



**EUROPEAN NEIGHBOURHOOD AND PARTNERSHIP  
INSTRUMENT**

**GEORGIA**

**NATIONAL INDICATIVE PROGRAMME  
2007-2010**

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## 1. Introduction

The EC-Georgia Country Strategy Paper for 2007-2013 (CSP) was drawn up in close consultation with the Georgian authorities and will be formally adopted by the Commission. Member States, other donors and civil society organisations were consulted during the drafting process.

The principal objective of EC assistance to Georgia over the period covered by this strategy is to support the development of an increasingly close relationship between the EU and Georgia in the context of the European Neighbourhood Policy (ENP) and based on the policy objectives defined in the Partnership and Cooperation Agreement (PCA) and the EU-Georgia ENP Action Plan. Cross-references with the relevant ENP Action Plan objectives are provided under the appropriate descriptions of priorities.

The CSP provides a comprehensive overview of future EC assistance priorities, encompassing all EC Financial instruments and programmes and following the structure of the ENP AP for Georgia, which includes eight 'Priorities areas for action':

- 1) Rule of Law
- 2) Improvement of business climate
- 3) Economic development and poverty reduction
- 4) Cooperation on JLS and border management
- 5) Regional cooperation
- 6) Resolution of internal conflicts
- 7) Cooperation on foreign and security policy
- 8) Transports and Energy

and is divided into six main chapters:

- 1) Political dialogue and reform
- 2) Cooperation for the settlement of Georgia's internal conflicts
- 3) Cooperation on Justice and Home Affairs
- 4) Trade-related issues, market and regulatory reform
- 5) Transport, energy, Information Society and Media, environment, research, development and innovation
- 6) People-to-people contacts.

This National Indicative Programme for 2007-2010 defines in greater detail the focus of operations under the national allocation of the new European Neighbourhood and Partnership Instrument (ENPI). It is intended as a guide to planning and project identification during the four-year programming period and sets out a limited number of priority areas, together with the objectives and results to be achieved.

## 2. Main priorities and goals

Assistance provided under this National Indicative Programme for Georgia will focus 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**

**3. Indicative budget**

Financial resources available to Georgia under this NIP for the period 2007-2010 are put at €120.4 million. This allocation may be increased through allocations under a new "Governance Facility" which will reward those ENP countries which show the best performance in relation to governance issues.

The indicative breakdown of resources should be as follows<sup>1</sup>:

<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>

<sup>1</sup> Re-allocations between priority areas will be possible within the limits allowed by the relevant legal basis.

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

### **4.1. Strategic context/justification**

Strengthening democracy, rule of law, good governance and respect for human rights are declared key priorities of the Georgian government. This objective links directly to specific ENP Action Plan priorities, as indicated under chapters 3 (priority area 1) and 4.1.1. Since the 2003 'Rose revolution', Georgia has undertaken substantial efforts towards building a more democratic and better governed society. This process is still ongoing and there is a need to further bolster Georgia's democracy and to encourage a culture of democratic and good governance to take root within Georgia's institutional and social fabric. This long-term endeavour will require sustained support and assistance from the EC and the international community.

Building on earlier and ongoing assistance in these domains, the EC is ready to contribute further, namely by promoting citizens' rights and encouraging public participation in the political, economic and social spheres, including at local level. This could also involve actions to promote and secure freedom of expression and freedom of the media. Improved access to justice and observance of human rights and a regulatory framework for civil society are further important elements in this context.

Where the Rule of Law is concerned, the EU has played a leading role over the two past years in assisting Georgia in its fundamental reform of the criminal justice system. Through a high-profile EUJUST-THEMIS mission, a criminal justice reform strategy was established in mid-2005 and has received political endorsement at the highest level. In 2006, a detailed action plan was drawn up for the implementation of this strategy, with an estimate of the financial needs linked to the government's MTEF; this is currently being discussed by the State Commission on Coordination of Legal Reforms in Georgia. Encouraging results have already been achieved in strengthening the capacities of the prosecutor's office and establishing a modern, demilitarised border guard service. Judiciary and penal execution are currently undergoing substantial reforms, but the level of judicial independence and the detention and human rights conditions in Georgia's penitentiary and law enforcement system are a cause of concern and a challenge for the Georgian government.

