

# **FINANCING AGREEMENT**

## **Special Conditions**

The European Union, hereinafter referred to as "the EU", represented by the European Commission, hereinafter referred to as "the Commission",

of the one part, and

the Government of Georgia, hereinafter referred to as "the Beneficiary",

of the other part,

have agreed as follows:

### **ARTICLE 1 - NATURE AND PURPOSE OF THE OPERATION**

1.1. The EU shall contribute to the financing of the following programme:

**Title: Support to conflict affected/displaced population and host communities**  
**CRIS decision number: ENPI/2011/22-671**

hereinafter referred to as "the programme", which is described in the Technical and Administrative Provisions.

1.2 This programme shall be implemented in accordance with this Financing Agreement and the annexes thereto.

### **ARTICLE 2 – TOTAL ESTIMATED COST AND THE EU'S FINANCIAL CONTRIBUTION**

2.1 The total cost of the programme is estimated at EUR 19.000.000 with the following components

2.1.1 Budget support: EUR 10.000.000

2.1.2 Complementary support: EUR 9.000.000

2.2 The EU undertakes to finance a maximum of EUR 19.000.000. The breakdown of the EU's financial contribution into budget headings is shown in the budget included in the Technical and Administrative Provisions.

### **ARTICLE 3 - THE BENEFICIARY'S CONTRIBUTION**

The Beneficiary undertakes to co-finance the programme with zero euro.



## **ARTICLE 4 – IMPLEMENTATION**

4.1 By derogation to Article 3 of the General Conditions, the programme shall be implemented by the Commission acting for and on behalf of the Beneficiary.

4.2 The following clauses of the General Conditions shall not be applicable: Articles 1.3, 5, 6, 7, 11, 17, 19.4, 22.3, 22.4, 22.6 and 23.3.

4.3 The following clauses of the General Conditions shall be replaced by the following:

4.3.1 Article 2.2: Wherever there is a risk of overrunning the global amount set in the Financing Agreement, the Commission may either scale down the project/programme or draw on the Beneficiary's own resources, after its approval, or on other non-EU resources.

4.3.2 Article 2.3: If the project/programme cannot be scaled down, or if the overrun cannot be covered by other resources including those of the Beneficiary, the Commission may decide to grant additional EU financing. Should it 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.

4.3.3 Article 18.1: Every project/programme financed by the EU shall be subject to the appropriate communication and information operations. These operations shall be defined with the approval of the Commission.

4.3.4 Article 19.1: The Beneficiary shall take appropriate measures to prevent irregularities and fraud and, on request of the Commission, bring prosecutions to recover funds wrongly paid. The Beneficiary shall inform the Commission of any measure taken.

4.3.5 Article 19.3: The Beneficiary shall immediately inform the Commission of any element brought to its attention which arouses suspicions of irregularities or fraud.

## **ARTICLE 5 – PERIOD OF EXECUTION**

5.1 The period of execution of the Financing Agreement as defined in Article 4 of the General Conditions shall commence on the entry into force of the Financing Agreement and end 72 months after this date.

5.2 The duration of the operational implementation phase is fixed at 48 months.

5.3 The duration of the closure phase is fixed at 24 months.

## **ARTICLE 6 - ADDRESSES**

All communications concerning the implementation of this Financing Agreement shall be in writing, refer expressly to the programme and be sent to the following addresses:

a) **for the Commission**

Delegation of the European Union to Georgia  
38 Nino Chkheidze St.  
0102 Tbilisi, Georgia

**b) for the Beneficiary**

Office of the State Minister of Georgia for Reintegration  
7 Ingorovka St.  
0134 Tbilisi, Georgia

**ARTICLE 7 - ANNEXES**

7.1 The following documents shall be annexed to this Financing Agreement and form an integral part thereof:

Annex I: General Conditions

Annex II: Technical and Administrative Provisions

7.2 In the event of a conflict between the provisions of the Annexes and those of the Special Conditions of the Financing Agreement, the provisions of the Special Conditions shall take precedence. In the event of a conflict between the provisions of Annex I and those of Annex II, the provisions of Annex I shall take precedence.

**ARTICLE 8 – SPECIAL CONDITIONS APPLYING TO A BUDGET SUPPORT OPERATION**

8.1. The following clauses of the General Conditions shall not be applicable to the part of the programme related to the budget support operation: Articles 2, 4.2 first sentence, 5, 6, 8, 9, 10, 11, 12, 13, 15, 17 and 18.2.

8.2. Furthermore, the following clauses of the General Conditions shall be replaced respectively by the following:

8.2.1 Article 3: The part of the programme related to the budget support operation shall be implemented by the Commission. This consists in verifying compliance with the conditions for payment, and in the payment of the amounts due for each instalment, in conformity with this Financing Agreement.

8.2.2 Article 14: The Beneficiary undertakes to apply its national foreign exchange regulations in a non-discriminatory manner to the payments made under this Financing Agreement. The foreign exchange transfers will be accounted for under the value date of the notification of credit to the Treasury account to 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.

8.3 Article 4.1 of the General Conditions shall be supplemented by the following: All payment requests submitted by the Beneficiary in accordance with the provisions set out in the Technical and Administrative Provisions shall be eligible for EU financing provided that such requests are submitted during the operational implementation phase.

8.4 Article 19.5 of the General Conditions shall be applicable mutatis mutandis in relation to any practices of active or passive corruption whatsoever in relation to the implementation of the operation.

#### **ARTICLE 9 - OTHER SPECIAL CONDITIONS APPLYING TO THE PROGRAMME**

9.1 The General Conditions are supplemented by the following:

9.1.1 Article 8.1 shall be supplemented by the following paragraph:

For the components of this Financial Agreement implemented under Joint Management or Indirect Centralised Management the procedures of the delegated body will apply.

#### **ARTICLE 10 – ENTRY INTO FORCE OF THE FINANCING AGREEMENT**

The 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 Beneficiary.

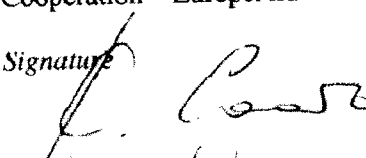
FOR THE COMMISSION

Marcus CORNARO

Acting Director Neighbourhood  
Directorate-General for Development and  
Cooperation – EuropeAid

Signature

Date

  
28/9/2012

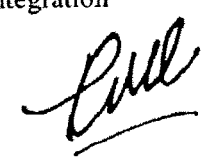
FOR THE BENEFICIARY

Tornike GORDADZE

State Minister on European and Euro-  
Atlantic Integration

Signature

Date

  
09.10.2012

## ANNEX II TO FINANCING AGREEMENT N° ENPI/2011/22671

### *TECHNICAL AND ADMINISTRATIVE PROVISIONS*

<b>BENEFICIARY COUNTRY / REGION</b>	<i>GEORGIA</i>		
<b>REQUESTING AUTHORITY</b>	<i>Ministry of Internally Displaced Persons from the Occupied Territories, Refugees and Accommodation</i>		
<b>BUDGET HEADING</b>	<i>19.080103</i>		
<b>TITLE</b>	<i>Support to conflict affected/displaced population and host communities in Georgia</i>		
<b>TOTAL COST</b>	<i>€ 19 million</i>		
<b>Aid method / management mode</b>	<b>Sector Policy Support Programme:</b> <i>- Sector budget support (centralised management): € 10 million</i> <i>- Project mode (direct centralised/ joint management): € 9 million</i>		
<b>DAC-CODE</b>	<i>73010</i>	<b>SECTOR</b>	<i>Reconstruction, relief and rehabilitation</i>

## 1. INTERVENTION

### **1.1. Objectives**

In 2012, the Government of Georgia adopted the Internally Displaced Persons (IDP) Action Plan 2012-2014. The new IDP Action Plan is a follow-up of the previous Action Plan 2009-2011, which had been built on both the State Strategy on IDPs and the findings and priority needs identified in the United Nations/World Bank Joint Needs Assessment (JNA) following the August 2008 events. The EU had supported the implementation of the IDP State Strategy and Action Plan 2009-2011 through three subsequent targeted budget support programmes ("IDP I-III"), amounting to a total of € 105 million. Interventions focused first and foremost on the provision of durable housing solutions (DHS) for IDPs displaced from Abkhazia and South Ossetia in the early 90ies and August 2008.

