

**Initial Concept Note**  
**Potential priority areas for ENPI**  
**National Indicative Programme (NIP) 2011-2013**

**Georgia**

**I. Introduction**

In parallel to the mid-term review of the Country Strategy Paper for Georgia, the EC is now beginning preparations for a new National Indicative Programme (NIP) to cover 2011-2013. This process will be carried out for all ENPI countries during 2009.

Some of the priorities identified in the 2007-13 Country Strategy paper for Georgia were aimed at supporting the implementation of the EU-Georgia ENP Action Plan. The Action Plan, adopted in November 2006, should in principle be implemented by end 2011, but this period may need to be further extended. Hence, the priorities for the NIP 2010-2013 outlined in this concept paper are also to a great extent aimed at supporting the full implementation of the Action Plan.

The year 2008 in Georgia has been marked by the outbreak of armed hostilities with Russia over control of South Ossetia. The EU responded to this crisis by extending political and financial support to Georgia. At a donors' conference organized by the European Commission and the World Bank in October 2008, the EU pledged a maximum of 500 million for the period 2008-10, out of a total pledge by international donors of €3.7 billion. These EC funds draw on several EC financial instruments including the ENPI.

Although the NIP 2008-10 was not modified, the Commission decided to increase the ENPI allocation of Georgia of €1.5 million, committed through special measures. These additional funds have been mainly allocated for the resettlement of persons displaced as a result of the war events of 2008. Moreover, Georgia will benefit from substantial macro-financial assistance both from the EU and from other international donors. These additional funds are not considered for the drafting of the new NIP 2011-13 as they have been granted to compensate for the exceptional events which have had a serious negative impact on the Georgian economy, including a drop of foreign and domestic investments and decreasing state revenues. This negative influence combines with the repercussions of the global economic downturn, which has also partially affected Georgia. The assumption in drafting the new NIP is that through these EC and international additional contribution, Georgia will be able to return to level of economic growth comparable to those experience prior of the war events.

The National Indicative Programme for Georgia 2007-2010 sets out the key priority areas for EC assistance to Georgia. These priority areas are (see Annex for more details):

1. Support for democratic development, rule of law and good governance
2. Support for economic development and ENP AP implementation
3. Poverty reduction and social reforms
4. Support for peaceful settlement of Georgia's internal conflicts

The objectives of this exercise are to make:

- a. An overview of state of play of the priorities outlined in NIP 2007-2010 in order to assess areas for which follow-up assistance may be required and areas for which assistance is no longer a priority.

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- b. An identification of new priorities or other key areas which have not been adequately covered by EC or other donors' assistance.
- c. An identification of areas which are priority issues but can not effectively be addressed with the available aid modalities under ENPI assistance (see point below on donor coordination and aid effectiveness).

In total, the aim is to identify three to four overall priority areas with couple sub-priorities per priority. This paper should be used as a basis for discussions with the government of Georgia, and with all other stakeholders, including Civil Society, International Financial Institutions (IFIs), EU Member States, and other donors, with a view to identifying the key priorities and sub-priorities for EC assistance under the European Neighbourhood and Partnership Instrument (ENPI) NIP 2011-2013.

As such, the conclusions drawn in this paper for each sector do not represent the final view of the EC, but an initial desk-assessment for discussion with stakeholders. The EC would welcome input from all stakeholders on what specific needs and opportunities there are in key areas, which areas are the highest priority, which areas may need better coordination, and input on the lessons that stakeholders have learned in key areas.

## **II. Process**

The first programming mission took place in February 2009. Input from discussions with the government, civil society, other stakeholders and donors are reflected in this concept note. A second programming mission planned on 21-24 April 2009 will allow further discussions and finding a consensus on the priorities identified, with the aim of producing a first draft of the NIP 2011-2013.

## **Lessons Learned**

Due to the comparatively long lead-in times for the implementation of EC programmes, no projects under the current NIP have been completed at this time, it is difficult to draw concrete lessons from current ENPI programmes. In addition, the August 2008 conflict and the donors' conference for supporting Georgia's post-conflict recovery and development which took place in October 2008 changed the reality on the ground. As the donors' conference was aiming at collecting pledges for the period of 2008 -2010 and donors have started delivering their assistance only at the end of 2008, it is also very early to draw conclusions on the recovery aid or future priorities that may be arising in this field.