Positive results achieved in establishing a comprehensive reform of the criminal justice code prompted the Georgian government to ask the EC, during the programming mission in June 2006, for continued assistance to undertake a similar reform of the civil and administrative codes.

Improving institutional capacity, transparency and public accountability of State and administrative structures at all levels are crucial components of good governance and the effectiveness of the fight against crime, corruption and illicit traffic. Moreover, the challenges inherent in the government's reform strategy and the ENP Action Plan will require Georgia to further consolidate and expand on the significant steps already undertaken to improve planning and administrative capacity both in public administration and in public finance management.

## 4.2. Sub-priorities<sup>2</sup>

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

#### a) Long-term impact

The expected long-term impact will be to help establish a deep-rooted, participative democracy and to strengthen human rights and fundamental freedoms.

#### b) Specific objectives

The specific objectives are:

- to encourage full functioning of Georgia's democratic Institutions;
- to ensure respect for human rights and fundamental freedoms, including in the economic and social sectors, in line with international and European standards;
- to promote the involvement of citizens in decision-making processes and controls, including through civil society organisations;
- to secure freedom of expression and freedom of the media;
- to promote and enhance cooperation between governmental and non-governmental players, e.g. in the field of environment, education, rule of law, etc.;
- to strengthen local government structures in line with the Council of Europe recommendations;
- To foster active social dialogue between social partners as well as civil dialogue between private, public and civil society stakeholders

#### c) Expected results

- Enhanced training and increased awareness within law-enforcement agencies on human rights issues
- Improved compliance with core labour standards
- Increased public awareness on decision-making structures and procedures and improved capacity of civil society organisations, including NGOs
- Improved and enforced legal and administrative framework to ensure respect of media freedom, including journalists' rights
- Support for strengthening local government capacity in line with European standards.

#### d) Indicators of achievement

##### *Long-term impact level*

- Greater respect for human rights and fundamental freedoms
- Fully functioning democratic institutions at both central and local level
- Greater separation and autonomy of institutional powers

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<sup>2</sup> As far as possible, the expected long-term impact, specific objectives and results match the objectives specified in the EU-Georgia ENP Action Plan. Objectives may have to be adjusted in line with the results of Action Plan implementation and monitoring.

- proportional decrease in negative judgements on human rights appeals by relevant international bodies
- Increased trust of citizens that human rights and fundamental freedoms are being respected.

#### *Specific objectives level*

- Positive assessment of compliance with democracy and human rights principles, particularly as regards HR commitments of the Georgian government in the criminal justice sector (EU Heads of Mission HR reports, CoE, OSCE, UN, HR watchdog organisations, Georgia's ombudsman)
- Greater public participation processes (as demonstrated, for example, by case studies on major infrastructure projects or by the development of customer structures, Transparency International)
- Fully sustained levels of freedom of expression and media freedom (as demonstrated by independent assessments of local and international Media Watchdogs, NGO reports, etc.)
- Greater capacity at the level of local government structures (greater budgetary powers at local level; reports by relevant local and international bodies, i.e. local watchdogs, Council of Europe).
- Stronger social dialogue structures demonstrated by the existence of effective tripartite cooperation and collective bargaining

### **4.2.2. Sub-priority 1.2: Rule of law and criminal justice reform**

#### a) Long-term impact

The expected long-term impact will be to strengthen the rule of law, and increase the general public's, investors' and economic operators' trust in Georgia's justice system.

#### b) Specific objectives

- Guarantee accountability and independence of the criminal justice sector institutions, such as police, prosecutor's office, judiciary
- Enhance the role and independence of Georgia's Public Defender/Ombudsman
- Build administrative capacity of the criminal justice sector institutions through training and technical assistance
- Promote further advancement of impartial, effective and independent criminal proceedings in line with international and European standards
- Ensure further development of forensics.

