

ANNEX 1 TO FINANCING AGREEMENT ENI/2017/040-319

TECHNICAL AND ADMINISTRATIVE PROVISIONS

1. Title/basic act/ CRIS number	Skills Development and Matching for Labour Market Needs CRIS number: ENI/2017/040-319 financed under European Neighbourhood Instrument
2. Zone benefiting from the action/location	Georgia The action shall be carried out at the following location: country wide
3. Programming document	Single Support Framework for EU support to Georgia 2017-2020
4. SDGs	4.3, 4.4, 4.5; 5; 8
5. Sector of intervention/ thematic area	Economic development and market opportunities; Mobility and people-to-people contacts
6. Amounts concerned	Total estimated cost: EUR 50 850 000 Total amount of EU budget contribution EUR 48 850 000 of which <ul style="list-style-type: none">- EUR 30 000 000 for budget support- EUR 15 100 000 for complementary support;- EUR 3 750 000 for specific actions in Georgia's breakaway region of Abkhazia This action is co-financed by potential grant beneficiaries for an indicative amount of EUR 2 000 000
7. Aid modality(ies) and implementation modality(ies)	Budget Support Direct management: <ul style="list-style-type: none">- budget support: sector reform contract- grants: calls for proposals and direct award- procurement of services Indirect management with the United Nations Development Programme (UNDP)
8. DAC code(s)	Main DAC code – 11110 - Education policy and administrative management Sub-code 1- 11330 - Vocational Education and Training Sub-code 2- 16020 - Employment Policy and Administrative Management
b) Main Delivery	UNDP - 11330

Channel				
9. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	X
	Aid to environment	X	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	X	<input type="checkbox"/>
	Trade Development	X	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	<input type="checkbox"/>	X	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	X	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	X	<input type="checkbox"/>	<input type="checkbox"/>
10. Global Public Goods and Challenges (GPGC) thematic flagship	N/A			

SUMMARY

The need for better matching of skills with labour market demands, as well as for a coherent and better quality skills development system, are identified as key bottlenecks hindering Georgia's competitiveness and economic development. There is evidence on limited opportunities for lifelong learning (LLL), vocational education and training (VET) and employment support services in Georgia, especially in the regions. Both a holistic vision of education linking all levels and types of education as well as active intermediation and matching between labour supply (education/training and LLL) and labour demand (economic/private sector development) are missing, also aggravated by the lack of well-functioning skills anticipation and matching mechanisms.

In line with the 2015 review of the European Neighbourhood Policy (ENP) and the "Eastern Partnership (EaP) 20 Deliverables for 2020", the programme will contribute to the implementation of the two specific objectives of the new Single Support Framework for EU Support to Georgia (SSF 2017-2020): Sectors 1 (economic development and market opportunities) and 4 (mobility and people-to-people contacts). Notably it will contribute to sustainable and inclusive growth and resilience by developing human capital and skills sets and by strengthening coordination between the education system and the labour market. The specific objective of the programme is to improve the employability of women and men in the selected regions which are (apart from the city of Tbilisi): Adjara, Imereti, Kakheti, Kvemo-Kartli, Samegrelo and Shida-Kartli¹. The expected results of the action are: (i) relevant skills-

¹ Two additional regions: Guria and Racha-Lechkhumi have been selected for support to be provided within the complementary measures component of this programme.

matching services accessible in selected regions; (ii) relevant lifelong learning skills provision accessible in the selected regions with a focus on youth; and (iii) entrepreneurial learning and entrepreneurship training opportunities accessible in the selected regions.

This programme has been designed taking into account the lessons learned from the current EU implemented programme in the Employment and VET sectors, as well as other relevant ongoing programmes (e.g. ENPARD and PAR). It will be in synergy with the Annual Action Programme 2017 action on Economic and Business Development in Georgia.

1 DESCRIPTION OF THE ACTION

1.1 Overall Objective, Specific Objective(s), Expected outputs and indicative activities

Within the overall context of EU bilateral support to Georgia, the action contributes to the economic development of Georgia and is relevant for the Agenda 2030. It supports the progressive achievement of Sustainable Development Goals targets 4.3-4.5² on Quality Education, but also promotes progress towards Goal 5 on Gender Equality and Goal 8 on Decent Work and Economic Growth. The action will contribute directly to challenges related to SME development and will provide skilled human resources for the implementation of the DCFTA. The action is in line with the two overall objectives of Sectors 1 and 4 of the new Single Support Framework (SSF) for Georgia 2017-2020³.

Enhanced human capital development in a lifelong learning perspective and skills matching are important elements of economic growth and resilience. The development of a HCD (human capital development) policy at national level to address long-term development needs as well as focused inclusive actions at regional level to address immediate territorial development needs will be promoted in line with the policies and action plans of the Government of Georgia. In line with the SSF, this sector reform contract will target six selected regions out of which two⁴ will be systematically covered by all EU sector programmes for a combined effect. Apart from Tbilisi, the capital, Adjara, Imereti, Kakheti, Kvemo-Kartli, Samegrelo and Shida-Kartli are selected. And another two will benefit from complementary assistance under this programme⁵. The selection of the regions has been made based on the key indicators on population, poverty and local economic development, availability of institutional capacity (training providers) as well as employment and unemployment rates in the regions.

² 4.3: By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university. 4.4: By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship. 4.5: By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations.

³ Single Support Framework for EU support to Georgia (2017-2020), June 2017.

⁴ As per agreement between the EU and the Government of Georgia, four focus regions (Imereti, Kakheti, Guria, Racha-Lechkhumi) have been selected for comprehensive support under SSF 2017-2020.

⁵ Guria, Racha-Lechkhumi

Sector reform contracts support Government's capacity to implement their own national sector strategies. Therefore, the objectives and expected results of the action reflect the nationally defined medium and long-term goals.

The **general objective** is to enhance Georgia's economic resilience and sustainable growth through human capital development and skills matching.

The **specific objective** is to improve the employability of women and men in the selected regions (Tbilisi – the capital, Adjara, Imereti, Kakheti, Kvemo-Kartli, Samegrelo and Shida-Kartli⁶).

Particular attention will be given to youth, women and other vulnerable groups.

The action will pursue the following **expected results**:

Result 1: Relevant skills-matching services accessible in the selected regions

R 1.1: Operational skills anticipation system based on regular national/sectoral and regional skills needs analyses

R 1.2: Increased availability of career guidance and counselling, job intermediation and labour market integration services

Result 2: Relevant lifelong learning skills provision accessible in the selected regions with a focus on youth

R 2.1: Flexible skills development system including both private and public provision based on the needs of learners and employers

R 2.2: Increased VET participation, in particular for the youth age group of 15-24

Result 3: Entrepreneurial learning and entrepreneurship training opportunities accessible in the selected regions

R 3.1: Entrepreneurship key competence is an integral part of curricula and teacher training, including practical entrepreneurial experience, in upper secondary general education and VET

R 3.2: Entrepreneurship training modules available for students and adult learners in higher education and VET institutions

All expected results draw from national policies.

The indicative list of results indicators (see Appendix 1) includes the three draft **Single Support Framework** indicators for Sector 4 of the SSF and one indicator from the **EU**

⁶ Two regions: Guria and Racha-Lechkhumi have been additionally selected for support to be provided within the complementary measures component of this programme.

Results Framework. This will enable linking the achievements of the programme with the EU contribution to the overall reforms in Georgia and to the global development agenda. These results will be achieved through combination of the budget support and complementary measures.

1.2 Main activities

Main activities of the sector reform contract are policy dialogue, capacity building, performance assessment and financial transfers. The activities will be channelled through both a budget support policy matrix, as well as complementary support consisting of technical assistance, twinning and grants.

1.2.1 Budget support

Budget support is proposed for areas where a sound level of policy framework, coordination and ownership of the reforms have been demonstrated. For budget support, the main activities are geared towards the policy targets which the government has committed to achieve in relation to the following policy areas: (1) Skills anticipation and matching; (2) Skills development, quality and relevance; and (3) Entrepreneurship development⁷.

At this stage, it is foreseen that EUR 30 million will be disbursed through this sector reform contract, in five annual tranches (2018 to 2022) depending on the achievement of targets defined in the policy matrix for each of the three policy areas. The targets trigger the achievement of all the expected results of this programme. The amount defined for budget support is expected to have an effective impact on the fulfilment of the conditionality and providing a substantial leverage for the policy dialogue.

Indicative disbursement table (in million euros)

Country fiscal year	2018	2019	2020	2021	2022	Total
Type of tranche						
Fixed tranche	4.0	3.0	2.0	1.0	1.0	11.0
Variable tranche		2.0	4.0	6.0	7.0	19.0
Total	4.0	5.0	6.0	7.0	8.0	30.0

A coordinated bilateral **policy dialogue** related to budget support with the Georgian Ministry of Finance and the line Ministries will be led by the EU Delegation and conducted throughout the sector reform contract. Civil society and social partners are included in the policy dialogue through their membership in the programme steering committee.

The policy dialogue will support the general and specific objectives of the programme and the eligibility and performance indicator related milestones. It will pay specific attention to the credible costing and financing of the sector strategies and the overall progress of the sector reforms. It is also built around the Risk Management Framework. The EU Delegation will

⁷ See Appendix 1 for additional information.

document important dialogue activities and monitor whether the Government acts upon policy messages.

1.2.2. Complementary support

The size and the scope of the complementary support have been shaped to focus on evidence informed policy implementation and monitoring rather than on policy development with a view to: (1) strengthening the capacity of stakeholders to address the needs of final beneficiaries with a special focus on youth and vulnerable/disadvantaged groups; (2) targeting specific regions, communities and sectors and their needs; and (3) involving actively private sector and non-governmental actors in policy implementation. Complementary support will cover all objectives and results.

(a) Technical assistance and twinning

Technical assistance will focus on capacity building of the relevant ministries and agencies. It will work on developing the skills, knowledge and competencies of these institutions to implement reforms in the policy areas of this programme in a sustainable long-term perspective.

The technical assistance will contribute to all the expected results 1.1-3.2. It will provide tools, methodologies and advisory services to strengthen their capacity and service provision to implement, connect and monitor the reforms. A special focus will be on fostering the provision of the new service model of the Employment Support Services in their district offices, improving access of the population in general and youth and vulnerable groups in particular to quality VET provision and embedding new methods and approaches to provide lifelong entrepreneurial learning in the education system. The technical assistance will also work with local communities (training providers, local actors such as youth centres, private sector and NGOs) to strengthen their capacity in grant proposal development, project management and monitoring. Beyond the expected results of the programme, the technical assistance will also include a communication component ensuring internal and external visibility and communication on the government led reforms in respective sectors. Communication activities will build upon the communication strategies and capacities of the respective ministries.

Technical assistance targeting beneficiary line ministries (Ministry of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs (MoIDPLHSA), Ministry of Education, Science, Culture and Sports (MoESCS), Ministry of Economy and Sustainable Development (MoESD))⁸ and relevant agencies includes support and advisory services for e.g.: (i) effective implementation and monitoring of the sector strategies; (ii) development and provision of tools and methodologies in education and labour market monitoring, skills anticipation, career guidance and counselling and youth activation

⁸ As a result of the Government of Georgia restructuring completed in July 2018 the Ministry of Labour, Health and Social Affairs got additional functions and became the Ministry of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs of Georgia (MoIDPLHSA). The Ministry of Education and Science was merged with another beneficiary line Ministry, the Ministry of Sports and Youth, as well as got other additional functions and was named the Ministry of Education, Science, Culture and Sports (MoESCS). The MoESD remained unchanged.

measures; (iii) capacity building measures for education staff (like teacher and school management trainings) and the staff of employment support services; (iv) support to VET and HE institutions enabling them to provide relevant entrepreneurship training courses; (v) communication and awareness raising on policies and services available in the regions for the programme target groups; (vi) visibility of the EU intervention. A separate service contract will provide external independent review missions to verify compliance with relevant policy reforms conditions.

A **first twinning** for the MoIDPLHSA and/or MoESD will contribute to expected result 1 on relevant and accessible skills-matching services and to the specific objective of improved employability of the population. This will be done through capacity building of the Ministry(ies) and their partners in harmonising the Georgian labour and employment policy legislation that are specifically required by the provisions of Association Agenda.

A **second twinning** for the NCEQE will contribute to the expected result 2 on accessibility of relevant lifelong learning skills. This will be done by enhancing the institutional capacity of the Centre to implement and monitor new authorisation and accreditation mechanisms, to develop secondary VET legislation and to improve quality assurance and governance of qualifications.

(b) Other Support

A **grant scheme** aiming at enhancing the employability of target groups in the regions will be open for the private sector, non-governmental actors and various service providers in education and training, employment and youth. The grants will improve outreach equally for final female and male beneficiaries and vulnerable groups through the development of partnerships and cooperation activities. The grants will contribute to the achievement of all the expected results 1.1-3.2.

(c) Support to Georgia's breakaway region of Abkhazia

A **specific support to Georgia's breakaway region of Abkhazia** will be channelled via UN agencies and NGOs to improve the management and delivery of VET and enhance employment and training opportunities of vulnerable groups in Georgia's breakaway region of Abkhazia. This action will aim at building the capacity of VET providers in the development of new methodologies, standards and training programmes as well as cooperation schemes and dialogue with local employers and companies. The action will enhance the capacity of local communities and actors to survey skills needs and engage particularly youth in VET, employment and entrepreneurship through apprenticeships and work-based learning schemes in companies, mentoring of employers and providing key competence training for youth placed in companies. The final beneficiaries are to include men and women in equal numbers. The specific support to Georgia's breakaway region of Abkhazia will contribute in particular to the expected results 1.2 and 2.1 and expected results 3.1-3.2.

(d) Visibility and communication

The **visibility and communication** actions to promote and raise awareness of the programme will be covered through a specific contract aimed at providing up-to-date and accessible information on the EU and its activities in Georgia, including overseeing and ensuring the visibility of EU-funded projects covered by this programme.

(e) Evaluation and Audit

Evaluations and audit will be carried out via specific contracts as described in sections 2.7 and 2.8.

1.3 Intervention logic

The intervention logic of this programme is driven by the objective of better employability of women and men in Georgia. It is based on the Government's 4-Point Programme 2016-2020 and the specific sector strategies and action plans as well as the commitments of the Government of Georgia through international agreements such as the Association Agreement with the European Union and the UN SDGs as adopted by the Government of Georgia.

For this purpose, it supports all parts of the Georgian national VET and labour market strategies as well as specific parts of the national Youth (career guidance, non-formal education) and SME (lifelong entrepreneurial learning, entrepreneurship key competence training) Strategies.

This policy framework covering the four Georgian line ministries sets up a holistic approach to tackle human capital development and employability in the selected regions. This sector reform contract will, thus, provide impetus for coordinated national efforts via the enlarged mandate of the coordination body and mechanisms to increase access of the population in general, and vulnerable groups and the selected regions in particular to active labour market measures such as career guidance, job search assistance, apprenticeships, as well as to employment support services and work-based learning, increased affordability of formal VET, non-formal education and entrepreneurial learning. The following table summarises the themes covered under the three components of the programme.

Themes covered under the three components of the proposed programme

Component	(1) Skills Anticipation and Matching	(2) Skills Development	(3) Entrepreneurship Development
Themes	<ul style="list-style-type: none">• LMIS/anticipation• ALMPs delivery• Career Guidance and Counselling• Public Employment Services• Labour policy, legislation	<ul style="list-style-type: none">• VET provision development• Lifelong learning• Quality Assurance• Work-based learning and PPP• Teacher and headmasters training	<ul style="list-style-type: none">• Entrepreneurial learning• Entrepreneurship key competence• Entrepreneurship training
Cross-cutting themes	Gender, Youth, NEETs, Vulnerable groups (IDPs, PwD, SEN (special educational needs), ethnic/religious minorities), six regions, green skills and green jobs, etc.		

The national policy implementation will be supported by budget support as well as complementary measures: technical assistance for the four line ministries (and agencies) and grants (including two twinning projects). Support to Georgia's breakaway region of Abkhazia via UN agencies and NGOs will be provided taking into consideration the specific constraints of this region.

The effectiveness of the EU intervention will be assessed through indicators that measure policy implementation and concrete outcomes for final beneficiaries in the regions.

Disaggregated indicator targets for disbursements by vulnerable groups will ensure that the cross-cutting issues are monitored.

2 IMPLEMENTATION

2.1 Implementation of the budget support component

2.1.1 Rationale for the amounts allocated to budget support

The amount allocated for the budget support component is EUR 30 000 000, for the complementary support is EUR 15 100 000 and for Georgia's breakaway region of Abkhazia is EUR 3 750 000.

This amount is based on the commitment of the partner country to allocate national budget resources (including EU budget support) for support to (1) Skills anticipation and matching; (2) Skills development, quality and relevance; and (3) Entrepreneurship development. The amount is commensurate with the financing needs related to the supported reforms and will provide substantial leverage for the policy dialogue. All line Ministries concerned with the performance targets have demonstrated sufficient absorption capacity and a good track record in fulfilling the conditions under existing EU funded budget support programmes. Overall five instalments are planned. The first instalment of EUR 4 million will be released upon signature of the Financing Agreement and subject to compliance with the General Conditions for tranche release.

2.1.2 Criteria for disbursement of budget support

a) The general conditions for disbursement of all tranches are as follows:

- Satisfactory progress in the implementation of the State Strategy for the Formation of the Georgian Labour Market 2015-2018 and its follow-up strategy, the VET Reform Strategy of Georgia 2013-2020 and its follow-up strategy, the specific parts of Youth Policy (2.1, 2.2, 2.3 of the Action Plan on non-formal education and career guidance) and the SME Strategy (3.1, 3.2, 3.3, 3.4 of the Action Plan on skills/ training needs identification lifelong entrepreneurial learning, entrepreneurship key competence training); and continued credibility and relevance thereof;
- Implementation of a credible stability-oriented macroeconomic policy;
- Satisfactory progress in the implementation of the government's PFM reform programme;
- Satisfactory progress with regard to the public availability of timely, comprehensive and sound budgetary information.

b) The specific conditions for disbursement that may be used for variable tranches are based on existing government commitments through the relevant strategies and action plans mentioned above. The list of performance indicators used and the targets for disbursement of the variable tranches are detailed in Appendix 1. They have been selected from relevant strategies and are impact oriented:

- Increase in the number of ESS offices providing the new service model
- Increase in the number of annual ALMP beneficiaries
- Increase in the number of annual job placements by ESS

- Increase in the SME Policy Index score
- Regularity in overall skills needs analysis and complete national skills forecast
- Increase in the employment rate of VET graduates
- Increase in the lifelong learning participation rate
- Decrease in the NEETs rate by sex
- Decrease in the drop-out rate from VET

The chosen performance targets and indicators to be used for disbursements will apply for the duration of the programme. However, in duly justified circumstances, the State Minister on European and Euro-Atlantic Integration may submit a request to the Commission for the targets and indicators to be changed. The changes agreed to the targets and indicators may be authorised by exchange of letters between the two parties.

In case of a significant deterioration of fundamental values, budget support disbursements may be formally suspended, temporarily suspended, reduced or cancelled, in accordance with the relevant provisions of the financing agreement.

2.1.3 Budget support details

Budget support is provided as direct untargeted budget support to the national Treasury. The crediting of the Euro transfers disbursed into Georgian Lari will be undertaken at the appropriate exchange rates in line with the relevant provisions of the financing agreement.

2.2 Implementation modalities

2.2.1 Grants: call for proposals "Support to skills development and matching with labour market needs in Georgia" (direct management)

(a) Objectives of the grants, fields of intervention, priorities of the year and expected results

The grants will aim at enhancing the employability of target groups in the regions and improving outreach to equally female and male beneficiaries and vulnerable groups. This is done through the development of partnerships and cooperation activities in the following areas and fields of intervention: (i) International Partnerships between Georgian and EU VET providers; (ii) Local Human Resources Development Partnerships bringing different actors together; (iii) Sectoral Partnerships in order to strengthen and institutionalise sector skills councils, capacity building of sectoral employers and their associations, identifying skills needs and demand of the sectors, development of joint demand-driven training programmes with providers as well as development of work-based learning schemes and apprenticeships.

Expected results and eligible actions are those linked to all three components of the intervention logic for improved employability of target groups, in particular women and NEETs in the regions.

(b) Eligibility conditions

The essential eligibility criteria for applicants include, among others, to be established in a Member State of the European Union or in Georgia and be legal entities, natural persons or groupings without legal personality, local authorities, international organisations, NGOs, economic operators such as SMEs. Indicatively all public, private and non-state actors,

international organisations, will be eligible to participate as long as they establish partnerships among different actors and fields.

Subject to information to be published in the call for proposals, the indicative amount of the EU contribution per grant will be between EUR 300 000 and EUR 1 200 000 and the grants may be awarded to sole beneficiaries and to consortia of beneficiaries (coordinator and co-beneficiaries). The indicative duration of the grants (implementation period) will be between 18 and 36 months.

As the case may be the authorising officer responsible may adapt those conditions.

(c) Essential selection and award criteria

The essential selection criteria are financial and operational capacity of the applicant.

The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(d) Maximum rate of co-financing

The maximum possible rate of co-financing for grants under this call is 80% of the eligible costs of the action.

In accordance with Articles 192 of Regulation (EU, Euratom) No 966/2012, if full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100%. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

(e) Indicative timing to launch the call

2nd trimester 2019.

2.2.2 Grants: calls for proposals for twinning projects for Results 1 and 2 (direct management)

(a) Objectives of the grants, fields of intervention, priorities of the year and expected results

The twinning calls for proposals modality will be used to conclude up to two grants for actions supporting the following priority areas, in line with the objectives, results and activities described in sections 4.1 and 4.2:

- Twinning for Result 1 objectives: to strengthen the institutional capacities of MoIDPLHSA and/or MoESD and their partners in harmonisation of the national legislation on employment and labour policies;
- Twinning for Result 2 objectives: to strengthen the institutional capacity of the NCEQE to implement and monitor new authorisation and accreditation mechanism, develop adequate by-laws and regulations and improve the qualifications system.

(b) Eligibility conditions

In line with Article 4 (10)(b) of Regulations (EU) No 236/2014, participation in twinning calls for proposals is limited to public administrations of the EU Member States, being understood as central or regional authorities of a Member State as well as their bodies and administrative

structures and private law bodies entrusted with a public service mission under their control provided they act for the account and under the responsibility of that Member State.

(c) Essential selection and award criteria

The essential selection criterion is the operational capacity of the applicant.

The essential award criteria are the technical expertise of the applicant, and the relevance, methodology and sustainability of the proposed action.

(d) Maximum rate of co-financing

The rate of co-financing for twinning grant contracts is 100%⁹.

(e) Indicative timing to launch the call

2nd trimester 2018.

(f) Use of lump sums/flat rates/unit costs

Twinning contracts include a system of unit costs and flat rate financing, defined in the Twinning Manual, for the reimbursement of the public sector expertise provided by the selected Member State(s) administration(s). The use of this system of unit costs and flat rate financing, which exceeds the amount of EUR 60 000 per beneficiary of a twinning contract, is authorised through Commission Decision C(2017)1122.

2.2.3 *Grant: direct award for "Pilot measures for vocational education training in Georgia's breakaway region of Abkhazia" (direct management)*

(a) Objectives of the grants, fields of intervention, priorities of the year and expected results

- Objectives: Improvement of quality, effectiveness and accessibility of VET and LLL, and improvement of employability and self-employment.
- Fields of intervention: VET, LLL and employment
- Expected results and eligible actions: actions linked to the adoption of best practices in VET and LLL approaches and improved access to VET and LLL of conflict-affected and/or vulnerable populations in Georgia's breakaway region of Abkhazia.

(b) Justification of a direct grant

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to the Danish Refugee Council (DRC) based upon Article 190(2) of Commission Delegated Regulation (EU) No. 1268/2012¹⁰, which is justified by the fact that Georgia's breakaway region of Abkhazia has been declared in a crisis situation by the authorising officer responsible.

⁹ As provided for in the Twinning Manual.

¹⁰ The current crisis declaration is only valid until June 2017; should this declaration of crisis situation not be extended, the basis for awarding the grant without a call for proposals would be Article 190 (1) (f) of Commission Delegated Regulation (EU) No. 1268/2012, considering that the action has specific characteristics that require a particular type of body on account of its technical competence, its high degree of specialisation or its administrative power.

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because DRC is the largest international NGO operational in Georgia's breakaway region of Abkhazia. Its Economic Recovery Unit has been supervising and coordinating complex economic initiatives since 2006 for a large variety of donors (ECHO, Danida (Danish International Development Agency), EU, Sida (Swedish International Development Cooperation Agency)). Interventions have ranged from self-reliance grants with a focus on food security to SME interventions with tailor-made on-the-job training provided to local entrepreneurs. Over the period 2012-2016, DRC has delivered grants and training to over 380 local entrepreneurs in South East Georgia's breakaway region of Abkhazia primarily in the service and production sectors, with the support of SIDA, DANIDA, SDC, EU and UNHCR. DRC has a sound knowledge of the local economic context and dynamics and strong capacity to provide training in the field of business management and administration. DRC's recognised presence in South East Georgia's breakaway region of Abkhazia since 2013 has translated into strong partnerships with local communities, economic and social actors and local institutions which are essential to run successfully the action and contribute to rural development. DRC has also developed an innovative programme to engage youth in the labour market and offer new educational possibilities based on market needs. Since 2016, DRC supports unemployed youth in the districts of Gali, Ochamchire and Tkvarcheli to work with SMEs by receiving on the job technical trainings and receiving grants at the end of the programme based on their business plans. DRC is currently the only international NGO providing on the job training to unemployed youths in underserved and remote districts of Georgia's breakaway region of Abkhazia.

DRC will partner with Action against Hunger (ACF), which is the second largest NGO operational in Georgia's breakaway region of Abkhazia, able to operate on both sides of the divide with Georgia's breakaway region of Abkhazia. Benefitting from broad international support, it has been implementing projects in close collaboration with local communities, administrations, professionals, scientific institutions, universities and civil society. It has an active presence on both sides of the Administrative Border Line to Georgia's breakaway region of Abkhazia and good links with decision makers and responsible (de facto) authorities/institutions in all relevant locations. ACF has continuously implemented VET projects in Eastern Georgia's breakaway region of Abkhazia from 2007 to 2011 funded by UNHCR. With EU funding it has implemented the project "Vocational and Business Skills in Georgia's breakaway region of Abkhazia" in a consortium with World Vision, where ACF was leading the VET component of the joint project. ACF has extensive experience in implementing projects focusing on skills development, employment and entrepreneurship funded by the EU and SIDA. ACF's employment methodology, the "Employment Shuttle", is acknowledged as a best practice by the European Commission in promoting social inclusion and employability of participants and it is already piloted in Georgia. ACF is also able to integrate a confidence building component where ethnic Abkhaz, Georgian, Armenian, Russian and other minorities establish linkages and networking within Georgia's breakaway region of Abkhazia.

