating to reporting;
- Progress in accounting and treasury reforms;
- Progress towards an effective internal control and audit framework in line with international best practice;
- Improvements in the public procurement regulatory and institutional environment;
- External audit functions in line with internationally accepted external audit standards (INTOSAL) and best practice;
- Stronger capacity of the newly established Revenue Service.

Program implementation is expected to achieve seven specific results:

- 1) The government's capacity to lead and monitor the implementation of a cross-cutting reform agenda in the public sector is strengthened.
- 2) The state budget preparation and MTEF process are enhanced through the expansion of sectoral planning and costing capacities of line ministries.
- 3) The new state budget classification pursuant to GFS 2001 standard will be introduced starting in 2008.
- 4) The legal basis for the development of a supreme external audit institution in line with international standards is established and audit policy and procedures guidelines in line with INTOSAI are adopted.
- 5) The internal control and audit functions are gradually developed and harmonized with the internationally agreed standards (IIA, INTOSAI, IFAC) and methodologies.
- 6) The public procurement legal and regulatory framework is in line with the OECD-DAC four pillars: a) Legislative framework; b) Institutional and management capacity; c) Procurement operations and market practices; d) Integrity and transparency.
- 7) The internal audit function is operational within the Revenue Service and a risk-based taxpayers audit system is established.

According to the budget and timetable of the program, the EUR 15mn component will be disbursed in three annual payments, with a disbursement of EUR 5mn per annum. The installments will be payable to the state budget of Georgia subject to the fulfillment of policy conditions and indicators specified in the policy matrix attached to the Technical and Administrative Provisions (TAP).

The first installment will be fixed and payable at the signature of the Financial Agreement against pre-conditions, while the balance will be payable in fixed and variable installments in budget year 2008 and 2009. The second and third installments will be divided into two phases: a fixed EUR 3mn and a EUR 2mn variable installment. Specific policy conditions are attached to the second installment.

The technical assistance component will be used for the management of the program, for the external review missions and for ad-hoc policy advice support when requested by the beneficiary.

Implementation monitoring and control

Oversight of the overall program will be entrusted to the Steering Committee chaired by the Minister of finance. Committee members will be high-level representatives of all ministries and institutions involved in the implementation of the program and representatives of the European Commission.

The Steering Committee will meet at least twice a year to review progress and decide on any proposed modification to the program. To facilitate a sound implementation of the program, the Steering Committee will ensure compliance with the policy conditions stipulated in the agreement.

The program will be supervised by the European Commission Delegation in Tbilisi. An expatriate team of experts will be charged with overall monitoring, reporting and support to the Georgian authorities for the implementation of the program. The European Commission will administer the use of the technical assistance funds allocated to the program. If deemed necessary, the European Commission can audit the books and other program-related documents within seven years after the final report is issued.

The European Commission's anti-corruption service European Anti-Fraud Office (OLAF) has the Georgian government's consent to carry out on-the-spot audit control and inspection, in line with EU financial regulations, in order to prevent misappropriation of program funds and other illegal activities.

Program progress: Implemented activities and the release of funds

Under the Financial Agreement, the first installment of EUR 5mn was transferred in January 2008. Before the release of the second installment, the European Commission sent an external review mission to Georgia. After the mission's positive report, the EC transferred the next tranche, EUR 4mn instead of EUR 5mn, to the state budget of Georgia in December 2008. In November 2009, Georgia is going to get the last, EUR 5mn tranche, provided the EC review mission, which is due to arrive in Georgia in August 2009, comes up with a positive mid-term progress report and verifies compliance of Georgia's state institutions with the conditions of the agreement. The progress report on the implementation of the program was published by the Georgian government in July 2009.⁶⁰ According to the government report (2009), the following reforms, which have direct relevance to the fulfillment of the obligations undertaken under the program, have been implemented so far:

The Law on Accounting and Auditing has been drafted in line with the International Financial Reporting Standards (IFRS and IFRS for SMEs) and International Standards on Auditing (ISA).

In March, the tax and customs administrations were merged into a single Revenue Service within the Ministry of Finance and the Taxpayer Audit Department has been centralized to facilitate implementation

⁶⁰ Op. cit. Georgia's Progress Report, July 2009.

of new risk-based standards for audit, including the selection of taxpayers. Progress has been made in developing taxpayers' service culture within the Revenue Service, with the establishment of taxpayers' service centers. (They were set up in 2009 in the regions, where those infrastructural units were missing.)