While it is commonly recognized that under the Action Plan 2009-2011, the Government made significant achievements in responding to the housing needs of IDPs, less attention was given to ensuring sustainable livelihoods of the displaced and their economic self-reliance. Making up for this shortfall, the new Action Plan 2012-2014 raises the profile of livelihood needs of IDPs and pays increased attention to the critical aspect of IDPs socio-economic well-being. The new IDP Action Plan's main focus is on

1. Improving the living conditions of IDPs by ensuring alternative durable housing solutions
2. Improving the socio-economic conditions of IDPs (through a potential shift from status to needs-based assistance and addressing livelihood/economic integration needs)
3. Increasing IDPs' knowledge on their rights and entitlements, and decentralizing services of the Ministry of Internally Displaced Persons from the Occupied Territories, Accommodation and Refugees of Georgia (MRA).

#### ✓ General objectives

The General objective of the "IDP IV" programme aims to provide durable housing solutions to IDPs and raise both them and their host communities out of extreme poverty and lessen their dependence on the state.

#### • Specific objectives:

The programme builds on the general objective and complements or reinforces other donors' engagement (especially USAID, KfW, SIDA, SDC). It also builds on results of previous EU sector support programmes in Georgia.

- ✓ The specific objective is to re/integrate IDPs into their host communities by providing rehabilitated or newly constructed housing to IDPs and opportunities for both communities to work and develop together to raise themselves out of poverty through sustainable livelihoods and societal development programmes.

The Programme is consistent with the following cross-cutting issues:

- Good Governance and Human Rights: the programme fosters increased inter-ministerial cooperation, inclusive participation in relevant decision-making forums, transparency in decision-taking and execution, decentralization and subsidiarity in service-provision, and a human rights approach to IDP policy making and implementation.
- Equal Opportunity/Gender/child sensitivity and mainstreaming: the program pays particular attention to vulnerable members of society. It explicitly singles out UN Guiding Principle 4.2 on Internal Displacement, which focuses on the protection and assistance to children, unaccompanied minors, expectant mothers, mothers with young children, female heads of households, persons with disabilities and elderly persons (see Policy Reform Matrix, general conditions for all tranches). It fosters equal participation of women in all related processes and gives minimum percentages for vulnerable, female heads of households (with children) in the selection of beneficiaries for durable housing and livelihood activities.

- Environment: environmental issues receive due attention throughout the programme, in particular with regard to livelihood activities

## **1.2. Expected results and Main activities**

### Expected results

- R.1. The MRA's performance is increasingly efficient, effective and relevant to IDPs and host communities
  - R.1.1. The MRA has further decentralized its service provision to IDPs and has increasingly involved local authorities in IDP related issues (including livelihoods)
  - R.1.2. The MRA's data collection/analysis system is based on accurate base line surveys (vulnerable IDPs; IDPs' and host communities' livelihood needs; market requirements in IDP populated areas; etc.)
  - R.1.3. Relevant government institutions and donors have all necessary information at their disposal for informed policy generation.
  
- R.2. IDPs have been provided with decent durable housing solutions according to existing policy documents (Durable Housing Strategy, Manual on Resettlement, Standards for Rehabilitation, Conversion or Construction Works for Durable housing for IDPs)
  - R.2.1. 500 IDP families living in structurally unsound collective centres (CCs) have been relocated to DHS.
  - R.2.2. Overall, a minimum of 1,000 IDP families living in dire and uncertain conditions, including 150 vulnerable families, have been provided with DHS.
  - R.2.3. The IDP "privatization" process (i.e., handing DHS over into IDP property) has been streamlined and operationalized and all beneficiaries of EU financed DHS programmes have been offered the possibility to privatize (95% have already registered their property with National Agency of Public Registry (NAPR))
  
- R.3. The GoG's/MRA's provision of income and/or employment opportunities for IDPs and host communities have increased.
  - R.3.1. The Government/MRA is able to carry out livelihood support interventions via a "Livelihood Legal Entity of Public Law (LEPL)" according to a livelihood strategy and action plan that will be elaborated by the MRA.
  - R.3.2. Targeted IDPs and host communities have gained sustainable livelihoods through agricultural cost-shared investments (in constrained "new" IDP settlements) and a variety of different livelihood options offered according to a Livelihood Strategy and Action Plan.
  
- R.4. The GoG has streamlined IDP legislation and increased the cost-effectiveness of IDP assistance
  - R.4.1. The GoG has elaborated and published an official, inter-ministerial document that both streamlines IDP legislation and presents costed and timed options for increasing cost-effectiveness of the IDP assistance system.
  - R.4.2. The GoG has adopted a decision on the official inter-ministerial document to streamline IDP legislation and increase the cost-effectiveness of IDP assistance.

### Activities

The Government of Georgia will carry out the following activities, with the support of the EU budget support (€ 10 million) and EU grant (€ 5 million) under this IDP IV programme, complemented with a contribution agreement with FAO (€ 2 million) for agriculture-related activities (compare *Policy Reform Matrix* in Appendix 1 for the budget support and *Intervention logic/Project approach* in Appendix 6)

- A.1. Increase MRA's effectiveness, efficiency and relevance through
- A.1.1. further empowering regional MRA offices and increasingly involving local authorities in IDP related issues (including livelihood activities).
  - A.1.2. informed policy-making: carrying out base-line surveys, including surveys on the socio-economic situation of IDPs and their livelihood needs, feeding them into the IDP data base and, based on these data, providing high quality analysis for further policy-generation.
  - A.1.3. insuring constant information flow between MRA, IDPs and civil society organisations (CSOs), EU and its implementing partners, as well as other donors/protection partners.
- A.2. Provide durable housing solutions to IDPs, in newly built houses/apartment blocks or CCs/idle buildings, rehabilitated for this purpose according to rehabilitation standards,
- A.2.1. pro-actively prioritizing the relocation of families currently living in "collapsing CCs" and
  - A.2.2. prioritizing otherwise vulnerable IDPs, according to the UN Guiding Principles on Internal Displacement
  - A.2.3. engaging in the privatization of the highest possible number of DHS to beneficiaries of EU-financed alternative durable housing solutions
  - A.2.4. proactively dealing with IDPs' complaints related to construction/rehabilitation shortfalls and poor workmanship
- A.3. Provide opportunities for targeted IDPs and host communities to access sustainable income/employment
- A.3.1. Draft and adopt a livelihood action plan in an inclusive process, clearly defining target beneficiaries, modes of livelihood support and means to improve high quality support to IDPs.  
  
