



Report on European Commission (EC) assistance to Georgia

December 2009

I - Overview

In 2009, the EU has continued to meet its pledge for post-conflict assistance 2008-2010, announced in 2008 at an indicative level of up to €500 million, subject to actual availability of funds as well as needs. For 2008, its indicative contribution of €181.9 million was honoured in full, with the exception of €1.5 million in macro financial assistance which could not be paid out for reason of an unmet conditionality.

Regarding 2009, the indicative contribution of €172.9 million was translated into a committed amount of €169.8 million.

Detailed information is provided hereunder, as well as in the annex.

II - Post-conflict assistance package

Support to Georgia Internally Displaced Persons (IDPs) Action Plan Part II

In 2009, the EC has been contributing to the rehabilitation and privatization of 86 collective centers (8,209 households) located in 9 regions in Georgia, plus refinancing some infrastructure projects. The related disbursement, (the 2nd one under the 2008 IDP support Programme – Part II) took place in December 2009, through a direct transfer of an amount close to €27 million to the State Treasury of Georgia.

A review mission on quality monitoring concluded that the progress of implementation of IDP Strategy and Action Plan is satisfactory. A total of 285 Collective Centres are rehabilitated or in the process of rehabilitation; 6,049 IDP families signed contracts for transfer of ownership from which half already received the official ownership certificate. An important technical aspect in recent months has been the development and approval by the Georgian government of standards for durable housing (i.e. minimum size, number of toilets, etc.)

2009 additional IDPs support package (Part III)

The Commission adopted, on December 16, 2009, an additional special measure worth €43.5 million, including €2 million for technical assistance. Out of the €41.5 million budget support component, €26.5 million will be tentatively devoted to financing the housing part of the State's strategy IDP Action Plan, €10 million will be devoted to infrastructure projects to be implemented in IDPs-populated regions, and €5 million will be devoted to private-sector development activities to be implemented in IDPs-populated regions.

The programme is expected to start early 2010 and run for a period of up to two years.

ECHO Humanitarian Aid Programme

The implementation of the ECHO -projects (€12 million in total) is ongoing, and most of the assistance will end towards the end of the year. As the real emergency phase is over, no more additional funding will be sought through ECHO.

Instrument for Stability - Support to mitigate the consequences of the armed conflict of August 2008

Approximately one year after the start of this IfS -programme, many activities (mainly housing support and temporary shelter) have been completed. Through UNHCR 4,602 IDPs benefited from the winterization of 39 collective centres in Tbilisi, Kutaisi, Gori, Khashuri, Kareli and Kaspi regions. 1,615 people could spend the winter 2008/09 in 392 one-room buildings built next to their damaged houses in returnee villages within the former "Buffer Zone"; 378 people in protracted displacement benefited from durable repairs in three collective centres in Senaki, Samegrelo region. Furthermore, also in Senaki rehabilitation works started in the collective centre „Hotel Egrisi“ and "Egrisi II". In Abkhazia, construction works for one-family houses started in mid June (a total of 297 families will benefit from the action) and should be finalised before the end of the year. Under the project with UNDP, the VET facility has been repaired and courses started on 22 Oc-



tober. Some small and medium size infrastructure s were rehabilitated, and loan disbursements started in July 2009.

Instrument for Stability - Support confidence building measures and de-conflicting after the armed conflict in Georgia in August 2008

Contracts for projects identified under this component have been signed with the 23 implementing organisations and most of them have started their activities already. The activities are subdivided in 4 components:

- Component 1 - Support to confidence building, people-to-people contacts in Georgia, including in South Ossetia and Abkhazia
- Component 2 - Support to political reform in Georgia
- Component 3 – Support to socio-economic integration of IDPs
- Component 4 – Civil society capacity building and socio-housing support in Abkhazia (including returnees in Gali district)

III – Other components of EC assistance to Georgia

ENPI Annual Action Programme 2007:

The Follow-up rehabilitation programme for the Georgian-Abkhaz conflict zone (€4 million) has been designed in close coordination with UNDP and UNHCR, to ensure maximum conflict-sensitivity. It will address basic infrastructure rehabilitation; income-generation activities; and durable housing solutions. The activities are starting in December this year.