The new Law on the Audit Chamber was adopted in January 2009 to increase the Chamber's independence, strengthen public oversight over budgetary expenses, bring the existing regulation in line with EU standards, increase transparency of government activities, and establish new institutional mechanisms to enable the opposition to exercise greater control over the work of the Chamber, including the appointment of an opposition MP to a special arbitration board that makes decisions on all disputes.

In addition, according to independent experts, indicators of the program to facilitate PFM reforms in Georgia are consistent with objectives of the Public Sector Financial Management Reform Support Project (PSFMRSR) funded by the World Bank, SIDA, DFID and the Government of Netherlands. In case of successful completion of the World Bank's project, Georgia will get a "bonus". However, there is also another interpretation: the Budget Support project cannot introduce new indicators, because funds are needed to implement the project and achieve project indicators. Just for this reason, there is a parallel project and its budget is spent only on the achievement of the indicators. In addition, the Law on the Budget System of Georgia provides for the principle of flexibility. It means that apart from sectoral support, other assistance (including Budget Support) should aim to cover general rather than specific measures.

The project budget includes EUR 15mn for Budget Support and EUR 1mn for technical assistance. In the framework of the technical assistance, progress towards achieving the indicators is constantly monitored and technical assistance is provided to eliminate weaknesses.

Georgian government has already developed the Public Expenditure and Financial Accountability (PEFA) report aiming to support integrated and harmonized approaches to assessment and reform in the field of public expenditure, procurement and financial accountability. In theory, the document must be available to the public. In reality, it is not easy to get and can be found only on the World Bank website. Besides, according to government officials, one-year and three-year plans were prepared and approved in the framework of the PSFMRSR.

The MTEF processes were implemented in Georgia with a mixed success. Initially, there were four-year programs, which set upper limits for budgetary expenditures. Unfortunately, the limits were often breached in practice. Instead of improving the planning and implementation phases so that the spending limits are not violated, the government abolished the limits altogether, in fact ignoring the most important element of MTEF. That is why the Budget Support tranche for Georgia was reduced from EUR 5mn to EUR 4mn. Besides, sectoral strategies did not conform to the annual budget. The European Commission actually concluded that the 2009-2012 MTEF process was incomplete. The tranche was slashed also because the Georgian government failed to meet two specific conditions:

- 1) The law on changing the Audit Chamber into an audit institution in line with the INTOSAI management policy and procedure guidelines has not been adopted
- 2) A public procurement working group has not been established.

According to Finance Ministry officials, despite these problems, the Ministry gained extensive experience of efficient budget management control in 2009. Five pilot ministries gained experience in drafting program budgets. A working group was set up. It included officials of the pilot ministries and the Finance Ministry. The group helped share knowledge and experience and coordinate program activities. The

presence of experienced audit experts in the group makes the program budget more efficient and purpose-oriented, and helps achieve program indicators with less effort.

A new Budget Code, which is currently under development, will make program budgets mandatory. Thus, budget implementation reports can be prepared beginning in 2010. This will streamline the audit process.

ANNEX 2: SUPPORT FOR CRIMINAL JUSTICE SYSTEM REFORM IN GEORGIA

The Financial Agreement between the EU and Georgia on Support for the Reform of the Criminal Justice System in Georgia was endorsed in November 2008. It was signed by George Baramidze, the state Minister for European and Transatlantic integration. Under this Agreement, the EU undertakes to allocate a maximum of EUR 16mn to support the Reform of the Criminal Justice System in Georgia, including EUR 15mn for Budget Support and EUR 1mn for technical assistance, managed by the European Commission. The EUR 15mn Budget Support component will be disbursed in three installments of up to EUR 5mn, indicatively programmed for January 2009, November 2009, and November 2010.

The overall objective of the Program to Support Criminal Justice Reform in Georgia is to strengthen the rule of law and human rights protection in Georgia. The specific objective of the Program is to support the reform of the criminal justice system in Georgia, in large measure already defined within the strategy, adopted by the Georgian government in 2005 and endorsed by the president the same year. An Action Plan for implementation of the strategy was presented in January 2007 by the National Commission for Coordination of Legal Reforms, led by the prime minister, but subsequently both the Action Plan and the mandate of the commission became outdated. The Program aims, first, to re-establish a coordination mechanism for reform of the sector, but this time to include both civil society and the donor community; to update and broaden the strategy to cover areas previously underrepresented or not specifically addressed, including juvenile justice, probation and alternatives to imprisonment as separate chapter, penal reform with the aim to reduce prison overcrowding and the protection of human rights; to define a step-by-step, time-bound action plan for the implementation of the strategy over the medium term; and to strengthen systems for monitoring both the delivery of criminal justice throughout the country and the progress of reform.