#### c) Expected results

- Improved efficiency, knowledge and integrity of members of the judiciary and law enforcement agencies
- Establishment and implementation of reforms in the field of criminal, civil and administrative law, based on European standards
- Working methods used by law enforcement agencies and prosecutors fully in line with international human rights standards;
- Simplified legal procedures and easier access to justice for citizens and economic operators;
- Alignment of penal execution according to EU and international standards.

#### d) Indicators of achievement

##### *Long-term impact level*

- Increased effectiveness and independence of the judiciary
- Effectiveness of civil registry, judicial expertise, implementation of court decisions and free judicial assistance systems
- Improved human rights record of Georgia with regard to important human rights principles, namely related to issues of torture and inhuman and degrading treatment of people under arrest and in detention
- Increased positive perception of citizens in the criminal justice system and respect for the rule of law.

##### *Specific objectives level*

- Greater independence of the judiciary (as demonstrated by relevant reports)
- Enhanced administrative capacities throughout the criminal justice institutions (as demonstrated by efficient and transparent management in the court system, penitentiary and probation, reliable statistics in the sector, reports and assessment from relevant international bodies)
- Better developed alternative mediation mechanisms, arbitration, etc.
- Harmonisation of legal acts in the justice system
- Decrease in systematic recourse to international arbitration clauses in commercial contracts.

### **4.2.3. Sub-priority 1.3: Good governance, public finance and administrative capacity building**

#### a) Long-term impact

The expected long-term impact will be to develop a modern, democratic state primed to satisfying the needs of its citizens.

#### b) Specific objectives

The specific objectives are to improve the quality and efficiency of services provided by the public administration, including by fighting corruption and promoting transparency, and to further strengthen public finance management including Public Internal Financial Control (PIFC) and external audit.

#### c) Expected results

- Administrative and civil service reform, including anti-corruption measures
- Reform underway in selected ministries and state agencies
- More transparent and efficient public finance management, PIFC and external audit;

#### d) Indicators of achievement

##### *Long-term impact level*

- Increased government effectiveness and transparency
- Increased positive perception among citizens regarding State service delivery.

### *Specific objectives level*

- Increase in quality and effectiveness of services delivered
- Shorter time required to deliver services
- Fewer and simplified administrative procedures
- Additional anti-corruption mechanisms in place
- Better public information and greater transparency of actions and expenditures
- Positive assessment by independent anti-corruption watchdog organisations (GRECO, Transparency International, etc.)
- Higher scores in PEFA (public expenditure and financial accountability) measurement framework.

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

### **5.1. Strategic context/justification**

In spite of the sustained economic growth in the past three years, unemployment in Georgia is still high and the economy is excessively dependent on an inefficient primary sector. On the other hand, the low level of utilisation of the EC GSP+ tariff scheme, and the difficulties resulting from restrictions imposed by Russia on imports from Georgia highlight the urgent need for Georgia to improve its export capacity and to diversify its export markets.

Measures under this sub-priority will be aimed at removing non-tariff barriers to bilateral trade, stimulating the growth of the private sector, and encouraging FDI by fostering a better business and investment climate. Measures that could leverage job-creating investments by IFIs might also be considered under this sub-priority.

Priority areas 3, 4 and 5 and Chapters 4.3 to 4.6 of the EU-Georgia Action Plan cover a broad section of regulatory reform relating to bilateral trade facilitation and market access, this including Georgian customs legislation and procedures compatible with international and EU standards, conformity assessment, sanitary and phytosanitary (SPS) issues, consumer protection, right of establishment and company law, financial services and markets, strengthening of the overall administrative capacity of the tax administration and reform of the tax system in compliance with international principles designed to streamline revenue collection, competition policy, enterprise policy, intellectual and industrial property rights, public procurement and statistics.