In the first programming mission, the EC discussed the experience of the ongoing assistance and the post donors' conference situation with all the stakeholders. This contributed to the process of drawing up lessons learned on the delivery and efficiency of past assistance, as well as on donors' coordination and compatibility of actions.

To specifically mention some lessons learnt from EC assistance to Georgia, one main challenge that should be mentioned is that there was a lack of common understanding between 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. It has been a challenge for the EC-Georgia cooperation that some basics of the approach were not always shared. There is, for example, a clear need to base assistance on sector policies, which have been elaborated in consultative and transparent processes. This is key to ensure sustainability of government programmes and accordingly the assistance especially in a politically rather instable environment.

Deriving from these lessons learnt, in this concept note, the Commission aims to focus on areas where it probably has comparative advantages, in terms of instruments for assistance and experience.

In addition, as this exercise is carried out in the framework of the mid-term review of the CSP, key horizontal issues that would have policy effects should be explored. This includes climate change, migration, aid for trade, rising food prices, drugs trafficking and the current global financial and economic crisis, which represent global policy priorities for the EU. Whenever possible these issues should be mainstreamed into broader priorities rather than leading to the definition of specific priorities and sub-priorities.

### **Donor Coordination and aid effectiveness**

Coordination with other donors is an important principle for the EC. This process can only be successful if it is professionally led by government, but in Georgia this has been an issue of debate. So far, the donor coordination efforts are not satisfactory, which causes inefficient use of precious resources which are meant for Georgia's development. EC and EU Member States continue to work on solutions in order to improve EU internal cooperation. At the same time, this issue also needs to be addressed by the government and in dialogue with the other donors in country.

In principle, where other donors are already active, and have successful assistance programmes, the EC should not prioritise such areas *unless* current donor activity is in the form of small or pilot projects, and the needs and specifics of the area are such that a Sector Budget Support (SBS) or twinning programme would also be appropriate.

This is to ensure a suitable division of labour between donors, and that each donor operates according to its own *comparative advantage*. The EC identifies its own comparative advantages as being in: capacity- and institution building, policy development, sector reform, legislative reform and approximation, through instruments such as Twinning, and through larger programmes to support wider sector reform.

### **Civil Society Cooperation**

The EC has dedicated instruments for funding civil society projects, in the form of the European Instrument for Democracy and Human Rights, and the Thematic Programme for Non-state Actors and Local Authorities. These instruments remain the primary funding mechanisms for civil society organisations (CSOs) seeking project funding.

However, CSOs have several important roles to play in the process of developing the new NIP. Firstly, their advice, information and expertise in key areas is extremely useful in understanding and defining priorities. Secondly, CSOs have a key role in monitoring the progress made both by the government of Georgia and donors such as the EC. The process of developing the new NIP should go beyond obtaining input from CSOs and promoting dialogue between the EC and CSOs, but also, more importantly between Civil Society and the government of Georgia. Thirdly, priority actions that would involve active participation by CSOs and meanwhile could help their capacity building would bring an added value to the programming.

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 may change as often as in Georgia, knowledge built-up in civil society organisation ensures that complex reforms and concepts can take roots despite the high turn-over of key stakeholders. This is why

the cooperation with civil society and a high level of transparency should be embedded as principle into the cooperation in order to prevent that this issue would be put under question by individual stakeholders.

The establishment of a tri-partite dialogue between EC Delegation, CSOs and Georgian government could be a good option forward.

### **III. Results From First Exchange of Views from the First Programming Mission in February 2009**

It is important to note that most of the interlocutors met during this mission had not reflected on possible priorities as of 2011. The government is concentrating its efforts on trying to keep the political and economic stability of the country since the August 2008 armed conflict and in view of the current global economic and financial crisis. Hence, their identified priorities concentrate on actions of immediate impact, for 2009-2010. Similarly, most donors on the ground are making efforts in meeting the current needs and delivering the pledges of the October 2008 donors' conference which covers the period of up to 2011. This also means that there is not yet a thorough reflection of priorities beyond this date. Nevertheless, when the EC approach and line of thinking was explained, they provided good input to the stock-taking of past and current assistance and to the longer-term thinking.