The **support to the reform of Public Finance Management** was completed in December 2009, through a 3rd and final disbursement of an approximate amount of €4.5 million. This programme allowed for progresses made in areas such as Treasury reform, revenue service and internal control. Further progresses are needed, notably, public procurement and external audit, issues which will be addressed under a follow-up programme to be funded from the budget year 2010 (see below).

EC assistance to Georgia – December 2009

ENPI Annual Action Programme 2008 (€28.8 million)

The programme was designed before the conflict of August 2008. Its **first component of €6 million, in support of the peaceful settlement of conflicts**, was initially intended, mainly, to support the Economic Rehabilitation Programme in South Ossetia, to be carried out by the OSCE. Due to access being denied to the region and the closure of the OSCE Mission in Georgia, these funds are being rescheduled to deal with support to IDPs.

Under the revised programme, adopted by the Commission on November 24, 2009, two projects have recently started. Grant contracts worth €1 million each were signed with both WFP and FAO. The project aims to include fencing of kitchen gardens in new settlements. It will also support the restoration/improvement of agricultural livelihoods and food security for those who have been provided with a durable housing solution and/or returned to their places of permanent residence. In December, WFP and FAO will receive an additional half a million Euros each to continue this work. Additionally a contribution agreement worth €3 million will be signed with the World Bank. This project will provide decent sanitation, water, sewage system, drainage system waste water collection, etc to people in the new settlements in Shida Kartli.

The second component is a **programme of €16 million** (of which €15 million of direct budget support and €1 million of technical assistance) **to support the reform of the criminal justice system**. Implementing the governmental priorities in this sector, as stated in the ENP AP as well as related Georgian Government policy documents (Strategy of the Reform of the Criminal Legislation of Georgia), contribute to improve compliance with international human rights standards Georgia has committed to. Human rights protection is at the foundation of the partnership between Georgia and the European Union. Continuation of the reforms will contribute significantly to stability and security in Georgia. More particularly, a second disbursement of €4.5 million took place in December 2009, linked to progresses made in areas such as criminal justice statistics, Juvenile Justice and penal execution system.

Finally, a **facility of Technical assistance and training of €6.8 million** will contribute to Georgia meeting the objectives and commitments of the EU - Georgia



ENP Action Plan, mainly through strengthening of the Georgian institutional capacity and harmonisation of Georgian legislation to EU principles, norms and standards.

ENPI Annual Action Programme 2009 (€27.4 million):

This programme was adopted on October 16, 2009.

Its main component is a **€19 million project** (€7 million of direct budget support and €2 million of technical assistance) **to support the reform of the Vocational & Education Training (VET)**. It will assist the country in the implementation of its national VET strategy (2009-2012) main objective, which is to prepare a competitive work force for domestic and international markets, and foster convergence of the Georgian VET system with EU standards.

The 2009 Annual Action Programme also entails a **facility of technical assistance and twinning of €3.4 million**, to support the implementation of the EU-Georgia European Neighbourhood Policy Action Plan .

Finally, an amount of €3 million will be used for conflict-related assistance currently being identified.

ENPI Annual Action Programme 2010 (€27.4 million):

This programme is currently under preparation and foresees the 3 following components: (1) support to the reform of Public Finance (€1 million – continuation of the similar 2007 programme), (2) support to regional development (€19 million) and (3) support the implementation of the EU-Georgia European Neighbourhood Policy Action Plan, through a technical assistance and twinning facility of €7.2 million.