In addition, sector-specific selected regulatory reform tasks and administrative capacity building will have to be addressed, notably in the fields of justice, freedom and security (JFS), transport, and agriculture. As highlighted in the CSP 2007-10, Georgia is an important transit country for gas and oil flows from the Caspian basin. In the energy sector priority will therefore be given to enhancing the safety and security of the energy transport infrastructure. In view of the weakness affecting Georgia in the domain of the environment (as highlighted in the Country Environment Profile of the CSP 2007-13), particular attention should be paid to helping Georgia achieve the environment-related objectives of the ENP AP.

Economic development cannot be dissociated from promoting a better educated society and fostering advances in science and technology. Aid to reform and upgrade Georgia's education system, by way of exchange programmes, for example, with a view to convergence with EU standards and practices, will be designed to increase the quality and value of Georgia's human capital, and to boost democratic

development, social stability and economic competitiveness. Persistent poor employment indicators could justify a sector support for vocational training, capitalizing on past Tacis financial assistance in this domain. Support for scientific and technological cooperation will also be crucial to achieving sustainable and equitable economic development in Georgia. EC assistance in these domains will help to achieve the specific objectives under Priority area 3 and chapters 4.6.5 and 4.7.1 of the ENP Action Plan.

## **5.2. Sub-priorities**

### **5.2.1. Sub-priority 2.1: Promoting trade and improving the investment climate**

#### a) Long-term impact

To encourage the development of a competitive, export-oriented market economy and the gradual economic integration of Georgia with the EU.

#### b) Specific objectives

To increase and diversify Georgia's trade flows (in particular by maximising the potential benefits of the GSP+ regime or other future preferential arrangements) and to improve and sustain the investment climate and the employment situation.

#### c) Expected results

- Market and selected regulatory reform measures in terms of legal approximation and alignment of norms and standards, including statistical standards, carried out on the basis of the implementation of relevant PCA and ENP Action Plan objectives
- Implementation of reforms in the areas of trade, investment promotion and employment
- Implementation of customs reforms in order to facilitate trade, based on EU and international standards (WCO Framework standards)
- Implementation of reforms in the tax legislation and system in accordance with international standards, in order to improve the investment climate and to increase budget resources.
- Development of a regional market in the S. Caucasus/Black Sea region
- Increased trade relations with the EU and increased export volumes.

#### d) Indicators of achievement

##### *Long-term impact level*

- Economic development indicators and degree of internal-market alignment as measured and assessed by the EU in Progress Reports and by bilateral trade volumes.

##### *Specific objectives level*

- Increased and more diversified trade flows (in terms of products), as evidenced by trade statistics from government and other sources
- Improved investment climate, as demonstrated by an increase in FDI, including EU investments. Surveys among investors and assessments/reports of the EU and other institutions
- Improved employment situation demonstrated by data on job creation

## **5.2.2 Sub-priority 2.2: Support for ENP AP implementation and regulatory reforms**

### a) Long-term impact

The expected long-term impact is to foster the gradual alignment of Georgia with the EC regulatory acquis in line with the objectives of the EU-Georgia PCA and the ENP.

### b) Specific objectives

The specific objective is to support Georgia in achieving the ENP AP objectives not covered by other priorities of this NIP.

### c) Expected results

- Selected sector-specific regulatory reform and institution building measures carried out in line with PCA and ENP AP Plan priorities and detailed sector strategies, as needed, to support broad-based economic growth
- Enhanced administrative capacities in the relevant sector ministries or state structures to ensure national ownership and effective enforcement.

### d) Indicators of achievement

#### *Long-term impact level*

- Level of reforms in key sectors, as demonstrated by economic and statistical data, and as assessed by the EU in studies/progress reports.

#### *Specific objectives level*

- Level of regulatory convergence with the EU in selected sectors agreed on a bilateral basis between the EU and the Georgian Government, including assessments by EU studies/progress reports.

## **5.2.3. Sub-priority 2.3: Education, science and people-to-people contacts/exchanges**

### a) Long-term impact

The expected long-term impact will be to improve education levels, access to jobs, economic competitiveness and social stability in Georgia.

### b) Specific objectives

The specific objective is to reform and upgrade education and training systems, including through exchange programmes, and to further Georgia's integration into the European Higher Education (EHEA) and Research Areas (ERA).