DRC is proposed as grant coordinator and ACF as co-beneficiary. Nevertheless, the organisations could be swapped in case the political situation would require.

A third international NGO is present in Georgia's breakaway region of Abkhazia, World Vision, which has, in past times, worked on Business Skills in Georgia's breakaway region of Abkhazia but has since specialised on education issues. Should the situation justify it or

should it prove favourable for the implementation of the action, World Vision would be associated to the action as further co-beneficiary for implementing a component of the action.

(c) Essential selection and award criteria

The essential selection criteria are the financial and operational capacity of the applicant.

The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(d) Maximum rate of co-financing

The maximum possible rate of co-financing for this grant is 80% of the eligible costs of the action.

However, in accordance with Articles 192 of Regulation (EU, Euratom) No 966/2012, if full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100 %. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

(f) Indicative timing to launch the call:

3rd trimester 2018.

2.2.4 Procurement (direct management)

Subject	Type	Indicative number of contracts	Indicative trimester of launch of the procedure
Technical assistance	services	1	2 nd trimester 2018
Communication and visibility	services	1	4 th trimester 2018
Evaluation and audit	services	3	2 nd trimester 2020 2 nd trimester 2022

2.2.5 Indirect management with United Nations Development Programme (UNDP)

A part of this action may be implemented in indirect management with the United Nations Development Programme (UNDP) in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. This part of the action refers to support to Georgia's breakaway region of Abkhazia, and the implementation entails improving management of the VET sector, supporting elaboration and implementation of best VET practices in selected areas and establishing coordination for dialogue with employers.

This implementation is justified because UNDP possesses the resources and capabilities to deliver results in a systemic manner. It has considerable experience as regards the successful implementation of VET initiatives in Georgia and has already developed necessary tools, such as textbooks, curricula, syllabi, teaching and classroom standards, training kits, etc. UNDP is also experienced in implementing complex projects in this sensitive and intricate political and social context and has established trusted relations with all key stakeholders on the ground – the de facto authorities of Georgia's breakaway region of Abkhazia, the Georgian government, as well as civil society and experts on both sides of the Inguri river.

UNDP will carry out these tasks together with the United Nations Children's Fund (UNICEF). UNICEF will focus on improving management of VET education in the area of health care, LLL for health care professionals and elaborating and implementing best practices in the

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field. In the absence of other specialised agencies such as the World Health Organization (WHO), UNICEF remains the leading agency working in the field of health care in Georgia's breakaway region of Abkhazia. The agency possesses significant knowledge of the political and social context and current developments on the ground and has proven expertise in organising systematic capacity-building trainings for health professionals in Georgia's breakaway region of Abkhazia. UNICEF has the trust of both Georgian authorities and Abkhaz de facto authorities, who heavily rely on UNICEF's good offices and the expertise that UNICEF can bring in.

The entrusted entities would carry out the following budget-implementation tasks: running related public procurement and grant award procedures; concluding and managing the resulting contracts, including making related payments.

If negotiations with one of these entities, the concerned part of this action would be implemented by the other, considering that both organisations fulfil the requirements for the implementation of this action.

If negotiations with both entrusted entities fail, that part of this action may be implemented in direct management in accordance with the implementation modalities identified in the section 2.2.6.

2.2.6 Changes from indirect to direct management mode due to exceptional circumstances

Should it reveal not possible due to circumstances outside of the Commission's control to implement the activities under indirect management with UNDP/UNICEF as described in section 2.2.5, these activities would be integrated in the call for proposals described in section 2.2.1, by broadening the scale and funding of the grants.

2.3 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(a) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

2.4 Indicative budget

	EU contribution (in EUR)	Indicative third party contribution (in EUR)
2.1 - Budget Support - sector reform contract	30 000 000	N.A.
2.2.1 – Grants call for proposals (direct management)	7 000 000	1 750 000

2.2.2 - Grants: up to two twinning calls for proposals (direct management)	3 000 000	N.A.
2.2.3 - Grant: direct award (direct management)	1 000 000	250 000
2.2.4 – Procurement (direct management)	4 500 000	N.A.
2.2.5 – Indirect management with UNDP	2 750 000	N.A.
2.7 – Evaluation	300 000	N.A.
2.8 - Audit		
2.9– Communication and visibility	300 000	N.A.
Totals	48 850 000	2 000 000

2.5 Organisational set-up and responsibilities

The MoESCS will be entrusted by the Government of Georgia to coordinate all activities under this programme. This is justified due to the longstanding experience of the MoESCS working with EU programmes and its proven capacity of interinstitutional coordination of the current EVET multisector programme. In addition, the Minister of Education and Science has been appointed as Third Vice Prime Minister in charge of youth policies.

The programme will be governed by a steering committee, which will oversee and guide the overall direction and policy of the programme. It will assess progress in the implementation of the action and decide if any modifications are needed. It shall indicatively meet twice a year and can be convened whenever the project implementation requires strategic decisions. Separate sessions may be organised for different components. The project steering committee will include representatives of the following entities: MoESCS, MoIDPLHSA, MoSYA, MoESD, social partners, civil society organisations and the donor community as observers. The steering committee will inform the NVETC and the Tripartite Social Partnership Commission (TSPC) on the progress of the programme implementation and complement the ongoing policy dialogue in the NVETC and TCPC as regards respective policy initiatives and strategies regularly brought for review and feedback to these interagency platforms.

2.6 Performance monitoring and reporting

External review missions will verify compliance with relevant policy reforms conditions, according to the following tentative calendar:

Tranche	Reference year for which data is expected to be available	Timing of the assessment mission
2 nd Tranche	2019	1 st quarter 2020
3 rd Tranche	2020	1 st quarter 2021
4 th Tranche	2021	1 st quarter 2022
5 th Tranche	2022	1 st quarter 2023

As regards monitoring and reporting on strategies implementation, all four line ministries have the tools and mechanisms for monitoring and reporting on strategies in line with the Policy Planning Framework requirements.

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, the list of result indicators (for budget support). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

2.7 Evaluation

Having regard to the importance of the action, mid-term and final evaluations will be carried out for this action or its components via independent consultants contracted by the Commission.

A mid-term evaluation will be carried out for learning purposes, in particular with respect to assessing progress of implementation and performance of the various components, so that corrective actions can be put in place.

A final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that the programme targets two priority areas of cooperation within the SSF.

The Commission shall inform the implementing partner at least three months in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Where relevant, the provisions of the Financial and Administrative Framework Agreement concluded between the European Union and the selected international organisation(s) shall apply.

Indicatively, two contracts for evaluation services shall be concluded under a framework contract in 2020 and 2022.

2.8 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Where relevant, the provisions of the Financial and Administrative Framework Agreement concluded between the European Union and the selected international organisation(s) shall apply.

Indicatively, one audit contract for audit services shall be concluded under a framework contract in 2022.

2.9 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.6 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations shall be included in the financing agreements or delegation agreements.

With regards to the Neighbourhood East, all EU-supported actions shall be aimed at increasing the awareness level of the target audiences on the connections, the outcome, and the final practical benefits for citizens of EU assistance provided in the framework of this action. Visibility actions should also promote transparency and accountability on the use of funds.

Outreaching/awareness raising activities will play a crucial part in the implementation of the action, in the case of budget support the national government shall ensure that the visibility of the EU contribution is given appropriate media coverage. The implementation of the communication activities shall be the responsibility of the implementing organisations, and shall be funded from the amounts allocated to the action.

All necessary measures will be taken to publicise the fact that the action has received funding from the EU in line with the Communication and Visibility Manual for EU External Actions. Additional Visibility Guidelines developed by the Commission (European Neighbourhood Policy and Enlargement Negotiations) will be strictly adhered to.

Where relevant, the provisions of the Financial and Administrative Framework Agreement concluded between the European Union and the selected international organisations shall apply.

It is the responsibility of the implementing organisation to keep the EU Delegations and, where relevant, DG NEAR, fully informed of the planning and implementation of the appropriate milestones specific visibility and communication activities.

The implementing organisation shall report on its visibility and communication actions, as well as the results of the overall action to the relevant monitoring committees.

This action will be communicated externally as part of a wider context of EU support to the country, and where relevant to the Eastern Partnership region in order to enhance the effectiveness of communication activities and to reduce fragmentation in the area of EU communication.

The implementing organisation shall coordinate all communication activities with EU Delegations as well as regional communication initiatives funded by the European Commission to the extent possible. All communication strategies developed as part of this action shall ensure they are in line with the priorities and objectives of regional communication initiatives supported by the European Commission and in line with the relevant EU Delegation's communication strategy under the "EU4Georgia" umbrella initiative.

APPENDIX 1 - INTERVENTION LOGIC TABLE

The inputs, the expected direct and induced outputs and all the indicators, targets and baselines included in the list of result indicators are indicative and may be updated during the implementation of the action without an amendment to the financing decision. The table with the indicative list of result indicators will evolve during the lifetime of the action: new columns will be added for intermediary targets (milestones), when it is relevant and for reporting purpose on the achievement of results as measured by indicators.

THE TARGETS IN BOLD ARE ALSO PROPOSED AS TARGETS FOR THE INDICATORS OF THE POLICY MATRIX (SPECIFIC CONDITIONS)

Overall objective: Impact	Intervention logic	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification
	To enhance Georgia's economic resilience and sustainable growth through human capital development and skills matching.	Poverty rate (** EU RF Indicator 2): Percentage of population living below international poverty line	9.8% (2014)	<4% (2022), (ref. nationalised SDGs target <1% by 2030)	GEOSTAT
		Employment rate 15+ by sex	59.5%, M 67.1%, F 52.9% (2016)	63% with at least 5 percentage point increase for women (2022)	GEOSTAT LFS
		Employment rate 15+ by sex in the selected regions	59.7%, M 67.6 %, F 52.9% (2015)	63% with at least 5 percentage increase for women (2022)	GEOSTAT LFS
		Employment rate 15+ of VET graduates	66.8%, M 77.4%, F 59.1% (2015)	68% (2020), 70% (2022)	GEOSTAT LFS
		Unemployment rate 15+ by sex	11.8.0%, M 14.2%, F 8.9% (2016)	10% (2022)	GEOSTAT LFS
		NEETs rate by sex (* SSF indicator)	27.92%, M 23.16%, F 33.21.1% (2016)	27% (2020), 25% with at least 2% percentage point decrease for females (2022)	GEOSTAT LFS
		Activity rate by sex	67.5%, M 78.2%, F 580% (2016)	70% with at least 5 percentage points increase for women (2022)	GEOSTAT LFS

Specific Outcome(s): Induced outputs	To improve the employability of women and men in the selected regions.	LLL rate by sex	0.61%, M 0.68%, F 0.55% (2015)	0.8% (2020), 1.5% with at least 0.5 percentage point increase for women (2022)	GEOSTAT LFS EMIS
		Drop-out rate from VET	13.4% (2016)	11.4% (2021)	EMIS
		Drop-out rate from VET for youth	14.0% (2016)	13% (2020), 11% (2022)	EMIS
		1. Relevant skills-matching services accessible in the selected regions			
	1.1 Operational skills anticipation system based on regular national/sectoral and regional skills needs analysis	Local skills needs survey by ESS offices (1.1)	0	By 60% of the offices (2022)	ESS annual report ESS financial and HR information
	1.2 Increased availability of career guidance and counselling, job intermediation and labour market integration services	Percentage of ESS offices providing new service model (1.2)	0.03% (2 offices) (2016)	20% (2019), 60% (2021)	
		Number of annual ALMP beneficiaries (1.2)	5300 (2016) TBC	At least 6360 (2020), At least 6890 (2021)	
		Number of annual job placements by ESS (1.2)	670 (2016)	At least 871 (2019), At least 1072 (2020)	
	2. Relevant lifelong learning skills provision in the selected regions with a focus on youth				
	2.1 Flexible skills development system including both private and public provision based on the needs of youth, adults and employers	Enrolment rate of youth 15-24 in formal VET qualifications (2.1)	2.3% (2015)	3% (2020), 5% (2022)	GEOSTAT EMIS
	2.2 VET participation increase, in particular for the youth age group of 15-24	Number of annual youth 15-24 beneficiaries of (2.2) <ul style="list-style-type: none">• non-formal entrepreneurship education• career guidance	Baseline 2016 Baseline 2016	5% increase from the baseline (2020) 5% increase from the baseline (2021)	MoSYA, MoESCS, SSA, GITA administrative data

3.6

	Number of youth 15-24 benefitting of non-formal education in the selected regions (2.2)	Baseline 2016	5% increase from the baseline (2021)	MoSYA, MoESCS administrative data
	Percentage of people aged 25+ enrolled in all type of VET in the selected regions (2.2)	0.25 % (2016)	Increase by 0.25 percentage points from the baseline (2019) Increase by 0.75 percentage points from the baseline (2020)	EMIS, GEOSTAT
3. Entrepreneurial learning and entrepreneurship training opportunities accessible in the selected regions				
3.1 Entrepreneurship key competence is an integral part of curricula and teacher training, including practical entrepreneurial experience, in upper secondary general education and VET	Percentage of full-time VET teachers having completed 20 working days of internship in a company within the last two years (3.1)	Baseline 2016	20% (2020), 40% (2021)	TPDC administrative data
	Percentage of general upper secondary and VET teachers and principals trained on entrepreneurship key competence (3.1)	0	5% (2020) 10% (2021)	TPDC administrative data
3.2 Entrepreneurship training modules available for students and adult learners in higher education and VET institutions	Percentage of higher education and VET institutions providing entrepreneurship training modules (3.2)	0	20% (2021) 40% (2022)	EMIS and MoESCS

APPENDIX 2 – DONOR COOPERATION AND COMPLEMENTARITY

The list of EU-funded programmes that are complementary to this action includes:

<i>EU Programme</i>	<i>EUR million</i>	<i>Duration</i>	<i>Complementarity with this programme</i>
Employment and VET (EVET) sector reform contract	27	2013-2018	Ongoing support to VET and employment reform process
Public Administration Reform (PAR)	30	2015-2021	Five pilot Ministries (MoESD, MoESCS, MoIDPLHSA, and MoRDI (Ministry of Regional Development and Infrastructure)) will benefit in terms of improved strategic planning and policy development capacity
Regional Development Phase II	30	2015-2018	Support to planning and management of public funds for the regions; including rural development measures for the benefit of agriculture and agribusiness
ENP for Agriculture and Rural Development (ENPARD) Phase II and III	79	2016-2020	Promotes inclusive and sustainable growth, creating employment and livelihoods for the poor and excluded in rural areas. Special measures target vulnerable people in remote regions and empowerment of rural women; pilot action in Georgia's breakaway region of Abkhazia
Support to EU-Georgia DCFTA and SMEs	51	2015-2018	Targets the development of SMEs and business organisations, supports economic integration of targeted groups, such as internally displaced persons (IDPs), returned migrants, women in business and young entrepreneurs.
Economic and Business Development in Georgia	47.65	2018-2022	Support services on entrepreneurship and to SMEs, business incubators, etc.
Human Rights for All	4.2	2016-2018	Support effective functioning of labour administration and industrial relations & procedures, grant implemented by ILO
IcSP/COBERM		2016-2018	Multilingual education implemented by UNICEF; VET inventory-; grant to CSO
Promoting Labour Relations and Social Dialogue in Georgia	0.4	2014-2017	Support effective functioning of the Tripartite Social Partnership Commission and capacity building of social partners, grant implemented by ILO

Other EU Member States and international donor-funded programmes in the field of labour market and VET that are complementary to this action include:

Partners	Funded programmes	Timetable
Labour Market		
Austria (ADA)	Education for strengthening and stabilising Labour Rights – Trade Union School of Georgia	07/2016-06/2018
Education and Science		
Germany (VET)	Grant for Component “Vocational Qualification in selected value chains” as part of GIZ' Private Sector Development Programme South Caucasus	10/2013-03/2017
Germany (VET)	GIZ Private Sector Development and TVET Programme South Caucasus, with a grant of EUR 8.6 million from BMZ and a focus on the promotion of dual oriented TVET in selected sectors relevant for employment.	04/2017-3/2020
Germany (VET)	Grant for Component on Qualification in Biodiversity Management and the Forest Sector as part of GIZ' Biodiversity Programme IBiS	12/2015-11/2018
Germany (VET)	Grant for VET activities implemented by IHK (Industrie- und Handelskammer) München (Sequa) + Georgian Chamber of Commerce and Industry	07/2015-06/2018
Germany (VET)	Grant for VET activities implemented by Bildungswerk Mecklenburg-Vorpommern (Sequa) and Georgia Employers' Association	09/2015 – 11/2018
Germany	Support to Adult Education in countries of transition, South-East Europe, Caucasus and Turkey by DVV International (Institute for International Cooperation of the Deutscher Volkshochschul-Verband)	01/2015 – 12/2017
Germany	KfW (Kreditanstalt für Wiederaufbau) – Private sector development with a component on VET	2018-2020
France (Education and science)	Scholarships, training of French language teachers, rehabilitation of French as a foreign language in primary education (ca. EUR 120 000) French-Georgian university including technical education (BTS –Advanced Technician's Diploma) and <i>licence professionnelle</i> in agriculture and tourism	2016 (Annual)

Netherlands Fellowship Programme	Full scholarships for Master and PhD programmes and for short courses. Target group: mid-career professionals. Tailor-made trainings by Dutch institutions to their Georgian counterparts.	Annual
The Netherlands	“Empowering Youth in Pankisi Gorge” with Kakheti Regional Development Centre: vocational training courses for young people in beekeeping, welding, carpentry, tailoring, cooking, repair of mobiles and PCs (EUR 60 474)	2016-2017
Poland (Pre-school education)	Polish Aid – Supporting changes to increase access and quality of preschool education in Georgia (ca. EUR 300 000)	05/2016-12/2017
Estonia (general education)	Technical assistance for the revision and improvement of curriculum and overhaul of pre-service teacher training. Partners: UNICEF, MoESCS of Georgia, Estonia (EUR 220 000) (new 3 year project under development)	07/2014-12/2016
Estonia (VET)	Transfer of Estonian Best Practices to Support the Competitiveness of Georgian Vocational Education and Training Sector II (EUR 116 000)	11/2015-10/2017
Austria (ADA)	Inclusion in VET and the Labour Market	01/2016 – 12/2017
Main non-EU donors		
Millennium Challenge Corporation (USA)	Compact on Education (USD140 million) – the programme includes a project on Improving General Education Quality (USD 76.5 million and on Industry-Led and Workforce Development (USD16 million)	2014-2019
SDC	Contribution Agreement with UNDP (USD 5.8 million) on “Modernization of the VET System Related to Agriculture in Georgia”	01/06/2013 – 31/12/2018
USAID	Georgia Primary Education Project (G-PriEd, USD 12 million); provides assistance to the primary	2011-2018

	education system to improve reading and math competences and basic business literacy at primary grades	
USAID	Horizons Project to enhance conflict affected communities' resilience and confidence building between Abkhaz and Georgian citizens in the areas of common interest such as health and education	2016-2021
USAID	Programme to support private sector development through value chain analyses (USD 20 million); one component of the programme is VET and skills development in selected economic sectors	2018-2022
USAID	"ZRDA activity in Georgia" covers five regions and 70 communities; project focuses on local economic development and SMEs, with the aim of creating 2000 jobs and increased income for 11 000 families	2016-2019
<u>International Financial Institutions</u>		
EBRD	Pilot component on skills development for agriculture and hospitality with a focus on youth and gender as part of the Inclusion Strategy	2017-2020
World Bank	Actions on inclusive growth through better public services, job creation and competitiveness within WB-Georgia Country Partnership Strategy Georgia National Innovation Ecosystem (GENIE) Project (USD42 million) – project includes a component supporting education for knowledge economy and innovation hubs (fablab incubators)	2014-2017 2016-2021

Annex 3: Communication and visibility activities

These guidelines are in addition to, and expand upon measures identified in the Annex I, Technical and Administrative Provisions, Article 2.9 "Communication and visibility" and specify the following additions:

1. Objectives

The objectives of the communication activities for the programme are:

- to raise awareness and promote the programme and the EU's role in developing and funding it to its target beneficiaries and other stakeholders;
- to show the positive impact of the programme and the EU's role in developing and funding it to the wider Georgian public;
- to promote the EU4Georgia/Skills4Jobs brand in all communication activities of the current and previous actions supported by the European Union in this sector.

2. Visibility Guidelines

- All activities should be in line with Communication and Visibility Requirements for EU External Actions¹ as well as with the EU's Supplementary Visibility Guidelines for Georgia²;
- All visibility activities related to the programme should be consulted and agreed with the EU before proceeding.

3. Specific Visibility measures for the Programme

The partners agree to the following visibility actions in the course of the programme implementation:

- Development of a general communication plan for the programme;
- A high level event dedicated to the start of the programme;
- Specific visibility events for the launch and completion of every complementary measure (two twinning projects, TA, grant scheme and support to Georgia's breakaway region of Abkhazia); a tentative timetable for the launch events is as follows: twinning projects, TA and Abkhazia 3rd quarter of 2019, grant scheme 1st quarter of 2020 while the closing events will take place respectively after the completion of the complementary measures;
- Success stories developed for significant achievements under the specific complementary measures and the main programme;
- A high-level final summarising event at the end of the programme.

4. Specific Visibility measures for Budget Support Component

The partners agree in principle that all measures used as indicators and their results can be referred to as being achieved by the Government of Georgia with the support of the European Union.

Linked to this, all reports and training/education certificates mentioned in the programme indicators will visibly reflect EU support, likewise EU support will be reflected in information plaques in SSA/ESS offices/branches and VET institutions mentioned in the programme indicators.

In addition, the following measures will be implemented for the budget support component to inform target beneficiaries and stakeholders on the progress and benefits of government reforms with the support of the European Union (dates are indicative):

- Annual public communication campaigns in 2019 – 2022 will be conducted targeting the following themes and highlighting:
 - a) *Youth* and their participation in all aspects of the programme in 2019

¹ <https://ec.europa.eu/europeaid/node/17974>

² <http://eu4georgia.ge/visibility/>

- b) *Employment services* and their operations for job-seekers in 2020
 - c) *Lifelong learning* including access and opportunities to LLL for adults in 2021
 - d) *Employment and employability* in 2022
- An annual press release and communication on the progress of reforms covered by the programme highlighting the main results and using the evidence of achievements of performance indicators in 2019, 2020, 2021, 2022, 2023.

Costs for all measures in this annex will be covered under the communication allocation or as part of the funds of the complementary measures dedicated for visibility activities. Final design, timetable and phrasing of these elements will be agreed with the EU during implementation.

FINANCING AGREEMENT SECTOR REFORM PERFORMANCE CONTRACT

SPECIAL CONDITIONS

The European Commission, hereinafter referred to as "**the Commission**", acting on behalf of the European Union, hereinafter referred to as "**the EU**",

of the one part, and

Georgia, hereinafter referred to as "**the Partner**", represented by the Ministry of Foreign Affairs,
of the other part,

have agreed as follows:

Article 1 - Nature of the action

- 1.1. The EU agrees to finance and the Partner agrees to accept the financing of the following budget support action:

Skills Development and Matching for Labour Market Needs

CRIS decision number: ENI/2017/040-319

This action is financed from the EU Budget under the following basic act: European Neighbourhood Instrument.

- 1.2. The total estimated cost of this action is EUR 50 850 000 and the maximum EU contribution to this action is set at EUR 48 850 000.

This budget support action is composed of:

- (a) a budget support component with a maximum EU contribution of EUR 30 000 000.
- (b) a complementary support component with a total estimated cost of EUR 16 850 000 and a maximum EU contribution of EUR 15 100 000.

- 1.3. The Partner shall not co-finance the action.

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Article 2 – Execution period

- 2.1. The execution period of this Financing Agreement as defined in Article 15 of Annex II (General Conditions) shall commence on the entry into force of this Financing Agreement and end 84 months after this date.
- 2.2. The duration of the operational implementation period is fixed at 60 months.
- 2.3. The duration of the closure period is fixed at 24 months.

Article 3 – Addresses

All communications concerning the implementation of this Financing Agreement shall be in writing, shall refer expressly to this action as identified in Article 1.1 of these Special Conditions and shall be sent to the following addresses:

a) for the Commission

EU Delegation to Georgia, 38 Nino Chkheidze street, 0102, Tbilisi, Georgia; e-mail: delegation-georgia@eeas.europa.eu

b) for the Partner

Minister of Education, Science Culture and Sports of Georgia, Government of Georgia, e-mail: pr@mes.gov.ge; Minister of IDPs from Occupied Territories, Labour, Health and Social Affairs of Georgia, e-mail: info@moh.gov.ge; Minister of Economy and Sustainable Development, e-mail: ministry@moesd.gov.ge.

Article 4 – OLAF contact point

The contact point of the Partner having the appropriate powers to cooperate directly with the European Anti-Fraud Office (OLAF) in order to facilitate OLAF's operational activities shall be Head of European Integration and International Relations Division of the Department of Legal Affairs, Office of the Chief Prosecutor of Georgia; e-mail: ichilingarashvili@pog.gov.ge

Article 5 - Annexes

- 5.1. This Financing Agreement is composed of:
 - (a) these Special Conditions;
 - (b) Annex I: Technical and Administrative Provisions, detailing the objectives, expected results, activities, description of the budget-implementation tasks entrusted and budget of this Action;
 - (c) Annex II: General Conditions;

(d) Annex III: Reporting Template - not applicable to and not included in this Financing Agreement.

(e) Annex IV: Management Declaration Template - not applicable to and not included in this Financing Agreement.

- 5.2. In the event of a conflict between, on the one hand, the provisions of the Annexes and, on the other hand, the provisions of these Special Conditions, the latter shall take precedence. In the event of a conflict between, on the one hand, the provisions of Annex I (Technical and Administrative Provisions) and, on the other hand, the provisions of Annex II (General Conditions), the latter shall take precedence.