Expected results

The program is focused on achieving seven key results:

- Establishment of a transparent and inclusive body for coordination and management of sector reform, with membership drawn from across the government, independent bodies such as the Public Defender's Office, civil society and the donor community.
- The adoption of an expanded comprehensive medium-term strategy and action plan for reform as presented by the government in January 2007, supported by enhanced monitoring capability and improved collection and analysis of data for assessment of the status and impact of reforms.
- Establishment of a comprehensive juvenile justice system that complies with international standards and UNICEF recommendations, seeks to address juvenile crime through pre-emptive social programs, non-custodial and developmental punishment regimes, and has an emphasis on rehabilitation and social integration.
- A reduction in the number in prison or at least a slowing of the growth of the prison population, in line with Council of Europe recommendations, as a result of a switch to use of non-custodial sentences, community orders, probation, and early release through parole, as well as a switch to policies designed to address the causes of crime: poverty, social exclusion, lack of education and employment opportunities, drug dependency, and so forth.
- Improvements in detention conditions in line with CPT or European Committee for Prevention of Torture recommendations, in terms of treatment, living standards (diet, space, health and fitness, and so on) and programs for rehabilitation and reintegration (skill development, social relationships, and so on).

- Improved access to justice through the broadening of outreach, expansion of responsibilities and strengthening of capacity of the Public Lawyers' Service (Legal Aid) to ensure adequate access to representation for all.
- Stronger protection of human and civil rights by strengthening the capacity of the Public Defender's Office to independently monitor the impact of the operation of the judicial system on individual, group and community rights, as well as the effect of criminal justice and other reforms being introduced, including the immediate implementation of the Optional Protocol to the UN Convention against Torture agreed in June 2007.

Budget and timetable

Under the Financial Agreement, the first installment of the EUR 15mn Budget Support component was disbursed in January 2009. The second and the third tranches, of up to EUR 5mn each, will be released upon full compliance with general and specific conditions defined in the appendix to the agreement⁶ presumably in November 2009 and November 2010.

Budget Support is to be direct and untargeted. Funds will be channeled directly into the single treasury account of the Ministry of Finance through the National Bank of Georgia. Once released, the funds will be used as all other normal budgetary resources of the government, and managed by the government in compliance with the laws and regulations of Georgia.

Oversight

Oversight of the Program will be entrusted to the Steering Committee chaired by the Minister of Justice and its members will include members of key ministries and institutions directly involved in the implementation of the Program and representatives of the European Commission.

The members of the Steering Committee are:

- Minister of Justice (Chairman)
- Minister of Finance
- Public Defender/Ombudsman
- Head of the Penitentiary System
- Head of the Probation Service
- Head of the Free Legal Aid Bureau
- Head of the European Commission Delegation to Georgia
- Chair of the Legal Committee in the Parliament of Georgia.

The Ministry of Justice is in charge of organizing and convening Steering Committee meetings. The Steering Committee must meet at least twice a year. If relevant, it may decide to invite as observers or experts members of other ministries or institutions relevant to the reforms, representatives of civil society, experts from international organizations or other stakeholders.

The Committee will ensure that the government will, at all times, make available to the European Commission⁶ both the EC delegation and any EC Criminal Justice Reform Technical Assistance team⁶ certain documentation related to the implementation of the Program:

- bank statements relevant to the transfers referred to in Technical and Administrative Provisions of the Financial Agreement
- statements of expenditures (Treasury) on sectors relevant to the Program
- reports on budget execution of the general and specific budgets of the involved bodies
- laws, governmental decrees and other legislative acts and administrative provisions, draft and final, related to the implementation of the Program

- government and other donor policy documents and reports, draft and final, relevant to the implementation of the Program

The European Commission Delegation in Tbilisi will supervise the Program for the European Commission. Prior to release of installments, the Delegation will field an external review mission to assess compliance with the conditions for release. There will be annual external review missions for the verification of the compliance with conditions leading to the release of installments. The European Commission will, together with the involved institutions, organize appropriate public relations events and media releases to keep the general public informed of the Program's developments and achievements.