### c) Expected results

- Improved quality, capacity and relevance to the needs of society and the economy of education, vocational education and training systems and their convergence with EU standards and practices, including greater participation in relevant exchange programmes

- Enhanced commercialisation of research results
- Greater capacity of research structures (human and material resources) with the focus on innovation and scientific excellence
- Stronger links between scientific and research communities in the EU and Georgia, including educational institutions and networks fostering business matchmaking in the context of trade support. An improved connection of the Georgian National Research and Education Network (GRENA) to the European backbone GÉANT2 brings benefit to the entire Georgian science and education sector.

#### d) Indicators of achievement

##### *Long-term impact level*

- Social and economic development indicators (unemployment rate, enrolment ratios, etc.).

##### *Specific objectives level*

- Improved education and training systems (as demonstrated by studies assessing progress of reforms and convergence with EU standards and practices)
- Positive independent reports of decreasing impact of corruption in the education system
- Increased numbers of Georgian nationals and education institutions participating in exchange programmes
- Greater integration of Georgia into the European Research Area (as demonstrated by a higher number of joint activities and projects, including Private-Public Partnerships in technology licensing and transfer).

The interventions supported in the area of education and training will be implemented in close coordination with the Tempus programme, which will be funded out of the ENPI-wide programme. The dissemination and exchange of best practice in these areas will be further enhanced.

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

### **6.1. Strategic context/justification**

In spite of the impressive performance of the economy in the past two years, poverty still remains a very serious problem in Georgia. According to Georgia's Department of Statistics, in 2003 the poverty level was at 54.5 %, while extreme poverty affected 16.6% of the population. Rural and less educated groups are particularly vulnerable to poverty.

The methodology for measuring poverty was updated and changed in 2006, with the support of the World Bank. The Department of Statistics recalculated the poverty level in 2004 and 2005 vis-à-vis the adjusted poverty line (or existence minimum).

While the poverty level shows an upward tendency from 2004 (35.7%) to 2005 (39.4%), the poverty level decreased in 2006 Q1. In 2006 Q1, the poverty level in Georgia was 33.6 per cent, i.e. 6.1 percentage points less than in 2005 Q1 (39.7%). It should be mentioned that the poverty level decreased in both urban and in rural areas.

Poverty reduction is one of the key goals of the Georgian government, and country-specific Millennium Development Goals (to be achieved by 2015), including targets and indicators, are set out in the First National Report on the MDGs in Georgia, which was drawn up by the government in 2004.<sup>3</sup> It is therefore appropriate and fully in line with the EU-Georgia Action Plan objectives that EC assistance to Georgia should help to reduce poverty levels and social inequality. Measures under this priority will help to achieve the objectives referred to in Priority 3 and Chapters 4.4 and 7.2 of the ENNP Action Plan. They will build on past EC assistance in this domain, in particular through TACIS on primary health and the FSP on food security and social protection.

## **6.2. Sub-priorities**

### **6.2.1 Sub-priority 3.1: Strengthening reforms in health and social protection sectors**

#### a) Long-term impact

The expected long-term impact is to help achieve the country-specific Millennium Development Goals for Georgia.

#### b) Specific objectives

The specific objective is to improve the performance of the health care sector and the efficiency of the social assistance system, and thus to raise living standards.

#### c) Expected results

- Improved access to, and performance of, quality and affordable basic health care services
- Reduced mortality and morbidity from communicable and non-communicable diseases;
- Increasing the efficiency of social assistance for the most vulnerable social groups
- Implementation of legislative and policy reform in the social area aimed at the modernisation of the system and the approximation with EU standards and practices.

#### d) Indicators of achievement

##### *Long-term impact level*

- Progress towards achievement of MDG indicators in Georgia.

##### *Specific objectives level<sup>4</sup>*

- Lower proportion of population below the poverty line
- Health and social protection legislation in support of the reforms adopted and enforced , including international agreements in the field of public health
- Decrease in common non-communicable diseases
- Lower incidence of TBC and other infectious diseases.