Create a Livelihood LEPL that will administer livelihood funds efficiently and effectively, in line with the livelihood action plan (via NGOs, local government authorities or other IDP related legal entities).<sup>1</sup>
  - A.3.2. Provide IDPs with sustainable livelihoods through cost-sharing agricultural livelihood investments in "new case load" IDP settlements.<sup>2</sup>
- A.4. Guide the process of preparing and adopting an inter-ministerial document that both streamlines IDP legislation and increases the cost-effectiveness of IDP legislation.
- Guide the drafting process of an official, inter-ministerial document aimed at streamlining IDP related legislation and elaborating timed and costed reform options for increasing cost-effectiveness of the IDP assistance system.
  - Publish the inter-ministerial document and submit it for adoption to the Government of Georgia (Cabinet of Ministers).

A Technical Assistance component (€ 2 million) will support the MRA in carrying out the above listed activities and reach the above described results by

- a.1. Assisting in formulating and carrying out various kinds of surveys and studies necessary for further policy development

<sup>1</sup> This activity will be led under direct centralised management through a grant to the Livelihood LEPL (see also appendix 4 "Concept of Livelihood LEPL").

<sup>2</sup> This activity will be led under joint management through a contribution agreement with FAO.



- a.2. Optimizing processes leading to MRA's increased efficiency of service provision (including effective decentralization)
- a.3. Supporting institution-building of the Livelihood LEPL
- a.4. Providing expertise for the elaboration of options for a transition from status to needs-based assistance

### **1.3 Duration**

The execution period of the Agreement will be 72 months. This execution period will comprise 2 phases under the conditions provided for in article 4.1 of the General Conditions (Annex I of the present Agreement):

1. Operational implementation phase that starts from the entry into force of the financing agreement and will have a duration of 48 months.
2. Closure phase of a duration of 24 months that starts from the expiry date of the operational implementation phase.

Pursuant to article 6 of the General Conditions (Annex I of the present Agreement), the contracts implementing the financing agreement shall be signed at the latest within three years of the entry into force of the financing agreement (except audit and evaluation). That deadline may not be extended. ('sunset clause').

## **2. IMPLEMENTATION**

### **2.1 Implementation method and Procurement and Payment clauses**

The programme will be implemented via direct centralized management (project support component and budget support component) and via joint management (project component).

#### **I Project**

The project component covers the following sub-components:

1. Direct centralised management

#### **Grant to Livelihood LEPL under MRA for the implementation of livelihood projects.**

The LEPL will provide a sustainable Government disbursement mechanism whereby IDPs and host communities are provided with assistance and support to their livelihoods, in line with the livelihood strategy and action plan that will be elaborated by MRA during the 1<sup>st</sup> year of the programme, in cooperation and consultation with relevant institutions and organizations. The final objective is to increase IDPs' food security and income and to reduce their reliance on GoG support (see appendix 4 on "Livelihood LEPL").

This Livelihood LEPL can be the result of a reform of the existing World Bank LEPL "Community Service Centre", or a newly established entity. In any case, the LEPL will have the purpose of implementing activities directly related to the achievement of the results and objectives of the present programme (see appendix 4 on "Livelihood LEPL").

The support to the LEPL may take the form of an operating grant for financing the initial reform/set-up of the Livelihood LEPL during its 1<sup>st</sup> year of operation, followed/complemented by an action grant for financing actual activities (and the part of the operating costs that is linked to the implementation of these activities).

Should the Livelihood LEPL option or its contingency plan not materialize, the conclusion of a contribution agreement with an international organisation or of a grant contract with international and, possibly, national NGOs may be envisaged.

### **Technical Assistance (TA)**

TA will be selected through a call for tenders, with the objective to support the MRA in processes related to the allocation of durable housing solutions, the establishment of institutionalized livelihood activities and the legal review process related to streamlining IDP legislation. Capacity-building of both the MRA and the Livelihood LEPL will be a continuing task of TA. Part of the TA could be used, if needed, to support decentralization efforts, to help setting up certain structures/functions (e.g., in the framework of the Livelihood LEPL), to provide local and international expertise, to organize events, to facilitate publications and printing, to support the involvement of Non-State Actors (NSA), to organize trainings etc.

The TA sub-component will also be used to monitor and review the progress of the activities and the fulfilment of the conditions for budget support payments.

#### *Procurement and payment clauses*

**Procurement:** All contracts implementing the action must be awarded and implemented in accordance with the General and Specific Conditions of the Financing Agreement and with the procedures and standard documents drawn up and published by the Commission for the implementation of external operations in force at the time of the launch of the procedure in question.

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by ENPI Regulation. Further extensions of the participation to other natural or legal persons by the concerned authorizing officer shall be subject to the conditions provided for in article 21 (7) of the ENPI Regulation.

Specific rules for grants: The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EC external actions. The maximum possible rate of co-financing for grants is 80%. Full financing may only be applied in the cases provided for in Article 253 of the Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the Financial Regulation applicable to the general budget of the European Communities.

However, in the case of the grant provided to the Livelihood LEPL, 100% financing is envisaged subject to obtaining the required prior approval.

**Payments:** All payments must be made by the Commission in accordance with the General and Specific Conditions of the Financing Agreement and with the procedures and standard documents drawn up and published by the Commission for the implementation of external operations in force at the time of the launch of the procedures in question.

### **Joint management**

Contribution agreement with FAO for the project "Support for achieving sustainable livelihoods through agricultural cost-shared investments in IDP settlements and constraint returnee areas in Georgia"

This joint EU-FAO project aims at two objectives:

- a. give "hands-on training" to MRA and livelihood LEPL staff, showing and training them "on site" and gradually involving them in the implementation of livelihood activities, both conceptually and operationally

- b. increase food security and income for "new case load" IDPs until the Livelihood LEPL becomes fully operational and achieves tangible results (this is not anticipated to happen before 2014)

The project builds on the results achieved on a former EU-FAO project involving agricultural cost-sharing activities for "new case load" IDPs<sup>3</sup>, yet moves a step ahead in complexity by introducing commercial food-processing for IDPs.

While FAO is still required to implement these activities in the short term, they will be carried out by the GoG in the medium and longer term. However, at this stage, no governmental institution is capacitated to address complex IDP-related livelihood issues. Given the GOG's appreciation of FAO's advanced expertise in this concrete field, the organization will continue to engage in agricultural cost-sharing activities until the GoG, through the building of the livelihood LEPL, has increased its capacity to the point of being able to take over these activities.

It is anticipated that the activities under this component will be taken over by the Livelihood LEPL at the latest by the end of the IDP IV programme.

*Procurement and payment clauses*

Procurement: All contracts implementing the action must be awarded and implemented by the international organisation in accordance with the "Contribution agreement" signed between the Commission and the international organisation.

Payments: All payments must be made by the international organisation in accordance with the "Contribution agreement" signed between the Commission and the international organisation.

## II. Budget Support

The Budget Support component will be implemented through direct centralized management.

All payments must be made by the Commission in accordance with the General and Specific Conditions of the Financing Agreement and with the procedures and standard documents drawn up and published by the Commission for the implementation of external operations in force at the time of the launch of the procedures in question.

The government of the partner country will confirm that the relevant Treasury account has been credited and provide documentary evidence of the transfer, including the exchange rate used.

### 2.2 Budget and calendar

#### 2.2.1 Budget

##### Project

	Amount	EU contribution
Grants	€ 5 million	€ 5 million
Contribution agreement	€ 2 million	€ 2 million
Technical Cooperation (including audit, evaluation, monitoring, visibility)	€ 2 million	€ 2 million

Unspent funds from one component may be reallocated to another component without the need to amend the financing agreement.