A complete list of all projects, durations and contributions can be found on:

<http://www.delgeo.ec.europa.eu/en/programmes/rehabilitation1.html>

State-of-Play of EC post-crisis assistance to Georgia – December 2009

1 Official Pledge: up to €500m (€483.5 m: Pledge form EC/WB of October 22, 2008)

1. On 22 October, 2008, in the international donor conference, EC pledged, for the period 2008 -2010, **an amount of up to €500m**, subject to actual availability of funds, to review based on the pace of recovery and evolution of the Georgian economy (see official memo published by Spokesperson on 22 October 2008)
2. This amount of **€483.5 m** was broken down as follows:

Source pledge	2008 (€m)	2009 (€m)	2010 (€m)
ENPI	105.4	84.9	44.7
Of which additional funding (reinforcement)	62.1	50	0
Other non-crisis instruments (DCI, EIDHR, INSC)	6.6	5.0	6.0
Crisis instruments	70.5	83.0	78.0
Of which:			
Humanitarian aid	9.0	2.0	2.0
Macro financial assistance	11.5	46.0	46.0
Stability Instrument	15.0	15.0	pm (15.0)
CFSP	35.0	20.0	15.0
Total	181.9	172.9	128.7

2 Follow-up 2008 figures (Commitment Appropriations – EUR million)

Source	Pledged	Committed	Brief description	State-of-play of implementation
ENPI of which:	105.4	104.8		
1) ENPI additional funding IDP I	10.0	10.0	<p>IDPs Part I and II: Assist the Government of Georgia, via the Municipal Development Fund (MDF) and/or other governmental bodies, to improve living conditions of all 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.</p>	<p>IDP I: €9.8m contracted and disbursed to State Treasury of Georgia 31/12/2008 to reimburse agreed and audited expenditures (remaining 0.2m for related TA – audit, monitoring, evaluation and visibility).</p>
2) ENPI additional funding IDP II	52.1	51.5	<p>Implementation method is: targeted budget support against agreed eligible expenditures. Both EC decisions stipulate that an independent audit has to assess eligibility of expenditures before reimbursement of incurred IDP related expenditures takes place.</p>	<p>IDP II (€1.5m out of which €0.7m in TA): The Technical and Administrative Provisions of the IDP II – Financing Agreement signed between AIDCO and GoG in June 2009.</p> <p>A 1st tranche of 12M€ of eligible expenditures has been audited and reimbursed</p> <p>A 2nd tranche of an amount close to €28 m was disbursed in December 2009</p>
3) ENPI AAP 2007 Georgia re-allocated	4.0	4.0	Conflict-related assistance.	<p>This was a part of the Economic Rehabilitation programme for Abkhazia, Georgia from AAP 2007. The project fiche was initially approved by the Georgian government but then frozen after the conflict. After GoG approval in summer 09, the Programme will consist of three main components:</p> <ul style="list-style-type: none"> • Reconstruction of basic infrastructure (such as healthcare facilities, schools and drinking water supply);

Source	Pledged	Committed	Brief description	State-of-play of implementation
				<ul style="list-style-type: none"> Income-generation and community-based projects Shelter assistance, e.g. durable housing solutions for IDPs, returnees and local population. <p>Contracting with UNHCR and UNDP is currently ongoing.</p>
4) ENPI AAP 2008 Georgia	28.8	28.8	<p>NIP – regular programme 2008</p> <p>a) Support to the reform of Criminal Justice (€16m).</p> <p>b) Support to the implementation of the ENP Action Plan: technical assistance twinning (€6.8m).</p> <p>c) Support to the peaceful settlement of Georgian internal conflicts (6.0m).</p>	<p>a) 1st disbursement of € 5m, for the reform of Criminal Justice, performed early 2009. Disbursement of the second tranche of €4.5m took place in December 2009.</p> <p>b) Twinning programmes and TA needs partially identified. Disbursements to start once Twinning projects agreed upon between EC and GoG. Estimated disbursements in 2009 ca. 2 M €</p> <p>c) In the aftermath of the war it was not possible to implement the programme. Revised programme adopted by EC on November 20, 2009. Rider to the Financing Agreement expected to be countersigned by the Georgian Government at the beginning of 2010. Focus will be on IDP support activities via World Bank, WFP and FAO implementation.</p>
5) ENPI 2008 regional	2.5	2.5	<p>ENPI regional regular programme 2008 : Tempus – Erasmus Mundus external cooperation window.</p>	<p>The 2008 ENPI East Annual Action Programme is composed of four thematic areas :</p> <ol style="list-style-type: none"> Energy Saving Initiative in the Building Sector in the Eastern European and Central Asian countries (ESIB). Pre-investment project for the implementation of the Trans-Caspian - Black Sea Gas Corridor.