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<sup>3</sup> The Economic Development and Poverty Reduction Programme of Georgia (EDPRP), which included a mid-term action plan for 2003-2005, was approved in summer 2003. Two progress reports on EDPRP were prepared by the Government of Georgia in 2005 and 2006, which reflected mid-term action plans for 2004-2006 and 2006-2008 respectively.

<sup>4</sup> Indicators are based on MDG indicators in Georgia. For a complete list, refer to the First National Report on MDGs in Georgia, published in 2004.

## 6.2.2 Sub-priority 3.2: Rural and regional development

### a) Long-term impact

The expected long-term impact is to help narrow social and economic disparities in Georgia.

### b) Specific objectives

The specific objective is to help Georgia establish regional policy instruments aimed at encouraging the development of local economic activities and improving living standards in rural and peripheral areas.

### c) Expected results

- Adoption and implementation of legislation and strategies for establishing regional policy instruments in Georgia
- Increased planning and administrative implementation capacity at local level
- Promotion of economic farming and processing industries
- Increased economic and social integration of Georgia's minorities living in rural and peripheral areas.

### d) Indicators of achievement

#### *Long-term impact level*

- Rise in living standards in Georgia's rural and peripheral areas.

#### *Specific objectives level*

- Establishment of specific plans for the development of regional policy instruments
- Integration of local development aspects in the interaction between central and local authorities
- Increase in agriculture production and processing and other economic activities.
- Increased access to basic services in rural communities.

## 7. Priority 4: Support for peaceful resolution of Georgia's internal conflicts

### **Strategic context/justification**

The EC is the largest donor in Georgia's conflict zones, having allocated since 1997 about EUR 25 million of assistance to Abkhazia and EUR 8 million to Tskhinvali/South Ossetia region, Georgia. The EC will continue its engagement in support of a peaceful settlement of conflicts in Abkhazia and South Ossetia and the restoration of Georgia's territorial integrity. To complement the diplomatic and political activity of the EU Special Representative (EUSR), the EU will provide support for rehabilitation and reconstruction in conflict zones as a means of improving the climate of confidence between the parties to the conflict and of improving the living conditions of the affected populations and of Internally Displaced Persons (IDPs). Depending on developments regarding the peace processes in the two conflicts, further EU assistance could be considered in support of all aspects of conflict settlement and settlement consolidation including the elimination of the excessive

accumulation of conventional weapons such as illicit SALW (small arms and light weapons) and ERW (explosive remnants of war).

a) Long-term impact

The expected long-term impact is to help end frozen conflicts in Georgia.

b) Specific objectives

To support EU involvement in the peaceful settlement of conflicts in Abkhazia, Georgia, and Tskhinvali Region/South Ossetia, Georgia, and to contribute to rehabilitation and reconstruction efforts in conflict areas.

c) Expected results

- Defusing existing tensions and mistrust between the parties and improving living standards in conflict areas
- Preventing new outbreaks of violence.

d) Indicators of achievement

*Long-term impact level*

- Creating an environment conducive to a final settlement of the conflicts.

*Specific objectives level*

- Implementation of rehabilitation and reconstruction projects
- Contribution to the functioning of conflict-settlement mechanisms and implementation of peace plans.

## **8. Implementation**

The main guiding principle underlying the implementation of this programme is a close partnership with Georgia's authorities in order to achieve joint policy objectives. Relevant Georgian stakeholders should be included to the greatest possible extent in the design of operations, thus emphasising even further the clear link that must be formed between joint policy objectives and assistance cooperation. This includes exploring possibilities for co-funding by Georgian, thus underpinning Georgia's commitment.

Too many small, stand-alone measures would result in administrative overload and delay implementation in general. Instead, annual Action Programmes based on this NIP should contain a limited number of components with inbuilt flexibility. Therefore, the list of sub-priorities mentioned in the present document is to be understood as indicative. The Commission, in close cooperation with the partner countries, will duly conduct a regular identification exercise, in order to select, among the indicative list of the NIP, those sub-priorities that appear best justified, in the light of the elements usually considered in this kind of analysis.

