Annex

1. Identification

<table>
<thead>
<tr>
<th>Title/Number</th>
<th>Support to the Greenland Education and Vocational Training Sector 2010, CRIS no: GL/2010/22191</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total cost</td>
<td>EU contribution: EUR 27 879 000 to be financed from the EU budget line 21.07.02</td>
</tr>
<tr>
<td>Aid method / Method of implementation</td>
<td>Sector Policy Support Programme: Sector budget support (centralised management)</td>
</tr>
<tr>
<td>DAC-code</td>
<td>11330 – vocational training, 11320 – secondary education, 11230- basic skills for youth and adults, 11120 – education facilities and training</td>
</tr>
</tbody>
</table>

2. Rationale and country context

2.1. Country context and rationale for SPSP

2.1.1. Economic and social situation and poverty analysis

Greenland is a modern society based on the Danish welfare model with the political goal of establishing a more independent economy based on own resources and with greater integration into global economy. Greenland’s economy is marked by a large public sector (more than 40% of total employment) and an underdeveloped private sector. Over 80% of Greenlandic export revenues come from the fisheries sector. The GDP growth has been positive until 2008 (1,5%), but is foreseen to be negative in 2009 (estimate -1 to -3%) as well as in 2010. Total GDP was EUR 1 475 000 000 (2007) and GDP per capita was EUR 26 340.

Currently, the Greenlandic public finances are strongly dependent on the block grant from Denmark amounting to approximately EUR 460 000 000 in 2010\(^1\), accounting for around 55% of the Greenlandic budget. The Act on Greenland Self-Government, which entered into force in June 2009, establishes this annual subsidy to remain at 2007 real prices level. It also allows the possibility to take over 33 administrative functions currently undertaken by Denmark, at the own expenses of the Government of Greenland.

From January 2010 Greenland takes over the responsibilities in mineral resources and mineral resource activities. Exploitation of minerals and oil has significant socio-economic potential in the longer term with regard to potential revenue and employment (in mineral mining 95% of all employees would be Greenlanders). Due

\(^1\) Source: Greenlandic Finance Act 2010, (FA 2010)
to the financial crisis the cost of exploitation and research activities have decreased with 25% and that have led to increasing number of licences granted.

Majority of the population (56,194 in 2009) lives in towns while 17% lives in settlements. Life expectancy is 71 years for women and 66 years for men. Of the total population 11% is foreign born. Recent years the annual net immigration has been negative but constant (approx. - 600 people/year). The overall unemployment rate has been stable (approx. 7 %), but the smaller communities face considerably higher unemployment rates than towns.

In view of diversifying the economy and meeting the future needs of the labour market the Government of Greenland continues to prioritise the education sector in order to upgrade the skills and qualifications of the Greenlandic workforce. Greenlandic context with widely spread settlements and remotely positioned population sets particular challenges for education and for dealing with the social problems. For these reasons support to the education and vocational training sector has been identified as the focal area for EC support during the 2007-2013 period as defined in the Programming Document for the Sustainable Development of Greenland 2007-2013 which allocates a maximum annual EU contribution of EUR 25 000 000 at 2006 prices to the sector.

2.1.2. National development policy

The Structural Reform Action Plan (SRAP) 2000-2015 – A Vision for the Future was adopted by the Greenland Parliament in 2000. The reform comprises three pillars; a) A shift from subsidy policy towards a more market-oriented society; b) Promotion of trade and industry; and c) Improvement of education and labour market policy. The SRAP also includes a public administration development action plan with the objective to develop the public sector into a service-oriented and value-for-money administration.

2.2. Sector context: policies and challenges

In line with the policy objectives of the Structural Reform Action Plan, an analysis of the education and labour market requirements for the future was prepared by the Greenland Home Rule Government in 2004, with the title; "Progress through Training, Education and Development of Competencies", which resulted in formulation of the Greenland Education Programme (GEP) 2006-2020, adopted by Parliament in 2006. The GEP sets out the reform strategy for the education sector in Greenland and has a budget of EUR 51 100 000 in 2010 out of a total allocation in the field of education of EUR 168 900 000\(^2\). In 2010, education expenditure amounts to 20.2% of the total Greenlandic budget of EUR 837 000 000\(^3\). Over the period 2006-2013 education expenditure is expected to amount to EUR 1 200 000 000 out of which the GEP amounts to roughly EUR 312 000 000.