Article 6 – Provisions derogating from or supplementing Annex II (General Conditions)

The foreign exchange transfers will be accounted for under the value date of the notification of credit to the Treasury account from the Central Bank. The exchange rate will be the average rate of the interbank foreign currency market on the value date of the notification of credit.

Articles 18, 19, 25.3, 25.4 and 25.5 of Annex II (General Conditions) do not apply to those activities entrusted to an entity pursuant to Annex I under this Financing Agreement.

Article 7 – Entry into force

This Financing Agreement shall enter into force on the date on which it is signed by the last party.

Done in two original copies, one copy being handed to the Commission and one to the Partner.

For the Partner:

David Zalkaliani

Minister of Foreign Affairs

For the Commission:

Lawrence Meredith

Director Neighbourhood East

Directorate-General for Enlargement and
Neighbourhood Negotiations

Signature



Date

20 NOV. 2018

Signature



Date

19 NOV. 2018

August 2018

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ANNEX II - GENERAL CONDITIONS

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Part One: Provisions Applicable to Activities for which the Partner is the Contracting Authority

Article 1 - General principles

- 1.1 The purpose of Part One is to define the tasks entrusted to the Partner in indirect management as described in Annex I (Technical and Administrative Provisions) and to define the rights and obligations of the Partner and of the Commission in carrying out these tasks.

Part One shall apply to the tasks related to the EU contribution alone or in combination with the funds of the Partner or of a third party where such funds are implemented in joint co-financing, i.e. where they are pooled.

These tasks encompass the implementation by the Partner as contracting authority of procedures for the award of procurement contracts, grant contracts and contribution agreements as well as the awarding, signing and enforcing of the resulting procurement contracts, grant contracts and contribution agreements. For the purpose of Part One of this Financing Agreement, every reference to grant contracts shall also include contribution agreement and every reference to grant beneficiaries shall also include organisations having signed contribution agreements.

The designation of entities pertaining to the Partner's government or administrative structure and identified in Annex I (Technical and Administrative Provisions) to carry out certain tasks, does not qualify as sub-delegation. Such entities shall respect the rights and obligations laid down in Part One for the Partner as contracting authorities, while at the same time the Partner remains fully responsible for the fulfilment of the obligations stipulated in this Financing Agreement. References in the Financing Agreement to Partner also encompass those entities.

As contracting authority, the Partner shall act under partial delegation, except when it acts under the imprest component of a programme estimate or under a Partner managed pool fund:

- Under partial delegation, the Partner acts as contracting authority for procurement contracts, grant contracts, whereby the Commission controls ex ante all award procedures and executes all related payments to the contractors and grant beneficiaries;
- Under the imprest component of a programme estimate, the Partner acts as contracting authority for procurement and grant contracts, whereby it may, up to established thresholds, conduct procurement and grant award procedures without or with limited ex ante control of the Commission and execute payments to the contractors and grant beneficiaries, as well as in the context of direct labour.
- Under a Partner managed pool fund, the Partner acts as contracting authority for procurement contracts and grant contracts, whereby the Commission does not control ex ante any award procedure and the Partner executes all related payments to the contractors and grant beneficiaries.

Where the Partner is an ACP State and the action is financed by the EDF pursuant to Article 1.1

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of the Special Conditions, the tasks entrusted shall be those listed in points (c) to (k) of the sixth subparagraph of Article 35(1) and in Article 35(2) of Annex IV to the ACP-EC Partnership Agreement

Where the Partner is an OCT and the action is financed by the EDF pursuant to Article 1.1 of the Special Conditions, the implementation of tasks entrusted shall also respect the conditions of Article 86(3) of Council Decision 2013/755/EU of 25 November 2013 on the association of the overseas countries and territories with the European Union (Overseas Association Decision).

- 1.2 The Partner shall remain responsible for the fulfilment of the obligations stipulated in this Financing Agreement even if it designates other entities identified in Annex I (Technical and Administrative Provisions) to carry out certain tasks. The Commission, in particular, reserves the right to suspend payments, and to suspend and/or terminate this Financing Agreement on the basis of the acts, omissions and/or situations of any designated entity.
- 1.3 The Partner shall set up and ensure the functioning of an effective and efficient internal control system. The Partner shall respect the principles of sound financial management, transparency, non-discrimination, visibility of the European Union in the implementation of the action and avoid situations of conflict of interest.

A conflict of interest exists where the impartial and objective exercise of the functions of any responsible person is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other direct or indirect personal interest.

Internal control system is a process aimed at providing reasonable assurance that operations are effective, efficient and economical, that the reporting is reliable, that assets and information are safeguarded, that fraud and irregularities are prevented, detected and corrected, and that risks relating to the legality and regularity of the financial operation are adequately managed, taking into account the multiannual character of the activities as well as the nature of the payments concerned.

In particular, where the Partner carries out payments under the imprest component of a programme estimate or in the framework of a Partner managed pool fund, the functions of the authorising and accounting officers shall be segregated and mutually incompatible and the Partner shall operate an accounting system that provides accurate, complete, reliable and timely information.

- 1.4 Outside the cases where the Partner applies its own (including in the case of a Partner managed pool fund, those agreed upon by the pool fund's donors) procedures and standard documents for the award of procurement contracts and grant contracts, the Partner shall conduct the award procedures and conclude the resulting contracts and agreements in the language of this Financing Agreement.
- 1.5 The Partner shall take the necessary measures to ensure the visibility of EU funding for the activities entrusted to it or for other activities under this action. These measures shall either be defined in Annex I (Technical and Administrative Provisions) or shall be agreed later between the Partner and the Commission.

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These communication and information measures shall comply with the Communications and Visibility Requirements for EU External Actions laid down and published by the Commission, in force at the time of the measures.

- 1.6 Under partial delegation and under the imprest component of a programme estimate, the Partner shall keep all relevant financial and contractual supporting documents from the date of the entry into force of this Financing Agreement or as from an earlier date which is stipulated as the start date of cost eligibility in Article 6 of the Special Conditions for five years as from the end of the execution period, in particular, the following:

Procurement procedures:

- a. Forecast notice with proof of publication of the procurement notice and any corrigenda
- b. Appointment of shortlist panel
- c. Shortlist report (incl. annexes) and applications
- d. Proof of publication of the shortlist notice
- e. Letters to non-shortlisted candidates
- f. Invitation to tender or equivalent
- g. Tender dossier including annexes, clarifications, minutes of the meetings, proof of publication
- h. Appointment of the evaluation committee
- i. Tender opening report, including annexes
- j. Evaluation / negotiation report, including annexes and bids received¹
- k. Notification letter
- l. Supporting documents
- m. Cover letter for submission of contract
- n. Letters to unsuccessful candidates
- o. Award / cancellation notice, including proof of publication
- p. Signed contracts, amendments, riders and relevant correspondence

Calls for proposals and direct award of grants:

- a. Appointment of the evaluation committee
- b. Opening and administrative report including annexes and applications received²
- c. Letters to successful and unsuccessful applicants following concept note evaluation
- d. Concept note evaluation report

¹ Elimination of unsuccessful bids five years after the closure of the procurement procedure

² Elimination of unsuccessful applications three years after the closure of the grant procedure.

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- e. Evaluation report of the full application or negotiation report with relevant annexes
- f. Eligibility check and supporting documents
- g. Letters to successful and unsuccessful applicants with approved reserve list following full application evaluation
- h. Cover letter for submission of grant contract
- i. Award/cancellation notice with proof of publication
- j. Signed contracts, amendments, riders and relevant correspondence.

1.7 The Partner shall ensure an appropriate protection of personal data. Personal data means any information relating to an identified or identifiable natural person.

Personal data shall be:

- Processed lawfully, fairly and in a transparent manner in relation to the data subject;
- Collected for specified, explicit and legitimate purposes and not further processed in a manner that is incompatible with those purposes;
- Adequate, relevant and limited to what is necessary in relation to the purposes for which they are processed;
- Accurate and, where necessary, kept up to date;
- Processed in a manner that ensures appropriate security of the personal data and
- Kept in a form which permits identification of data subjects for no longer than is necessary for the purposes for which the personal data are processed. Personal data included in documents to be kept by the Partner in accordance with Article 16.1 has to be deleted once the deadline set out in Article 16.1 has expired.

Any operation involving the processing of personal data, such as collection, recording, organisation, storage, adaption or alteration, retrieval, consultation, use, disclosure, erasure or destruction, shall be based on rules and procedures of the Partner and shall only be done as far as it is necessary for the implementation of this Financing Agreement.

In particular, the Partner shall take appropriate technical and organisational security measures concerning the risks inherent in any such operation and the nature of the information relating to the natural person concerned, in order to:

- a) Prevent any unauthorised person from gaining access to computer systems performing such operations, and especially unauthorised reading, copying, alteration or removal of storage media; unauthorised data input as well as any unauthorised disclosure, alteration or erasure of stored information;
- b) Ensure that authorised users of an IT system performing such operations can access only the information to which their access right refers;
- c) Design its organisational structure in such a way that it meets the above requirements.

Article 2 - Deadline for the signature of contracts and agreements by the Partner

- 2.1 The procurement contracts and grant contracts shall be signed during the operational implementation period of this Financing Agreement.

When implementing a multi-donor Action, the procurement contracts and grant contracts shall be concluded within the contracting deadline set out in the Special Conditions or set out for the imprest component of the programme estimate.

When the Action is not a multi-donor Action, procurement contracts and grant contracts shall be concluded at the latest within three years of the entry into force of this Financing Agreement.

Additional procurement contracts and grant contracts resulting from an amendment to this Financing Agreement which increases the EU contribution shall be signed at the latest within three years of the entry into force of that amendment to this Financing Agreement, or for a multi-donor Action within the fixed contracting deadline for the additional EU contribution.

The three years-deadline for non-multi-donor Actions may not be extended, except when the action is financed by the EDF. In such cases, the extension shall be stipulated in Article 6 of the Special Conditions.

- 2.2 However, the following transactions may be signed at any time during the operational implementation period:

- a. amendments to procurement contracts and grant contracts already signed;
- b. individual procurement contracts to be concluded after early termination of existing procurement contracts;
- c. contracts relating to audit and evaluation, which may also be signed during the closure period;
- d. operating costs referred to in Article 5.1;

- 2.3 After expiry of the deadlines referred to in Article 2.1, the financial balance for the related activities entrusted to the Partner for which contracts have not been duly signed shall be decommitted by the Commission.

- 2.4 No such decommitment shall apply to the funds budgeted for audit and evaluations referred to in Article 2.2.c) or the operating costs referred to in Article 2.2.d).

Likewise, no such decommitment shall apply to any financial balance of the contingency reserve or to funds available again after early termination of a contract referred to in Article 2.2.b), which both may be used to finance contracts referred to in Article 2.2.

Article 3 – Exclusion and administrative sanctions

- 3.1 Exclusion criteria

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- 3.1.1 When applying the procedures and standard documents laid down and published by the Commission for the award of procurement and grant contracts, the Partner shall accordingly ensure that no EU financed procurement or grant contract is awarded to an economic operator or grant applicant if the economic operator or grant applicant either itself, or a person having powers of representation, decision making or control over it, is in one of the exclusion situations provided for in the relevant procedures and standard documents of the Commission.
- 3.1.2 When applying its own (including, in the case of a Partner managed pool fund, those agreed upon by the pool fund's donors) procedures and standard documents for the award of procurement and grant contracts, the Partner shall adopt measures, in accordance with its own national legislation, to ensure that no EU financed procurement or grant contract is awarded to an economic operator or grant applicant if the Partner becomes aware that these entities:
- a) or persons having powers of representation, decision making or control over them, have been the subject of a final judgement or of a final administrative decision for fraud, corruption, involvement in a criminal organisation, money laundering, terrorist-related offences, child labour or trafficking in human beings;
 - b) or persons having powers of representation, decision making or control over them have been the subject of a final judgement or of a final administrative decision for an irregularity affecting the EU's financial interest;
 - c) are guilty of misrepresentation in supplying the information required as a condition of participation in the procedure or if they fail to supply this information;
 - d) have been the subject of a final judgment or of a final administrative decision establishing that the entities have created an entity under a different jurisdiction with the intention to circumvent fiscal, social or any other legal obligations of mandatory application in the jurisdiction of its registered office, central administration or principal place of business;
 - e) have been created with the intention described in point d) above as established by a final judgment or a final administrative decision.

The Partner may take into account, as appropriate and on its own responsibility, the information contained in the Commission's Early Detection and Exclusion System when awarding procurement and grant contracts. Access to the information can be provided through the liaison point(s) or via consultation to the Commission (European Commission, Directorate-General for Budget, Accounting Officer of the Commission, BRE2-13/505, B-1049 Brussels, Belgium and by email to BUDG-C01-EXCL-DB@ec.europa.eu in copy to the Commission address identified in Article 3 of the Special Conditions). The Commission may refuse payments to a contractor or grant beneficiary in an exclusion situation.

3.2 Information duty

The Partner shall inform the Commission when an economic operator or grant applicant is in a situation referred to in Article 3.1, or has committed irregularities and fraud, or has been found in serious breach of its contractual obligations.

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3.3 Administrative sanctions

Where the Partner becomes aware of one of the situations referred to in Article 3.1 in the implementation of the tasks described in Annex I, the Partner shall, under the conditions of its national legislation, impose upon the economic operator or grant applicant, an exclusion from its future procurement or grant award procedures and/or a financial penalty proportional to the value of the contract concerned. Such financial penalties or exclusions shall be imposed following an adversarial procedure ensuring the right of defence of the person concerned.

The Partner may be exempted from the obligations under the first paragraph where:

- the Partner's national legislation does not allow to impose an exclusion and/or a financial penalty,
- the protection of the EU's financial interests requires to impose an administrative sanction within deadlines incompatible with the Partner's internal procedures,
- the imposition of an administrative sanction requires a mobilisation of resources beyond the Partner's means,
- its national legislation does not allow to exclude an economic operator from all EU financed award procedures.

In such cases, the Partner will notify its impediment to the Commission. The Commission may decide to impose to the economic operator or grant applicant an exclusion from future EU financed award procedures and/or a financial penalty between 2 % and 10 % of the total value of the contract concerned.

Article 4 - Partial delegation

Award procedures

- 4.1 The tasks shall be carried out by the Partner in accordance with the procedures and standard documents laid down and published by the Commission for the award of procurement contracts and grant contracts, in force at the time of the launch of the procedure in question.

Ex ante control

- 4.2 To allow ex ante control, the Partner shall submit tender dossiers and documents for calls for proposals, to the Commission for approval before launching invitations to tender and calls for proposals. Likewise, the Partner shall invite the Commission to the opening of tenders and proposals, and shall provide the Commission with copies of tenders and proposals received. The Partner shall notify the Commission of the results of the examination of tenders and proposals and shall submit the award proposal, as well as the draft procurement contracts and grant contracts to the Commission for approval.

During the implementation of the procurement contracts and grant contracts, the Partner shall equally submit draft addenda and draft administrative orders thereto, to the Commission for prior approval.

The Partner shall invite the Commission for provisional and final acceptance.

Report / Management Declaration

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- 4.3 If Article 5 of the Special Conditions so provides, the report on the implementation of the tasks entrusted to the Partner shall follow the template provided in Annex III and the management declaration shall follow the template provided in Annex IV. An independent external audit opinion on the management declaration, performed in accordance with internationally accepted auditing standards, does not have to be provided in this case as the Commission shall conduct the audits for this action. These audits will verify the truthfulness of the assertions made in the management declaration and the legality and regularity of the underlying transactions made.

Payment procedures

- 4.4 The Partner shall provide the Commission with the approved payment requests within the following deadlines, starting from the date of receipt of the payment request, not counting the periods of suspension of the time-limit for payment:

(a) for pre-financing specified in the procurement contract and grant contract:

- (i) 15 calendar days for an action financed under the Budget;
- (ii) 30 calendar days for an action financed under the EDF;

b) 45 calendar days for other payments

The Commission shall act in accordance with Articles 4.9 and 4.10 within the period amounting to the time-limit for payment provided for in the procurement contract and grant contracts minus the above deadlines.

- 4.5 Upon receipt of a payment request from a contractor, or grant beneficiary, the Partner shall inform the Commission of its receipt and shall immediately examine whether the request is admissible, i.e. whether it contains the identification of that contractor or grant beneficiary, the contract or agreement concerned, the amount, the currency and the date. If the Partner concludes that the request is inadmissible, it shall reject it and inform the contractor or grant beneficiary of this rejection and of its reasons within 30 days of receipt of the request. The Partner shall also inform the Commission of this rejection and its reasons.
- 4.6 Upon receipt of an admissible payment request, the Partner shall examine whether a payment is due, i.e. whether all contractual obligations justifying the payment have been fulfilled, including examining a report, where applicable. If the Partner concludes that a payment is not due, it shall inform the contractor or grant beneficiary thereof and of the reasons. The dispatch of this information suspends the time-limit for payment. The Commission shall receive a copy of the information so dispatched. The Commission shall also be informed of the reply or corrective action of the contractor or grant beneficiary. That reply or action aimed at correcting the non-compliance with its contractual obligations shall restart the time-limit for payment. The Partner shall examine this reply or action pursuant to this paragraph.
- 4.7 If the Commission disagrees with the Partner's conclusion that a payment is not due, it shall inform the Partner thereof. The Partner shall re-examine its positions and, if it concludes that the payment is due, it shall inform thereof the contractor or, grant beneficiary. The suspension of the time-limit for payment shall be lifted upon dispatch of this information. The Partner shall also inform the Commission. The Partner shall further proceed as provided for in Article 4.8.

If disagreement between the Partner and the Commission persists, the Commission may pay the undisputed part of the invoiced amount provided that it is clearly separable from the disputed amount. It shall inform the Partner and the contractor or grant beneficiary of this partial payment.

- 4.8 Where the Partner concludes that the payment is due, it shall transfer the payment request and all necessary accompanying documents to the Commission for approval and payment. It shall provide an overview of how many days of the time-limit for payment are left and of all periods of suspension of this time-limit.
- 4.9 After transfer of the payment request pursuant to Article 4.8, if the Commission concludes that the payment is not due, it shall inform the Partner and, in copy, the contractor or grant beneficiary thereof and of the reasons. Informing the contractor or grant beneficiary shall have the effect of suspending the time-limit for payment, as provided for in the contract concluded. A reply or corrective action of the contractor or grant beneficiary shall be treated by the Partner in accordance with Article 4.6.
- 4.10 Where the Partner and the Commission conclude that the payment is due, the Commission shall execute the payment.
- 4.11 Where late-payment interest is due to the contractor or grant beneficiary, it shall be allocated between the Partner and the Commission pro rata to the days of delay in excess of the time limits stipulated in Article 4.4, subject to the following:
- (a) the number of days used by the Partner is calculated from the date of the registration of an admissible payment request referred to in Article 4.6 to the date of the transfer of the request to the Commission referred to in Article 4.8 and from the date of information by the Commission referred to Article 4.9 to the following transfer of the request to the Commission referred to in Article 4.8. Any period of suspension of the time-limit for payment shall be deducted.
 - (b) the number of days used by the Commission is calculated from the date following that of transfer of the request by the Partner referred to in Article 4.8 to the date of payment and from the date of transfer to the date of informing the Partner pursuant to Article 4.9.
- 4.12 Any circumstances unforeseen by the above procedure shall be solved in a spirit of cooperation between the Partner and the Commission by analogy to the above provisions while respecting the contractual relations of the Partner with the contractor or grant beneficiary.
- Where feasible, one party shall cooperate at the request of the other party in providing useful information for the assessment of the payment request, even before the payment request is formally transferred to or returned from the first party.
- 4.13 A procurement contract or grant contract which has not given rise to any payment within two years of its signature shall be automatically terminated and its funding shall be decommitted, except in case of litigation before judicial courts or arbitral bodies.

Article 5 - Imprest component of the programme estimate

Application

- 5.1 The programme estimate is a document laying down the programme of activities to be carried out and the human and material resources required, the corresponding budget and the detailed technical and administrative implementing arrangements for the execution of these operational activities over the operational implementation period of this Financing Agreement.

The programme estimate implementing the Financing Agreement must respect the procedures and standard documents concerning programme estimates laid down by the Commission, in force at the time of the adoption of the programme estimate in question.

The body implementing those operational activities within the programme estimate, may be the central government of the Partner itself (central operations) or a commissioned public law or private law body with a public-service mission (public commissioned operations) or, under EDF only, a private law body without a public-service mission on the basis of a service contract (private commissioned operations).

The programme estimate shall have an imprest component and may have a component of specific commitments.

Under the component of specific commitments, Article 4 shall apply.

Under the imprest component of the programme estimate, the implementing body may, up to established thresholds, conduct procurement and grant award procedures without or with limited ex ante control of the Commission and execute payments to the contractors and grant beneficiaries, as well as in the context of direct labour.

Direct labour relates to the operational activities which the implementing body executes directly using staff it employs and/or its existing resources (machinery, equipment, other inputs).

The operating costs incurred by the implementing body may be eligible for EU financing under the imprest component of the programme estimate. If so, they shall be eligible for EU financing during the entire duration of the execution period of this Financing Agreement, unless an earlier start of cost eligibility is stipulated in Article 6 of the Special Conditions. Operating costs are costs of the implementing body incurred in carrying out implementation tasks and include local staff, utilities (e.g. water, gas, and electricity), rental of premises, consumables, maintenance, short-term business trips and fuel for vehicles. They shall not include procurement of vehicles or of any other equipment, or any operational activity. Such ordinary operating costs may be charged and paid in accordance with the implementing body's own procedures.

Award procedures

- 5.2 Under the imprest component of the programme estimate, the implementing body may carry out, totally or partially, the award procedures for procurement and grant contracts in accordance with its own procedures and standard documents, to the extent that prior evidence is obtained by the Commission that the Partner's implementing body:

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- ensures the functioning of an effective and efficient internal control system, and
- applies appropriate rules and procedures for procurement and/or grants.

To the extent that no such evidence is obtained, the award procedures for procurement and grant contracts shall be carried out by the implementing body in accordance with the procedures and standard documents laid down and published by the Commission, in force at the time of the launch of the procedure in question.

Ex ante control

- 5.3 Under the imprest component, unless the Technical and Administrative Arrangements of the programme estimate stipulate otherwise, the implementing body shall submit to the Commission for prior approval, the tender dossiers and proposals for award decision of procurement contracts whose value exceeds 100,000 EUR, as well as all guidelines for applications and proposals for award decisions of grant contracts, which follow the procedures and standard documents laid down and published by the Commission.

In addition to the record-keeping obligations laid down in Article 1.6 of these General Conditions, the Partner shall, during the same period, keep all relevant financial and contractual supporting documents.

Management declaration

- 5.4 The Partner shall submit to the Commission annually, by the date stipulated in Article 6 of the Special Conditions, a management declaration signed by the Partner using the template in Annex IV.

An independent external audit opinion on the management declaration, performed in accordance with internationally accepted auditing standards, does not have to be provided in this case as the Commission shall conduct the audits for this action. These audits will verify the truthfulness of the assertions made in the management declaration and the legality and regularity of the underlying transactions made.

Payments

- 5.5 The Commission shall transfer the first pre-financing instalment, upon signature of the programme estimate by all parties, within 60 calendar days where the programme estimate is financed by the EDF and 30 calendar days where it is financed from the EU Budget,

The Commission shall pay the further pre-financing instalments within 60 calendar days of receiving and approving the payment request and its reports.

Late-payment interest shall be due pursuant to the applicable Financial Regulation. The time-limit for the payment may be suspended by the Commission by informing the Partner, at any time during the period referred to above, that the payment request cannot be met, either because

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the amount is not due or because the appropriate supporting documents have not been produced. If information which puts in doubt the eligibility of expenditure appearing in a payment request comes to the notice of the Commission, the Commission may suspend the time-limit for the payment for the purpose of further verification, including an on-the-spot check, in order to ascertain, prior to payment, that the expenditure is indeed eligible. The suspension and the reasons for it shall be communicated to the Partner as soon as possible. The time-limit for the payment shall resume once the missing supporting documents have been provided or the payment request has been corrected.

- 5.6 The Commission shall make payments to a bank account opened at a financial institution accepted by the Commission.
- 5.7 The Partner shall guarantee that funds paid by the Commission can be identified in this bank account.
- 5.8 Transfers in euro shall, if necessary, be converted into the Partner's national currency as and when payments have to be made by the Partner, at the bank rate in force on the day of payment by the Partner.

Article 6 – Pool fund managed by the Partner

Application

- 6.1 The Partner managing a pool fund, may be eligible for an EU Contribution to that pool fund, to the extent that prior evidence is obtained by the Commission that the managing entity within the Partner:
 - ensures the functioning of an effective and efficient internal control system,
 - uses an accounting system that provides accurate, complete and reliable information in a timely manner;
 - is subject to an independent external audit, performed in accordance with internationally accepted auditing standards by an audit service functionally independent of the entity or person concerned;
 - applies appropriate rules and procedures for procurement and grants;
 - ensures the ex post publication of information on recipients; and
 - ensures a reasonable protection of personal data.

Award procedures

- 6.2 As regards the EU Contribution to a Partner managed pool fund, the managing entity within the Partner shall carry out the tasks in accordance with its own procedures and standard documents for the award of procurement and grant contracts, or with those agreed upon among the donors.

Implementation

- 6.3 As regards the EU Contribution to a Partner managed pool fund, in addition to the rights and obligations already laid down in these General Conditions, further rules detailed in Annex V to the Financing Agreement shall apply to the Partner for the implementation of the EU Contribution to the pool fund.

Article 7 - Publication of information on procurement and grant contracts by the Partner

- 7.1 The Partner undertakes to publish each year in a dedicated and easily accessible place of its internet site, for each procurement and grant contract for which it is contracting authority under the imprest component of the programme estimate referred to in Article 5 and the pool funds referred to in Article 6, its nature and purpose, the name and locality of the contractor (contractors in case of a consortium) or grant beneficiary (grant beneficiaries in case of a multi-beneficiary grant), as well as the amount of the contract.

The locality of a natural person shall be a region at NUTS2 level. The locality of a legal person shall be its address.

If such internet publication is impossible, the information shall be published by any other appropriate means, including the official journal of the Partner.