<sup>3</sup> Project "Restoration and improvement of agriculture based livelihoods and food security for new IDP settlements and returnees in the Area Adjacent to South Ossetia (AASO)".

## Budget Support

	Amount	EU contribution	Other donors	Sector/ministry budget/funding over programme duration
Budget Support	€ 10 million	€ 10 million	Donors' funding excluding BS: approx. € 40 million	approximately € 8.5 million

### 2.2.2 Calendar

#### **I. Project**

##### *Indicative calendar*

Grant to the Livelihood LEPL: signature expected within 9 months starting from the entry into force of the financing agreement.

Contribution agreement with FAO: signature expected within 6 months starting from the entry into force of the financing agreement.

Technical assistance (support to GoG/MRA): the call for tender is expected to be launched within 6 months starting from the entry into force of the financing agreement.

#### **II. Budget Support**

##### *Indicative calendar of disbursements*

The budget support will be direct and non-targeted. The amount of €10 million will be allotted to the GoG in 3 individual tranches. The first tranche will be fixed and will be disbursed upon compliance with the general conditions as set out in the Policy Reform Matrix. The following two tranches will be variable, depending on the GoG's compliance with both the general and specific conditions as set out in the Policy Reform Matrix (see appendices 1 and 2).

The **indicative** calendar for disbursement is as follows:

- Disbursement of first (fixed) tranche (€2 million) – 4th quarter 2012
- Disbursement of second (variable) tranche (maximum €4 million) – 1st quarter 2014
- Disbursement of third (variable) tranche (maximum €4 million) – 1<sup>st</sup> quarter 2015

Failure to fulfil the conditions attached to the first instalment (see appendix 2, section 3) will result in the irrevocable loss of the entire instalment.

Failure to fulfil the conditions attached to the second and third, variable, instalments will result in the reduction of the payable amount (see appendix 2, section 5).

The Beneficiary undertakes to apply its national foreign exchange regulations in a non-discriminatory manner to the payments made under this Financing Agreement. The foreign exchange transfers will be accounted for under the value date of the notification of credit to the Treasury account to 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.

## 2.3 Performance monitoring and criteria for disbursement

### 2.3.1. Description of performance monitoring arrangements

Performance monitoring of the programme will be subject to both internal monitoring mechanisms as parts of the GoG's institutional setup (including the Public Defender, financed under the CIB Programme, and the Georgian Chamber of Control) and external monitoring, initiated by the European Commission with the support of partner organizations and independent consultants.

The MRA will be in charge of internal monitoring of all processes and activities related to the fulfilment of the conditions as laid out in the Policy Matrix. MRA will produce quarterly reports on the status of this process, following a set of indicators laid out in the Action Plan and related indicators and means of verification laid out in the Policy Matrix. The Georgian Public Defender will produce thematic reports on the implementation of the IDP Action Plan 2012-2014 by the GoG. The Georgian Chamber of Control will give annualized, financial assessments of the expenditures incurred during this period.

The MRA will present their quarterly and annual results to (1) the MRA Steering Committee and (2) a dedicated IDP IV Steering Committee set up particularly for the supervision of implementation of the IDP IV programme.

1. The MRA Steering Committee has comprehensive membership and includes IDP relevant ministries and institutions, relevant international organizations and major donors, and one representative of an international and of a national NGO respectively. It is chaired by the Minister of MRA and presents documentation on progress achieved in the implementation of the IDP Action Plan. It also constitutes a forum that allows open discussions on work in progress and future directions to take.
2. In order to raise important policy questions relating to the implementation of IDP IV, an IDP IV Steering Committee (hereafter "the SC") will be set up following signature of the Financing Agreement. It will include the following members:
  - MRA Minister (Chairperson),
  - MRA Deputy Minister for IDPs
  - Livelihood LEPL Executive Director and international consultant (once the LEPL is fully reformed/ established)
  - Representative of the Prime Minister's Office
  - Representative of the MoF
  - Representative of the MRDI
  - Representative of the MoA
  - Representative of the MoESD
  - Representative of the MoHLSA
  - European Union Delegation to Georgia

The MRA may propose additional members to the SC. The MRA shall be in charge of organising and convening SC meetings. The members shall be notified in writing, with draft agenda and minutes of previous meetings, at least five working days prior to the meetings. The composition of the SC may be changed in the light of institutional changes.

If relevant, the SC may decide to invite observers or expert members of other ministries or relevant institutions, representatives of Georgian civil society, EU TA team, experts from international organizations or other relevant organizations and donors.

The IDP IV SC will meet at least twice per year, or upon request by either the EU Delegation or the MRA, to assess progress of the policy areas and reforms promoted by the Programme. The SC will

identify possible constraints to compliance with the conditions for instalment release and resolve these in a timely manner, prior to the Review (external review of compliance assessment as described in section 3.1 below). The SC shall review and approve quarterly and annual progress reports on the implementation of the IDP Action Plan and IDP IV (drafted by the MRA). Where appropriate, due to external factors of changes in circumstance, the SC may propose modifications to the implementation of the Programme for consideration by the European Union.

To guarantee sound implementation of the Programme, the SC will make sure that:

- a. the European Commission is associated in Government-Donors discussions on the elaboration and implementation of its Basic Data and Directions (BDD), and the related development of its Medium-Term Expenditure Framework (MTEF);
- b. the European Commission is associated in all Government-donor discussions on the elaboration and implementation of the IDP State Strategy and the IDP Action Plan;
- c. any substantial revision of the structure and/or charter undertaken by the Government of the MRA will be subject to prior notification to the European Commission; and
- d. the Ministry of Finance will present an English version of IDP-related parts of the annual budget law -particularly for financial year 2013, 2014 and 2015- to the European Commission.

The SC, for the period of Programme activity, will also ensure that, at all times, the following documentation related to the implementation of the Programme will be available to the European Commission and to any EC funded Technical Assistance under this IDP SBS Programme or any other EC funded project or programme, including members of short-term specialist missions and the Review:

- a. bank statements relevant to the transfers referred to in Section 2.1 of these Technical and Administrative Provisions;
- b. laws, Government Decrees, and other legislative acts and administrative provisions, draft and final, related to the implementation of the Programme;
- c. reports and agreements with the IMF and World Bank, the United Nations and its agencies, the Council of Europe and its agencies; and
- d. Government and other donor policy documents and reports, draft and final, relevant to the implementation of the Programme.

The EU Delegation, EUMM, UNHCR and other protection partners (such as DRC, NRC) will monitor developments related to the IDP Action Plan and the IDP IV Policy Matrix (including data collection, relocation from collapsing Collective Centres, provision of durable housing solutions, privatization of living spaces to IDPs, operation of the Livelihood LEPL and the functioning of the Inter-ministerial Working Group tasked to come up with policy proposals for a review of IDP legislation). Their observations will duly influence the assessment of the GoG's progress in the respective areas.

The EU Delegation will keep a regular and coordinated policy dialogue with the MRA/GoG and cooperate and coordinate with other major donors such as USAID, SIDA, KfW, SDC - in order to ensure that policy developments are in harmony with agreed principles of the current Financing Agreement and international protection standards.

The European Commission will directly manage technical assistance funds provided under this Programme, including evaluation and audit missions and monitoring/following up on the implementation of the grants' component. It is expected that the MRA will provide the necessary office space (within its premises, if possible) including local telephone lines, furniture, heating and electricity free of charge to the TA, Review, audit and evaluation teams.