Implementation: Disbursements and specific activities

The Program started in 2009. The first installment of EUR 5mn was released in February 2009 and is subject to the fulfillment of General Conditions related to macroeconomic and public finance management policy performance and Specific Conditions related to the establishment of an appropriate system for management of the sector reform program.

The second and third installments, each up to EUR 5mn, will have both Fixed and Variable Components, the former related to continued effective reform management, the latter to performance in relation to specific areas of sector reform. Funds withheld because of lack of compliance will be lost to the Program, and the European Commission reserves the right to decide whether such non-disbursed funds will be reallocated to non-state or government institutions according to the priorities included in the National Indicative Program (NIP) for Georgia. The Fixed Component of the second installment amounts to EUR 3mn, while the Variable Component is EUR 2mn. The Fixed Component of the third installment is EUR 2mn, and the Variable Component is EUR 3mn.

So the first installment was disbursed only after the European Commission verified that the Georgian government had fulfilled all general and specific conditions for release of the installment, namely:

- 1) The president signed an order to create an Interdepartmental Criminal Justice Sector Management Commission (ICJSMC).
- 2) The International Monetary Fund and the European Commission positively assessed the government's macroeconomic policy and the country's macroeconomic performance.
- 3) The government achieved satisfactory progress in the implementation of the updated PFM strategic vision taking into account the findings of 2007 PEFA assessment.

A Presidential order dated December 2008 defined the mandate, composition and the mode of operation of the ICJSMC.⁶¹ It also provided for measures to set up Technical Secretariat with ICJSMC and outlined consultative mechanisms.

The Financial Agreement includes comprehensive appendices that describe in detail conditions, assessment criteria and verification indicators. For instance, indicators/means of verification for ICJSMC include minutes of ICJSMC meetings, published ICJSMC orders/decisions, and letters from ICJSMC/Technical Secretariat to civil society organizations and donors with invitations to the consultation process.

Today, the ICJSMC is fully operational and quite effective. According to government officials, special conditions for the release of both the Fixed and Variable Components of the next installment have been

⁶¹ Presidential Decree 591 6On approving the Composition and Statutes of the Criminal Justice Reform Inter-Agency Coordinating Council,6 adopted on 13 December 2008.

already fulfilled (the European Commission's external review mission is expected to arrive in Georgia in August-September 2009).

Current information provides reason to conclude that the government has fulfilled six special conditions:

- 1) The ICJSMC convened on 18 May and 2 July 2009 to revise strategies for the sector, drafted by the Working Group, including sections on Juvenile Justice, Penal Reforms, and Probation.
- 2) The Juvenile Justice Strategy provides for the revision of the minimum age of criminal responsibility and sets it at 14 years. Particular attention is paid to the prevention as the primary building block of a juvenile justice system and imprisonment is considered a measure of last resort, for as short time as possible.
- 3) The Penal Reform Strategy underlines the importance of the adoption of the Code of Imprisonment, which will supposedly come into force by June 2010 alongside the new Code of Criminal Procedure. According to the strategy, sector reform will include three main components: improving prison conditions, reducing prison overcrowding, and revising the legal safeguards for prisoners. A draft Criminal Procedure Code is currently under the second committee hearing in the Parliament of Georgia. It further enlarges the scope of application of non-custodial measures both by extending the list of such measures and requiring the courts to formally review the evidentiary standards of proof against defendants before deciding on specific coercive measures.
- 4) The Probation Strategy provides for the development of the structure and administrative capacity of the probation system, revision of the legislative base, improvement of the supervision system and development of rehabilitation programs and community involvement.
- 5) Since February 2009, the Legal Aid Service has operated under the Ministry of Corrections and Legal Aid as a legal entity of public law. Since the beginning of 2009, the staff of the Legal Aid Bureaus has progressively increased throughout the country, including Legal Aid Bureau in Akhaltsikhe and Consultation Centre in Akhalkalaki. By the end of 2008 Legal Aid Service had developed its own website (www.legalaid.ge).
- 6) The Interdepartmental Council against Torture serves as the forum for the preparation and discussion of a draft National Preventive Mechanism (NPM) designated for the Office of the Public Defender of Georgia. The NPM legislative package, namely amendments to the organic Law on Public Defender of Georgia, has been discussed at the extraordinary session of the Parliament of Georgia on 12 June 2009. According to the amendments, the Public Defender of Georgia will carry out NPM functions, envisaged by the OPACT, and a special Preventive Group will be set up at the Public Defender's Office and entrusted with relevant authority, privileges and financial guarantees enabling to carry out its tasks. Under a TACIS project, covering 2008-2009, the capacities of the Public Defender's Office will be strengthened.