Article 6 of the Special Conditions shall stipulate the location, on the internet or otherwise, of the place of publication; reference shall be made to this location in the dedicated place of the internet site of the Commission.

- 7.2 Education support and direct financial support to natural persons most in need shall be published anonymously and in an accumulated manner by category of expenditure.

Names of natural persons shall be replaced by "natural person" two years after publication. The name of a legal entity containing that of a natural person involved in this entity shall be treated as a natural person's name.

Publication of names of natural persons shall be waived if such publication risks violating their fundamental rights or damaging their commercial interests.

The Partner shall present a list of data to be published on natural persons with any justifications for proposed waivers of publication to the Commission which must grant prior authorisation to this list. Where necessary, the Commission shall complete the locality of the natural person limited to a region at NUTS2 level.

- 7.3 Publication of the procurement and grant contracts concluded (i.e. signed by the Partner and the contractor or grant beneficiary) during the reporting period shall take place within six months following the date for submitting the report pursuant to Article 6 of Special Conditions.
- 7.4 Publication of contracts may be waived if such publication risks harming the commercial interests of contractors or grant beneficiaries. The Partner shall present a list with such justifications to the Commission which must grant prior authorisation to such publication

waiver.

- 7.5 Where the Commission carries out payments to contractors or grant beneficiaries pursuant to Article 4, it shall ensure the publication of information on procurement contracts and grant contracts according to its rules.

Article 8 - Recovery of funds

- 8.1 The Partner shall take any appropriate measures to recover the funds unduly paid.

Amounts unduly paid and recovered by the Partner, amounts from financial guarantees lodged on the basis of procurement and grant award procedures, amounts from financial penalties imposed by the Partner, as well as damages awarded to the Partner shall be returned to the Commission.

- 8.2 Without prejudice to the above responsibility of the Partner to recover funds unduly paid, the Partner agrees that the Commission may, in accordance with the provisions of the Financial Regulation applicable and this Financing Agreement, formally establish an amount as being unduly paid under procurement contracts and grant contracts financed under Part One and proceed to its recovery by any means on behalf of the Partner, including by offsetting the amount owed by the contractor or grant beneficiary against any of its claims against the EU and by forced recovery before the competent courts.

- 8.3 To this end, the Partner shall provide to the Commission all the documentation and information necessary. The Partner hereby empowers the Commission to carry out the recovery in particular by calling on a guarantee of a contractor or grant beneficiary of which the Partner is the contracting authority or by offsetting the funds to be recovered against any amounts owed to the contractor or grant beneficiary by the Partner as contracting authority and financed by the EU under this or another Financing Agreement or by forced recovery before the competent courts.

- 8.4 The Commission shall inform the Partner that the recovery proceedings have been initiated (including where necessary before a national court).

- 8.5 Where the Partner is a grant beneficiary of an entity with which the Commission concluded a contribution agreement, the Commission may recover funds from the Partner which are due to the entity but which the entity was not able to recover itself.

Article 9 - Financial claims under procurement and grant contracts

The Partner undertakes to confer with the Commission before taking any decision concerning a request for compensation made by a contractor or grant beneficiary and considered by the Partner to be justified in whole or in part. The financial consequences may be borne by the EU only where the Commission has given its prior authorisation. Such prior authorisation is also required for any use of funds committed under the present Financing Agreement to cover costs arising from disputes relating to contracts.

Article 10 - Cost overruns and ways of financing them

- 10.1 Individual overruns of the budget headings of the activities implemented by the Partner shall be dealt with by reallocating funds within the overall budget, in accordance with Article 25 of these General Conditions.
- 10.2 Wherever there is a risk of overrunning the amount foreseen for the activity implemented by the Partner, the Partner shall immediately inform the Commission and seek its prior authorisation for the corrective activities planned to cover the overrun, proposing either to scale down the activities or to draw on its own or other non-EU resources.
- 10.3 If the activities cannot be scaled down, or if the overrun cannot be covered either by the Partner's own resources or other resources, the Commission may, at the Partner's duly substantiated request, decide to grant additional EU financing. Should the Commission take such a decision, the excess costs shall be financed, without prejudice to the relevant EU rules and procedures, by the release of an additional financial contribution to be set by the Commission. This Financing Agreement shall be amended accordingly.

Part Two: Provisions Applicable to Budget Support

Article 11 - Policy dialogue

The Partner and the EU commit to engage in a regular constructive dialogue at the appropriate level on the implementation of this Financing Agreement.

Where the Partner is an ACP State and this action is financed under the EDF pursuant to Article 1.1 of the Special Conditions, this dialogue may form a part of the broader political dialogue provided for in Article 8 of the ACP-EC Partnership Agreement.

Article 12 - Verification of conditions and disbursement

- 12.1. The Commission shall verify the conditions for the payment of the tranches of the budget support component, as identified in Annex I (Technical and Administrative Provisions).
- Where the Commission concludes that the conditions for payment are not fulfilled, it shall inform the Partner thereof without undue delay.
- 12.2. Disbursement requests submitted by the Partner shall be eligible for EU financing provided that they are in accordance with the provisions set out in Annex I (Technical and Administrative Provisions) and that they are submitted during the operational implementation period.
- 12.3. The Partner shall apply its national foreign exchange regulations in a nondiscriminatory manner to all disbursements of the budget support component.

Article 13 - Transparency of budget support

The Partner hereby agrees to the publication by the Commission, of this Financing Agreement and any amendment thereof, including by electronic means, and of such basic information on the budget support which the Commission deems appropriate. Such publication shall not contain any data in violation of the EU laws applicable to the protection of personal data.

Article 14 - Recovery of budget support

All or part of the budget support disbursements may be recovered by the Commission, with due respect to the principle of proportionality, if the Commission establishes that payment has been vitiated by a serious irregularity attributable to the Partner, in particular if the Partner provided unreliable or incorrect information, or if corruption or fraud was involved.

Part Three: Provisions Applicable to this Action as a Whole, Irrespective of the Management Mode

Article 15 - Execution period and contracting deadline

15.1 The execution period of this Financing Agreement shall comprise two periods:

- an operational implementation period, in which the operational activities of the action are carried out. This period shall start on the entry into force of this Financing Agreement or on the date stipulated in the Special Conditions and end with the opening of the closure period.
- a closure period, during which final audit and evaluation are carried out and contracts and the programme estimate for the implementation of this Financing Agreement are technically and financially closed. The duration of this period is stipulated in Article 2.3 of the Special Conditions. It starts after the end of the operational implementation period.

These periods shall be reflected in the agreements to be concluded by the Partner and by the Commission in the implementation of this Financing Agreement, in particular in contribution agreements and procurement and grant contracts.

15.2 Costs related to the operational activities shall be eligible for EU financing only if they have been incurred during the operational implementation period; the costs incurred before the entry into force of this Financing Agreement shall not be eligible for EU financing unless provided otherwise in Article 6 of the Special Conditions. Costs related to final audits and evaluation, to closure activities and operating costs referred to in Article 5.1 shall be eligible until the end of the closure period.

15.3 Any balance remaining from the EU contribution shall be automatically decommitted no later than six months after the end of the execution period.

15.4 In exceptional and duly substantiated cases, a request may be made for the extension of the operational implementation period or the closure period, as well as correlatively of the execution period. If agreed upon, the Financing Agreement shall be amended accordingly.

- 15.5 Article 2 of these General Conditions shall apply to procurement contracts, grant contracts and contribution agreements awarded by the Commission as contracting authority with the exception of the last subparagraph of Article 2.1.

Article 16 - Verifications and checks by the Commission, the European Anti-Fraud Office (OLAF) and the European Court of Auditors

- 16.1 The Partner shall assist and support the verifications and checks carried out by the Commission, OLAF and the European Court of Auditors at their request.

The Partner agrees to the Commission, OLAF and the European Court of Auditors conducting documentary and on-the-spot controls on the use made of EU financing under the activities under this Financing Agreement and carrying out a full audit, if necessary, on the basis of supporting documents of accounts and accounting documents and any other documents relating to the financing of the activities, throughout the duration of this Financing Agreement and for five years from the end of the execution period.

- 16.2 The Partner also agrees that OLAF may carry out on-the-spot checks and verifications in accordance with the procedures laid down by EU law for the protection of the EU's financial interests against fraud and other irregularities.

To that end, the Partner shall grant officials of the Commission, OLAF and the European Court of Auditors and their authorised agents access to sites and premises at which operations financed under this Financing Agreement are carried out, including their computer systems, and to any documents and computerised data concerning the technical and financial management of those operations, and to take every appropriate measure to facilitate their work. Access by authorised agents of the Commission, OLAF and the European Court of Auditors shall be granted on conditions of strict confidentiality with regard to third parties, without prejudice to public law obligations to which they are subject. Documents must be accessible and filed in a manner permitting easy inspection, the Partner being bound to inform the Commission, OLAF or the European Court of Auditors of the exact location at which they are kept.

- 16.3 The checks and audits described above shall also apply to contractors, grant beneficiaries, organisations having signed contribution agreements and subcontractors who have received EU financing.
- 16.4 The Partner shall be notified of on the spot missions by agents appointed by the Commission, OLAF or the European Court of Auditors.

Article 17 - Tasks of the Partner in fighting irregularities, fraud and corruption

- 17.1 The Partner shall immediately inform the Commission of any element brought to its attention which arouses suspicions of irregularities, fraud or corruption and of any measure taken or planned to deal with them.
- 17.2 The Partner shall ensure and check regularly that the actions financed from the budget are

effectively carried out and implemented correctly. It shall take appropriate measures to prevent, detect and correct irregularities and fraud and where necessary, bring prosecutions and recover funds unduly paid.

"Irregularity" shall mean any infringement of this Financing Agreement, implementing contracts and programme estimate or of EU law resulting from an act or omission by anyone who has, or would have, the effect of prejudicing the funds of the EU, either by reducing or losing revenue owed to the EU, or by an unjustified item of expenditure.

"Fraud" shall mean any intentional act or omission concerning:

- the use or presentation of false, incorrect or incomplete, statements or documents which has as its effect the misappropriation or wrongful retention of funds from the general budget of the EU or the EDF;
- non-disclosure of information in violation of a specific obligation, with the same effect;
- the misapplication of such funds for purposes other than those for which they are originally granted.

17.3 The Partner undertakes to take every appropriate measure to prevent, detect and punish any practices of active or passive corruption during the implementation of the Financing Agreement.

"Passive corruption" shall mean the deliberate action of an official, who, directly or through an intermediary, requests or receives advantages of any kind whatsoever, for himself or for a third party, or accepts a promise of such an advantage, to act or refrain from acting in accordance with his duty or in the exercise of his functions in breach of his official duties, which has, or would have, the effect of harming the EU's financial interests.

"Active corruption" shall mean the deliberate action of whosoever promises or gives, directly or through an intermediary, an advantage of any kind whatsoever to an official, for himself or for a third party, to act or refrain from acting in accordance with his duty or in the exercise of his functions in breach of his official duties, which has, or would have, the effect of harming the EU's financial interests.

17.4 If the Partner does not take appropriate measures to prevent fraud, irregularities and corruption, the Commission may adopt precautionary measures including the suspension of this Financing Agreement.

Article 18 - Suspension of payments

18.1 Without prejudice to the suspension or termination of this Financing Agreement according to Articles 26 and 27, respectively, the Commission may suspend payments partially or fully, if:

- a) the Commission has established or has serious concerns that, on the basis of information it received, and needs to verify, the Partner has committed substantial errors, irregularities or fraud in the procurement and grant award procedure or in the implementation of the action, or the Partner has failed to comply with its obligations under this Financing Agreement, including obligations regarding the implementation of the Communication and Visibility plan;

- b) the Commission has established or has serious concerns that, on the basis of information it received, and needs to verify, the Partner has committed systemic or recurrent errors, irregularities, fraud or breach of obligations under this or other Financing Agreements, provided that those errors, irregularities, fraud or breach of obligations have a material impact on the implementation on this Financing Agreement or call into question the reliability of the Partner's internal control system or the legality and regularity of the underlying expenditure;
 - c) the Commission suspects that the Partner committed substantial errors, irregularities, fraud or breach of obligations in the procurement and grant award procedure or in the implementation of the action and needs to verify whether they have occurred.
 - d) it is necessary to prevent significant damage to the financial interests of the EU.
- 18.2 The Commission shall immediately inform the Partner about the suspension of payments and of the reasons for this suspension.
- 18.3 The suspension of payments shall have the effect of suspending payment time-limits for any payment request pending.
- 18.4 In order to resume payments the Partner shall endeavour to remedy the situation leading to the suspension as soon as possible and shall inform the Commission of any progress made in this respect. The Commission shall, as soon as it considers that the conditions for resuming payments have been met, inform the Partner thereof.

Article 19 - Allocation of funds recovered by the Commission to the action

Where the action is financed under the EDF, amounts unduly paid and recovered by the Commission, amounts from financial guarantees lodged on the basis of procurement and grant award procedures, amounts from financial penalties imposed, as well as damages awarded to the Commission shall be allocated to this action.

Article 20 - Right of establishment and residence

- 20.1 Where justified by the nature of the procurement contract, grant contract or contribution agreement, the Partner shall entitle natural and legal persons participating in invitations to tender for works, supply or service contracts or calls for proposals and organisations expected to sign contribution agreements with a provisional right of establishment and residence in the Partner's territory(ies). This right shall remain valid for one month after the contract is awarded.
- 20.2 The Partner shall also entitle procurement contractors, grant beneficiaries, organisations having signed contribution agreements and natural persons whose services are required for the performance of this action and members of their families with similar rights during the implementation of the action.

Article 21 - Tax and customs provisions and foreign exchange arrangements

21.1 The Partner shall apply to procurement contracts, grants contracts and contribution agreements financed by the EU the most favoured tax and customs arrangements applied to States or international development organisations with which it has relations.

Where the Partner is an ACP State, account shall not be taken of arrangements applied by it to the other ACP States or to other developing countries for the purpose of determining the most-favoured-State treatment.

21.2 Where a Framework Agreement is applicable, which includes more detailed provisions on this subject, these provisions shall apply as well.

Article 22 - Confidentiality

22.1 The Partner agrees that its documents and data held by an entity with which the Partner is in a contractual relationship regarding them may be forwarded to the Commission by that entity for the sole purpose of implementing this or another Financing Agreement. The Commission shall respect all confidentiality arrangements agreed between the Partner and that entity.

22.2 Without prejudice to Article 16 of these General Conditions, the Partner and the Commission shall preserve the confidentiality of any document, information or other material directly related to the implementation of this Financing Agreement that is classified as confidential.

22.3 The Parties shall obtain each other's prior written consent before publicly disclosing such information.

22.4 The Parties shall remain bound by the confidentiality until five years after the end of the execution period.

22.5 The Partner shall also comply with the obligations under Article 1.7 where the Commission provides personal data to the Partner, for example in the context of procedures and contracts managed by the Commission.

Article 23 - Use of studies

The contract related to any study financed under this Financing Agreement shall include the right for the Partner and for the Commission to use the study, to publish it and to disclose it to third parties.

Article 24 - Consultation between the Partner and the Commission

24.1 The Partner and the Commission shall consult each other before taking any dispute relating to the implementation or interpretation of this Financing Agreement further pursuant to Article 28 of these General Conditions.

24.2 Where the Commission becomes aware of problems in carrying out procedures relating to

management of this Financing Agreement, it shall establish all necessary contacts with the Partner to remedy the situation and take any steps that are necessary.

- 24.3 The consultation may lead to the amendment, suspension or termination of this Financing Agreement.
- 24.4 The Commission shall regularly inform the Partner of the implementation of activities described in Annex I which do not fall under Parts One and Two of these General Conditions.

Article 25 - Amendment of this Financing Agreement

- 25.1 Any amendment of this Financing Agreement shall be made in writing, including an exchange of letters.
- 25.2 If the request for an amendment comes from the Partner, the latter shall submit that request to the Commission at least three months before the amendment is intended to enter into force, except in cases which are duly substantiated by the Partner and accepted by the Commission. In the exceptional cases of an adjustment of the objectives of the action and/or an increase in the EU contribution, such request shall be submitted at least six months before the amendment is intended to enter into force.
- 25.3 If the adjustment both does not significantly affect the objectives of the activity implemented pursuant to Part One of these General Conditions, and if it concerns matters of detail which do not affect the technical solution adopted, and if it does not include the reallocation of funds, or if it concerns reallocations of funds for an amount equivalent to the amount of the contingency reserve, the Partner shall inform the Commission of the adjustment and its justification in writing as soon as possible and may apply that adjustment.
- 25.4 The use of the contingency reserve provided for an action shall be subject to the Commission's prior written approval.
- 25.5 Where the Commission considers that the Partner ceases to perform satisfactorily the tasks entrusted pursuant to Article 1.1 of these General Conditions and without prejudice to Articles 26 and 27 of these General Conditions, the Commission may decide to retake the tasks entrusted from the Partner in order to continue the implementation of the activities on behalf of the Partner after informing the latter in writing.

Article 26 - Suspension of this Financing Agreement

- 26.1 The Financing Agreement may be suspended in the following cases:
- The Commission may suspend the implementation of this Financing Agreement if the Partner breaches an obligation under this Financing Agreement.
 - The Commission may suspend the implementation of this Financing Agreement if the Partner breaches any obligation set under the procedures and standard documents referred to in Articles 1, 4, 5 and 6 of these General Conditions.
 - The Commission may suspend this Financing Agreement if the Partner breaches an

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obligation relating to respect for human rights, democratic principles and the rule of law, in serious cases of corruption or if the Partner is guilty of grave professional misconduct proven by any justified means. Grave professional misconduct is to be understood as any of the following:

- a violation of applicable laws or regulations or ethical standards of the profession to which a person or entity belongs, or
- any wrongful conduct of a person or entity which has an impact on its professional credibility where such conduct denotes wrongful intent or gross negligence.

This Financing Agreement may be suspended in cases of force majeure, as defined below. "Force majeure" shall mean any unforeseeable and exceptional situation or event beyond the parties' control which prevents either of them from fulfilling any of their obligations, not attributable to error or negligence on their part (or the part of their contractors, agents or employees) and proves insurmountable in spite of all due diligence. Defects in equipment or material or delays in making them available, labour disputes, strikes or financial difficulties cannot be invoked as force majeure. A party shall not be held in breach of its obligations if it is prevented from fulfilling them by a case of force majeure of which the other party is duly informed. A party faced with force majeure shall inform the other party without delay, stating the nature, probable duration and foreseeable effects of the problem, and take any measure to minimise possible damage.

- Neither of the Parties shall be held liable for breach of its obligations under this Financing Agreement if it is prevented from fulfilling them by force majeure, provided it takes measures to minimise any possible damage.
- 26.2 The Commission may suspend this Financing Agreement without prior notice.
- 26.3 The Commission may take any appropriate precautionary measure before suspension takes place.
- 26.4 When the suspension is notified, the consequences for the on-going procurement and grant contracts, contribution agreements and programme estimate shall be indicated.
- 26.5 A suspension of this Financing Agreement is without prejudice to the suspension of payments and termination of this Financing Agreement by the Commission in accordance with Article 18 and 27 of the General Conditions.
- 26.6 The parties shall resume the implementation of the Financing Agreement once the conditions allow with the prior written approval of the Commission. This is without prejudice to any amendments of this Financing Agreement which may be necessary to adapt the action to the new implementing conditions, including, if possible, the extension of the operational implementation period, or the termination of this Financing Agreement in accordance with Article 27.

Article 27 - Termination of this Financing Agreement

- 27.1. If the issues which led to the suspension of this Financing Agreement have not been resolved within a maximum period of 180 days, either party may terminate this Financing Agreement at 30 days' notice.
- 27.2. This Financing Agreement shall be automatically terminated, if no implementing contract has been signed within the deadlines of Article 2.
- 27.3. When the termination is notified, the consequences for the on-going procurement contracts, grant contracts, contribution agreements and programme estimate shall be indicated.

Article 28 - Dispute settlement arrangements

- 28.1. Any dispute concerning this Financing Agreement which cannot be settled within a six-month period by the consultations between the parties provided for in Article 24 of these General Conditions may be settled by arbitration at one of the parties' request.

Where the Partner is an ACP State or an ACP regional body or organisation and this action is financed under the EDF, the dispute shall be submitted, prior to arbitration and after the consultations provided for in Article 24 of these General Conditions, to the ACP-EC Council of Ministers, or, between its meetings, to the ACP-EC Committee of Ambassadors, pursuant to Article 98 of the ACP-EC Partnership Agreement. If the Council or Committee does not succeed in settling the dispute, either party may request settlement of the dispute by arbitration in accordance with Articles 28.2, 28.3 and 28.4.

- 28.2. Each party shall designate an arbitrator within 30 days of the request for arbitration. Failing that, either party may ask the Secretary-General of the Permanent Court of Arbitration (The Hague) to designate a second arbitrator. The two arbitrators shall in their turn designate a third arbitrator within 30 days. Failing that, either party may ask the Secretary-General of the Permanent Court of Arbitration to designate the third arbitrator.
- 28.3. The procedure laid down in the Permanent Court of Arbitration Optional Rules for Arbitration Involving International Organisations and States shall apply. The arbitrators' decisions shall be taken by a majority within a period of three months.
- 28.4. Each party shall be bound to take the measures necessary for the application of the arbitrators' decision.

Annex 3: Communication and visibility activities

These guidelines are in addition to, and expand upon measures identified in the Annex I, Technical and Administrative Provisions, Article 2.9 "Communication and visibility" and specify the following additions:

1. Objectives

The objectives of the communication activities for the programme are:

- to raise awareness and promote the programme and the EU's role in developing and funding it to its target beneficiaries and other stakeholders;
- to show the positive impact of the programme and the EU's role in developing and funding it to the wider Georgian public;
- to promote the EU4Georgia/Skills4Jobs brand in all communication activities of the current and previous actions supported by the European Union in this sector.

2. Visibility Guidelines

- All activities should be in line with Communication and Visibility Requirements for EU External Actions¹ as well as with the EU's Supplementary Visibility Guidelines for Georgia²;
- All visibility activities related to the programme should be consulted and agreed with the EU before proceeding.

3. Specific Visibility measures for the Programme

The partners agree to the following visibility actions in the course of the programme implementation:

- Development of a general communication plan for the programme;
- A high level event dedicated to the start of the programme;
- Specific visibility events for the launch and completion of every complementary measure (two twinning projects, TA, grant scheme and support to Georgia's breakaway region of Abkhazia); a tentative timetable for the launch events is as follows: twinning projects, TA and Abkhazia 3rd quarter of 2019, grant scheme 1st quarter of 2020 while the closing events will take place respectively after the completion of the complementary measures;
- Success stories developed for significant achievements under the specific complementary measures and the main programme;
- A high-level final summarising event at the end of the programme.

4. Specific Visibility measures for Budget Support Component

The partners agree in principle that all measures used as indicators and their results can be referred to as being achieved by the Government of Georgia with the support of the European Union.

Linked to this, all reports and training/education certificates mentioned in the programme indicators will visibly reflect EU support, likewise EU support will be reflected in information plaques in SSA/ESS offices/branches and VET institutions mentioned in the programme indicators.

In addition, the following measures will be implemented for the budget support component to inform target beneficiaries and stakeholders on the progress and benefits of government reforms with the support of the European Union (dates are indicative):

- Annual public communication campaigns in 2019 – 2022 will be conducted targeting the following themes and highlighting:
 - a) *Youth* and their participation in all aspects of the programme in 2019

¹ <https://ec.europa.eu/europeaid/node/17974>

² <http://eu4georgia.ge/visibility/>

- b) *Employment services* and their operations for job-seekers in 2020
 - c) *Lifelong learning* including access and opportunities to LLL for adults in 2021
 - d) *Employment and employability* in 2022
- An annual press release and communication on the progress of reforms covered by the programme highlighting the main results and using the evidence of achievements of performance indicators in 2019, 2020, 2021, 2022, 2023.

Costs for all measures in this annex will be covered under the communication allocation or as part of the funds of the complementary measures dedicated for visibility activities. Final design, timetable and phrasing of these elements will be agreed with the EU during implementation.

ANNEX II - GENERAL CONDITIONS

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Part One: Provisions Applicable to Activities for which the Partner is the Contracting Authority

Article 1 - General principles

- 1.1 The purpose of Part One is to define the tasks entrusted to the Partner in indirect management as described in Annex I (Technical and Administrative Provisions) and to define the rights and obligations of the Partner and of the Commission in carrying out these tasks.

Part One shall apply to the tasks related to the EU contribution alone or in combination with the funds of the Partner or of a third party where such funds are implemented in joint co-financing, i.e. where they are pooled.

These tasks encompass the implementation by the Partner as contracting authority of procedures for the award of procurement contracts, grant contracts and contribution agreements as well as the awarding, signing and enforcing of the resulting procurement contracts, grant contracts and contribution agreements. For the purpose of Part One of this Financing Agreement, every reference to grant contracts shall also include contribution agreement and every reference to grant beneficiaries shall also include organisations having signed contribution agreements.

The designation of entities pertaining to the Partner's government or administrative structure and identified in Annex I (Technical and Administrative Provisions) to carry out certain tasks, does not qualify as sub-delegation. Such entities shall respect the rights and obligations laid down in Part One for the Partner as contracting authorities, while at the same time the Partner remains fully responsible for the fulfilment of the obligations stipulated in this Financing Agreement. References in the Financing Agreement to Partner also encompass those entities.

As contracting authority, the Partner shall act under partial delegation, except when it acts under the imprest component of a programme estimate or under a Partner managed pool fund:

- Under partial delegation, the Partner acts as contracting authority for procurement contracts, grant contracts, whereby the Commission controls ex ante all award procedures and executes all related payments to the contractors and grant beneficiaries;
- Under the imprest component of a programme estimate, the Partner acts as contracting authority for procurement and grant contracts, whereby it may, up to established thresholds, conduct procurement and grant award procedures without or with limited ex ante control of the Commission and execute payments to the contractors and grant beneficiaries, as well as in the context of direct labour.
- Under a Partner managed pool fund, the Partner acts as contracting authority for procurement contracts and grant contracts, whereby the Commission does not control ex ante any award procedure and the Partner executes all related payments to the contractors and grant beneficiaries.