The main conclusions can be summarised as:

1. Due to the comparatively long lead-in times for the implementation of EC programmes, no projects under the current NIP have been completed at this time. For this reason, it is difficult to draw concrete lessons from current ENPI programmes.
2. The priorities identified under the NIP 2007-2010 are still valid, and should be continued to be supported as priorities until 2013. This would not only allow continuity on implementing general priorities but also consolidation of reforms supported by the EC through ENPI. Additionally, these priorities correspond to areas where the EC has the appropriate tools and comparative advantages (right aid delivery mechanisms, know-how and established norms).
3. The participation of the Civil Society Organisations (CSOs) is important, not only in programming stage, but also in identification of actions and monitoring of progress. CSOs are keen to taking a more active role, which should be mainstreamed into EC assistance. The establishment of a tri-partite dialogue between EC Delegation, CSOs and Georgian government could be a good means forward.
4. Concerns on the integration of minorities, Internally Displaced People and on environment matters should be covered in a comprehensive manner in the programming of new assistance. For example, continued social reforms and poverty reduction assistance should inherently address the needs of all vulnerable groups (including minorities, IDPs...etc.) and economic development assistance should be focused on sustainable development, taking into account environment concerns. Hence, these areas would not necessarily need to be established as separate priority areas.

Starting from this basis, please find below a detailed analysis of current and possible future priority areas, which includes a stock-taking on the impact of current assistance programmes and on the degree to which the current priorities have been addressed.

**A. Assessment of state of play of priorities identified in the NIP 2007-10.**

**Priority 1 - Support for democratic development, rule of law and governance**

Sub-priority 1.1: Democracy, human rights, civil society development

Sub-priority 1.2: Rule of law and judicial reform

Sub-priority 1.3: Good governance, public finance reform and administrative capacity building

***EC Assistance***

Under TACIS NIP 2004-2006, EC has already provided substantial financial assistance in support of legal and administrative reforms, mainly in the fields of rule of law, reform of the justice sector in 2006 (€8.5m), reform of the penitentiary and probation in 2004/2005 (€4m) and support to the reform of the Parliament of Georgia (€2.3m).

Under the new ENPI, AAP 2008 followed up on the reform of the justice sector (€16m of budgetary support). Moreover, EC has been providing assistance for improving standards for management and control of public finances under ENPI, AAP 2007 to the order of €16 million.

ENPI assistance in 2007 and 2008 have also supported the strengthening democratic institutions (technical assistance and capacity building) through the Twinning component, aimed at institution capacity building towards more effective ENP AP implementation (€0.8m total for 2 years).

In addition to the above-mentioned ENPI assistance, Georgia also benefits from European Instrument for Democracy and Human Rights (EIDHR) and the thematic programme for non-state actors and local authorities (NSA LA €2.6 million). These instruments aim to contribute to the development and consolidation of democracy and the rule of law, and respect for all human rights and fundamental freedoms, also helping civil society become an effective force for political reform and defence of human rights.

Georgia also received assistance towards elections in 2008 through the Instrument for Stability (€2m).

***Other Active Donors***

(2007- early 2008 data)

LT – in reform of judiciary,

LV, SWE, USA, UK, PL – reform of judiciary, civil service reform, strengthening democratic institutions

USA, PL, Dutch Government – fight against corruption

SWEDEN, UK, World Bank, Dutch Government – public finance management

***Initial Analysis and Conclusions from First Programming Mission***

Most donors to Georgia are active in supporting this priority. Due to the broad scope of democratic, rule of law and governance reforms in Georgia as well as to the need for the wide range of specific and relatively small scale projects required, there are opportunities for several donors to work together, though effective donor coordination is essential. There was

high participation for the first national call for proposals from the Non-State Actors and Local Authorities programme.

For the EC, this is clearly a key area which has been at the heart of the EU-Georgia ENP Action Plan and where progress has been achieved so far, but much still remains to be done. In his speech to the Parliament in September 2008 President Saakashvili made a public commitment to give new momentum to democratic reforms. Such commitment was also included in the Joint Statement signed between the Commission and Georgia on 29 January. The EC should remain fully engaged in monitoring and supporting developments in this area, including on media freedom and pluralism. It is also crucial to support the development of local democracy in several regions of Georgia to achieve lasting results in democratisation of the country.