### 2.3.2. Criteria for disbursement

Instalments will be payable to the Georgian State Treasury, subject to fulfilment of general and specific conditions agreed in the Policy Reform Matrix (see appendix 1).

The release of instalments under this programme will require compliance with the following general conditions:

1. Satisfactory progress in the maintenance of a stability orientated macro-economic framework *inter alia* the IMF macro-economic programme;
2. Sound public financial and fiscal management evidenced *inter alia* implementation of the PFM reform policy vision and Action Plan.
3. Satisfactory progress in the implementation of the GoG's IDP Strategy and Action Plan (including its annual update) and the analysis and distribution of qualitative information.

The release of the variable tranches will be linked to compliance with the specific conditions set out in the three policy reform areas:

1. Provision of durable housing solutions for IDPs
2. Access of targeted IDPs and Host Communities to sustainable income/employment
3. The GoG's concrete steps to harmonize IDP legislation and increase cost-effectiveness of IDP assistance (potential shift from "status" to "needs-based" assistance)

For detailed conditions, see the Policy Reform Matrix. The chosen performance indicators specified in appendices 1 and 2 are sufficient to justify their use for the disbursement of budget support and shall apply for the duration of the programme.

### **3. MONITORING, EVALUATION AND AUDIT**

#### **3.1. Budget support component:**

The Programme will be externally reviewed prior to the release of the second and the third tranches, to assess compliance with the conditions for release (see "Policy Reform matrix" in appendix 1 and "Disbursement arrangements and timetable" in appendix 2).

These external reviews will be timed to meet the indicative disbursement schedule. They shall be initiated by the Delegation of the EU to Georgia or at the request of the Government and will be carried out by independent teams of experts specifically engaged for this purpose. External independent consultants will be contracted under the Technical Assistance component. The review will verify the indicators for disbursement and assess compliance with conditions.

#### **3.2. Project Component**

This component includes the

1. EU Grant to the Livelihood LEPL
  2. Contribution agreement with FAO
  3. Technical assistance (support to GoG/MRA)
- Day-to-day technical and financial monitoring will be a continuous process as part of the beneficiaries' responsibilities. To this aim, the beneficiaries shall establish a permanent internal, technical and financial, monitoring system to the project, which will be used to elaborate the progress reports.
  - A mid-term and final evaluation and audit will be carried out for all project components. A final review in 2015 will also undertake an evaluation of the overall programme.
  - Additionally, independent consultants recruited directly by the Commission (or the responsible body to which the monitoring task has been delegated) on specifically established terms of reference will carry out external monitoring with the ROM system, which in principle will start

- from the sixth month of project activities, and will be finalised at the latest 6 months before the end of the operational implementation phase.
- The Commission reserves the right to undertake audits in regard to the Technical Assistance and Project Components and the use of funds.

#### **4. COMMUNICATION AND VISIBILITY**

Communication and visibility will be organised with the MRA and other institutions involved in the implementation of the Programme. It will focus on the achievements and impact of the action, not on administrative or procedural milestones. The European Commission will, together with these institutions, organize appropriate public events so as to keep the general public informed of the Programme's developments and achievements.

In order to maximise the impact of communication efforts, the GoG, within six months after the signature of the Financing Agreement, will produce a communication and visibility plan in accordance with the Communication and Visibility Manual for EU External Actions ([http://ec.europa.eu/europeaid/work/visibility/documents/communication\\_and\\_visibility\\_manual\\_en.pdf](http://ec.europa.eu/europeaid/work/visibility/documents/communication_and_visibility_manual_en.pdf)). The communication plan will be agreed with the EU Delegation staff managing the action, in close coordination with the EU Delegation staff responsible for communication activities.

Where applicable, the provisions included in the framework agreement signed with the international organisation will apply.

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#### **APPENDICES**

- 1 - Performance criteria and indicators used for disbursement
- 2 - Disbursement arrangements and timetable
- 3 - List of acronyms
- 4 - Livelihood LEPL concept paper
- 5 - DRC's 'Collapsing CC Master list'
- 6- Intervention logic/Project approach



### Appendix 1: Performance criteria and indicators used for disbursements (budget support)

The Conditions set out in the Policy Matrix are based on achievable and objectively verifiable indicators, based on the Government's own IDP Action Plan 2012-2014 and other international commitments made by GoG (such as, e.g. the UN Guiding Principles on Internal Displacement). They reflect commitments that the GoG itself has undertaken. The conditions also reflect EU priorities, such as a focus on a human-rights based approach, a gender and child concern and principles of good governance

Targets for quantitative indicators are slightly lower than those in the IDP Action Plan, in order to make them less sensitive to unforeseeable changes in funding, which is heavily donor dependent. In contrast, assessment criteria for processes are more ambitious, with a clear commitment to agreed policy documents and a strong focus on IDP participation, vulnerable populations and gender mainstreaming.

### Policy Reform Matrix: performance criteria and indicators used for disbursements

Table A: general conditions for all tranche releases

(for release of 100% of first instalment [fixed tranche] and of 0 % of second and of third instalments [variable tranches])  
(see also table B below and appendix 2)

<i>Condition All three conditions must be met to qualify for release of instalments</i>	<i>Criterion</i>	<i>Means of Verification</i>
<b>A. MACROECONOMIC STABILITY</b>		
<b>Sound macroeconomic framework</b>	Satisfactory progress in the maintenance of a stability-oriented macroeconomic policy	<ul style="list-style-type: none"> <li>• IMF, WB and EC Reports.</li> <li>• IMF review reports under the existing ongoing IMF program</li> </ul>
<b>B. PUBLIC FINANCE MANAGEMENT</b>		
<b>Sound public finance and fiscal management</b>	Satisfactory progress in the implementation of the PFM Reform Programme	<ul style="list-style-type: none"> <li>• Available reports/aide-memoires from WB or IMF</li> <li>• EC PFM Progress Reports</li> <li>• PEFA Progress reviews</li> </ul>
<b>C. IDP STRATEGY and ACTION PLAN</b>		
<b>A comprehensive sector management system for implementing the IDP State Strategy and Action Plan is established and operational</b>	<ul style="list-style-type: none"> <li>• The Government of Georgia remains committed to the State Strategy and Action Plan for IDPs. The IDP Action Plan 2012-2014 is fully costed, annually updated in an inclusive manner and reflected in the budget. It is implemented</li> </ul>	<ol style="list-style-type: none"> <li>1.1. BDD and budget law (budget allocation at the first day of the budgetary year and executive report)</li> <li>1.2. GoG Decree on the adoption of the new Action Plan; adopted annual update of the Action Plan</li> <li>1.3. MRA's Annual Report on the implementation of the IDP Action Plan<sup>2</sup></li> <li>1.4. Meeting notes highlighting participation of</li> </ol>

	<p>in compliance with the UN Guiding Principles on Internal Displacement<sup>1</sup> and with the participation of representative NGOs and CSOs</p> <ul style="list-style-type: none"> <li>The MRA Steering Committee (SC) is functioning according to its ToRs. A regular policy dialogue with key donors is maintained on both the political and the operational level, including (but not limited to) issues related to human rights, good governance, gender and children</li> </ul>	<p>representative NGOs and CSOs</p> <p>2.1. Key donors' assessment of the quality of policy dialogue and the transparent availability of quality information against relevant indicators set out in the IDP Action Plan<sup>3</sup></p> <p>2.2. Quarterly update on the indicators and means of verification (MoVs) listed in this Policy Matrix</p>
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<sup>2</sup> Given the planned timing of the first disbursement (4<sup>th</sup> quarter 2012), a draft report thereof will suffice

<sup>1</sup> Although all guiding principles are of equal value, the following principle will receive particular attention in the implementation of the program:

Principle (4).2. " Certain internally displaced persons, such as children, especially unaccompanied minors, expectant mothers, mothers with young children, female heads of households, persons with disabilities and elderly persons, shall be entitled to protection and assistance required by their condition and to treatment which takes into account their special needs.";

<sup>3</sup> A list of relevant indicators deriving from the IDP Action Plan will be drawn up and adopted by the MRA Steering Committee.