Source	Pledged	Committed	Brief description	State-of-play of implementation
				<p>3. Waste Governance and Management of Environmental Data</p> <p>4. European Union Border Assistance Mission to Republic of Moldova and Ukraine - EUBAM 6</p> <p>In addition, every country in the ENP -East area receives an allocation for TA/ evaluation/monitoring and/or reporting purposes that is called: " Global Allocation".</p>
6) ENPI 2008 NIF	8.0	8.0	ENPI – NIF regular programme 2008 : Black Sea Energy transmission system	<p>The project allows the link between the power supply systems of the Southern Caucasus countries with Turkey and Europe. It will stabilise the domestic power supply systems, reduce transmission losses and make the region independent from single supply sources.</p> <p>Lead IFI: KfW (and implementing partner)</p> <p>Other FI: EBRD & EIB</p> <p>Total cost: ca. €220 M</p> <p>In 2009, KfW has received 2.6M €</p> <p>In 2010 the Government of Georgia will receive from a KfW a transfer of ca. 3M€</p>
Other non-crisis instruments of which:	6.0	5.5		
DCI – NSA thematic programme	1.0	0.65	Several grant contracts with local Non State Actors and Local Authorities	Ongoing
EIDHR – Micro-projects	1.0	0.9	Country-based support scheme	Ongoing

Source	Pledged	Committed	Brief description	State-of-play of implementation
Nuclear Safety	2.0	2.0	Support to the Nuclear Waste Management regulatory Authority	Safety Assessment Report (SAR) has been included in the 2008 INSC Action Programme. It will lead to the development of an overall rad-waste management strategy, taking account of orphan sources and the provision of training to the operators. Activities under the 2009 INSC Action Programme are under preparation; a draft Action Fiche was sent for GoG consideration. A revision of the SARs (identifying the needs for additional equipment and/or training) could be managed within this frame.
Stability Instrument	2.0	2.0	Support for Public involvement in Parliamentary and Regional elections	Mainly disbursed in 2008
Crisis instruments of which::	70.5	58.0		
Humanitarian aid	9.0	8.0		Three successive programmes adopted in 2008 by the Commission, for a total of €8.0m of humanitarian assistance not €9.0m as initially announced. Most of it disbursed in 2008
Instrument for Stability – IDPs	15.0	15.0	IDPs: mix of activities, such as winterisation of collective centers, and early recovery measures for IDPs.	1 contract signed in 2008 with UNHCR (€9.7m) for winterisation of collective centers for old and new IDP and shelter assistance for old IDP in Gali region; 1 contract signed with UNDP (€4.4m) for Microfinance, business advisory activities, small infrastructure rehabilitation and VET for IDPs;

Source	Pledged	Committed	Brief description	State-of-play of implementation
				1 contract signed with Danish Refugee Council – DRC (€0.6m) for supporting IDP participation in the policy process. Amount of € 0.3m for audit, monitoring, evaluation and visibility. Disbursed in 2009 ca. 10M €
European Union Monitoring Mission (EUMM) in Georgia	35.0	35.0		Mission started 1 October 2008. The duration of the mission is twelve months. A first review will take place after six months. The Headquarters are in Tbilisi, with regional field offices in Tbilisi, Gori, Poti and Zugdidi. Mission strength: The European presence comprises approximately 340 staff, including personnel of Headquarters and field offices and over 200 monitors. States participating: 22 European Union Member States contribute personnel to the mission.
Macro financial assistance	11.5	0	Support to the balance of payment financing needs as identified by the IMF	This €1.5m budget was the amount of the 3 rd and last tranche of a 2006 Macro-Financial Assistance programme. The disbursement could not take place before the deadline of 31 December 2008 (expiry of the Decision), for non-compliance with conditions relating to the legislation of the Chamber of Control. The funds are lost.
	Pledged	Committed		
Total 2008	181.9	168.3		Pledge Vs. committed in 2008 = - 13.6 million (-2.1M€ when excluding MFA)