EC assistance in this area should continue in order to ensure sustainability and consolidation of reforms. Specifically, the EC should continue to support the progress in rule of law through continuing its assistance to the criminal justice reform. Strengthening of institutions and capacity building will be one of the priorities under the Eastern Partnership, and should be kept as a focal area under this priority.

Also, since one of the main aid modalities of ENPI is budget support, effective management of public finances is a key area, where EC has an interest in continuing its assistance to the Georgian government. Reforms of the PFM system had slowed down during 2008. However, in 2009 a new strategic vision (2009 - 2013) was submitted to the donor for discussion and the Government of Georgia has renewed its commitment to move forward reforms needed to bring the system up to speed with the international best practices; hence, the PFM strategic vision of the Ministry of Finance should be continuously supported.

Finally, more efforts should be done to ensure Civil Society is integrated into progress in the field, not only through the EIDHR and NSA programmes but possibly also through support under ENPI assistance.

## **Priority 2: Support for economic development and ENP AP implementation**

Sub-priority 2.1: Promoting external trade and improving the investment climate

Sub-priority 2.2: Supporting PCA/ENP AP implementation and regulatory reforms

Sub-Priority 2.3: Education, including vocational education, science and people-to-people contacts/exchanges

### ***EC Assistance***

Under TACIS NIP 2004-2006, EC has also provided technical assistance for supporting legislative and regulatory approximation and institutional capacity building, namely in the tax and customs administration ((€12 million).

ENPI assistance in 2007 and 2008 has followed up assistance in these fields through the Twinning component, aimed at supporting institution building towards ENP AP implementation (€10.8m total for 2 years).

Under this NIP priority, the EC is also providing assistance for vocational education and training under ENPI AAP 2009 to the order of €18 million.

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On Education, there is ongoing cooperation under the TEMPUS programme in higher education, (of at least €1 million per year) and the TACIS project “Establishment of a Centre for European Studies at Tbilisi State University” (€1.1 m).

### ***Other Active Donors***

(2007- early 2008 data)

USA – Enterprise policy, reform of financial services

### ***Initial Analysis and Conclusions from First Programming Mission***

Trade issues and related regulatory reforms have not been a focal sector for donors support so far. A recent assessment by Commission services (on the basis of the fact-finding mission to the country in October 2008) has shown that more reform efforts by Georgian government, assisted by the EC, are essential in this area if Georgia intends to enhance its trade and investment relations with the EU, including a possibility of negotiating and implementing a deep and comprehensive Free Trade Agreement. The areas where further reform efforts would be necessary include several trade-related sectors - in particular technical regulation and standards, competition policy, customs, taxation, protection of intellectual propriety rights and, sanitary and phytosanitary standards - requiring a large number of targeted interventions. Resources and aid modalities must be carefully targeted and coordinated for maximum sustainable impact. As an objective to enhance trade relations is also a part of the new Eastern Partnership, this area is a key priority for the EC. Also, EC would have the comparative advantage as a donor in this area because of its long experience with economic integration of third countries.

The first programming mission showed that as the EC the sector budget support for vocational education and training under preparation should normally be sufficient for implementing the reform of this important sector. However, vocational education and training support has further repercussions, mainly in skills development for employment, lifelong learning /training and labour mobility. These issues will remain priority under the new mobility partnership agreement that is now being negotiated between the EU and Georgia, as well as under the mobility priority of the Eastern Partnership. Hence, skills development (including higher education) and mobility should be established as the follow-up priorities to this programme (see Section B).

### **Priority 3: Support for poverty reduction and social reforms**

Sub-priority 3.1: Strengthening social reforms in health and social protection

Sub-priority 3.2: Rural and regional development

### ***EC Assistance***

Under TACIS NIP 2004-2006, EC has also provided technical assistance for the health sector, social assistance and child welfare reform (€7 million).

The EC had also provided assistance for regional development under TACIS and is now planning a sector budget support programme in this area in 2010. The development of the regional development strategy for this sector programme has been supported by a project under the ENPI 2007.

In the past, Georgia has also received EC Macro Financial Assistance (MFA). Following the risk of economic instability after war in August 2008, the continuation of MFA was

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announced by the Commission, linked to the stand-by agreement signed between Georgia and the IMF.