In such context, a sector support approach, in combination with other forms of EC assistance, should be encouraged wherever the necessary conditions are met and wherever this can lead to greater efficiency in achieving the CSP/NIP's objectives. Past experience has shown that Georgia is ready to extend the use of this form of assistance. The best balance between budgetary and non-budgetary forms of assistance should be determined through a thorough policy dialogue with the Georgian government. Coordination and complementarity with other donors should be sought.

New cooperation tools, such as Twinning or TAIEX, are expected to be particularly useful in the areas of regulatory reform and administrative capacity building and should be fully exploited. In these areas in particular, flexibility will be important to adapting EC assistance programmes to evolving policy priorities.

Support will also be provided, as appropriate, for Georgia to participate in Community programmes, agencies and networks, insofar as these are open to the country. This should also include support to the final beneficiaries so as to make them able to benefit from the opportunities offered under the open programmes.

An appropriate mechanism will have to be found to foster the development of civil society, including support at local community level.

Interest rate subsidies could be considered where they can leverage investments by international financing institutions in the environment, energy and transport sectors, as explained in the CSP.

## **9. Risks and assumptions**

The key assumption underlying this Indicative Programme is a continuous commitment to the reform agenda and policy objectives in the jointly agreed EU-Georgia Action Plan and the Partnership and Cooperation Agreement (PCA). Should this assumption no longer hold true, as a result of major policy changes on the part of Georgian, the priorities under this Indicative Programme and the underlying Country Strategy Paper might have to be subject to an early review.

Another important assumption for the successful delivery of future EC assistance is that a high turnover of senior positions in the public administration will gradually stabilise, and a more predictable decision-making environment and continuity of assistance implementation will ensue.

As far as the move to new delivery mechanisms and financing methods, such as budgetary 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 and extended to other relevant policy areas. Improved public finance management, with donor support as appropriate, and a stable macroeconomic framework will also be necessary.

## **10. Alignment, harmonisation and consultation**

### **10.1. Dialogue with the government and alignment with national policies**

The policy objectives set in the EU-Georgia Action Plan were formally agreed by the two parties on 14 November 2006.

Consultations with the Georgian authorities on this Indicative Programme and the underlying Country Strategy Paper began during a programming mission which took place in June 2006. It was agreed at that stage that the future EC assistance strategy had to be based on jointly agreed policy objectives while selecting a limited number of priority areas where EC financial assistance could be expected to have most impact. There was also agreement that the EU-Georgia Action Plan and the Georgian Government's own reform agenda were fully compatible and would thus be jointly targeted under the new EC assistance strategy. Georgia has given its overall agreement to extending as far as possible the use of budgetary support, already successfully experimented in Georgia through the FSP, to other areas of EC financial assistance where such instrument would be more effective in increasing ownership and fostering a consolidated EC-Georgia policy dialogue.

Further contacts aimed at finalising the draft NIP took place in September and October 2006 between the European Commission's Delegation in Tbilisi and the Ministry of Euro-Atlantic Integration. The draft programming documents were further discussed at the 24 October 2006 EU-Georgia Cooperation Committee meeting. On that occasion Georgia submitted detailed comments and amendments to both the draft CSP and NIP, which are partially reflected in this document. Georgia has indicated its broad agreement on the main elements of this revised NIP.

### **10.2. Harmonisation and coordination with Member States, other donors and civil society**

Member States local representatives were debriefed on the results of the first programming mission in June 2006. Member States were also invited to comment on the draft NIP in November 2006. A second consultation round with the Georgian authorities took place in October/November 2006.

Intensive contacts have been maintained in Tbilisi and in Brussels with all the relevant donors, including the DFID, EBRD, EIB, IMF, SIDA, UNPD, USAID and the World Bank. A round-table discussion with civil society organisations took place during the first programming mission to Tbilisi in June 2006.

In the spirit of the Paris Declaration on Aid Effectiveness, attention should henceforth be given to closer donor coordination, particularly in the context of preparing and implementing sector-wide support programmes.