**Table B: specific conditions for variable tranches releases**

(for release of 0% of first instalment [fixed tranche], 100 % of second instalment [first variable tranche] and of third instalments [second variable tranche])

EXPECTED OUTCOME 1 (end of programme)	At least 1000 IDP families, 500 of who derive from collapsing CCs and 150 who are otherwise vulnerable, are provided with qualitative alternative DHS; IDP beneficiaries of EU-financed DHS wishing to privatize have received legal ownership Disbursement value (full compliance)= €2.5 million		Responsible Institutions MRA, MDF, MoESD, NAPR
	First variable tranche	Second variable tranche	
Condition 1.1	The Government closes collapsing CCs according to agreed priority lists and policy documents (disbursement value = € 0.5 million)	The Government has closed collapsing CCs according to agreed priority lists and policy documents (disbursement value = €0.5 million)	
Assessment criteria / Means of Verification	<p>1.1. The GoG has relocated a minimum of 250 IDP families<sup>4</sup> from DRC's "DHS Collapsing Collective Centre Master List", in line with SOPs and the Manual on Resettlement</p>	<p>1.1. The GoG has relocated a minimum of 500 IDP families<sup>5</sup> (aggregated figure) from DRC's "DHS Collapsing Collective Centre Master List", in line with SOPs and the Manual on Resettlement</p>	<p>1.1. Tracking table figuring</p> <ul style="list-style-type: none"> <li>• DRC's 'Collapsing CC Master list' (see appendix 5)</li> <li>• MRA's/EUD's TA IP's inventory list of closed and partially closed collapsing CCs</li> </ul> <p>1.2. Reports on closure of CCs from IPs and Protection Partners (UNHCR, NRC, DRC)</p>

<sup>4</sup> This number refers to the IDP families relocated during the implementation period of this Financing Agreement and excludes those IDPs that were resettled before signature of the Financing Agreement.

<sup>5</sup> This number refers to the IDP families relocated during the implementation period of this Financing Agreement and excludes those IDPs that were resettled before signature of the Financing Agreement

<p><b>Condition 1.2</b></p> <p>Assessment criteria/ Means of Verification</p>	<p>The Government continues to provide durable housing solutions, in line with the IDP Housing Strategy and Working Plan (disbursement value = €1.5 million)</p>	<p>The Government continues to provide durable housing solutions, in line with the IDP Housing Strategy and Working Plan (disbursement value = €1.5 million)</p>	<p>The Government continues to provide durable housing solutions, in line with the IDP Housing Strategy and Working Plan (disbursement value = €1.5 million)</p>	<p>The Government continues to provide durable housing solutions, in line with the IDP Housing Strategy and Working Plan (disbursement value = €1.5 million)</p>
<p>1.1. Progress and technical evaluation reports on construction/rehabilitation works</p>	<p>1.1. Progress and technical evaluation reports on construction/rehabilitation works</p>	<p>1.1. Progress and technical evaluation reports on construction/rehabilitation works</p>	<p>1.1. Progress and technical evaluation reports on construction/rehabilitation works</p>	<p>1.1. Progress and technical evaluation reports on construction/rehabilitation works</p>
<p>1.2.1. The GoG provides a minimum of 1,000 (aggregated figure) new living spaces to IDPs through its own and donors' funds. Rehabilitation/ reconstruction works are carried out according to "Standards for Rehabilitation, Conversion or Construction Works for Durable Housing for IDPs"</p>	<p>1.2.1. The GoG provides a minimum of 500 Durable Housing Solutions (DHS) to IDPs through its own and donors' funds, Rehabilitation/ reconstruction works are carried out to a quality standard acceptable to the EU and according to "Standards for Rehabilitation, Conversion or Construction Works for Durable Housing for IDPs"</p>	<p>1.2.1. The GoG provides a minimum of 1,000 DHS in '1' above follows priorities set in Condition 1.1. of this document and procedures endorsed in the Manual on Resettlement. A minimum of 15% of living spaces are allocated to vulnerable beneficiaries</p>	<p>1.2.1. The GoG provides a minimum of 1,000 DHS in '1' above follows priorities set in Condition 1.1. of this document and procedures endorsed in the Manual on Resettlement. A minimum of 15% of living spaces are allocated to vulnerable beneficiaries</p>	<p>1.2.1. The GoG provides a minimum of 1,000 DHS in '1' above follows priorities set in Condition 1.1. of this document and procedures endorsed in the Manual on Resettlement. A minimum of 15% of living spaces are allocated to vulnerable beneficiaries</p>
<p>2.1. Documentation evidencing how the MRA selection board allocated points to potential beneficiaries</p>	<p>2.1. Documentation evidencing how the MRA selection board allocated points to potential beneficiaries</p>	<p>2.1. Documentation evidencing how the MRA selection board allocated points to potential beneficiaries</p>	<p>2.1. Documentation evidencing how the MRA selection board allocated points to potential beneficiaries</p>	<p>2.1. Documentation evidencing how the MRA selection board allocated points to potential beneficiaries</p>
<p>2.2. Detailed programme beneficiary list that includes conclusive data on vulnerability of IDP beneficiaries</p>	<p>2.2. Detailed programme beneficiary list that includes conclusive data on vulnerability of IDP beneficiaries</p>	<p>2.2. Detailed programme beneficiary list that includes conclusive data on vulnerability of IDP beneficiaries</p>	<p>2.2. Detailed programme beneficiary list that includes conclusive data on vulnerability of IDP beneficiaries</p>	<p>2.2. Detailed programme beneficiary list that includes conclusive data on vulnerability of IDP beneficiaries</p>
<p>3.1. Complaints regarding construction/rehabilitation works are verified, reported and addressed to the satisfaction of an</p>	<p>3.1. Streamlined complaints mechanism, including tracking table and follow-up procedures,</p>	<p>3.1. Streamlined complaints mechanism, including tracking table and follow-up procedures,</p>	<p>3.1. Streamlined complaints mechanism, including tracking table and follow-up procedures,</p>	<p>3.1. Complaints regarding construction/rehabilitation works are verified, reported and addressed to the satisfaction of an</p>

<sup>6</sup> Compare UN Guiding Principles on Internal Displacement 4 (2); in this context, extremely poor IDPs in private accommodation can be included in these 15 %