Georgia has also benefitted from the EC Food Security Programme, whose conditionality in the case of Georgia have very much contributed to raising standards of childcare in the country and contributed to the deinstitutionalisation of children. €3 million were disbursed in 2008 under FSTP07, while a new FS Programme of €2 million is going to be financed under FSTP09.

### ***Other Active Donors***

(2007- early 2008 data)

USA, UK, IRE, POL, LT, SWE, IT

### ***Initial Analysis and Conclusions from First Programming Mission***

EC sector budget support programme for regional development under ENPI will start in 2010. All stakeholders agreed that rural and regional development is a key area of concern for Georgia over a long-term, taking also into account the presence of important Azeri and Armenian ethnic groups in Georgia's peripheral areas. In 2008, the Government has made of the regional development/ rural development a political priority to strengthen the Georgian Economy. Hence, this is an important area for continued and possibly increased assistance for NIP 2011-2013. Sustainable regional development programmes and support for the development of the agricultural sector would have a very positive impact on poverty reduction, given that large parts of the poorest social groups live in Georgia's rural areas.

Reforms in health sector and social protection have so far not been supported with ENPI assistance. The ongoing TACIS projects covering this sector are coming to an end in 2010. In spite of the successful implementation of past TACIS assistance in health sector, the Georgian government intends to reform this sector through a massive privatisation of the health care sector without having a clear strategy and policy framework in place. A continuation of ENPI support in this sector may not be suitable.

Social protection is an area that needs more attention under future EC assistance, in line with the poverty reduction efforts. Hence, it should be retained as a priority. The discussions with stakeholders in the first programming mission mainly concentrated on child protection, on which EC provides assistance through Food Security Programme. Child protection area is an integral part of social protection and should be handled as a part of the more general and bigger priority of social protection.

### **Priority 4: Promote peaceful resolution of internal conflicts**

#### ***EC Assistance***

The EC has been the biggest contributor to the peaceful resolution of internal conflicts, through the Confidence Building Measures – mainly the economic rehabilitation projects in Abkhazia and South Ossetia, Georgia, as well as projects that support the needs of Internally Displaced Persons (IDPs). In 2007 and 2008 a total of €10m was committed to this priority under the ENPI. These new ENPI programmes also aim to Link Relief to Rehabilitation and Development (in line with the Commission's LRRD policy). They aim at improving living conditions of the population affected by conflict while at the same time creating conditions for the safe and dignified return of internally displaced persons. Their overall objective is to

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support the process of conflict resolution and confidence building and facilitating progress in a constructive dialogue across the conflict divide.

Following the armed conflict in August 2008 the €6m under the 2008 budget were earmarked for the needs of IDPs. ECHO has provided for €8m for emergency aid for new IDPs in late 2008, while it continued its humanitarian assistance in western Georgia, including Abkhazia, with €4m in 2007-2008. Under the Instrument for Stability €15 were provided for support to IDPs under the UN Flash Appeal.

The EC has also financed a second-track diplomacy project for Abkhazia under €2 million IfS project

### ***Other Active Donors***

(2007- early 2008 data)

USA, SWE, FIN

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The events of August 2008 have further complicated the peaceful settlement of territorial conflicts in Georgia. The two breakaway regions have been recognised by Russia, which maintains a strong military presence there. At the time of writing it is not certain that the UNOMIG and OSCE missions' mandates will be renewed. The Geneva discussions remain for the time being the only forum involving all sides where security, humanitarian and IDPs issues are discussed. Given the present polarized situation, it is impossible to predict how developments will evolve during the life of the next NIP. While not recognising the self-declared independence of the two entities, the EU intends to remain engaged in informal contacts with the de facto leaderships and with the civil society. The EU encourages Georgia to follow a similar pragmatic approach, given that whatever the final outcome of the final status of these two territories, the concerned populations will have to live side by side and possibly renew their traditional links. As regards the IDPs, the EU has been supporting the re-settlement of the about 30.000 newly displaced persons, while urging the Georgian government to use this momentum for advancing the reintegration of the about 250.000 old IDPs. The EC has the possibility to draw on the Instrument for Stability for providing conflict-related assistance in support of measures that could be agreed in the framework of the Geneva discussions or other possible future mechanisms. However, support for confidence building measures involving all sides and assistance to develop joint programmes should be included in the new NIP. Moreover, the NIP 2011-13 should provide continued support to the Georgian government for the implementation of the IDPs strategy.