The overall objective of the GEP is to contribute to a higher standard of living and quality of life through development of better education, technical skills and knowledge. The aim is that by 2013 40% and by 2020 two-thirds of the workforce

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\(^2\) Source: FA 2010

\(^3\) Source: FA 2010
should have an education providing them with academic qualifications or vocational skills. The specific objectives are related to increasing the educational level of the workforce by increasing admissions to education programmes and by increasing completion rates, making education more demand driven and cost effective, offer courses in strategic sectors and also provide education for those who only speak Greenlandic. The two main target groups for the first phase, which runs until 2012 are 1) elementary school leavers; and 2) unskilled workers under 50 who are unemployed, or in threatened trades and/ or breadwinners.

The Strategic Steering Committee for the educational programme, composed of permanent secretaries, ensures the overall correlation between the political objectives and the actual implementation. Progress reporting is provided during both the spring and the autumn sessions of the Parliament. The day-to-day coordination of the Greenland Education Programme (GEP) is done by the Ministry of Culture, Education, Research and the Church whereas other ministries, such as the Ministry of Industry and Mineral Resources, and the Ministry of Health and the Ministry of Social Affairs, are responsible for implementing GEP project activities. Greenland administration is characterised by limited capacity due to its small size with recurrent turn-over of personnel.

Concerning the public finances, the Finance Act 2010 foresees a tight fiscal discipline, cuts and rationalisation activities in the public expenditures. The annual Danish block grant (EUR 460 000 000) is an important macroeconomic stabilising factor. The deficit in 2009 derived from important capital investments to hydro-power plants and capital injections to government owned companies. The Greenlandic budget 2010 is balanced and the budget forecast foresees a surplus of EUR 13 000 000 in 2013. Government does not have foreign debt.

Greenland's economy is marked by a large public sector (40% of the workforce), in addition to fisheries and prospects in minerals and oil, and tourism sectors. Nearly 90% of the export revenues are related to fisheries sector. Greenland is dependent of imports and thus the negative trade balance (- EUR 258 800 000 in 2008). It is expected to continue to increase in 2009 because of higher imports and a fall of exports.

Real GDP increased by 2.6% in 2006 and has continued to grow by 1.0% in 2007. Expected growth rate for 2008 is 1.5% though for 2009 a negative growth rate (-2%) is expected due to decrease in private consumption. The inflation has fluctuated between 1.4% and 2.8%, but in 2008 is estimated at 9.2% due to international financial situation. In 2009 inflation rate is again stabilised and expected to be around 1%.

An external assessment in 2008 confirmed the Greenlandic Public Finance Management system, though identified weaknesses on procurement of goods and services, tax collection and tax audits. The Greenlandic authorities committed to address these weaknesses according to an established monitoring and evaluation guide. The actions taken and related progress is reported annually. The report of July 2009 confirmed that the development of the new procurement regulation was

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underway and it was expected to be issued by the end of 2009. Concerning the data on tax and arrears collection in 2008, the centralisation of tax collection in 2007 gives room to some statistical inaccuracies, but the results indicate that the increased capacity and full staffing of Tax Agency have contributed to improved tax collection. The collection rate for personal income tax is 114% compared to what budgeted in 2008. The personal tax arrears collection has also resulted 25% reduction of arrears (August 2008-August 2009). Thirdly, the capacity for tax audits was enforced with the recruitment of seven auditors in the end of 2008 and the reaching of the 2011 target of 10 full-time auditors in place. Subsequently, the numbers of partial and full tax audits are increasing.