	<i>technical deficiencies</i>	validated by the SC. 3.2 Retention and penalty clauses are sufficient to address construction defects, and late delivery is included in the contract 3.3. Independent assessment financed under the TA component	registering the complaint	independent inspector. 3.2 Retention and penalty clauses are sufficient to address construction defects, and late delivery is included in the contract 3.3 Independent assessment financed under the TA component
<b>Condition 1.3</b>	<b>The "Privatization Process" of EU-financed durable housing solutions has been streamlined and shows tangible results (disbursement value = €0.5 million)</b>	<b>The "Privatization Process" of EU-financed durable housing solutions has been streamlined and shows tangible results (disbursement value = €0.5 million)</b>	<b>The Privatization Process" of EU-financed durable housing solutions has been finalized (disbursement value = €0.5 million)</b>	
<i>Assessment criteria/ Means of Verification</i>	1.3.1. A minimum of 75% of all IDP beneficiaries from previous EU-financed construction and rehabilitation programmes who want to receive a property title have been registered by NAPR	1.1. Table containing the following gender-disaggregated information: • EU-funded IDP beneficiary households offered privatization agreements • IDP beneficiary households signed purchase agreements • IDP beneficiary property registered by NAPR	1.3.1. A minimum of 95% of all IDP beneficiaries from previous EU-financed construction and rehabilitation programmes who want to receive a property title have been registered by NAPR	1.1. Table containing the following gender-disaggregated information: • EU funded IDP beneficiary households offered privatization agreements • IDP beneficiary households signed purchase agreements • IDP beneficiary property registered by NAPR

EXPECTED OUTCOME 2 (end of programme)	Targeted IDPs and Host Communities provided with the opportunity to access sustainable income/employment Disbursement value (full compliance)= €1 million		Responsible Institutions MRA, MoA, MoES, Livelihood LEPL
	First variable tranche	Second variable tranche	
Condition 2	The approved Livelihood Action Plan defines targeted, appropriate and quality livelihood support for identified IDPs and Host Communities (disbursement value = €1 million)		The Livelihood Action Plan is implemented and provides targeted, appropriate and quality livelihood support for identified IDPs and Host Communities via the LEPL (disbursement value = €1 million)
Assessment criteria/ Means of Verification	<p>2.1. Based on a comprehensive IDP baseline assessment, a livelihood action plan is drafted, in consistency with the IDP AP and involving relevant organizations, including CSOs and IDP representatives ("working group")</p> <p>2.2. The livelihood action plan is approved by the Government. The respective program/ subprogram is reflected in the BDD Document 2014-2017 and budget FY 2014</p>	<p>1.1. Baseline assessment on socio-economic integration and livelihood needs of IDPs in Georgia<sup>7</sup> (TA and MRA)</p> <p>1.2. Assessment of regional employment opportunities for IDPs</p> <p>1.3. SC and relevant TEG meeting minutes.</p> <p>1.4. Partner's valuation of the process</p> <p>2.1. Approved version of the livelihood action plan</p> <p>2.2. BDD Document 2014-2017, Budget FY 2014</p>	<p>2.1. The livelihood action plan is signed by the Prime Minister by February 2014</p> <p>2.2. The livelihood action plan is implemented with the help of the Livelihood LEPL. It is reflected in the budget FY 2015 and the BDD programme budget 2015-2018. It has an accumulated funding of €7 million</p> <p>1.1. Signed and published copy of the livelihood action plan</p> <p>2.1. Documents related to the establishment of the Livelihood LEPL</p> <p>2.2. Budget FY 2015; BDD programme budget 2015-2018.</p>

<sup>7</sup> This baseline assessment should focus on selected IDPs' level of income, perceived and real standard of living and socio-economic integration, dependency on the State. Particular attention should be paid to vulnerable IDPs (gender, children, handicapped persons, elderly).

<p><b>EXPECTED OUTCOME 3</b> (end of programme)</p>	<p><b>The GoG has streamlined IDP legislation and increased the cost-effectiveness of IDP assistance</b> Disbursement value (full compliance)= €0,5 million</p>		<p><b>Responsible Institutions</b> PMO, MRA, MoJ, Ministry of Health, Labour and Social Affairs</p>
	<p><b>First variable tranche</b></p>	<p><b>Second variable tranche</b></p>	
<p><b>Condition 3</b></p>	<p><b>The GoG adopts a decision on the official inter-ministerial document aimed at streamlining IDP legislation and increasing cost-effectiveness of the IDP assistance system</b> (disbursement value = €0.5 million)</p>		
<p><b>Assessment criteria/ Means of Verification</b></p>	<p>3.1. Official inter-ministerial document elaborated and published, presenting costed and timed reform options aimed at streamlining IDP related legislation and increasing cost-effectiveness of the IDP assistance system. Reform options are based on costed and timed comparative studies, include a potential shift from status to needs-based assistance for IDPs</p>	<p>1.1. Published version of the inter-ministerial document 1.2. Costed and timed comparative studies analyzing different options for shifting from status- to needs based assistance; transitory provisions</p>	<p>3.1. The GoG has adopted a decision on the official inter-ministerial document. The adopted document aims at enhancing cost effectiveness and efficiency of the assistance system and streamlining IDP legislation, taking the UNSGR's comments into consideration</p> <p>1.1. GoG's published decision 1.2. Study analyzing the proposed reform's budgetary implications and implications for IDPs 1.3. Assessment of the process by UNHCR, OHCHR, UNSGR on the Human Rights of IDPs on compliance of elaborated proposals with international standards</p>

## Appendix 2: Disbursement arrangements and timetable (budget support)

### 1. responsibilities

On the basis of the conditions for disbursement set out in this Financing Agreement the MRA shall make a formal request to the Commission for each tranche disbursement on the dates set out in Table C below, including (i) the fullest possible analysis and justification for the release of funds, including supporting documentation which should be annexed; and (ii) a duly signed Financial Identification Form in order to facilitate subsequent payment.

Table C shows the indicative timetable for disbursement. Disbursement follows assessment of Government's compliance with the various conditions for release of each instalment, as detailed in appendix 1. Such assessment is to be undertaken by an external Review team (see section 3 of these TAPs), complemented with the EUD analysis of compliance (see section 2.3.1). Fulfilment of the general conditions and assessment for each tranche must be satisfied before any consideration is given to compliance with the specific conditions for variable tranche release.

### 2. indicative disbursement timetable

**Table C: Summary Indicative disbursement timetable (in million EUR)**

Tranche Type	Year 1 (2012)				Year 3 (2014)				Year 4 (2015)				Total					
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4						
<b>Fixed Tranche</b>				2.0	0.0	0.0							0.0					2.0
<b>Variable tranches</b>					4.0									4.0				8.0
Reform Area 1 – Provision of durable housing solutions for IDPs (Indicator 1.)					2.5									2.5				5.0
Reform Area 2 - IDPs and Host Communities access sustainable employment (Indicator 2.)					1.0									1.0				2.0
Reform Area 3 - The GoG engages in harmonization of IDP law and the shift from status to needs-based IDP assistance (Indicator 3.)					0.5									0.5				1.0
<b>Total</b>				2.0	4.0								4.0					10.0



### 3. general conditions for tranche release

The general conditions for tranche release are set out in Table A. Compliance with these general conditions is a precondition for the disbursement of all tranches and for consideration of compliance with the specific conditions set out in Table B. Requests for tranche release shall be accompanied by supporting information on this matter. The first fixed tranche represents 100% of the first instalment. Second and third tranches are variable instalments only.

See Appendix 1, Table A: general conditions for all tranche releases

### 4. specific conditions for tranche release

The specific disbursement conditions apply to each variable tranche (second and third instalments) in addition to the general conditions, which are applicable to all tranches (see also section 2.3 above and appendix 1).