## **B. Areas which have not been adequately covered by EC or other donors' assistance but which represent key priority areas in need of financial assistance.**

The first programming mission showed that in addition to the areas outlined above, where an overview and assessment of the assistance on current priorities has been made, areas that represent key priorities in need of assistance are:

- a. *Agriculture development*: as mentioned under the priority 3 above, most part of Georgia's poor population live on agriculture in rural areas. Hence, assistance in regional and rural development, in line with poverty reduction aims, should take into account the needs in agriculture area. Agriculture development can be an integrated part of the regional and rural development sub-priority under poverty reduction.

- b. *Sustainable development*: many stakeholders consulted in preparation of this concept note also underlined that in supporting economic development, it is crucial to consider a number of cross-cutting issues, especially in the environment area, in order to ensure sustainable development. Hence, supporting a sustainable development strategy could be considered a new priority area, complementary to the economic and social development efforts.
- c. *Skills Development and Mobility*: Following the EC assistance on vocational education and training and in line with the aims of an eventual Mobility Partnership to be established with Georgia, skills development –including in higher education - and mobility areas would need more attention. Supporting skills development and mobility would not only complete the assistance now being delivered on vocational education and training and the agreement to be reached on mobility partnership, but also strengthen the link between this assistance and the needs of the labour market – through an analysis of skills needed and mobility concerns.

In general, these areas have been addressed neither by EC funding nor through the assistance of other donors in a systematic way. There are some small scale projects in agriculture area, carried out by Greece as a part of their economic development programme. For sustainable development, some small scale projects are carried out by USAID on energy efficiency.

### **C. Areas which are priority issues but are not within EC’s comparative advantage or can not effectively be addressed with the available aid modalities under ENPI assistance**

#### **Cooperation in the JLS field (ENP AP Chapter 4.3)**

Border management, migration, police and judicial cooperation, fight against organized crime (including trafficking in human beings, drugs and money laundering)

#### ***EC Assistance***

In June 2008 the Council invited the Commission to open a dialogue with Georgia with a view to launching a Mobility Partnership. The main objective of the Mobility Partnership is to ensure the responsible joint management of migratory flows in the interests of the EU, its partners and the migrants themselves. Initiatives taken under the partnership will aim to promote a better framework for the movement of persons and legal migration, in particular by increasing Georgia's ability to manage migration and by implementing measures to inform, integrate and protect migrants and returnees, while respecting economic and social conditions in Georgia.

Georgia participates in the Southern Caucuses Integrated Border Management (SCIBM) regional programme which enhances inter-agency cooperation with counterparts in Armenia and Azerbaijan while strengthening the capacity of customs and border guard services in line with agreed regional standards and EU norms.

Georgia also participates in the South Caucuses Anti-Drugs Programme (SCAD V) but it has not yet designated a national focal point for the programme. The capacity of law enforcement agencies to deal with the drugs issue needs ongoing attention.

#### ***Other Active Donors***

(2007- early 2008 data)

LV, LT, POL – development of effective border management system

SWE – migration issues

USA – development of effective border management system, fight against organised crime and against trafficking of human beings, fight against drugs, and development of international and regional law enforcement cooperation

AT, FIN, POL, SWE – cooperation with EU MS on judicial and law enforcement

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It is hoped that SCIBM and SCAD programmes will continue, with enhanced regional cooperation and involvement. Regional dimension of these programs would gain more importance under an eventual Eastern Partnership. Migration and trafficking are key EU priorities, and Georgia is a pilot country under the Mobility Partnership. Visa facilitation and readmission negotiations are starting in April 2009. Further lessons should be drawn from EC assistance to identify potential regional actions; however, this is probably not a priority area for the NIP 2011-2013 for Georgia.

Coordination between the large number of donors on police and judicial cooperation and migration assistance could be strengthened through the Mobility Partnership. The efforts towards mobility of people in general, but especially labour mobility under the mobility partnership should be supported in line with the above-mentioned priorities of skills development and mobility.