Where the Partner is an ACP State and the action is financed by the EDF pursuant to Article 1.1

of the Special Conditions, the tasks entrusted shall be those listed in points (c) to (k) of the sixth subparagraph of Article 35(1) and in Article 35(2) of Annex IV to the ACP-EC Partnership Agreement

Where the Partner is an OCT and the action is financed by the EDF pursuant to Article 1.1 of the Special Conditions, the implementation of tasks entrusted shall also respect the conditions of Article 86(3) of Council Decision 2013/755/EU of 25 November 2013 on the association of the overseas countries and territories with the European Union (Overseas Association Decision).

- 1.2 The Partner shall remain responsible for the fulfilment of the obligations stipulated in this Financing Agreement even if it designates other entities identified in Annex I (Technical and Administrative Provisions) to carry out certain tasks. The Commission, in particular, reserves the right to suspend payments, and to suspend and/or terminate this Financing Agreement on the basis of the acts, omissions and/or situations of any designated entity.
- 1.3 The Partner shall set up and ensure the functioning of an effective and efficient internal control system. The Partner shall respect the principles of sound financial management, transparency, non-discrimination, visibility of the European Union in the implementation of the action and avoid situations of conflict of interest.

A conflict of interest exists where the impartial and objective exercise of the functions of any responsible person is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other direct or indirect personal interest.

Internal control system is a process aimed at providing reasonable assurance that operations are effective, efficient and economical, that the reporting is reliable, that assets and information are safeguarded, that fraud and irregularities are prevented, detected and corrected, and that risks relating to the legality and regularity of the financial operation are adequately managed, taking into account the multiannual character of the activities as well as the nature of the payments concerned.

In particular, where the Partner carries out payments under the imprest component of a programme estimate or in the framework of a Partner managed pool fund, the functions of the authorising and accounting officers shall be segregated and mutually incompatible and the Partner shall operate an accounting system that provides accurate, complete, reliable and timely information.

- 1.4 Outside the cases where the Partner applies its own (including in the case of a Partner managed pool fund, those agreed upon by the pool fund's donors) procedures and standard documents for the award of procurement contracts and grant contracts, the Partner shall conduct the award procedures and conclude the resulting contracts and agreements in the language of this Financing Agreement.
- 1.5 The Partner shall take the necessary measures to ensure the visibility of EU funding for the activities entrusted to it or for other activities under this action. These measures shall either be defined in Annex I (Technical and Administrative Provisions) or shall be agreed later between the Partner and the Commission.

These communication and information measures shall comply with the Communications and Visibility Requirements for EU External Actions laid down and published by the Commission, in force at the time of the measures.

- 1.6 Under partial delegation and under the imprest component of a programme estimate, the Partner shall keep all relevant financial and contractual supporting documents from the date of the entry into force of this Financing Agreement or as from an earlier date which is stipulated as the start date of cost eligibility in Article 6 of the Special Conditions for five years as from the end of the execution period, in particular, the following:

Procurement procedures:

- a. Forecast notice with proof of publication of the procurement notice and any corrigenda
- b. Appointment of shortlist panel
- c. Shortlist report (incl. annexes) and applications
- d. Proof of publication of the shortlist notice
- e. Letters to non-shortlisted candidates
- f. Invitation to tender or equivalent
- g. Tender dossier including annexes, clarifications, minutes of the meetings, proof of publication
- h. Appointment of the evaluation committee
- i. Tender opening report, including annexes
- j. Evaluation / negotiation report, including annexes and bids received¹
- k. Notification letter
- l. Supporting documents
- m. Cover letter for submission of contract
- n. Letters to unsuccessful candidates
- o. Award / cancellation notice, including proof of publication
- p. Signed contracts, amendments, riders and relevant correspondence

Calls for proposals and direct award of grants:

- a. Appointment of the evaluation committee
- b. Opening and administrative report including annexes and applications received²
- c. Letters to successful and unsuccessful applicants following concept note evaluation
- d. Concept note evaluation report

¹ Elimination of unsuccessful bids five years after the closure of the procurement procedure

² Elimination of unsuccessful applications three years after the closure of the grant procedure.

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- e. Evaluation report of the full application or negotiation report with relevant annexes
 - f. Eligibility check and supporting documents
 - g. Letters to successful and unsuccessful applicants with approved reserve list following full application evaluation
 - h. Cover letter for submission of grant contract
 - i. Award/cancellation notice with proof of publication
 - j. Signed contracts, amendments, riders and relevant correspondence.
- 1.7 The Partner shall ensure an appropriate protection of personal data. Personal data means any information relating to an identified or identifiable natural person.
- Personal data shall be:

- Processed lawfully, fairly and in a transparent manner in relation to the data subject;
- Collected for specified, explicit and legitimate purposes and not further processed in a manner that is incompatible with those purposes;
- Adequate, relevant and limited to what is necessary in relation to the purposes for which they are processed;
- Accurate and, where necessary, kept up to date;
- Processed in a manner that ensures appropriate security of the personal data and
- Kept in a form which permits identification of data subjects for no longer than is necessary for the purposes for which the personal data are processed. Personal data included in documents to be kept by the Partner in accordance with Article 16.1 has to be deleted once the deadline set out in Article 16.1 has expired.

Any operation involving the processing of personal data, such as collection, recording, organisation, storage, adaption or alteration, retrieval, consultation, use, disclosure, erasure or destruction, shall be based on rules and procedures of the Partner and shall only be done as far as it is necessary for the implementation of this Financing Agreement.

In particular, the Partner shall take appropriate technical and organisational security measures concerning the risks inherent in any such operation and the nature of the information relating to the natural person concerned, in order to:

- a) Prevent any unauthorised person from gaining access to computer systems performing such operations, and especially unauthorised reading, copying, alteration or removal of storage media; unauthorised data input as well as any unauthorised disclosure, alteration or erasure of stored information;
- b) Ensure that authorised users of an IT system performing such operations can access only the information to which their access right refers;
- c) Design its organisational structure in such a way that it meets the above requirements.

Article 2 - Deadline for the signature of contracts and agreements by the Partner

- 2.1 The procurement contracts and grant contracts shall be signed during the operational implementation period of this Financing Agreement.

When implementing a multi-donor Action, the procurement contracts and grant contracts shall be concluded within the contracting deadline set out in the Special Conditions or set out for the imprest component of the programme estimate.

When the Action is not a multi-donor Action, procurement contracts and grant contracts shall be concluded at the latest within three years of the entry into force of this Financing Agreement.

Additional procurement contracts and grant contracts resulting from an amendment to this Financing Agreement which increases the EU contribution shall be signed at the latest within three years of the entry into force of that amendment to this Financing Agreement, or for a multi-donor Action within the fixed contracting deadline for the additional EU contribution.

The three years-deadline for non-multi-donor Actions may not be extended, except when the action is financed by the EDF. In such cases, the extension shall be stipulated in Article 6 of the Special Conditions.

- 2.2 However, the following transactions may be signed at any time during the operational implementation period:

- a. amendments to procurement contracts and grant contracts already signed;
- b. individual procurement contracts to be concluded after early termination of existing procurement contracts;
- c. contracts relating to audit and evaluation, which may also be signed during the closure period;
- d. operating costs referred to in Article 5.1;

- 2.3 After expiry of the deadlines referred to in Article 2.1, the financial balance for the related activities entrusted to the Partner for which contracts have not been duly signed shall be decommitted by the Commission.

- 2.4 No such decommitment shall apply to the funds budgeted for audit and evaluations referred to in Article 2.2.c) or the operating costs referred to in Article 2.2.d).

Likewise, no such decommitment shall apply to any financial balance of the contingency reserve or to funds available again after early termination of a contract referred to in Article 2.2.b), which both may be used to finance contracts referred to in Article 2.2.

Article 3 – Exclusion and administrative sanctions

- 3.1 Exclusion criteria

- 3.1.1 When applying the procedures and standard documents laid down and published by the Commission for the award of procurement and grant contracts, the Partner shall accordingly ensure that no EU financed procurement or grant contract is awarded to an economic operator or grant applicant if the economic operator or grant applicant either itself, or a person having powers of representation, decision making or control over it, is in one of the exclusion situations provided for in the relevant procedures and standard documents of the Commission.
- 3.1.2 When applying its own (including, in the case of a Partner managed pool fund, those agreed upon by the pool fund's donors) procedures and standard documents for the award of procurement and grant contracts, the Partner shall adopt measures, in accordance with its own national legislation, to ensure that no EU financed procurement or grant contract is awarded to an economic operator or grant applicant if the Partner becomes aware that these entities:
- a) or persons having powers of representation, decision making or control over them, have been the subject of a final judgement or of a final administrative decision for fraud, corruption, involvement in a criminal organisation, money laundering, terrorist-related offences, child labour or trafficking in human beings;
 - b) or persons having powers of representation, decision making or control over them have been the subject of a final judgement or of a final administrative decision for an irregularity affecting the EU's financial interest;
 - c) are guilty of misrepresentation in supplying the information required as a condition of participation in the procedure or if they fail to supply this information;
 - d) have been the subject of a final judgment or of a final administrative decision establishing that the entities have created an entity under a different jurisdiction with the intention to circumvent fiscal, social or any other legal obligations of mandatory application in the jurisdiction of its registered office, central administration or principal place of business;
 - e) have been created with the intention described in point d) above as established by a final judgment or a final administrative decision.

The Partner may take into account, as appropriate and on its own responsibility, the information contained in the Commission's Early Detection and Exclusion System when awarding procurement and grant contracts. Access to the information can be provided through the liaison point(s) or via consultation to the Commission (European Commission, Directorate-General for Budget, Accounting Officer of the Commission, BRE2-13/505, B-1049 Brussels, Belgium and by email to BUDG-C01-EXCL-DB@ec.europa.eu in copy to the Commission address identified in Article 3 of the Special Conditions). The Commission may refuse payments to a contractor or grant beneficiary in an exclusion situation.

3.2 Information duty

The Partner shall inform the Commission when an economic operator or grant applicant is in a situation referred to in Article 3.1, or has committed irregularities and fraud, or has been found in serious breach of its contractual obligations.

3.3 Administrative sanctions

Where the Partner becomes aware of one of the situations referred to in Article 3.1 in the implementation of the tasks described in Annex I, the Partner shall, under the conditions of its national legislation, impose upon the economic operator or grant applicant, an exclusion from its future procurement or grant award procedures and/or a financial penalty proportional to the value of the contract concerned. Such financial penalties or exclusions shall be imposed following an adversarial procedure ensuring the right of defence of the person concerned.

The Partner may be exempted from the obligations under the first paragraph where:

- the Partner's national legislation does not allow to impose an exclusion and/or a financial penalty,
- the protection of the EU's financial interests requires to impose an administrative sanction within deadlines incompatible with the Partner's internal procedures,
- the imposition of an administrative sanction requires a mobilisation of resources beyond the Partner's means,
- its national legislation does not allow to exclude an economic operator from all EU financed award procedures.

In such cases, the Partner will notify its impediment to the Commission. The Commission may decide to impose to the economic operator or grant applicant an exclusion from future EU financed award procedures and/or a financial penalty between 2 % and 10 % of the total value of the contract concerned.

Article 4 - Partial delegation

Award procedures

- 4.1 The tasks shall be carried out by the Partner in accordance with the procedures and standard documents laid down and published by the Commission for the award of procurement contracts and grant contracts, in force at the time of the launch of the procedure in question.

Ex ante control

4.2 To allow ex ante control, the Partner shall submit tender dossiers and documents for calls for proposals, to the Commission for approval before launching invitations to tender and calls for proposals. Likewise, the Partner shall invite the Commission to the opening of tenders and proposals, and shall provide the Commission with copies of tenders and proposals received. The Partner shall notify the Commission of the results of the examination of tenders and proposals and shall submit the award proposal, as well as the draft procurement contracts and grant contracts to the Commission for approval.

During the implementation of the procurement contracts and grant contracts, the Partner shall equally submit draft addenda and draft administrative orders thereto, to the Commission for prior approval.

The Partner shall invite the Commission for provisional and final acceptance.

Report / Management Declaration

- 4.3 If Article 5 of the Special Conditions so provides, the report on the implementation of the tasks entrusted to the Partner shall follow the template provided in Annex III and the management declaration shall follow the template provided in Annex IV. An independent external audit opinion on the management declaration, performed in accordance with internationally accepted auditing standards, does not have to be provided in this case as the Commission shall conduct the audits for this action. These audits will verify the truthfulness of the assertions made in the management declaration and the legality and regularity of the underlying transactions made.

Payment procedures

- 4.4 The Partner shall provide the Commission with the approved payment requests within the following deadlines, starting from the date of receipt of the payment request, not counting the periods of suspension of the time-limit for payment:

(a) for pre-financing specified in the procurement contract and grant contract:

- (i) 15 calendar days for an action financed under the Budget;
- (ii) 30 calendar days for an action financed under the EDF;

b) 45 calendar days for other payments

The Commission shall act in accordance with Articles 4.9 and 4.10 within the period amounting to the time-limit for payment provided for in the procurement contract and grant contracts minus the above deadlines.

- 4.5 Upon receipt of a payment request from a contractor, or grant beneficiary, the Partner shall inform the Commission of its receipt and shall immediately examine whether the request is admissible, i.e. whether it contains the identification of that contractor or grant beneficiary, the contract or agreement concerned, the amount, the currency and the date. If the Partner concludes that the request is inadmissible, it shall reject it and inform the contractor or grant beneficiary of this rejection and of its reasons within 30 days of receipt of the request. The Partner shall also inform the Commission of this rejection and its reasons.
- 4.6 Upon receipt of an admissible payment request, the Partner shall examine whether a payment is due, i.e. whether all contractual obligations justifying the payment have been fulfilled, including examining a report, where applicable. If the Partner concludes that a payment is not due, it shall inform the contractor or grant beneficiary thereof and of the reasons. The dispatch of this information suspends the time-limit for payment. The Commission shall receive a copy of the information so dispatched. The Commission shall also be informed of the reply or corrective action of the contractor or grant beneficiary. That reply or action aimed at correcting the non-compliance with its contractual obligations shall restart the time-limit for payment. The Partner shall examine this reply or action pursuant to this paragraph.
- 4.7 If the Commission disagrees with the Partner's conclusion that a payment is not due, it shall inform the Partner thereof. The Partner shall re-examine its positions and, if it concludes that the payment is due, it shall inform thereof the contractor or grant beneficiary. The suspension of the time-limit for payment shall be lifted upon dispatch of this information. The Partner shall also inform the Commission. The Partner shall further proceed as provided for in Article 4.8.

If disagreement between the Partner and the Commission persists, the Commission may pay the undisputed part of the invoiced amount provided that it is clearly separable from the disputed amount. It shall inform the Partner and the contractor or grant beneficiary of this partial payment.

- 4.8 Where the Partner concludes that the payment is due, it shall transfer the payment request and all necessary accompanying documents to the Commission for approval and payment. It shall provide an overview of how many days of the time-limit for payment are left and of all periods of suspension of this time-limit.
- 4.9 After transfer of the payment request pursuant to Article 4.8, if the Commission concludes that the payment is not due, it shall inform the Partner and, in copy, the contractor or grant beneficiary thereof and of the reasons. Informing the contractor or grant beneficiary shall have the effect of suspending the time-limit for payment, as provided for in the contract concluded. A reply or corrective action of the contractor or grant beneficiary shall be treated by the Partner in accordance with Article 4.6.
- 4.10 Where the Partner and the Commission conclude that the payment is due, the Commission shall execute the payment.
- 4.11 Where late-payment interest is due to the contractor or grant beneficiary, it shall be allocated between the Partner and the Commission pro rata to the days of delay in excess of the time limits stipulated in Article 4.4, subject to the following:
- (a) the number of days used by the Partner is calculated from the date of the registration of an admissible payment request referred to in Article 4.6 to the date of the transfer of the request to the Commission referred to in Article 4.8 and from the date of information by the Commission referred to Article 4.9 to the following transfer of the request to the Commission referred to in Article 4.8. Any period of suspension of the time-limit for payment shall be deducted.
 - (b) the number of days used by the Commission is calculated from the date following that of transfer of the request by the Partner referred to in Article 4.8 to the date of payment and from the date of transfer to the date of informing the Partner pursuant to Article 4.9.
- 4.12 Any circumstances unforeseen by the above procedure shall be solved in a spirit of cooperation between the Partner and the Commission by analogy to the above provisions while respecting the contractual relations of the Partner with the contractor or grant beneficiary.
- Where feasible, one party shall cooperate at the request of the other party in providing useful information for the assessment of the payment request, even before the payment request is formally transferred to or returned from the first party.
- 4.13 A procurement contract or grant contract which has not given rise to any payment within two years of its signature shall be automatically terminated and its funding shall be decommitted, except in case of litigation before judicial courts or arbitral bodies.

Article 5 - Imprest component of the programme estimate

Application

- 5.1 The programme estimate is a document laying down the programme of activities to be carried out and the human and material resources required, the corresponding budget and the detailed technical and administrative implementing arrangements for the execution of these operational activities over the operational implementation period of this Financing Agreement.

The programme estimate implementing the Financing Agreement must respect the procedures and standard documents concerning programme estimates laid down by the Commission, in force at the time of the adoption of the programme estimate in question.

The body implementing those operational activities within the programme estimate, may be the central government of the Partner itself (central operations) or a commissioned public law or private law body with a public-service mission (public commissioned operations) or, under EDF only, a private law body without a public-service mission on the basis of a service contract (private commissioned operations).

The programme estimate shall have an imprest component and may have a component of specific commitments.

Under the component of specific commitments, Article 4 shall apply.

Under the imprest component of the programme estimate, the implementing body may, up to established thresholds, conduct procurement and grant award procedures without or with limited ex ante control of the Commission and execute payments to the contractors and grant beneficiaries, as well as in the context of direct labour.

Direct labour relates to the operational activities which the implementing body executes directly using staff it employs and/or its existing resources (machinery, equipment, other inputs).

The operating costs incurred by the implementing body may be eligible for EU financing under the imprest component of the programme estimate. If so, they shall be eligible for EU financing during the entire duration of the execution period of this Financing Agreement, unless an earlier start of cost eligibility is stipulated in Article 6 of the Special Conditions. Operating costs are costs of the implementing body incurred in carrying out implementation tasks and include local staff, utilities (e.g. water, gas, and electricity), rental of premises, consumables, maintenance, short-term business trips and fuel for vehicles. They shall not include procurement of vehicles or of any other equipment, or any operational activity. Such ordinary operating costs may be charged and paid in accordance with the implementing body's own procedures.

Award procedures

- 5.2 Under the imprest component of the programme estimate, the implementing body may carry out, totally or partially, the award procedures for procurement and grant contracts in accordance with its own procedures and standard documents, to the extent that prior evidence is obtained by the Commission that the Partner's implementing body:

- ensures the functioning of an effective and efficient internal control system, and
- applies appropriate rules and procedures for procurement and/or grants.

To the extent that no such evidence is obtained, the award procedures for procurement and grant contracts shall be carried out by the implementing body in accordance with the procedures and standard documents laid down and published by the Commission, in force at the time of the launch of the procedure in question.

Ex ante control

- 5.3 Under the imprest component, unless the Technical and Administrative Arrangements of the programme estimate stipulate otherwise, the implementing body shall submit to the Commission for prior approval, the tender dossiers and proposals for award decision of procurement contracts whose value exceeds 100,000 EUR, as well as all guidelines for applications and proposals for award decisions of grant contracts, which follow the procedures and standard documents laid down and published by the Commission.

In addition to the record-keeping obligations laid down in Article 1.6 of these General Conditions, the Partner shall, during the same period, keep all relevant financial and contractual supporting documents.

Management declaration

- 5.4 The Partner shall submit to the Commission annually, by the date stipulated in Article 6 of the Special Conditions, a management declaration signed by the Partner using the template in Annex IV.

An independent external audit opinion on the management declaration, performed in accordance with internationally accepted auditing standards, does not have to be provided in this case as the Commission shall conduct the audits for this action. These audits will verify the truthfulness of the assertions made in the management declaration and the legality and regularity of the underlying transactions made.

Payments

- 5.5 The Commission shall transfer the first pre-financing instalment, upon signature of the programme estimate by all parties, within 60 calendar days where the programme estimate is financed by the EDF and 30 calendar days where it is financed from the EU Budget,

The Commission shall pay the further pre-financing instalments within 60 calendar days of receiving and approving the payment request and its reports.

Late-payment interest shall be due pursuant to the applicable Financial Regulation. The time-limit for the payment may be suspended by the Commission by informing the Partner, at any time during the period referred to above, that the payment request cannot be met, either because

the amount is not due or because the appropriate supporting documents have not been produced. If information which puts in doubt the eligibility of expenditure appearing in a payment request comes to the notice of the Commission, the Commission may suspend the time-limit for the payment for the purpose of further verification, including an on-the-spot check, in order to ascertain, prior to payment, that the expenditure is indeed eligible. The suspension and the reasons for it shall be communicated to the Partner as soon as possible. The time-limit for the payment shall resume once the missing supporting documents have been provided or the payment request has been corrected.

- 5.6 The Commission shall make payments to a bank account opened at a financial institution accepted by the Commission.
- 5.7 The Partner shall guarantee that funds paid by the Commission can be identified in this bank account.
- 5.8 Transfers in euro shall, if necessary, be converted into the Partner's national currency as and when payments have to be made by the Partner, at the bank rate in force on the day of payment by the Partner.

Article 6 – Pool fund managed by the Partner

Application

- 6.1 The Partner managing a pool fund, may be eligible for an EU Contribution to that pool fund, to the extent that prior evidence is obtained by the Commission that the managing entity within the Partner:
 - ensures the functioning of an effective and efficient internal control system,
 - uses an accounting system that provides accurate, complete and reliable information in a timely manner;
 - is subject to an independent external audit, performed in accordance with internationally accepted auditing standards by an audit service functionally independent of the entity or person concerned;
 - applies appropriate rules and procedures for procurement and grants;
 - ensures the ex post publication of information on recipients; and
 - ensures a reasonable protection of personal data.

Award procedures

- 6.2 As regards the EU Contribution to a Partner managed pool fund, the managing entity within the Partner shall carry out the tasks in accordance with its own procedures and standard documents for the award of procurement and grant contracts, or with those agreed upon among the donors.

Implementation

- 6.3 As regards the EU Contribution to a Partner managed pool fund, in addition to the rights and obligations already laid down in these General Conditions, further rules detailed in Annex V to the Financing Agreement shall apply to the Partner for the implementation of the EU Contribution to the pool fund.

Article 7 - Publication of information on procurement and grant contracts by the Partner

- 7.1 The Partner undertakes to publish each year in a dedicated and easily accessible place of its internet site, for each procurement and grant contract for which it is contracting authority under the imprest component of the programme estimate referred to in Article 5 and the pool funds referred to in Article 6, its nature and purpose, the name and locality of the contractor (contractors in case of a consortium) or grant beneficiary (grant beneficiaries in case of a multi-beneficiary grant), as well as the amount of the contract.

The locality of a natural person shall be a region at NUTS2 level. The locality of a legal person shall be its address.

If such internet publication is impossible, the information shall be published by any other appropriate means, including the official journal of the Partner.

Article 6 of the Special Conditions shall stipulate the location, on the internet or otherwise, of the place of publication; reference shall be made to this location in the dedicated place of the internet site of the Commission.

- 7.2 Education support and direct financial support to natural persons most in need shall be published anonymously and in an accumulated manner by category of expenditure.

Names of natural persons shall be replaced by "natural person" two years after publication. The name of a legal entity containing that of a natural person involved in this entity shall be treated as a natural person's name.

Publication of names of natural persons shall be waived if such publication risks violating their fundamental rights or damaging their commercial interests.

The Partner shall present a list of data to be published on natural persons with any justifications for proposed waivers of publication to the Commission which must grant prior authorisation to this list. Where necessary, the Commission shall complete the locality of the natural person limited to a region at NUTS2 level.

- 7.3 Publication of the procurement and grant contracts concluded (i.e. signed by the Partner and the contractor or grant beneficiary) during the reporting period shall take place within six months following the date for submitting the report pursuant to Article 6 of Special Conditions.
- 7.4 Publication of contracts may be waived if such publication risks harming the commercial interests of contractors or grant beneficiaries. The Partner shall present a list with such justifications to the Commission which must grant prior authorisation to such publication

waiver.

- 7.5 Where the Commission carries out payments to contractors or grant beneficiaries pursuant to Article 4, it shall ensure the publication of information on procurement contracts and grant contracts according to its rules.

Article 8 - Recovery of funds

- 8.1 The Partner shall take any appropriate measures to recover the funds unduly paid.

Amounts unduly paid and recovered by the Partner, amounts from financial guarantees lodged on the basis of procurement and grant award procedures, amounts from financial penalties imposed by the Partner, as well as damages awarded to the Partner shall be returned to the Commission.

- 8.2 Without prejudice to the above responsibility of the Partner to recover funds unduly paid, the Partner agrees that the Commission may, in accordance with the provisions of the Financial Regulation applicable and this Financing Agreement, formally establish an amount as being unduly paid under procurement contracts and grant contracts financed under Part One and proceed to its recovery by any means on behalf of the Partner, including by offsetting the amount owed by the contractor or grant beneficiary against any of its claims against the EU and by forced recovery before the competent courts.

- 8.3 To this end, the Partner shall provide to the Commission all the documentation and information necessary. The Partner hereby empowers the Commission to carry out the recovery in particular by calling on a guarantee of a contractor or grant beneficiary of which the Partner is the contracting authority or by offsetting the funds to be recovered against any amounts owed to the contractor or grant beneficiary by the Partner as contracting authority and financed by the EU under this or another Financing Agreement or by forced recovery before the competent courts.

- 8.4 The Commission shall inform the Partner that the recovery proceedings have been initiated (including where necessary before a national court).

- 8.5 Where the Partner is a grant beneficiary of an entity with which the Commission concluded a contribution agreement, the Commission may recover funds from the Partner which are due to the entity but which the entity was not able to recover itself.

Article 9 - Financial claims under procurement and grant contracts

The Partner undertakes to confer with the Commission before taking any decision concerning a request for compensation made by a contractor or grant beneficiary and considered by the Partner to be justified in whole or in part. The financial consequences may be borne by the EU only where the Commission has given its prior authorisation. Such prior authorisation is also required for any use of funds committed under the present Financing Agreement to cover costs arising from disputes relating to contracts.