2.3. Eligibility for budget support

Article 11 of the Greenland Decision\(^5\) stipulates that the financial assistance for cooperation with Greenland in sectors other than fisheries covering the period 2007-2013 is granted by means of budgetary support. Moreover, the Programming Document for the Sustainable Development of Greenland 2007-2013 of the 22nd June 2007, states that up to EUR 25 000 000 (at 2006 prices) per year has been earmarked for this purpose and that these funds should be granted to Greenland as sector budget support. Greenland’s eligibility for sector budget support is further confirmed by the fulfilment of eligibility criteria for budget support: implementation of a sector budget strategy, maintenance of a stability-oriented macroeconomic policy and the progress in improving the Public Finance Management system, as described in 2.2.

2.4. Lessons learnt

The performance indicators show that the numbers of applicants, students, and graduates have been steadily increasing, though the real impact in higher education student numbers will be seen only after some more years. The provision of a sufficient number of student places in post-elementary preparatory training has been important in keeping youth within education system. Also, the number and choice of competence courses has increased, but further efforts are needed in establishing a system to validate non-formally obtained competences, and in developing real demand-driven vocational education sector in collaboration with the labour market and Piareersarfii (guidance and counselling) centres. The lack of qualified teachers is a problem, which is being addressed by adding student places in teachers college and continuing recruitments from Denmark.

2.5. Complementary actions

Greenland has – via annex II F of the Overseas Association Decision – access to different horizontal EU programmes which have been used sporadically during the last 10 years. One of these was COMBAR project, which created tools to overcome barriers, such as geographical remoteness, in vocational education training. The Programme was funded through the Leonardo da Vinci programme, and came to an end in 2008. Further to that, Greenland is participating in several of the Northern Periphery Programmes that receive co-financing through the Greenlandic budget.

2.6. **Donor coordination**

Denmark is the only donor active in Greenland apart from the EC. The Government of Greenland receives a Danish block grant of approximately EUR 460 000 000 per year which goes directly to the Greenlandic budget. The Ministry of Culture, Education, Research and the Church (MoCERC) is responsible for the day to day implementation of the EU assistance as part of their running budget and are responsible for reporting to the EC.

3. **Description**

3.1. **Objectives**

The general objective is to support the Greenland Education Programme (GEP) to contribute to a higher standard of living and quality of life through development of better education, technical skills and knowledge.

The specific objectives are 1) to ensure Greenland’s continuous economic progress in the increasingly globalised world economy through provision of critical mass of a qualified, flexible and competitive workforce, 2) to support the Government in its effort to reform the education and training sector, to be able to respond rapidly to the changing demands of the labour market, 3) to focus on education and training opportunities for the most vulnerable target groups: youth and unskilled and/or unemployed workers, and 4) to retain expertise in Greenland and to recruit a larger share of the workforce locally.

3.2. **Expected results and main activities**

The programme is expected to bring about improved planning, management, monitoring and evaluation of education provision, especially in the area of post elementary school with a focus on vocational education and training for youth and unskilled and/or unemployed workers (e.g. target groups). Secondly, there would be an adequate financing for education with a special focus on the earlier mentioned areas. Both target groups would have increased access to vocational education, high school and training. It is also expected to have higher number and better quality and relevance of courses available for the target groups. Finally, it is expected that as a result of this programme both youth and unskilled and/or unemployed workers would be motivated to take up and complete education and training offered.

The above results will be achieved through the implementation of a group of activities: 1) organisation and development of preparatory educational courses and out-of-school remedial training, 2) organisation and development of courses offered to unskilled workers to increase their qualification to skilled level combined with job placement services, 3) development of advanced-skills vocational training in the prioritised areas such as health care, social services, fisheries, tourism, and mineral resources, 4) provision of financial incentives, including grants systems, 5) further implementation of special measures to improve completion rate and reduce drop-out.

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6 These activities are organised by the Piareersarfítt centres, that provide study guidance, job placement services and training.
rate through better counselling, structural supervision, boarding school environments and share of best practices between education and institutions, 6) expansion of vocational schools and establishment of student dormitories and maintenance of educational facilities, and 7) development and strengthening of Government’s capacity to plan, monitor and supervise education provision.