**Transport, Energy, Environment (included in ENP AP Chapter 4.6)**

***EC Assistance***

NIF assistance on energy (500 kW electricity transmission line).

Establishment of the Regional Environment Centre.

***Other Active Donors***

(2007- early 2008 data)

FIN – environment monitoring system

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Transport, energy and environment are areas where cooperation and communication needs to be enhanced especially in terms of assistance to policy making and legislation drafting, which should be supported under a regulatory reform priority through technical assistance. However, question marks remain on other types of assistance, such as investment projects. The volumes of financial assistance likely to be available for the new NIP are not sufficient to commit to large-scale investment programmes in these areas; hence the preferred approach would be to leave investment projects in these areas to be carried out by IFIs, which have a comparative advantage on this.

*Transport:* This is an area in need of investment. Assistance to leverage IFI investment, for the regulatory framework, Twinning, technical assistance, traffic planning, European Networks, norms and standards, may be possible.

*Energy:* As with the transport sector, there are large-scale needs in this area, particularly with regards to energy security, climate, and European networks. However, access to energy does not tend to be a great problem in Georgia. The overall priority of climate change means that energy efficiency and alternative energy sources could be considered for inclusion, but large

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scale investment should come from IFIs, and the NIF should support and leverage this, rather than the ENPI national programme.

*Environment:* Environmental concerns should be addressed as integrated parts of regulatory reforms, institution and administrative capacity building programmes and the general priority of economic development (see sustainable development part above) as this is an important cross-cutting issue.

### **IV. Suggested priorities and sub-priorities for NIP 2011-2013**

#### **Priority Area 1: Support for democratic development and rule of law and good governance**

Sub-priority 1.1: Democracy, human rights, civil society development

Sub-priority 1.2: Rule of law and justice sector reform and good governance, including public finance management

#### **Priority Area 2: Support for trade and investment; regulatory reforms, including market reform; PCA and ENP AP implementation; comprehensive institution building**

Sub-priority 2.1: Promoting trade and investment and supporting preparations for a future DCFTA, in particular through regulatory approximation, effective implementation and enforcement, in all relevant areas

Sub-priority 2.2: Supporting PCA/ENP AP implementation and related regulatory reforms

Sub-priority 2.3: Strengthening of administrative and institutional capacity

#### **Priority Area 3: Support for economic and social development, sustainable development and poverty reduction**

Sub-priority 3.1: Strengthening social reforms and social protection

Sub-priority 3.2: Support for rural / regional development and sustainable development, including environment protection

Sub-Priority 3.3: Education, skills development and mobility

#### **Priority Area 4: Support for peaceful settlement of conflicts**

**V. ANNEX – Outline of the current ENPI Georgia NIP 2007-2010**

Assistance provided under this National Indicative Programme for Georgia focuses on four priority areas:

**Priority Area 1: Support for democratic development, rule of law and governance**

Sub-priority 1.1: Democracy, human rights, civil society development

Sub-priority 1.2: Rule of law and judicial reform

Sub-priority 1.3: Good governance, public finance reform and administrative capacity building

**Priority Area 2: Support for economic development and ENP AP implementation**

Sub-priority 2.1: Promoting external trade and improving the investment climate

Sub-priority 2.2: Supporting PCA/ENP AP implementation and regulatory reforms

Sub-Priority 2.3: Education, including vocational education, science and people-to-people contacts/exchanges

**Priority Area 3: Support for poverty reduction and social reforms**

Sub-priority 3.1: Strengthening social reforms in health and social protection

Sub-priority 3.2: Rural and regional development

**Priority Area 4: Support for peaceful settlement of Georgia's internal conflicts**

*Indicative budget*

Financial resources available to Georgia under this NIP for the period 2007-2010 were put at € 120.4 million.

The indicative breakdown of resources is as follows:

<b>Priority Areas</b>	<b>Mio€</b>	<b>%</b>
1. Support for democratic development, rule of law and governance	31.5	26%
2. Support for economic development and ENP AP implementation	31.5	26%
3. Poverty reduction and social reforms	38.4	32%
4. Support for peaceful settlement of Georgia's internal conflicts	19.0	16%
<b>Total indicative ENPI allocation 2007-10</b>	<b>120.4</b>	<b>100%</b>