Article 10 - Cost overruns and ways of financing them

- 10.1 Individual overruns of the budget headings of the activities implemented by the Partner shall be dealt with by reallocating funds within the overall budget, in accordance with Article 25 of these General Conditions.
- 10.2 Wherever there is a risk of overrunning the amount foreseen for the activity implemented by the Partner, the Partner shall immediately inform the Commission and seek its prior authorisation for the corrective activities planned to cover the overrun, proposing either to scale down the activities or to draw on its own or other non-EU resources.
- 10.3 If the activities cannot be scaled down, or if the overrun cannot be covered either by the Partner's own resources or other resources, the Commission may, at the Partner's duly substantiated request, decide to grant additional EU financing. Should the Commission take such a decision, the excess costs shall be financed, without prejudice to the relevant EU rules and procedures, by the release of an additional financial contribution to be set by the Commission. This Financing Agreement shall be amended accordingly.

Part Two: Provisions Applicable to Budget Support

Article 11 - Policy dialogue

The Partner and the EU commit to engage in a regular constructive dialogue at the appropriate level on the implementation of this Financing Agreement.

Where the Partner is an ACP State and this action is financed under the EDF pursuant to Article 1.1 of the Special Conditions, this dialogue may form a part of the broader political dialogue provided for in Article 8 of the ACP-EC Partnership Agreement.

Article 12 - Verification of conditions and disbursement

- 12.1. The Commission shall verify the conditions for the payment of the tranches of the budget support component, as identified in Annex I (Technical and Administrative Provisions).
- Where the Commission concludes that the conditions for payment are not fulfilled, it shall inform the Partner thereof without undue delay.
- 12.2. Disbursement requests submitted by the Partner shall be eligible for EU financing provided that they are in accordance with the provisions set out in Annex I (Technical and Administrative Provisions) and that they are submitted during the operational implementation period.
- 12.3. The Partner shall apply its national foreign exchange regulations in a nondiscriminatory manner to all disbursements of the budget support component.

Article 13 - Transparency of budget support

The Partner hereby agrees to the publication by the Commission, of this Financing Agreement and any amendment thereof, including by electronic means, and of such basic information on the budget support which the Commission deems appropriate. Such publication shall not contain any data in violation of the EU laws applicable to the protection of personal data.

Article 14 - Recovery of budget support

All or part of the budget support disbursements may be recovered by the Commission, with due respect to the principle of proportionality, if the Commission establishes that payment has been vitiated by a serious irregularity attributable to the Partner, in particular if the Partner provided unreliable or incorrect information, or if corruption or fraud was involved.

Part Three: Provisions Applicable to this Action as a Whole, Irrespective of the Management Mode

Article 15 - Execution period and contracting deadline

15.1 The execution period of this Financing Agreement shall comprise two periods:

- an operational implementation period, in which the operational activities of the action are carried out. This period shall start on the entry into force of this Financing Agreement or on the date stipulated in the Special Conditions and end with the opening of the closure period.
- a closure period, during which final audit and evaluation are carried out and contracts and the programme estimate for the implementation of this Financing Agreement are technically and financially closed. The duration of this period is stipulated in Article 2.3 of the Special Conditions. It starts after the end of the operational implementation period.

These periods shall be reflected in the agreements to be concluded by the Partner and by the Commission in the implementation of this Financing Agreement, in particular in contribution agreements and procurement and grant contracts.

15.2 Costs related to the operational activities shall be eligible for EU financing only if they have been incurred during the operational implementation period; the costs incurred before the entry into force of this Financing Agreement shall not be eligible for EU financing unless provided otherwise in Article 6 of the Special Conditions. Costs related to final audits and evaluation, to closure activities and operating costs referred to in Article 5.1 shall be eligible until the end of the closure period.

15.3 Any balance remaining from the EU contribution shall be automatically decommitted no later than six months after the end of the execution period.

15.4 In exceptional and duly substantiated cases, a request may be made for the extension of the operational implementation period or the closure period, as well as correlatively of the execution period. If agreed upon, the Financing Agreement shall be amended accordingly.

- 15.5 Article 2 of these General Conditions shall apply to procurement contracts, grant contracts and contribution agreements awarded by the Commission as contracting authority with the exception of the last subparagraph of Article 2.1.

Article 16 - Verifications and checks by the Commission, the European Anti-Fraud Office (OLAF) and the European Court of Auditors

- 16.1 The Partner shall assist and support the verifications and checks carried out by the Commission, OLAF and the European Court of Auditors at their request.

The Partner agrees to the Commission, OLAF and the European Court of Auditors conducting documentary and on-the-spot controls on the use made of EU financing under the activities under this Financing Agreement and carrying out a full audit, if necessary, on the basis of supporting documents of accounts and accounting documents and any other documents relating to the financing of the activities, throughout the duration of this Financing Agreement and for five years from the end of the execution period.

- 16.2 The Partner also agrees that OLAF may carry out on-the-spot checks and verifications in accordance with the procedures laid down by EU law for the protection of the EU's financial interests against fraud and other irregularities.

To that end, the Partner shall grant officials of the Commission, OLAF and the European Court of Auditors and their authorised agents access to sites and premises at which operations financed under this Financing Agreement are carried out, including their computer systems, and to any documents and computerised data concerning the technical and financial management of those operations, and to take every appropriate measure to facilitate their work. Access by authorised agents of the Commission, OLAF and the European Court of Auditors shall be granted on conditions of strict confidentiality with regard to third parties, without prejudice to public law obligations to which they are subject. Documents must be accessible and filed in a manner permitting easy inspection, the Partner being bound to inform the Commission, OLAF or the European Court of Auditors of the exact location at which they are kept.

- 16.3 The checks and audits described above shall also apply to contractors, grant beneficiaries, organisations having signed contribution agreements and subcontractors who have received EU financing.
- 16.4 The Partner shall be notified of on the spot missions by agents appointed by the Commission, OLAF or the European Court of Auditors.

Article 17 - Tasks of the Partner in fighting irregularities, fraud and corruption

- 17.1 The Partner shall immediately inform the Commission of any element brought to its attention which arouses suspicions of irregularities, fraud or corruption and of any measure taken or planned to deal with them.
- 17.2 The Partner shall ensure and check regularly that the actions financed from the budget are

effectively carried out and implemented correctly. It shall take appropriate measures to prevent, detect and correct irregularities and fraud and where necessary, bring prosecutions and recover funds unduly paid.

"Irregularity" shall mean any infringement of this Financing Agreement, implementing contracts and programme estimate or of EU law resulting from an act or omission by anyone who has, or would have, the effect of prejudicing the funds of the EU, either by reducing or losing revenue owed to the EU, or by an unjustified item of expenditure.

"Fraud" shall mean any intentional act or omission concerning:

- the use or presentation of false, incorrect or incomplete, statements or documents which has as its effect the misappropriation or wrongful retention of funds from the general budget of the EU or the EDF;
- non-disclosure of information in violation of a specific obligation, with the same effect;
- the misapplication of such funds for purposes other than those for which they are originally granted.

17.3 The Partner undertakes to take every appropriate measure to prevent, detect and punish any practices of active or passive corruption during the implementation of the Financing Agreement.

"Passive corruption" shall mean the deliberate action of an official, who, directly or through an intermediary, requests or receives advantages of any kind whatsoever, for himself or for a third party, or accepts a promise of such an advantage, to act or refrain from acting in accordance with his duty or in the exercise of his functions in breach of his official duties, which has, or would have, the effect of harming the EU's financial interests.

"Active corruption" shall mean the deliberate action of whosoever promises or gives, directly or through an intermediary, an advantage of any kind whatsoever to an official, for himself or for a third party, to act or refrain from acting in accordance with his duty or in the exercise of his functions in breach of his official duties, which has, or would have, the effect of harming the EU's financial interests.

17.4 If the Partner does not take appropriate measures to prevent fraud, irregularities and corruption, the Commission may adopt precautionary measures including the suspension of this Financing Agreement.

Article 18 - Suspension of payments

18.1 Without prejudice to the suspension or termination of this Financing Agreement according to Articles 26 and 27, respectively, the Commission may suspend payments partially or fully, if:

- a) the Commission has established or has serious concerns that, on the basis of information it received, and needs to verify, the Partner has committed substantial errors, irregularities or fraud in the procurement and grant award procedure or in the implementation of the action, or the Partner has failed to comply with its obligations under this Financing Agreement, including obligations regarding the implementation of the Communication and Visibility plan;

- b) the Commission has established or has serious concerns that, on the basis of information it received, and needs to verify, the Partner has committed systemic or recurrent errors, irregularities, fraud or breach of obligations under this or other Financing Agreements, provided that those errors, irregularities, fraud or breach of obligations have a material impact on the implementation on this Financing Agreement or call into question the reliability of the Partner's internal control system or the legality and regularity of the underlying expenditure;
 - c) the Commission suspects that the Partner committed substantial errors, irregularities, fraud or breach of obligations in the procurement and grant award procedure or in the implementation of the action and needs to verify whether they have occurred.
 - d) it is necessary to prevent significant damage to the financial interests of the EU.
- 18.2 The Commission shall immediately inform the Partner about the suspension of payments and of the reasons for this suspension.
- 18.3 The suspension of payments shall have the effect of suspending payment time-limits for any payment request pending.
- 18.4 In order to resume payments the Partner shall endeavour to remedy the situation leading to the suspension as soon as possible and shall inform the Commission of any progress made in this respect. The Commission shall, as soon as it considers that the conditions for resuming payments have been met, inform the Partner thereof.

Article 19 - Allocation of funds recovered by the Commission to the action

Where the action is financed under the EDF, amounts unduly paid and recovered by the Commission, amounts from financial guarantees lodged on the basis of procurement and grant award procedures, amounts from financial penalties imposed, as well as damages awarded to the Commission shall be allocated to this action.

Article 20 - Right of establishment and residence

- 20.1 Where justified by the nature of the procurement contract, grant contract or contribution agreement, the Partner shall entitle natural and legal persons participating in invitations to tender for works, supply or service contracts or calls for proposals and organisations expected to sign contribution agreements with a provisional right of establishment and residence in the Partner's territory(ies). This right shall remain valid for one month after the contract is awarded.
- 20.2 The Partner shall also entitle procurement contractors, grant beneficiaries, organisations having signed contribution agreements and natural persons whose services are required for the performance of this action and members of their families with similar rights during the implementation of the action.

Article 21 - Tax and customs provisions and foreign exchange arrangements

- 21.1 The Partner shall apply to procurement contracts, grants contracts and contribution agreements financed by the EU the most favoured tax and customs arrangements applied to States or international development organisations with which it has relations.

Where the Partner is an ACP State, account shall not be taken of arrangements applied by it to the other ACP States or to other developing countries for the purpose of determining the most-favoured-State treatment.

- 21.2 Where a Framework Agreement is applicable, which includes more detailed provisions on this subject, these provisions shall apply as well.

Article 22 - Confidentiality

- 22.1 The Partner agrees that its documents and data held by an entity with which the Partner is in a contractual relationship regarding them may be forwarded to the Commission by that entity for the sole purpose of implementing this or another Financing Agreement. The Commission shall respect all confidentiality arrangements agreed between the Partner and that entity.

- 22.2 Without prejudice to Article 16 of these General Conditions, the Partner and the Commission shall preserve the confidentiality of any document, information or other material directly related to the implementation of this Financing Agreement that is classified as confidential.

- 22.3 The Parties shall obtain each other's prior written consent before publicly disclosing such information.

- 22.4 The Parties shall remain bound by the confidentiality until five years after the end of the execution period.

- 22.5 The Partner shall also comply with the obligations under Article 1.7 where the Commission provides personal data to the Partner, for example in the context of procedures and contracts managed by the Commission.

Article 23 - Use of studies

The contract related to any study financed under this Financing Agreement shall include the right for the Partner and for the Commission to use the study, to publish it and to disclose it to third parties.

Article 24 - Consultation between the Partner and the Commission

- 24.1 The Partner and the Commission shall consult each other before taking any dispute relating to the implementation or interpretation of this Financing Agreement further pursuant to Article 28 of these General Conditions.

- 24.2 Where the Commission becomes aware of problems in carrying out procedures relating to

management of this Financing Agreement, it shall establish all necessary contacts with the Partner to remedy the situation and take any steps that are necessary.

- 24.3 The consultation may lead to the amendment, suspension or termination of this Financing Agreement.
- 24.4 The Commission shall regularly inform the Partner of the implementation of activities described in Annex I which do not fall under Parts One and Two of these General Conditions.

Article 25 - Amendment of this Financing Agreement

- 25.1 Any amendment of this Financing Agreement shall be made in writing, including an exchange of letters.
- 25.2 If the request for an amendment comes from the Partner, the latter shall submit that request to the Commission at least three months before the amendment is intended to enter into force, except in cases which are duly substantiated by the Partner and accepted by the Commission. In the exceptional cases of an adjustment of the objectives of the action and/or an increase in the EU contribution, such request shall be submitted at least six months before the amendment is intended to enter into force.
- 25.3 If the adjustment both does not significantly affect the objectives of the activity implemented pursuant to Part One of these General Conditions, and if it concerns matters of detail which do not affect the technical solution adopted, and if it does not include the reallocation of funds, or if it concerns reallocations of funds for an amount equivalent to the amount of the contingency reserve, the Partner shall inform the Commission of the adjustment and its justification in writing as soon as possible and may apply that adjustment.
- 25.4 The use of the contingency reserve provided for an action shall be subject to the Commission's prior written approval.
- 25.5 Where the Commission considers that the Partner ceases to perform satisfactorily the tasks entrusted pursuant to Article 1.1 of these General Conditions and without prejudice to Articles 26 and 27 of these General Conditions, the Commission may decide to retake the tasks entrusted from the Partner in order to continue the implementation of the activities on behalf of the Partner after informing the latter in writing.

Article 26 - Suspension of this Financing Agreement

- 26.1 The Financing Agreement may be suspended in the following cases:
- The Commission may suspend the implementation of this Financing Agreement if the Partner breaches an obligation under this Financing Agreement.
 - The Commission may suspend the implementation of this Financing Agreement if the Partner breaches any obligation set under the procedures and standard documents referred to in Articles 1, 4, 5 and 6 of these General Conditions.
 - The Commission may suspend this Financing Agreement if the Partner breaches an

obligation relating to respect for human rights, democratic principles and the rule of law, in serious cases of corruption or if the Partner is guilty of grave professional misconduct proven by any justified means. Grave professional misconduct is to be understood as any of the following:

- a violation of applicable laws or regulations or ethical standards of the profession to which a person or entity belongs, or
- any wrongful conduct of a person or entity which has an impact on its professional credibility where such conduct denotes wrongful intent or gross negligence.

This Financing Agreement may be suspended in cases of force majeure, as defined below. "Force majeure" shall mean any unforeseeable and exceptional situation or event beyond the parties' control which prevents either of them from fulfilling any of their obligations, not attributable to error or negligence on their part (or the part of their contractors, agents or employees) and proves insurmountable in spite of all due diligence. Defects in equipment or material or delays in making them available, labour disputes, strikes or financial difficulties cannot be invoked as force majeure. A party shall not be held in breach of its obligations if it is prevented from fulfilling them by a case of force majeure of which the other party is duly informed. A party faced with force majeure shall inform the other party without delay, stating the nature, probable duration and foreseeable effects of the problem, and take any measure to minimise possible damage.

- Neither of the Parties shall be held liable for breach of its obligations under this Financing Agreement if it is prevented from fulfilling them by force majeure, provided it takes measures to minimise any possible damage.
- 26.2 The Commission may suspend this Financing Agreement without prior notice.
- 26.3 The Commission may take any appropriate precautionary measure before suspension takes place.
- 26.4 When the suspension is notified, the consequences for the on-going procurement and grant contracts, contribution agreements and programme estimate shall be indicated.
- 26.5 A suspension of this Financing Agreement is without prejudice to the suspension of payments and termination of this Financing Agreement by the Commission in accordance with Article 18 and 27 of the General Conditions.
- 26.6 The parties shall resume the implementation of the Financing Agreement once the conditions allow with the prior written approval of the Commission. This is without prejudice to any amendments of this Financing Agreement which may be necessary to adapt the action to the new implementing conditions, including, if possible, the extension of the operational implementation period, or the termination of this Financing Agreement in accordance with Article 27.

Article 27 - Termination of this Financing Agreement

- 27.1. If the issues which led to the suspension of this Financing Agreement have not been resolved within a maximum period of 180 days, either party may terminate this Financing Agreement at 30 days' notice.
- 27.2. This Financing Agreement shall be automatically terminated, if no implementing contract has been signed within the deadlines of Article 2.
- 27.3. When the termination is notified, the consequences for the on-going procurement contracts, grant contracts, contribution agreements and programme estimate shall be indicated.

Article 28 - Dispute settlement arrangements

- 28.1. Any dispute concerning this Financing Agreement which cannot be settled within a six-month period by the consultations between the parties provided for in Article 24 of these General Conditions may be settled by arbitration at one of the parties' request.

Where the Partner is an ACP State or an ACP regional body or organisation and this action is financed under the EDF, the dispute shall be submitted, prior to arbitration and after the consultations provided for in Article 24 of these General Conditions, to the ACP-EC Council of Ministers, or, between its meetings, to the ACP-EC Committee of Ambassadors, pursuant to Article 98 of the ACP-EC Partnership Agreement. If the Council or Committee does not succeed in settling the dispute, either party may request settlement of the dispute by arbitration in accordance with Articles 28.2, 28.3 and 28.4.

- 28.2. Each party shall designate an arbitrator within 30 days of the request for arbitration. Failing that, either party may ask the Secretary-General of the Permanent Court of Arbitration (The Hague) to designate a second arbitrator. The two arbitrators shall in their turn designate a third arbitrator within 30 days. Failing that, either party may ask the Secretary-General of the Permanent Court of Arbitration to designate the third arbitrator.
- 28.3. The procedure laid down in the Permanent Court of Arbitration Optional Rules for Arbitration Involving International Organisations and States shall apply. The arbitrators' decisions shall be taken by a majority within a period of three months.
- 28.4. Each party shall be bound to take the measures necessary for the application of the arbitrators' decision.

APPENDIX 1: PERFORMANCE INDICATORS OF THE VARIABLE TRANCHES

The performance indicators to be used for the disbursement of variable tranches are described hereafter. They will apply for the duration of the programme. However, in duly justified circumstances, the Ministry of Economy and Sustainable Development of Georgia may submit a request to the Commission for the indicators or targets to be changed. The changes may be authorised by exchange of letters between the two parties.

Indicator no. 1.1	<i>Insolvency proceedings / Adoption of Insolvency Law</i>
Policy	<p>1) SME Development Strategy of Georgia 2016-2020: "Analysis of existed legislation related to bankruptcy and liquidation will be conducted in order to eliminate obstacles for insolvency proceedings and closing business, which will support companies to move from inefficient into efficient businesses, increase recovery rate, which is comparatively low in Georgia, according to Doing Business evaluation. Simplification of closing business procedures will also support the improvement of business statistics related to business registry (elimination of inactive enterprises from the business registry). In this regard, government will analyse existing legislation and in close cooperation with business sector, elaborate relevant changes to legislation."</p> <p>2) EU-Georgia Association Agenda: "Modernize legislations in the commercial, civil and administrative areas in line with national strategies and EU acquis"</p>
Objective	Strengthened and rehabilitation-oriented insolvency proceedings
Department	Ministry of Justice, Legal Drafting Department; Inter-Agency Council on Private Law
Indicator type	Process (setting basis for achieving outcome-oriented indicators 1.2 and 1.3)
Measurement unit	Publication of the new insolvency law in the Legislative Herald of Georgia
Calculation method	Date of enactment of the new insolvency law by President of Georgia
Disaggregation	Not applicable.
Data collection method	Administrative. Extract from the Legislative Herald of Georgia
Measurement periodicity	Upon enactment of the law by the President of Georgia
Department responsible	Ministry of Justice (National Bureau of Enforcement)
Delivery date	31 December 2019
Limitations and bias	<p>Despite improvements in 2017-2018, major deficiencies in the insolvency proceedings persist due to two main underlying factors: the lack of applicable insolvency law to rescue an enterprise and the absence of qualified human resources to apply the insolvency law.</p> <p>The draft of the new insolvency law was prepared by the Ministry of Justice, in cooperation with the EU – GIZ project on the development of civil and administrative law in Georgia. After consultations with all stakeholders, the law was presented at the inter-agency council for private law reforms in May 2018, and then at the Investors' Council in September 2018. A Regulatory Impact Assessment of the new law was produced in July 2018 with overall positive conclusions.</p>
Means of interpretation	<p>The law is to be submitted to the Parliament by end of 2018. Changes may be brought into the draft law during parliamentary hearings. Furthermore, the law must be enacted by the President of Georgia on time and then published in the Legislative Herald.</p> <p>According to the baseline study on draft indicators produced by GIZ under the EU-funded project, the current law on insolvency failed to clearly foresee the aim of the law, rights of unsecured creditors were not protected (they were particularly deprived of the right to vote and</p>

	<p>could not approve a rehabilitation plan) and the sequence of secured creditors in terms of mortgages as enshrined in the Civil Code was neglected.</p> <p>The court had only a limited role in the process. Furthermore, the conciliation council, and not the creditors, was empowered to decide about pursuing a bankruptcy or rehabilitation process. Process costs (including enforcement and court fees) remained high.</p> <p>It is important that the new law addresses sufficiently the reported weaknesses and sets a good basis for achieving the targets foreseen in the indicators for 2020 and 2021, i.e. improvements in the reorganization proceeding index and recovery rates.</p>
Change in methodology	Not foreseen.
Baseline	In 2018, the draft law was finalized, supported by regulatory impact assessment.
Targets	Enactment by the President of Georgia
Comment	<p>The starting point for drafting the indicators on insolvency were low scores of Georgia in the World Bank Doing Business reports: place 101 in 2016 and 106 in 2017 out of 190 economies monitored, which referred to major deficiencies of the Georgian insolvency system compared to international standards in different aspects.</p> <p>In fact, the number of insolvency proceedings was insignificant as compared to the size of the country and the number of enterprises, and there were almost no insolvency proceedings which would lead to rescuing an enterprise. Effectively, most cases ended with liquidation after around 2 years' time due to procedural delays and only after a piecemeal sale of assets for lower than first envisaged values.</p> <p>Several amendments were introduced in the existing law on insolvency in mid-2017 and they effectively improved the previously very low ranking of Georgia, in particular by increasing creditors' say about how to deal with debtors' assets. In effect, the Resolving Insolvency ranking improved from 106th to 57th position in the World Bank's Doing Business Report; meanwhile, the observed recovery rate did not change much: 39.5 in 2017 and 39.4 in 2018.</p> <p>The Doing Business Report also assesses the Distance to Frontier. This measure illustrates the distance of an economy to the "frontier", which represents the best performance observed on each Doing Business topic across all economies and years included since 2005. An economy's distance to frontier is indicated on a scale from 0 to 100, where 0 represents the lowest performance and 100 the frontier. Again, Georgia improved significantly from 40.02 points in 2017 to 55.59 in 2018.</p> <p>In effect, the Doing Business Report notes the following milestones in the development of insolvency proceedings in Georgia:</p> <div> <p>DB 2018: Georgia made resolving insolvency easier by making insolvency proceedings more accessible for debtors and creditors, improving provisions on treatment of contracts during insolvency and granting creditors greater participation in important decisions during the proceedings.</p> <p>DB 2013: Georgia expedited the process of resolving insolvency by establishing or tightening time limits for all insolvency-related procedures, including auctions.</p> <p>DB 2011: Georgia improved insolvency proceedings by streamlining the regulation of auction sales.</p> <p>DB 2008: Georgia enhanced its insolvency process through a new insolvency law introducing both reorganization and liquidation proceedings, tightening time limits for the completion of each stage of the bankruptcy process and instituting provisions for regulating the appointment of bankruptcy trustees.</p> </div>

Indicator no. 1.2	<i>Insolvency proceedings / Reorganization Proceedings</i>
Policy	<p>1) SME Development Strategy of Georgia 2016-2020: "Analysis of existed legislation related to bankruptcy and liquidation will be conducted in order to eliminate obstacles for insolvency proceedings and closing business, which will support companies to move from inefficient into efficient businesses, increase recovery rate, which is comparatively low in Georgia, according to Doing Business evaluation. Simplification of closing business procedures will also support the improvement of business statistics related to business registry (elimination of inactive enterprises from the business registry). In this regard, government will analyse existing legislation and in close cooperation with business sector, elaborate relevant changes to legislation."</p> <p>2) EU-Georgia Association Agenda: "Modernize legislations in the commercial, civil and administrative areas in line with national strategies and EU acquis"</p>
Objective	Strengthened and rehabilitation-oriented insolvency proceedings
Department	Ministry of Justice (National Bureau of Enforcement)
Indicator type	Outcome
Measurement unit	World Bank Doing Business Report: Recovery Rate
Calculation method	The methodology for calculating the Reorganization Proceedings index is explained in the WB Doing Business Report as follows:
	<p><i>The reorganization proceedings index has three components:</i></p> <ul style="list-style-type: none"> • <i>Whether the reorganization plan is voted on only by the creditors whose rights are modified or affected by the plan. A score of 1 is assigned if yes; 0.5 if all creditors vote on the plan, regardless of its impact on their interests; 0 if creditors do not vote on the plan or if reorganization is not available.</i> • <i>Whether creditors entitled to vote on the plan are divided into classes, each class votes separately and the creditors within each class are treated equally. A score of 1 is assigned if the voting procedure has these three features; 0 if the voting procedure does not have these three features or if reorganization is not available.</i> • <i>Whether the insolvency framework requires that dissenting creditors receive as much under the reorganization plan as they would have received in liquidation. A score of 1 is assigned if yes; 0 if no such provisions exist or if reorganization is not available.</i> <p><i>The index ranges from 0 to 3, with higher values indicating greater compliance with internationally accepted practices.</i></p>
Disaggregation	Not applicable.
Data collection method	Extract from the World Bank's Doing Business Report
Measurement periodicity	Upon publication of the relevant World Bank's Doing Business Report
Department responsible	Ministry of Justice (National Bureau of Enforcement)
Delivery date	31 December 2020
Limitations and bias	The World Bank's index is basically limited to measuring the compliance of voting of a reorganization plan with international standards; it is based on questionnaires and desk study, rather than on a comprehensive assessment of the amplitude and quality of reorganizations.
Means of interpretation	The WB Doing Business Report underlines that "keeping viable businesses operating is among the most important goals of insolvency systems. A good insolvency regime should inhibit premature liquidation of sustainable businesses" and "economy-specific research has