The Financial Agreement also provides for mechanisms to verify these indicators. Other details of the assessment of the Criminal Justice Reform Support Program are not known. Experts have not commented on this theme so far.

According to the budget timetable, Georgia can request the second installment in July 2009. Government officials say that the disbursement request has already been submitted and they expect the EC review mission to arrive in Georgia in August. However, the European Commission has proposed to postpone the mission until September-October in order to rule out irregularities and ensure that all general and specific conditions for the release of the installment are fulfilled. The proposal aims to prevent a repeat of the Georgian government's failure to meet certain disbursement criteria of the Public Finance Management Reform Support Program. As a result, the EC withheld a EUR 1mn variable component of one of the installments.

The ICJSMC is now planning next year's activities for the Criminal Justice Reform Support Program.

ANNEX 3: SUPPORT FOR IDP ACTION PLAN

Following the open conflict between Russia and Georgia in August 2008, the European Commission pledged a comprehensive assistance package of EUR 500mn to Georgia at the Brussels Donors' Conference on 22 October 2008. With this package, the EC aims to provide assistance for the resettlement of internally displaced person (IDPs), economic rehabilitation and recovery, macro-financial stabilization and the development of Georgia's infrastructure. One of the immediate responses was to provide initial targeted Budget Support to the Government of Georgia for partial funding of newly constructed houses for IDPs.

Although Georgia's 2008-2010 NIP had not been revised, the EC decided to increase ENPI assistance funds to Georgia by EUR 61.5mn in order to finance post-war relief programs for IDPs.⁶² After the first part of Georgia's IDP Action Plan was endorsed, the EC transferred EUR 10mn to the Municipal Development Fund in December 2008 to improve the living conditions of IDPs by providing durable solutions. In all, 1,263 houses were constructed by Fund before the end of 2008, partly funded by the European Commission. As a result, more than 4,000 IDPs were provided with adequate housing.

The second part of the Action Plan, at a total cost of EUR 51.5mn, was approved at the end of 2008 and signed in June 2009. The program has certain strings attached, which are to be reviewed by the EC audit mission: the government should use the assistance funds to provide decent living conditions for IDPs and ensure their social participation, to develop a policy concept for 'Internally Displaced Persons,' and to create a system of donor coordination related to IDPs with the close involvement of relevant government and donor agencies. The program is based on centrally managed direct targeted Budget Support.

Objectives, expected results and main activities

The overall objectives of the proposed Program are in line with the vision of the Georgian government: 1) creating conditions for dignified and safe return of IDPs to their homes, and 2) supporting decent living conditions for the displaced population and their social participation.

The specific objective of the Program is to assist the government of Georgia, through the Municipal Development Fund, to improve living conditions of IDPs by providing durable solutions allowing IDPs to return voluntarily, in safety and with dignity, to their homes or places of habitual residence, or to resettle voluntarily in another part of the country.

The Program is expected to reinforce the government's capacity to deliver an adequate response for the resettlement of IDPs, including provision of adequate infrastructure.

The Program activities include full implementation of the Municipal Development Fund 2008 state budget allocation for the construction of new houses in the locations listed below and infrastructure rehabilitation/construction (water/waste water and roads) for the victims of the conflict between Russia and Georgia in August 2008.

| | Name | # houses | Type |
|---|--------------------|----------|-------|
| | Kaspi Municipality | 89 | |
| 1 | Teliani village | 54 | Rural |
| 2 | Metekhi village | 35 | Rural |

⁶² NIP initial Concept Paper

| | | | |
|---|---------------------|-------|-------|
| | Gori Municipality | 1,016 | |
| 3 | Berbuki | 134 | Rural |
| 4 | Shavshvebi | 177 | Rural |
| 5 | Khurvaleti | 139 | Rural |
| 6 | Skra | 86 | Rural |
| 7 | Karaleti | 480 | Urban |
| | Qareli Municipality | 158 | |
| 8 | Akhalsopeli | 100 | Rural |
| 9 | Village Mokhisi | 58 | Rural |
| | Total | 1,263 | |

Progress: Implemented activities⁶³

The Georgian government built several villages for the IDPs in the autumn of 2008. On the whole, 1,263 houses were constructed, at the cost of GEL 28,000 each.