3 Follow-up 2009 figures (Commitment Appropriations – EUR million)

Source	Pledged	Committed	Brief description	State-of-play of implementation
ENPI of which:	84.9	81.9		
1) ENPI AAP 2009 Georgia	30.4	27.4	The Annual Action Programme 2009 has 2 components: SBS: Support to the Vocational Education and Training sector of Georgia (19m) Twinning & Technical Assistance Facility to the EU- Georgia ENP AP implementation (8.4m)	Financial Decision adopted on 16/10/2009. FAs signed in December 2009 The disbursement of the first tranche of the VET Budget Support (6M€) is expected for early 2010 provided that general and specific conditions are met The last 3M€ earmarked for ENPI AAP09 have been added to the 2009 Special Measure (see point 4 "ENPI Additional" below) for IDP support
2) ENPI 2009 regional	2.5	2.5	Tempus – Erasmus Mundus external cooperation window	Financing Decision has been adopted on 3 rd June 2009
3) ENPI 2009 NIF	2.0	8.5	Tbilisi Railway Bypass – Environmental and Land Components	The project entails the construction of a new 27 km long railway track line. The construction of the new railway bypass is expected to take up to 3 years with estimated costs of around €250m excluding VAT. The NIF is going to finance the following components (€8.5m): 1. environmental mitigation measures – NIF grant (EUR 6 million, of which EUR 1.5 million is estimated for sanitary protection zone of the Tbilisi Sea and EUR 4.5 million is estimated for noise mitigation measures), 2. environmental ‘clean up’ – NIF technical assistance (EUR 1 million), and 3. land development assistance – NIF technical assistance (EUR 1.5 million).

Source	Pledged	Committed	Brief description	State-of-play of implementation
				In addition, a follow up grant request to the NIF Board will be submitted in the future to finance the 'clean-up' activities, the scope and cost of which will be identified upon the completion of investigations financed by the above NIF technical assistance.
4) ENPI additional	50.0	43.5	The initial pledge had foreseen up to €50 m additional money for the ENPI budget in 2009. 43.5M € could be made available	Financing Decision (special measure) on IDP support taken in December 2009. Financing Agreement is going to be signed in the first half of 2010. No disbursement was foreseen in 2009.
Other non-crisis instruments of which:	5.0	3.9		
DCI – Food security thematic programme	3.0	2.0	FSP09: Support to the child-care system	FA was signed in December 2009. Disbursement of the BS Component (1.9M €) took place in December 2009
EIDHR – Micro-projects	2.0	1.2	Country-based support scheme	Ongoing
DCI – NSA/LA thematic programme	0.0	0.65		Ongoing
Crisis instruments of which::	83.0	84.0		
Humanitarian aid	2.0	4.0	Echo humanitarian aid increased by 2M€ this year but no new activity will be financed in 2010	ECHO Humanitarian aid Programmes are ongoing (2M€ in food aid and 2M€ in ad hoc measures)
Instrument for Stability – IDPs	15.0	14.0	Further measures to support the IDP reintegration and to address urgent needs directly or indirectly linked to the August 2008 war.	Priorities identified, Financing Decision taken in July 09 and most activities have started in September 2009.

Source	Pledged	Committed	Brief description	State-of-play of implementation
				<p>Main priorities of this post-conflict programme are:</p> <ul style="list-style-type: none"> • Support to confidence building, people -to-people contacts in Georgia, including in South Ossetia and Abkhazia (€2.4m); • Support to democratisation in Georgia (€1.15M); • Support to socio-economic integration of IDPs (€5.5M); • Civil society capacity building and socio -housing support in Abkhazia (incl. returnees in Gali district) (€2.45M)
European Union Monitoring Mission (EUMM) in Georgia	20.0	20.0		
Macro financial assistance	46.0	46.0	Support to the balance of payment financing needs as identified by the IMF	Delays are noted. Ad-hoc Council decision to be adopted by year -end after EP's consultation. First tranche payment could still take place in 2009 (amount probably 15M Euro to be complemented by 8M Euros early 2010 still as part of 1 st tranche)
	Pledged	Committed		
Total 2009	172.9	169.8		Pledge Vs. committed in 2009 = - 3.1 million