Specific activities in 2010 relating to the above-mentioned areas include:

– Making available more student places. The need for additional student quota continues while the graduates of 2008 double year group enrol to further education.

– Running awareness-raising campaigns and providing information on the importance of education and education possibilities to the general public and to the target groups of youth, unemployed and unskilled workers.

– Further development of Piareersarfiit centres, particularly with a focus on qualifying courses for admission to VET schools and on courses for unskilled workers.

– Continued focus and information on courses for unskilled workers. Development and establishment of new courses and/or expansion of the number of places for degrees in teaching (elementary and high school level) and social work.

– Continued focus on reducing drop-out rates, implementation of specific drop-out initiatives and examining the possibilities with information technology and e-learning.

– Construction of dormitories and school expansions remains a high-priority with special focus on dormitory capacity in cities where the current capacity is expected to fall short of demand in the coming years (Nuuk, Aasiaat, Qaqortoq, Sisimiut and Ilulissat).

– Continued improvement of monitoring systems and data collection and management. Intensified cooperation with Statistics Greenland and other relevant actors, as well as implementation (user training) of the IT-monitoring tool for Piareersarfiit centres.

– Implementation of the High School Reform which seeks to align the education with students’ linguistic and cultural background, and to better meet the Greenlandic needs and conditions in view of further education and qualified workforce.

– Provision of courses on the making of national garment and use of traditional materials in order to promote and preserve the Greenlandic culture amongst the youth.

3.3. Risks and assumptions

The GoG has advanced some of the public budget on education for the construction of dormitories and educational institutions, which is considered essential in view of accommodating the increasing numbers of students. Shortage of infrastructure is also identified as having negative influence on the drop-out rate. Presently, one of the major challenges is to finish constructions in time and to ensure that these additional facilities are provided in places where they best meet the demand.
The expansion of the educational system will also increase the need for teachers providing education and training. It is not clear whether the financial crisis has induced a greater interest among the teachers in Denmark to be recruited in Greenland. Still the recently initiated summer-course, which involved introductory courses and preparation for the Danish teachers, showed positive results, and the plan is to continue the elaborate introduction course of the teachers before they enter into the Greenlandic education system, which entails a more dogmatic approach to teaching focusing on the CREDE-system.

The success of the guidance and counselling (Piareersarfiiit) –centres depends on the cooperation between the municipalities, government and the vocational education training schools. Already improved collaboration between the schools and Piareersarfiiit makes it possible to provide better and more professional competence courses. Anyhow, it remains difficult to recruit new educated teachers and guidance counsellors to the Piareersarfiiit –centres.

The new government, following the elections in June 2009, has reconfirmed its commitment to the education sector and the Greenland Education Programme. Despite the fiscal discipline that the Finance Act 2010 sets for the coming years, education remains a priority (20% foreseen for education sector). The Government has been able to establish a balanced budget in the medium term (Finance Act 2010 includes forecasts until 2013). Large capital investments (f. ex. hydro-power plants) are currently important elements burdening the public finances, but these investments are foreseen to turn into savings in medium-term through increased energy independency. Finally, in the present global economic situation, the liquidity problems of publicly owned enterprises might lead to a need for government interventions, such as the 2009 capital injections from the treasury reserve accompanied with restructuring measures.

3.4. Stakeholders

The main stakeholders of this programme are the EC and the Government of Greenland, mainly the MoCERC but also the other line ministries that participate in the Greenland Education Programme implementation. The final beneficiaries of the intervention are the Greenlandic youth and work force and in particular the two target groups: 1) elementary school leavers; and 2) unskilled workers under 50 who are unemployed, or in threatened trades and/or breadwinners.