	<p>shown that insolvency reforms that encourage debt restructuring and reorganization reduce both failure rates among small and medium-size enterprises and the liquidation of profitable businesses".</p> <p>Similarly, the Recommendation by the European Commission from 2014 proposes to put in place (in the EU) a framework that enables the efficient restructuring of viable enterprises in financial difficulty.</p> <p>Following an inquiry by the EU Delegation about the methodologies and possible changes, the Washington-based World Bank's team in charge of producing Doing Business Reports replied in July 2018 as follows:</p> <p>"At this stage, we do not expect that the methodology of the resolving insolvency indicator may undergo changes this or next year. This being said, please also bear in mind that the Doing Business team reviews its methodology on a regular basis and we cannot totally assure you that no changes will be introduced under any circumstances. As for assessments, first, every year we collect information from the public sector, private practitioners and open sources. The most common method is to gather information through questionnaires, but the whole process is not limited to it. Also, we conduct a large number of missions to different economies from all over the world to have direct interactions with both public and private experts. Then, second, the data is analyzed by relevant teams of the Doing Business unit and we have several review procedures for each topic and economy."</p> <p>Nevertheless, potential changes in the Doing Business Methodology should allow for relevant amendments in the targets. In addition to the Doing Business Report, Georgian authorities may provide evidence-based information regarding developments in certain fields that should affect the final data.</p>
Change in methodology	<p>In 2018, Georgia still scored 0.0 under the Reorganization Proceedings Index.</p> <p>For comparison, the average score of EU 28 member states was 1.9. Only Malta scored 0.0, Hungary, Lithuania and Luxembourg 0.5, while all other EU member states scored at least 1.0 in 2018. So in the context of the ongoing reform of the insolvency framework, it is desirable for Georgia to improve its reorganization proceedings index and at least approach the average score of EU member states.</p>
Baseline	<p>The Georgian score in the Reorganization Proceedings Index is at least 1.5.</p> <p>Partial compliance: the Georgian score in the Reorganization Proceedings Index is 1.0.</p>
Targets	

Indicator no. 1.3	<i>Insolvency proceedings / Recovery Rate</i>
Policy	<p>1) SME Development Strategy of Georgia 2016-2020: "Analysis of existed legislation related to bankruptcy and liquidation will be conducted in order to eliminate obstacles for insolvency proceedings and closing business, which will support companies to move from inefficient into efficient businesses, increase recovery rate, which is comparatively low in Georgia, according to Doing Business evaluation. Simplification of closing business procedures will also support the improvement of business statistics related to business registry (elimination of inactive enterprises from the business registry). In this regard, government will analyse existing legislation and in close cooperation with business sector, elaborate relevant changes to legislation."</p> <p>2) EU-Georgia Association Agenda: "Modernize legislations in the commercial, civil and administrative areas in line with national strategies and EU acquis"</p>
Objective	Strengthened and rehabilitation-oriented insolvency proceedings

Department	Ministry of Justice (National Bureau of Enforcement)
Indicator type	Outcome
Measurement unit	World Bank Doing Business Report: Reorganization Proceedings Index
Calculation method	Overall, the countries' rankings in insolvency are based on distance to frontier scores for two indicators: Strength of Insolvency Framework (including the reorganization proceedings index) and Recovery Rate. The methodology foreseen for calculating the Recovery Rate is the one used in the WB Doing Business Report 2017. The recovery rate is calculated based on the time, cost and outcome of insolvency proceedings in each economy. To make the data on the time, cost and outcome of insolvency proceedings comparable across economies, several assumptions about the business and the case are used. See http://www.doingbusiness.org/en/reports/global-reports/doing-business-2017 for details on these assumptions.
Disaggregation	Not applicable.
Data collection method	Extract from the World Bank's Doing Business Report
Measurement periodicity	Upon publication of the relevant World Bank's Doing Business Report
Department responsible	Ministry of Justice (National Bureau of Enforcement)
Delivery date	31 December 2021
Limitations and bias	The World Bank's measurement is based on building a fictitious case and carried out through questionnaires and desk study, rather than through a comprehensive assessment of the amplitude and effects of recovery rates.
Means of interpretation	As stated in the WB Doing Business Report, "the highest recovery rates are recorded in economies where reorganization is the most common insolvency proceeding". So an introduction in the Georgian legislation of a re-organization and rehabilitation oriented insolvency framework should result in increased recovery rates.
Change in methodology	The World Bank's team in charge of producing Doing Business Reports informed in July 2018 as follows: "At this stage, we do not expect that the methodology of the resolving insolvency indicator may undergo through changes this or next year. This being said, please also bear in mind that the Doing Business team reviews its methodology on a regular basis and we cannot totally assure you that no changes will be introduced under any circumstances. As for assessments, first, every year we collect information from the public sector, private practitioners and open sources. The most common method is to gather information through questionnaires, but the whole process is not limited to it. Also, we conduct a large number of missions to different economies from all over the world to have direct interactions with both public and private experts. Then, second, the data is analyzed by relevant teams of the Doing Business unit and we have several review procedures for each topic and economy." Nevertheless, potential changes in the Doing Business Methodology should allow for relevant amendments in the targets. In addition to the Doing Business Report, Georgian authorities may provide evidence-based information regarding developments in certain fields that should affect the final data.
Baseline	In 2018, the recovery rate in Georgia was still 39.4 US cents, only. For comparison, the average recovery rate of EU 28 member states was 63.2 US cents. The rate was slightly lower than in Georgia only in

	Bulgaria (36), Croatia (32.7), Greece (33.6), Malta (38.8), and Romania (35.6) in 2018.
	So in the context of the ongoing reform of the insolvency framework, it is desirable for Georgia to improve its recovery rate at the end and at least approach the average score of EU member states.
Targets	The Georgian recovery rate is at least 50.0 cents on the US dollar Partial compliance: if the Georgian recovery rate is less than 50.0 cents but at least 42.0 cents on the US dollar.

Indicator no. 1.4	<i>Enforcement / Adoption of Enforcement Law</i>
Policy	1) EU-Georgia Association Agenda: "Modernize legislations in the commercial, civil and administrative areas in line with national strategies and EU acquis" 2) 20 Deliverables for 2020 in EaP countries: "Improved enforcement of judgements in civil and administrative cases as well as court decisions' execution according to enforcement timeframe and recovery rates indicators in at least three Partner Countries".
Objective	More efficient and fair enforcement of judicial decisions
Department	Legal Drafting Department; Inter-Agency Council on Private Law
Indicator type	Process (setting basis for achieving output and outcome-oriented indicators 1.5, 1.6 and 1.7)
Measurement unit	Publication of the new enforcement law in the Legislative Herald of Georgia
Calculation method	Date of enactment of the new enforcement law by President of Georgia
Disaggregation	Not applicable.
Data collection method	Administrative. Extract from the Legislative Herald of Georgia
Measurement periodicity	Upon enactment of the new enforcement law by the President of Georgia
Department responsible	Ministry of Justice (National Bureau of Enforcement)
Delivery date	31 December 2019
Limitations and bias	In February 2018, after further consultations the Ministry of Justice presented the concept of the new enforcement law at the session of a private law inter-agency council. The law is to be submitted to the Parliament by end of 2018. Changes may be brought into the draft law during parliamentary hearings. Furthermore, the law must be enacted by the President of Georgia on time and then published in the Legislative Herald.
Means of interpretation	Throughout 2017 and 2018 the Ministry of Justice continued drafting new laws on enforcement of judicial decisions with the support of EU/GIZ project, including expert opinions and comparative studies. In particular, in September 2017 the Ministry of Justice decided that almost all enforcement cases would be transferred to private bailiffs. It is important to ensure that the final text of the new law complies sufficiently with international standards, such as those described in the Recommendation Rec(2003)17 of the Committee of Ministers on enforcement (CoE Recommendation), and CEPEJ Guidelines for a better implementation of the Recommendation from December 2009 (CEPEJ Guidelines), and CEPEJ Good practice guide on enforcement of judicial decisions from December 2015 (CEPEJ Guide).
	In that context, the adoption of the new law should provide sufficient guarantees for effective but fair enforcement processes, and in particular

	for striking a balance between the needs of the claimant and the rights of the defendant, procedural equality of the parties, quality control mechanisms, and a possibility for the enforcement agents to make arrangements with the defendant, if there is a consensus between the claimant and the defendant.
Change in methodology	Not foreseen.
Baseline	Draft law finalized
Targets	Enactment by the President of Georgia
Comment	<p>The basis for drafting the indicators on enforcement was the aim to keep and monitor good quality and efficiency of enforcement of judicial decisions in commercial disputes.</p> <p>The duration and recovery rate were singled out as the most crucial elements in the enforcement procedures for businesses to keep up with their claims, cash flow and thus financing their business operations.</p> <p>Compared to insolvency, the enforcement of contracts is rated very high (7th place) in the ranking established in the WB Doing Business Report; however, this index refers not only to the enforcement stage <i>per se</i>, but to the overall judicial process. As such, the ranking results from the simple average of the "distance to frontier" scores for each of the component indicators: days to resolve a commercial dispute through the courts (1/3), attorney, court and enforcement costs (1/3) and use of good practices promoting quality and efficiency (1/3). The data do not separate assessment of the enforcement stage from the overall judicial processes and therefore the indexes cannot be used for purposes of the policy matrix.</p>

Indicator no. 1.5	Enforcement / Operationalisation of a professional chamber
Policy	<p>1) EU-Georgia Association Agenda: "Modernize legislations in the commercial, civil and administrative areas in line with national strategies and EU acquis"</p> <p>2) 20 Deliverables for 2020 in EaP countries: "Improved enforcement of judgements in civil and administrative cases as well as court decisions' execution according to enforcement timeframe and recovery rates indicators in at least three Partner Countries".</p>
Objective	More efficient and fair enforcement of judicial decisions
Department	Ministry of Justice (National Bureau of Enforcement)
Indicator type	Process (setting basis for achieving outcome-oriented indicators 1.6 and 1.7)
Measurement unit	Adoption of Internal Regulations of Chamber of Private Enforcement Agents (bailiffs)
Calculation method	Date of adoption of Internal Regulations of Chamber of Private Enforcement Agents
Disaggregation	Not applicable.
Data collection method	Administrative. Internal Regulations of Chamber of Private Enforcement Agents
Measurement periodicity	Upon adoption of Internal Regulations of Chamber of Private Enforcement Agents
Department responsible	Ministry of Justice (National Bureau of Enforcement)
Delivery date	31 December 2020
Limitations and bias	The legislation, initiated by the Ministry of Justice, should establish minimum legal prerequisites for the chamber in all key aspects. However, more detailed rules shall be established by the professional chamber, essentially independent from the government.

Means of interpretation	<p>As indicated in the related CEPEJ Guidelines, it is desirable that enforcement agents should be organized in a professional body representing all members of the profession, thereby facilitating their collective representation and the gathering of information. Relevant aspects are furthermore described in the CEPEJ Guide.</p> <p>As furthermore stated in the baseline study on enforcement delivered by GIZ in October 2017, the professional bodies should be responsible to uphold the image, honour, and the rights of private enforcement agents, to ensure that the agents perform their duties conscientiously and in accordance with the law, the development of the ethical and professional standards of the profession, the professional training, and the safeguarding of the duties of the profession through the chamber's monitoring and control mechanisms. As a rule, such organization should be given, under supervision of the Ministry of Justice, certain regulative powers.</p> <p>The functional chamber should enhance the quality, transparency and trust of the enforcement procedures, and thus be a prerequisite for meeting the efficiency requirements set out in the subsequent indicators, namely duration and recovery rates.</p> <p>The operationalization of the chamber should mean appropriate staffing (more than 80%), allocation of sufficient budget, adoption of internal regulations on quality control, ethics, disciplinary rules, and adoption of curricula for initial and continuous training.</p> <p>Accordingly, proper allocations should be made for each element, starting with the most important ones related to allocating sufficient budget and ensuring professional conduct of enforcement agents.</p>
Change in methodology	The Chamber should produce decisions based on the new regulations.
Baseline	Not foreseen.
Targets	<p>No chamber exists.</p> <p>All abovementioned aspects have to be substantially accomplished for full compliance.</p> <p>Partial compliance: if all abovementioned aspects are at least partially accomplished.</p>

Indicators no. 1.6 and 1.7	<i>Enforcement / Average recovery rate in enforcement proceedings admitted in 2021 for recoveries of more than GEL 30,000 between private companies / Average duration of enforcement proceedings closed in 2021 for recoveries of more than GEL 30,000 between private companies</i>
Policy	<p>1) EU-Georgia Association Agenda: "Modernize legislations in the commercial, civil and administrative areas in line with national strategies and EU acquis"</p> <p>2) 20 Deliverables for 2020 in EaP countries: "Improved enforcement of judgements in civil and administrative cases as well as court decisions' execution according to enforcement timeframe and recovery rates indicators in at least three Partner Countries".</p>
Objective	More efficient and fair enforcement of judicial decisions
Department	Ministry of Justice (National Bureau of Enforcement)
Indicator type	Outcome
Measurement unit	Recovery rate in % and duration in months
Calculation method	The indicator refers to average recovery rate and duration in enforcement proceedings admitted/closed in 2021 for recoveries of more than

GEL 30,000 between private companies

For purposes of the calculation, only the following should be counted:

- as business entities the companies where at least one of the claimant(s) is a private company (>50% private shares) or a private entrepreneur at the date of the start of the relevant enforcement case
- only credits towards other businesses, not individuals or state
 - In effect, one should avoid the negative impact of measuring efficiency of enforcement procedures on the social and economic context in Georgia, marked by defaults of the population to pay back petty loans to micro-credit or banking institutions, secured oftentimes by high interest rates and inflated mortgages)
- only cases of value above GEL 30,000
 - Actually, small value cases could compromise on the average data obtained; on the other hand, the amount shall be sufficiently low in order to gather a representative mass of data. The threshold amount may be lowered in a way to average out 50 relevant cases (sufficient mass). The inflation is predicted to remain rather low in the following years; however one may revise the amount in case of increased inflation (over 10% rise in a calendar year)
- cases *admitted* for purposes of the indicator 1.6, i.e. cases including various scenarios, such as (a) full enforcement of a case; (b) creditor's refusal to have the decision enforced; (c) conciliation between the parties; (d) issuance of an act on phased payment; however, cases where enforcement is impossible because the debtor does not own any property should not be counted; the term 'recovery' should include cases when the creditor reduces a claim or withdraws it in full or in part.
- cases *closed* for purposes of the indicator 1.7, i.e. cases including various scenarios, such as (a) full enforcement of a case; (b) creditor's refusal to have decision enforced; (c) conciliation between the parties; (d) issuance of an act on phased payment; however, cases where enforcement is impossible because the debtor does not own any property should not be counted.
- cases closed during the respective calendar year (i.e. 2021), regardless in which year they started.

In addition, the following should be counted

- for assessment of the average duration, cases that start from the date of the first transfer of a case to an enforcement agent and end on the date of effective closure of the case.

For both indicators 1.6 and 1.7, the period of time during which enforcement proceedings must remain suspended according to the Georgian legislation should not be taken into consideration.

The recovery rate is calculated as a percentage of the value of claims effectively recovered by claimants in relevant cases.

Not applicable.

Statistics produced by the Ministry of Justice

Quarterly

Ministry of Justice / National Bureau of Enforcement / Chamber of Private Enforcement Agents

31 December 2021

Limitations and bias

In October 2017, GIZ delivered a revised baseline study on enforcement including expert views on initially drafted indicators. The expert noted that "the new legislation and, particularly, the implementation is a time consuming process and it might take several years before the

	<p>results of such change and implementation are visible. Moreover, the results will very much depend on the economic developments. Integration of the two systems, i.e. enforcements carried out by state and private agents, means that statistics will change. Presently there are only statistics with regard to NBE available. The duration of proceedings is difficult to measure based on the number of closed cases. A substantial number of cases are "suspended" (put on hold) for various reasons. Changing legislation on closing such cases (rather than having them as suspended cases) will have its influence on the duration indicator."</p> <p>Consequently, at this moment it is difficult to predict the impact in terms of durations, recovery rates and mediations, partly because the National Bureau of Enforcement (NBE) attached to the Ministry of Justice does not currently process proper statistics for public and private enforcement agents, and partly because several elements will have to be developed over the next years, such as a chamber of private enforcement agents to regulate the profession, including ethics and disciplinary aspects, statistical and monitoring tools, etc. This chamber should be established in attachment to the NBE.</p> <p>It is therefore difficult to predict the duration and recovery rate due to the lack of exact statistics for cases addressed by the indicators, as well as due to possible delays resulting from the ongoing, substantial reform – the transfer of most cases from public to private agents, the need to establish and operationalize the chamber, and the delivery of different training courses to private agents.</p> <p>There are currently no statistics available as to the average duration or recovery rates in countries grouped under CEPEJ or in EU member states.</p> <p>Under the EU/GIZ project, assistance can be provided to develop detailed statistical and analytical modules including the breakdown by types of parties, types of claims, values, recovery rates and duration. These modules can also be tailor-made for purposes of assessments of fulfilment of the indicators.</p> <p>Once the law has been adopted in line with international standards and the chamber has been properly established, it will be necessary to ensure efficiency of enforcement procedures.</p> <p>In this respect, one should bear in mind the programme objectives to enhance fair and fast litigations and thus increase trust of businesses in the justice sector and therefore include only private business creditors, and not the public ones. It is to note that a big part of the enforcements is related to administrative fines imposed by national or municipal agencies.</p> <p>The methodology may change depending on the statistical and analytical modules developed in the meantime with assistance from the above mentioned EU/GIZ project.</p> <p>The average recovery rate and duration in targeted cases as reported by the Ministry of Justice on 8 November 2018: The baseline for indicator 1.6 in 2018 is 26% and the baseline for indicator 1.7 in 2018 is 12 months.</p>
Means of interpretation	
Change in methodology	
Baseline	
Targets	<p>For indicator 1.6</p> <p>The average recovery rate in enforcement proceedings admitted in 2021 is increased by at least +8 percentage points in comparison to the baseline (2018). According to the baseline data provided, this would mean that the average recovery rate is at least 34% in 2021.</p> <p>Partial compliance: if the average recovery rate in enforcement is increased by at least +3 percentage points in comparison to the baseline (2018). According to the baseline data provided, this would mean that the average recovery rate is at least 29% in 2021.</p>

For indicator 1.7

The average duration of enforcement proceedings closed in 2021 is not more than 6 months.

Partial compliance: if the average duration of enforcement proceedings is more than 6 months but not more than 10 months.

Indicator no. 2.1	<i>Legal Framework for Vehicle Insurance</i>
Policy	Georgia Government Programme 2018-2020 "Freedom, Rapid Development, & Welfare" and Georgia Socioeconomic Development Strategy "Georgia 2020"
Objective	Deepening access to finance: Diversification of financial sector from bank centric towards the needs of MSMEs and households
Department	Ministry of Finance, Ministry of Economy and Sustainable Development
Indicator type	Process (setting basis for achieving indicators 2.2 and 2.3)
Measurement unit	Entry into force of a law on MTPL insurance for motor vehicles registered in Georgia
Calculation method	The date of entry into force of a law on MTPL insurance for motor vehicles registered in Georgia
Disaggregation	n/a
Data collection method	Administrative
Measurement periodicity	n/a
Department responsible	Insurance State Supervision Service of Georgia (ISSSG)
Delivery date	31 December 2019 at the latest
Limitations and bias	n/a
Means of interpretation	The indicator measures whether a legal basis for the mandatory third party liability insurance was established. The law should cover 90% of all registered vehicles in Georgia.
Change in methodology	n/a
Baseline	2018 – Mandatory Third Party Liability Insurance for Transit Vehicles came into effect on 1 March 2018. A Law on Mandatory Third Party Liability Insurance for motor vehicles registered in Georgia is being drafted and expected to be adopted and enacted in 2019.
Targets	Entry into force of a Law on the Mandatory Third Party Liability Insurance (MTPL) for motor vehicles registered in Georgia

Indicators no. 2.2 and 2.3	<i>Share of vehicles with the mandatory third party liability insurance (MTPL)</i>
Policy	Georgia Government Programme 2018-2020 "Freedom, Rapid Development, & Welfare" and Georgia Socioeconomic Development Strategy "Georgia 2020"
Objective	Deepening access to finance: Diversification of financial sector from bank centric towards the needs of MSMEs and households
Department	Ministry of Finance, Ministry of Economy and Sustainable Development
Indicator type	Output
Measurement unit	%
Calculation method	Share of vehicles with MTPL insurance out of all the vehicles registered in Georgia
Disaggregation	Number of policies in ISSSG statistics by: insurance company (17) and type of clients (3): individuals, private entities, public entities

Data collection method	Administrative: http://insurance.gov.ge/Statistics.aspx?lang=en-US
Measurement periodicity	Quarterly by ISSSG
Department responsible	Insurance State Supervision Service of Georgia (ISSSG)
Delivery date	For indicator no. 2.2: Q1 2021 For indicator no. 2.3: Q1 2022
Limitations and bias	Bias: Administrative data of ISSSG do not distinguish between MTPL policies for foreign and domestic vehicles. Therefore, the number of MTPL policies includes also those issued for the vehicles not registered in Georgia. However, as these are also contributing to the overall objective, this is not considered a negative bias. Limitations: In general, external shocks may fundamentally influence the behaviour of actors in the private sector. Such external shocks could include e.g. a) Economic downturns outside the control of Georgia; b) Natural or man-made events beyond the reasonable control of Georgia such as conflicts or sizeable climatic events; c) A significant reduction outside the Georgian government control in the average flow of disbursement from International Financing Institutions (IFIs) supporting Georgia.
Means of interpretation	The adoption of the law (Indicator 2.1 – Legal Framework for Vehicle Insurance) will result in an increasing share of vehicles (cars, trucks, buses) insured with a MTPL. The indicator intends to measure progress in implementation of the law. There is an assumption that the MTPL insurance of the vehicles registered in Georgia would follow the same path as the MTPL of transit vehicles promulgated in end 2017. The above law for transit vehicles included an article informing about an upcoming MTPL insurance for the vehicles registered in Georgia.
Change in methodology	Not foreseen
Baseline	In 2017, 6% of vehicles registered in Georgia had MTPL insurance (73,419 vehicles insured with MTPL out of 1,270,000 vehicles registered in Georgia).
Targets	For indicator 2.2: Share of vehicles with MTPL insurance out of all the vehicles registered in Georgia is at least 50% by end 2020. Partial compliance: Share of vehicles with MTPL insurance from the vehicles registered in Georgia is at least 30% by end 2020. For indicator 2.3: Share of vehicles with MTPL insurance out of all the vehicles registered in Georgia is at least 65% by end 2021. Partial compliance: Share of vehicles with MTPL insurance from the vehicles registered in Georgia is at least 55% by end 2021.

Indicator no. 2.4	<i>Diversification of insurance market</i>
Policy	Georgia Government Programme 2018-2020 "Freedom, Rapid Development, & Welfare" and Georgia Socioeconomic Development Strategy "Georgia 2020"
Objective	Deepening access to finance: Diversification of financial sector from bank centric towards the needs of MSMEs and households
Department	Ministry of Finance, Ministry of Economy and Sustainable Development
Indicator type	Outcome
Measurement unit	%
Calculation method	Increase in percentage compared to 2018 of the total written insurance premium excluding the insurance class "Medical (Health)" and "Motor Third Party Liability".

Disaggregation	Written premium by: insurance company (17) and type of premium (2): gross written premium (premiums before deduction of reinsurance costs) and reinsurance premium (an amount paid to a reinsurer in exchange for the reinsurance coverage).
Data collection method	Administrative: http://insurance.gov.ge/Statistics.aspx?lang=en-US Back view data drawn from the ISSSG website October 2018: Total written insurance premium (excluding the insurance class "Medical (Health)" and "Motor Third Party Liability") in GEL. 2017: 232,647,826 2016: 208,260,386 2015: 197,525,160 2014: 165,770,849 2013: 125,194,243
Measurement periodicity	Quarterly by ISSSG
Department responsible	Insurance State Supervision Service of Georgia (ISSSG)
Delivery date	Q1 2022
Limitations and bias	Limitations: The indicator measures only written premiums, but other relevant indicators for the measurement of diversification also exist. In general, external shocks may fundamentally influence the behaviour of actors in the private sector. Such external shocks could include e.g. a) Economic downturns outside the control of Georgia; b) Natural or man-made events beyond the reasonable control of Georgia such as conflicts or sizeable climatic events; c) A significant reduction outside the Georgian government control in the average flow of disbursement from International Financing Institutions (IFIs) supporting Georgia.
Means of interpretation	The indicator is based on the measurement of the amount of written premium in GEL. From the overall amount the "Medical (Health)" and "Motor MTPL" insurance are excluded for the following reasons: <ul style="list-style-type: none"> • Progress on MTPL insurance is measured already with indicator 2.1-2,3; • The market on "Medical (Health)" insurance is already relatively well developed with a share of 47% in 2017. The indicator will show development of alternative insurance products and thus, diversification of insurance market. It is recommended to monitor also other indicators available, specifically the number of policies concluded in different insurance classes.
Change in methodology	Not foreseen
Baseline	To ensure that only progress achieved during the budget support programme is being assessed the baseline is 2018. Baseline data of 2018 should be published by ISSSG in Q1 2019.
Targets	By end 2021, at least a 30% increase of written premiums compared to end 2018. Partial compliance: By end 2021, at least a 20% increase of written premiums compared to end 2018.