Table D: specific conditions for the release of tranches

Tranche	Amount	Indicative date of disbursement request (quarter/year)	Indicative disbursement date (month/year)	Conditions/criteria/activities for disbursement	Verification source (where applicable)
First fixed tranche	€2.0 million	Q3/2012	Q4/2012	General conditions as given in Table A (appendix 1) above	Assessment criteria/ MoV as set out in the Policy Reform Matrix
First variable tranche (second instalment) In case of full disbursement	€4.0 million  (i) 1.1. €0.5 million 1.2. €1.5 million 1.3. €0.5 million  (ii) 2. €1.0 million	Q4/2013	Q1/2014	Continuous compliance with general conditions as given in Table A (appendix 1) above and:  (i) specific conditions 1: 1.1. Relocation of 250 IDP families from collapsing CCs 1.2. Provision of 500 DHS to needy IDPs, functioning complaint mechanism 1.3. "Privatization Process" of EU-financed DHS streamlined and showing tangible results  (ii) specific condition 2: 2. The approved Livelihood Action Plan defines targeted, appropriate and quality livelihood support for identified IDPs most in need.	Assessment criteria/ MoV as set out in the Policy Reform Matrix

	(iii) 3. €0.5 million	Q4/2014	Q1/2015	(iii) specific condition 3: 3. The MR4/GoG initiates a systematic review of IDP-related legislation and elaborates an inter-ministerial document aiming at increasing cost-effectiveness of the IDP assistance system  Continuous compliance with general conditions as given in Table A (appendix 1) above and:  (i) specific conditions 1: 1.1. Relocation of 500 IDP families from collapsing CCs 1.2. Provision of 1,000 DHS to needy IDPs, functioning complaints mechanism 1.3. " Privatization Process" of EU-financed durable housing solutions finalized  (ii) specific condition 2: 2. Livelihood Action Plan implemented and providing targeted, appropriate and quality livelihood support for identified IDPs and Host Communities via the Livelihood LEPL  (iii) specific condition 3: 3. GoG adopted a decision on the official inter-ministerial document aimed at streamlining IDP legislation and increasing cost-effectiveness of the IDP assistance system.	Assessment criteria/ means of verification as set out in the Policy Reform Matrix
Second variable tranche (third instalment) In case of full disbursement	€4.0 million  (i) 1.1. €0.5 million 1.2. €1.5 million 1.3. €0.5 million  (ii) 2. €1.0 million  (iii) 3. €0.5 million				

The conditions for disbursement under the variable tranche are fixed for the duration of the programme, but may be modified in accordance with the TAPs section 2.3.2 of this Financing Agreement.

## 5. Modalities of assessment of performance in the case of variable tranches

The calculation of the amount of the variable tranche to be disbursed will be based on the fulfilment of conditions in three policy areas, as outlined in section 2.3.2 and in appendix 1 of these Technical and Administrative Provisions. Each of the policy areas has a specific weight in the calculation as outlined in the below table.

**Table E: Weight of each indicator**

Indicators/Reform areas	Weight of each indicator (to be multiplied by the awarded score point mentioned below)	
	First variable tranche	Second variable tranche
1. Provision of durable housing solutions for IDPs 1.1.: Closure of collapsing CCs 1.2.: Provision of DHS following policy documents 1.2.1: DHS according to Rehabilitation Standards 1.2.2: Allocation according to 1.1 and vulnerabilities 1.2.3: Complaints mechanism 1.3.: Privatizations accomplished	0.625 0.125 0.375 (0.125) (0.125) (0.125) 0.125	0.625 0.125 0.375 (0.125) (0.125) (0.125) 0.125
2. IDPs' and Host Communities' access to sustainable employment 1.1.: Livelihood action plan is drafted (1 <sup>st</sup> VT)/signed (2 <sup>nd</sup> ) 1.2.: Livelihood action plan is approved by Government (1 <sup>st</sup> VT / reflected in BDD and implemented with the help of the LEPL (2 <sup>nd</sup> VT)	0.25  (0.125) (0.125)	0.25  (0.125) (0.125)
3. The GoG engages in harmonization of IDP law and discussion on the shift from status to needs-based IDP assistance	0.125	0.125
Total	1	1

Performance assessment for each Reform Area is based on fulfilment of sub-conditions, as detailed in the Policy Reform Matrix (appendix 1), irrespective of the number of assessment criteria and means of verification.

For Reform Area 1, the respective sub-conditions carry the following weight: 1.1: 0.125; 1.2: 0.375; 1.3: 0.125, summing up to a total of 0.625.

The specific indicators/means of verification attached to the disbursement of instalments are outlined in the appendix 1 of these TAPs (Policy Reform Matrix).

In case of fulfilment, each condition triggers disbursement of the weight of the indicator multiplied by the total amount of the variable tranche multiplied by assessment score of each indicator.

Assessment of each sub-condition will be based on the following methodology:

- If the agreed sub-indicator is fulfilled, it is awarded a score point of 1
- If the agreed sub-indicator is not fulfilled but considerable progress is evident, it is awarded a score point of 0.5
- If the agreed sub-indicator is not fulfilled and progress is negligible, it is awarded a score point of 0

Example

Sub-indicator 1.1

Weight = 0.125

Maximum value = 0.125 x €4 million = €0.5 million

- If the agreed sub-indicator is fulfilled: 0.125 x €4 million x 1 = €0.5 million
- If the agreed sub-indicator is not fulfilled but considerable progress is evident: 0.125 x €4 million x 0.5 = €0.25 million
- If the agreed sub-indicator is not fulfilled and progress is negligible: 0.125 x €4 million x 0 = €0 million

### Appendix 3: List of acronyms

<i>AP</i>	<i>Action Plan</i>
<i>BDD</i>	<i>Basic Data and Directions</i>
<i>CC</i>	<i>Collective Centre</i>
<i>DHS</i>	<i>Durable Housing Solution</i>
<i>DRC</i>	<i>Danish Refugee Council</i>
<i>EC</i>	<i>European Commission</i>
<i>EU</i>	<i>European Union</i>
<i>EUD</i>	<i>European Union Delegation</i>
<i>GoG</i>	<i>Government of Georgia</i>
<i>IDP</i>	<i>Internally Displaced Person</i>
<i>IMF</i>	<i>International Monetary Fund</i>
<i>IP</i>	<i>Implementing Partner</i>
<i>IT</i>	<i>Information Technology</i>
<i>IWG</i>	<i>Inter-ministerial Working Group</i>
<i>LEPL</i>	<i>Legal Entity of Public Law</i>
<i>MoEST</i>	<i>Ministry of Economy and Sustainable Development</i>
<i>MoF</i>	<i>Ministry of Finance</i>
<i>MoV</i>	<i>Means of Verification</i>
<i>MRA</i>	<i>Ministry of Internally Displaced Persons from the Occupied Territories, Accommodation and Refugees of Georgia</i>
<i>MRDI</i>	<i>Ministry of Regional Development and Infrastructure</i>
<i>NAPR</i>	<i>National Agency for Property Registration</i>
<i>NRC</i>	<i>Norwegian Refugee Council</i>
<i>PEFA</i>	<i>Public Expenditure and Financial Accountability</i>
<i>PFM</i>	<i>Public Finance Management</i>
<i>SC</i>	<i>Steering Committee</i>
<i>SOPs</i>	<i>Standard Operation Procedures for Vacation and Reallocation of IDPs for Durable Housing Solutions</i>
<i>TEG</i>	<i>Technical Expert Group</i>
<i>ToR</i>	<i>Terms of Reference</i>
<i>UNHCR</i>	<i>United Nations High Commissioner for Refugees</i>
<i>UNICEF</i>	<i>United Nations Children's Fund</i>
<i>UNSGR</i>	<i>United Nations Special Representative on the Human Rights of Internally Displaced Persons</i>
<i>WB</i>	<i>World Bank Group</i>