3.5. Crosscutting Issues

The Greenland Education Programme is aimed at the two most vulnerable target groups, both women and men, who are most affected by the economic and social challenges in Greenland. As regards to the rights of indigenous people, a significant effort to preserve and develop the Greenlandic language and the Inuit culture is a priority of the Government. Environmental awareness is likely to increase as a result of improvements in general education levels.

7 Royal Greenland, € 66,7 million (50% on a loan basis for five years).
4. Implementation issues

4.1. Method of implementation

The Programme will be implemented by direct centralised management (with sector budget support as operating modality) through the signature of a Financing Agreement with the beneficiary government. The EU contribution is to complement Greenland domestic funding for the fiscal year 2010 and 2011. EU funds will be transferred to the Government of Greenland Treasury.

4.2. Procurement and grant award procedures

Not applicable for budget support.

4.3. Budget and calendar

The foreseen period of execution is of 36 months as of the date of signature of the financing agreement.

An annual fixed tranche of 80% of the overall amount is foreseen to be released in the beginning of the second semester 2010. A variable tranche of maximum 20% of the total annual allocation is foreseen to be released in the beginning of the second semester 2011.

<table>
<thead>
<tr>
<th>Programme budget</th>
<th>EUR</th>
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<tbody>
<tr>
<td>Fixed tranche</td>
<td>22 303 200</td>
</tr>
<tr>
<td>Variable tranche (maximum of)</td>
<td>5 575 800</td>
</tr>
<tr>
<td><strong>Total of sector budget support</strong></td>
<td><strong>27 879 000</strong></td>
</tr>
</tbody>
</table>

4.4. Performance monitoring and criteria for disbursement

The Government of Greenland and the Commission services have agreed upon a set of indicators for monitoring of the programme during the period 2007-2013. These indicators are a mix of input, output, outcome and impact indicators and cover the following areas: 1) public expenditure on education, 2) implementation of improvements in monitoring systems, 3) applicants for formal education, 4) attendance, 5) apprenticeships in vocational education and training, 6) ratio of expenditure on private skills and real competence courses with public subsidies, 7) dormitories and school buildings, 8) educational level of workforce, 9) completion of education / graduates, 10) repetition rates, 11) dropout rates, 12) job insertion, 13) enterprise start-ups, 14) GDP per capita, 15) external grants financing, 16) employment rates, and 17) health. Where relevant, the data will be disaggregated into gender and into cities and settlements. In a given year, up to seven of the abovementioned indicators will have an influence on the disbursement of the variable tranche. The indicators and their relative weight will change over time so as to reflect
the development of the programme. In addition, the Government of Greenland has established medium to long term targets for the Greenland Education Programme.

The fulfilment of the three general conditions for sector budget support mentioned in section 2.3 will apply for the release of the budget support tranches. In addition, the fixed tranche will be released upon the Commission's approval of the Annual Work Plan (AWP) which will specify the annual targets for the performance indicators. The variable tranche will be released upon the approval of the Annual Implementation Report (AIR) which will contain the results achieved in 2010. The amount of the variable tranche to be disbursed will depend on results achieved with respect to the targets set in the AWP.

4.5. Evaluation and audit

According to the EC standard rules in force, quality control of data including impact monitoring and audit might be also carried out by independent consultants recruited directly by the EC in accordance with EC procedures on specifically established terms of reference. The Commission may suspend payments, reduce or propose financial corrections in accordance with Article 6 (Safeguard measures) of Commission Regulation (EC) 439/2007 on relations with Greenland.

4.6. Communication and visibility

The following indicative set of communication and visibility activities have been agreed upon with the GoG for 2010:

- A press release will be prepared when the signing of the Financing Agreement will take place;
- Mentioning of the cooperation between EU and Greenland, during official visits of the representatives of EU institutions;
- Mentioning of the partnership agreement in all communication regarding the overall purpose and implementation of GEP;
- In addition, the Greenlandic authorities raise awareness of the EC support on their website: www.nanoq.gl.

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8 Annex 1 specifies if the indicator in question will be used to determine the release of the variable tranche and its relative weight and also provides additional explanations of the indicators and from what year they are intended to be used.