Indicator 3.1	Support to export diversification through cluster development
Policy	1) The Association Agenda between the European Union and Georgia 2017-2020 2) SME Development Strategy of Georgia 2016-2020 (November 2015).
Objective	1) The Association Agenda between the European Union and Georgia 2017-2020, section 2.5 on Trade and Trade-Related Matters: Support Georgia to increase the diversification of Georgia's export structure, including export of new products to the EU market (p. 33); 2) Main objectives of the SME Development Strategy for Georgia 2016-2020 include: Enhancement of competitiveness of SMEs in domestic

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and international markets; For strengthening SME sector in Georgia and increase its competitiveness in domestic and international markets, prioritised Strategic Directions include: Export promotion and SMEs internationalization (Strategic Direction 4).	
Department	Ministry of Economy and Sustainable Development (MESD) / Enterprise Georgia
Indicator type	Output indicator
Measurement unit	Funding awarded to cluster initiatives through a call for proposals, as part of a national cluster support programme.
Calculation method	Date of the announcement of funding awarded through a call for proposals, as part of a national cluster support programme.
Disaggregation	n/a
Data collection method	The data is collected administratively. The primary source of verification should be the Official Website of Ministry of Economy/Enterprise Georgia/Georgia's Innovation and Technology Agency (GITA), as well as other official information on funding provided.
Measurement periodicity	n/a
Department responsible	Ministry of Economy/Enterprise Georgia
Delivery date	n/a
Limitations and bias	Limitation: The capacity of the Government and relevant agencies like Enterprise Georgia and Georgia's Innovation and Technology Agency influences the achievement of this target, in particular the design of the national cluster programme and the management of the call for proposals as well as the funding awards. In general, external shocks may fundamentally influence the behaviour of actors in the private sector as well as funding decisions of the government of Georgia. Such external shocks could include e.g. a) Economic downturns outside the control of Georgia; b) Natural or man-made events beyond the reasonable control of Georgia such as conflicts or sizeable climatic events; c) A significant reduction outside the Georgian government control in the average flow of disbursement from International Financing Institutions (IFIs) supporting Georgia.
Means of interpretation	Cluster initiatives will contribute to business sophistication and also directly encourage exports (to be measured with proxy-indicator 3.2). The Georgian Government has taken first steps (with EU support through GIZ) to elaborate a national cluster support programme. The indicator should encourage the government to undertake a first pilot programme and engage in "learning-by-doing" on cluster policies. The programme should follow general advice as available in the EU "Smart Guide to Cluster policy", published by the European Commission, in particular the advice on "how to provide funding" on p. 21.f. (see https://ec.europa.eu/growth/content/smart-guide-cluster-policy-published-0_en)
Change in methodology	n/a
Baseline	No national funding for business cluster development (2018). An early draft of a possible cluster programme was elaborated in 2018.
Targets	The Government of Georgia has awarded funding to cluster initiatives, through a call for proposals, as part of a national cluster support programme. Partial compliance: a call for proposal, as part of a national cluster support programme, was published at a website of a public institution (Enterprise Georgia, GITA, Ministry etc.), but funding was not awarded.

Indicator 3.2	Company export diversification
Policy	1) The Association Agenda between the European Union and Georgia 2017-2020 2) Eastern Partnership 20 Deliverables for 2020: Bringing tangible results for citizens.

	3) SME Development Strategy of Georgia 2016-2020 (November 2015).
Objective	<p>1) The Association Agenda between the European Union and Georgia 2017-2020, section 2.5 on Trade and Trade-Related Matters: Support Georgia to increase the diversification of Georgia's export structure, including export of new products to the EU market (p. 33);</p> <p>2) Eastern Partnership 20 Deliverables for 2020: Bringing tangible results for citizens, priority 1 for economic development and market opportunities. Deliverable 8: Support intra-regional trade among partner countries and the EU. Tracking: 'Strengthening of the positive trend in the number of companies (notably SMEs) from the Partner Countries exporting to the EU, increased, in particular from the DCFTA countries'.</p> <p>3) Main objectives of the SME Development Strategy for Georgia 2016-2020 include: Enhancement of competitiveness of SMEs in domestic and international markets; For strengthening SME sector in Georgia and increase its competitiveness in domestic and international markets, prioritised Strategic Directions include: Export promotion and SMEs internationalization (Strategic Direction 4).</p>
Department	Ministry of Economy and Sustainable Development (MESD).
Indicator type	Outcome indicator
Measurement unit	Percentage
Calculation method	<p>The change of the sum of companies exporting to each EU member state in the target year, as compared to the sum in the baseline year. EU member states are defined as those which are members of the EU at the time the EU and the Government sign the budget support programme.</p> <p>Historic data provided by GEOSTAT to EUDEL October 2018:</p> <p>2017: 1256 (up 7% on 2016);</p> <p>2016: 1174 (up 9% on 2015);</p> <p>2015: 1074 (up 8% on 2014);</p> <p>2014: 999;</p>
Disaggregation	The data is disaggregated by country (i.e. number of companies exporting to a given country).
Data collection method	The data is collected administratively based on custom declarations and submitted to GEOSTAT.
Measurement periodicity	The data is collected quarterly.
Department responsible	GEOSTAT
Delivery date	Provisional data for the entire year is available in March of the subsequent year. Final data is available in July.
Limitations and bias	<p>Limitations: The indicator is used as a proxy indicator to measure business sophistication as targeted under component 3 of the programme. The assumption is that government actions targeted at business sophistication will enable an increasing number of companies to either diversify their export markets and/or start exporting. In general, external shocks may fundamentally influence the behaviour of actors in the private sector. Such external shocks could include e.g. a) Economic downturns outside the control of Georgia; b) Natural or man-made events beyond the reasonable control of Georgia such as conflicts or sizeable climatic events; c) A significant reduction outside the Georgian government control in the average flow of disbursement from International Financing Institutions (IFIs) supporting Georgia.</p> <p>Bias: The measurement unit does not capture re-exporting within the EU, i.e. a Georgian company exporting to one EU member state from where the export is distributed or resold to other member states is only registered with the original export to one member state. This aspect is not captured by customs declarations and hence is not tracked by GEOSTAT.</p>
Means of interpretation	By counting the number of companies exporting from Georgia to a given country and adding these numbers together for each of the EU member states, the progress measured is in essence the number of: 1) companies going from no exports to succeeding in making their first

	export to a select foreign EU market, and 2) companies already exporting to one or more select EU member state, succeeding in adding additional EU member states to their portfolio of direct exports. Hence, the indicator can be seen as a proxy-indicator for some aspects (among many) of increasing business sophistication, something which is the focus of government agencies like Enterprise Georgia and GITA and which are specifically targeted by EU funded projects on e.g. cluster development.
Change in methodology	Company categories counted are Non-entrepreneurial (non-commercial) legal entity (სადაზოგო), Joint Stock Company, JSC (სს), Limited Liability Company, Ltd. (შპს), Branch of a foreign company (უცხოეთის შტაბი), Joint Liability Society, SPS (სპს), an Individual Entrepreneur (იბი), Ownership, i.e. usually cooperation of owners of apartments (აპარტამენტის მფლობელები), registered cooperatives (კპ), Commandant Society (კს). Export conducted by "other (exporting) persons" (დონორების მიერ) are not included.
Baseline	Not foreseen.
	2018. To ensure that only progress achieved during the budget support programme is being assessed the baseline is 2018. Final data on 2018 should be made available by the Government of Georgia (GEOSTAT) in July 2019.
Targets	An increase of at least 15.8% in 2021 compared to 2018 (equal to an average yearly increase of 5%). Partial compliance: An increase of at least 9.3% in 2021 compared to 2018 (equal to an average 3% yearly increase);

Indicator 3.3	Access to finance for innovation
Policy	SME Development Strategy of Georgia 2016-2020 (November 2015).
Objective	Main objectives of the SME Development Strategy for Georgia 2016-2020 include: Support modernization and technology upgrading of SMEs. For strengthening SME sector in Georgia and increase its competitiveness in domestic and international markets, prioritised Strategic Directions include: Facilitation of innovation and R&D in SMEs (Strategic Direction 5).
Department	Georgian Innovation and Technology Agency (GITA), Ministry of Economy and Sustainable Development (MESD).
Indicator type	Quantitative output indicator
Measurement unit	Percentage
Calculation method	The proportion of companies reporting that they (in a given year) have received public financial support for innovation activities.
	Historic data provided by GEOSTAT/GITA to EUDEL September 2018: 2016: 18.8 pct.
Disaggregation	The data is disaggregated by company size (larger vs. SME). As this is survey data, a number of other disaggregations are possible.
Data collection method	Survey on Innovation Activities of Enterprises administered by GEOSTAT.
Measurement periodicity	The survey is carried out annually.
Department responsible	GEOSTAT
Delivery date	Dissemination date is 30 November.
Limitations and bias	Limitations: In general, external shocks may fundamentally influence the behaviour of actors in the private sector. Such external shocks could include e.g. a) Economic downturns outside the control of Georgia; b) Natural or man-made events beyond the reasonable control of Georgia

	such as conflicts or sizeable climatic events; c) A significant reduction outside the Georgian government control in the average flow of disbursement from International Financing Institutions (IFIs) supporting Georgia.
Means of interpretation	<p>Bias: The current survey is currently only conducted among companies with 10 or more employees. This is a methodological weakness which means that the indicator leaves a significant number of SMEs unrepresented.</p> <p>The number of companies which report that they (in a given year) have received any public financial support for innovation activities from local or regional authorities or central government (including central government agencies or ministries).</p> <p>In the survey, public financial support includes financial support via tax credits or deductions, grants, subsidised loans, and loan guarantees. It excludes research and other innovation activities conducted entirely for the public sector under contract. Innovation (i.e. product innovation) is defined as the market introduction of a new or significantly improved good or service with respect to its capabilities, user friendliness, components or sub-systems. See indicator 3.4 for further details on this definition.</p> <p>From 2019 GEOSTAT will expand the sample for the survey to include companies with less than 10 employees. This will provide for a more representative measure of SMEs. For the purpose of measuring compliance with this indicator, GEOSTAT can provide data with the same coverage as the baseline data (i.e. companies with at least 10 employees). All parties can agree to update the baseline (and the target, if relevant) when the revised methodology has been implemented.</p> <p>In 2016, 18.8% of enterprises received public financial support for innovation activities.</p> <p>At least 22% of enterprises received public financial support for innovation activities in 2020.</p> <p>Partial compliance: At least 20% of enterprises received public financial support for innovation activities in 2020.</p>
Change in methodology	
Baseline	
Targets	

Indicator 3.4	Innovation in production of goods or services
Policy	SME Development Strategy of Georgia 2016-2020 (November 2015).
Objective	<p>Main objectives of the SME Development Strategy for Georgia 2016-2020 include: Support modernization and technology upgrading of SMEs.</p> <p>For strengthening SME sector in Georgia and increase its competitiveness in domestic and international markets, prioritised Strategic Directions include: Facilitation of innovation and R&D in SMEs (Strategic Direction 5).</p>
Department	Georgian Innovation and Technology Agency (GITA), Ministry of Economy and Sustainable Development (MESD).
Indicator type	Quantitative outcome indicator
Measurement unit	Percentage
Calculation method	<p>The average of the following two categories: 1) the proportion of companies reporting that they introduced new or significantly improved goods in the target year; and 2) the proportion of companies reporting that they introduced new or significantly improved services in the target year.</p> <p>Most recent data provided by GEOSTAT/GITA to EUDEL September 2018: The average percentage was 13.5% in 2016, since 1) 13.1% of companies reported that they introduced new or significantly improved goods in 2016; and 2) 13.9% of companies reported that they introduced new or significantly improved services in 2016.</p>

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Disaggregation	The data is disaggregated by company size (larger vs. SME). As this is survey data, a number of other disaggregations are possible.
Data collection method	Survey on Innovation Activities of Enterprises administered by GEOSTAT.
Measurement periodicity	The survey is carried out annually.
Department responsible	GEOSTAT
Delivery date	Dissemination date is 30 November.
Limitations and bias	<p>Limitations: In general, external shocks may fundamentally influence the behaviour of actors in the private sector. Such external shocks could include e.g. a) Economic downturns outside the control of Georgia; b) Natural or man-made events beyond the reasonable control of Georgia such as conflicts or sizeable climatic events; c) A significant reduction outside the Georgian government control in the average flow of disbursement from International Financing Institutions (IFIs) supporting Georgia.</p> <p>Bias: 1) The current survey is only conducted among companies with 10 or more employees. This is a methodological weakness which means that the indicator leaves a significant number of SMEs unrepresented. 2) As the survey relies on self-assessments there may be a bias towards positive reporting on a topic like innovation, since it invariably entails a degree of qualitative assessment. However, any bias is likely to be relatively constant over time (i.e. also present in the base year data).</p> <p>The survey contains two separate questions showing: 1) the number of companies reporting that they (in a given year) have introduced a new or significantly improved good; and 2) the number of companies reporting that they (in a given year) have introduced a new or significantly improved service. Since the survey design does not allow GEOSTAT to avoid double counting of companies which responded positively to both questions, the indicator consists of the average between the two percentages generated by the survey questions.</p> <p>In the survey, a new or significantly improved good and/or service refers to its capabilities, user friendliness, components or sub-systems. Simple resale of new goods and changes of a solely aesthetic nature is not included. Product innovations (new or improved) must be new to the company, but they do not need to be new to the market. In other words, product innovations could have been originally developed either by the company or by other companies.</p> <p>In the survey, a good is defined as usually being a tangible object such as a smart phone, furniture, or packaged software, but downloadable software, music and film are also goods. A service is defined as usually intangible, such as retailing, insurance, educational courses, air travel, consulting, etc.</p>
Change in methodology	From 2019 GEOSTAT will expand the sample for the survey to include companies with less than 10 employees. This will provide for a more representative measure of SMEs. For the purpose of measuring compliance with this indicator, GEOSTAT can provide data with the same coverage as the baseline data (i.e. companies with at least 10 employees). All parties can agree to update the baseline (and the target, if relevant) when the revised methodology has been implemented.
Baseline	In 2016, an average of 13.5% of enterprises introduced either new or significantly improved goods or services
Targets	<p>An average of at least 30% introduced either new or significantly improved goods or services in 2021.</p> <p>Partial compliance: An average of at least 20% introduced either new or significantly improved goods or services in 2021.</p>

Indicator 3.5	ICT absorption
Policy	SME Development Strategy of Georgia 2016-2020 (November 2015).

Objective	Main objectives of the SME Development Strategy for Georgia 2016-2020 include: Support modernization and technology upgrading of SMEs.	
Department	Georgian Innovation and Technology Agency (GITA), Ministry of Economy and Sustainable Development (MESD).	
Indicator type	Quantitative output indicator	
Measurement unit	Percentage	
Calculation method	The proportion of companies reporting that they are using e-commercialization in the target year.	
Disaggregation	The data is disaggregated by company size (larger vs. SME). As this is survey data, a number of other disaggregations are possible.	
Data collection method	Survey on ICT Usage in Enterprises administered by GEOSTAT.	
Measurement periodicity	The survey is carried out annually.	
Department responsible	GEOSTAT	
Delivery date	Dissemination date is 30th November.	
Limitations and bias	<p>Limitations: In general, external shocks may fundamentally influence the behaviour of actors in the private sector. Such external shocks could include e.g. a) Economic downturns outside the control of Georgia; b) Natural or man-made events beyond the reasonable control of Georgia such as conflicts or sizeable climatic events; c) A significant reduction outside the Georgian government control in the average flow of disbursement from International Financing Institutions (IFIs) supporting Georgia.</p> <p>Bias: 1) The current survey is only conducted among companies with 10 or more employees. This is a methodological weakness which means that the indicator leaves a significant number of SMEs unrepresented. 2) Not all companies may find it relevant to their business plan to use e-commerce and, hence, the measure as a proxy for ICT absorption may contain some inherent bias. Still, among the data generated by the survey, this measure seems to be among those with relevance to the broadest group of companies.</p>	
Means of interpretation	<p>The e-commerce component measures the number of companies which report that they have received orders via a web page for goods or services in a given year. In the survey, an e-commerce transaction is defined as the sale or purchase of goods or services conducted over computer networks by methods specifically designed for the purpose of receiving or placing of orders. The goods or services are ordered by those methods, but the payment and the ultimate delivery of the goods or services do not have to be conducted online. e-commerce transactions exclude orders made by manually typed e-mail messages. The survey question used to measure e-commerce does not include sales made via EDI-type messages (EDI - Electronic Data Interchange) meaning in an agreed or standard format which allows their automatic processing (e.g. EDIFACT, UBL or XML), without the individual messages being typed manually.</p> <p>Other questions on ICT usage included in the same GEOSTAT survey (e.g. use of social media) could be consulted to assess if the results for this indicator represents a general trend in uptake of ICT.</p>	
Change in methodology	From 2019 GEOSTAT will expand the sample for the survey to include companies with less than 10 employees. This will provide for a more representative measure of SMEs. For the purpose of measuring compliance with this indicator, GEOSTAT can provide data with the same coverage as the baseline data (i.e. companies with at least 10 employees). All parties can agree to update the baseline (and the target, if relevant) when the revised methodology has been implemented.	
Baseline	In 2016, 6,6 pct. of companies used e-commercialization for their activities.	
Targets	At least 15% of enterprises use e-commercialization for their activities in 2020. Partial compliance: At least 10% of enterprises use e-commercialization for their activities in 2020.	

Not applicable

5. Modalities for variable tranche calculation and disbursement

The performance indicators set out in Table D and described in detail in appendix 1 shall apply to the calculation of the share of variable tranches to be disbursed. Tranche release requests must be accompanied by all appropriate information and documents on the performance indicators.

Each performance indicator will be scored 1 if the target is met, 0.5 if the target is partially met (the requirements in this respect are specified for each indicator in Appendix 1) or 0 if the target is not met. In case the target is met, 100% of the allocated amount (Table D) will be disbursed. In case the target is partially met, 50% of the amount allocated will be disbursed. In case the target is not met, the amount allocated for the indicator, will not be disbursed.

The assessment of performance indicators may require carrying out external reviews or data verification exercises to inform disbursement decisions and to contribute to strengthening the policy monitoring framework and national statistical systems.

In exceptional and/or duly justified cases, e.g. where unexpected events, external shocks or changing circumstances have made the indicator or the target irrelevant, a variable tranche indicator may be waived or neutralised. In these cases, the related amount could either be reallocated to the other indicators of the variable tranche the same year or be transferred to the next variable tranche the following year. The financing agreement may also provide for the possibility to re-assess an indicator the following year against the original target, if there was a positive trend and the authorities did not reach the target because of factors beyond their control. Such cases must be requested by Government of Georgia to the European Commission and can be authorised by the latter through an exchange of letters between the two parties.

Once the disbursement has taken place, the funds corresponding to the share of the variable tranche which has not been disbursed will be re-allocated to the complementary support component of the contract.

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Table D: Performance indicators and targets for variable tranches disbursement

2019	2020	2021	2022
<i>Objective 1 - Make faster and fairer the litigations in commercial disputes (EUR 4.5M)</i>			
<i>Objective 1.1: Insolvency proceedings</i>			
	<p>Indicator 1.1: Adoption of Insolvency Law</p> <p>Baseline: In 2018, draft law finalized.</p> <p>Target: Insolvency Law enacted by President of Georgia.</p> <p>Partial fulfilment: Not applicable</p> <p>Source of verification: Legal Acts</p> <p>Amount allocated: EUR 0.5M</p>	<p>Indicator 1.2: Reorganization Proceedings Index</p> <p>Baseline: In 2018, Georgia scored 0.0 under the Reorganization Proceedings Index.</p> <p>Target: The Georgian score in the Reorganization Proceedings Index is at least 1.5.</p> <p>Partial fulfilment: Applicable</p> <p>Source of verification: World Bank Doing Business Report: Reorganization Proceedings Index. Reference Date: December 31, 2020</p> <p>Amount allocated: EUR 0.5M</p>	<p>Indicator 1.3: Recovery Rate</p> <p>Baseline: In 2017, the recovery rate in Georgia was 39.4 cents.</p> <p>Target: The Georgian recovery rate is at least 50.0 cents on the US dollar.</p> <p>Partial fulfilment: Applicable</p> <p>Source of verification: World Bank Doing Business Report: Recovery Rate. Reference Date: December 31, 2021.</p> <p>Amount allocated: EUR 1M</p>

Objective 1.2: Enforcement of judicial decisions			
	<p>Indicator 1.4: Adoption of Law on Enforcement of Judicial Decisions</p> <p>Baseline: In 2018, draft law finalized.</p> <p>Target: Law on Enforcement enacted by President of Georgia.</p> <p>Partial fulfilment: Not applicable</p> <p>Source of verification: Legal Acts</p> <p>Amount allocated: EUR 0.5M</p>	<p>Indicator 1.5: Operationalisation of a professional chamber of Private Enforcement Agents</p> <p>Baseline: In 2018, no chamber exists.</p> <p>Target: Fully operational Chamber</p> <p>Partial fulfilment: Applicable</p> <p>Source of verification: Internal Regulations of Chamber</p> <p>Amount allocated: EUR 0.5M</p>	<p>Indicator 1.6: Average recovery rate in enforcement proceedings admitted in 2021 for recoveries of more than GEL 30,000 between private companies</p> <p>Baseline: In 2018, the average recovery rate was 26%.</p> <p>Targets: Average recovery rate in enforcement proceedings is at least +8 percentage points in comparison to the baseline (2018).</p> <p>Partial fulfilment: Applicable</p> <p>Source of verification: Statistics by the Ministry of Justice (Enforcement Bureau).</p> <p>Amount allocated: EUR 1M</p>
			<p>Indicator 1.7: Average duration of enforcement proceedings closed in 2021 for recoveries of more than GEL 30,000 between private companies</p> <p>Baseline: In 2018, the average duration of enforcement was 12 months.</p>

			<p>Target: The average duration of enforcement proceedings is not more than 6 months.</p> <p>Partial fulfilment: Applicable</p> <p>Source of verification: Statistics by the Ministry of Justice (Enforcement Bureau).</p> <p>Amount allocated: EUR 0.5M</p>
Objective 2 - Modernise the Financial infrastructure (EUR 5M)			
2019	2020	2021	2022
	<p>Indicator 2.1: Legal framework for vehicle insurance.</p> <p>Baseline: Mandatory Third Party Liability Insurance for Transit Vehicles came into effect in Georgia on 1 March 2018. A law on mandatory third party liability insurance for motor vehicles registered in Georgia is being drafted in 2018.</p> <p>Target: Entry into force of a law on the mandatory third party liability insurance (MTPL) for motor vehicles registered in Georgia.</p>	<p>Indicator 2.2: Share of vehicles with mandatory third party liability insurance (MTPL).</p> <p>Baseline: In 2017, 6% of vehicles registered in Georgia had MTPL insurance (73,419 vehicles insured with MTPL out of 1,270,000 vehicles registered in Georgia).</p> <p>Target: Share of vehicles with MTPL insurance out of all the vehicles registered in Georgia is at least 50%.</p> <p>Partial fulfilment: Applicable.</p>	<p>Indicator 2.3: Share of vehicles with the mandatory third party liability insurance (MTPL).</p> <p>Baseline: In 2017, 6% of vehicles registered in Georgia had MTPL insurance (73,419 vehicles insured with MTPL out of 1,270,000 vehicles registered in Georgia).</p> <p>Target: Share of vehicles with MTPL insurance out of all the vehicles registered in Georgia is at least 65%.</p> <p>Partial fulfilment: Applicable.</p>

	<p>Partial fulfilment: Not applicable.</p> <p>Source of verification: The date of entry into force of the MTPL insurance for motor vehicles registered in Georgia.</p> <p>Amount allocated: EUR 0.5M</p>	<p>Source of verification: LEPL Insurance State Supervision Service of Georgia.</p> <p>Amount allocated: EUR 2.5M</p>	<p>Source of verification: LEPL Insurance State Supervision Service of Georgia.</p> <p>Amount allocated: EUR 1M</p>
			<p>Indicator 2.4: Diversification of insurance market.</p> <p>Baseline: 2018 .</p> <p>Target: At least a 30% increase of the total written insurance premium excluding the insurance class "Medical (Health)" and "Motor Third Party Liability".</p> <p>Partial fulfilment: Applicable.</p> <p>Source of verification: LEPL Insurance State Supervision Service of Georgia.</p> <p>Amount allocated: EUR 1M</p>

Objective 3 - Promote market oriented and innovative business models for job creation/Greater business sophistication (EUR 7.5M)

2019 2020 2021 2022

		<p>Indicator 3.1: Support to export diversification through cluster development.</p> <p>Baseline: No national funding available for business cluster development (2018).</p> <p>Target: The Government of Georgia has awarded funding to cluster initiatives through a call for proposals, as part of a national cluster support programme.</p> <p>Partial fulfilment: Applicable.</p> <p>Source of verification: Official Website of Ministry of Economy/Enterprise Georgia/GITA.</p> <p>Amount allocated: EUR 0.5M</p>	<p>Indicator 3.2: Export diversification measured by the sum of companies exporting to each EU member states.</p> <p>Baseline: 2018.</p> <p>Target: At least an increase of 15.8% in 2021 compared to 2018 (equal to an average yearly increase of 5%) of the sum of companies exporting to each EU member state.</p> <p>Partial fulfilment: Applicable.</p> <p>Source of verification: GEOSTAT.</p> <p>Amount allocated: EUR 4M</p>
		<p>Indicator 3.3: Access to finance for innovation measured by the share of enterprises which received public financial support for innovation activities.</p> <p>Baseline: In 2016, 18.8% of enterprises received public financial support for innovation activities.</p> <p>Target: At least 22% of enterprises received public financial support for innovation activities.</p>	<p>Indicator 3.4: Innovation in production measured by the share of enterprises which introduced either new or significantly improved goods or services</p> <p>Baseline: In 2016, an average of 13.5% of enterprises introduced either new or significantly improved goods or services.</p> <p>Target: An average of at least 30%</p>

		<p>Partial fulfilment: Applicable.</p> <p>Source of verification: GEOSTAT (enterprise survey on innovation).</p> <p>Amount allocated: EUR 0.5M</p>	<p>of enterprises introducing either new or significantly improved goods or services.</p> <p>Partial fulfilment: applicable</p> <p>Source of verification: GEOSTAT (enterprise survey on innovation).</p> <p>Amount allocated: EUR 1M</p>
		<p>Indicator 3.5: Information and Communication Technology absorption measured by the share of enterprises using e-commercialization for their activities.</p> <p>Baseline: In 2016, 6.6% of enterprises used e-commercialization for their activities.</p> <p>Target: At least 15% of enterprises use e-commercialization for their activities.</p> <p>Partial fulfilment: applicable</p> <p>Source of verification: GEOSTAT (enterprise survey)</p> <p>Amount allocated: EUR 1.5M</p>	

TOTAL AMOUNT OF VARIABLE TRANCHE IN MILLION EUROS				
2019	2020	2021	2022	
	1.5	6	9.5	

2019

2022