As the houses were built in a hurry, their quality was low and numerous problems ensued as a result. A monitoring team of Transparency International Georgia visited 14 new IDP settlements in January 2009 and reported serious flaws in all of them. According to Transparency International Georgia, most of the problems were caused by hasty construction in winter conditions and faulty building materials – they were not dry enough. Experts of the organization forecast that next winter the new houses will be in a better shape, as the materials will be dry enough by that time.

Notably, the Program aims to assist both IDPs from the conflicts of the 1990s by improving their housing and living conditions and the new IDPs. The government has promised to address all problems identified in the Transparency International Georgia report. Negotiations are currently under way between the government and donor organizations to secure more funds for the improvement of IDP housing conditions. Besides, contracts between the Municipal Development Fund and building companies include specific clauses that demand to repair all defects of the construction in a year. After that one-year period, the government is planning to inspect the new houses. Problems caused by the hasty construction will be resolved with government funds, while the repairs of the construction defects will be covered by the responsible building companies.⁶⁴

⁶³ Information based on the results of research carried out by Transparency Georgia, www.transparency.ge.

⁶⁴ Ibid.

ANNEX 4. TWINNING PROGRAMS UNDER REVIEW

Concept notes for eight other programs have been completed and are currently being reviewed by the EC:

- 1) Drafting a Law on Sanitary Zones in Resorts and Resort Areas;
- 2) Establishing a GMO (Genetically Modified Organisms) management system;
- 3) Bringing Georgia's Accreditation System in line with the international standards;
- 4) Strengthening the regulatory and legal capacity of the national energy and water supply regulatory commission;
- 5) Strengthening the rule of law and democracy through increased transparency of legislative procedures in the parliament;
- 6) Developing and implementing a waste and chemical management system;
- 7) Strengthening the law enforcement system;
- 8) Strengthening the capacity of the National Agency of Public Registry.

Project fiches are in the preparatory phase for:

1. Georgian Border Police (FWC);
2. United Transport Administration (FWC);
3. Ministry of Finance (FWC, TA ó Support to the Tax Reform).

Twinning Concept Notes are in the pipeline for:

1. Parliament of Georgia;
2. Tourism and Resorts Department of the Ministry of Economic Development;
3. National Agency of the Standards, Technical Regulation and Metrology (NASTRM) Of The Ministry of Economical Development;
4. Georgian Accreditation Centre of the Ministry of Economical Development;
5. Georgian National Energy and Water Supply Regulation Commission of the Ministry of Energy;
6. Ministry of Health, Labor and Social Affairs (TA - Extension of the Child welfare support Project);
7. State Ministers Office on EU-NATO Integration (TA ó GEPLAC Phase VII).

ANNEX 5: LIST OF INTERVIEWEES AND EXPERTS IN THIS STUDY

| | Name | Organization |
|-----|--------------------|---|
| 1. | Klaucke Martin | Delegation of the European Commission to Georgia |
| 2. | Khulordava Tamar | Delegation of the European Commission to Georgia |
| 3. | Kakulia Roman | Office of the State Minister for Integration into European and Euro-Atlantic Structures |
| 4. | Abashidzes Tamar | Office of the Ombudsman |
| 5. | Lezhava David | National Bank of Georgia |
| 6. | Giorgi Berulava | Institute of Economics |
| 7. | Barbakadze Giorgi | Ministry of Finance |
| 8. | Chelishvili Nino | Ministry of Finance |
| 9. | Giorgi Tabuashvili | EC Sector Policy Support Program |
| 10. | Skhirtladze Liana | Public Sector Financial Management Reform Support Project (PSFMRSR) |
| 11. | Narmania David | CIESR |
| 12. | Lashkhi Irina | Open Society Georgia Foundation |
| 13. | Gurchiani Tamuna | Georgian Young Lawyers Association (GYLA) |
| 14. | Durglishvili Eka | Transparency International Georgia |
| 15. | Todua Lia | CSR DG |
| 16. | Tsulukidze Tamar | Forum for European Integration |
| 17. | Tevzadze Nino | Caucasus Environmental NGO Network (CENN) |
| 18. | Abuashvili Giorgi | Energy Efficiency Center |
| 19. | Saakashvili Nino | Horizonti Foundation |
| 20. | Gogolashvili Kakha | GEPLAC |