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**ANNEX 2**

**to Commission Implementing Decision on the Annual Action Programme 2017 for the Republic of Georgia to be financed from the general budget of the European Union**

**Action Document for Skills Development and Matching for Labour Market Needs**

**INFORMATION FOR POTENTIAL GRANT APPLICANTS**

**WORK PROGRAMME FOR GRANTS**

This document constitutes the work programme for grants in the sense of Article 128(1) of the Financial Regulation (Regulation (EU, Euratom) No 966/2012) in sections 5.4.1 and 5.4.2 concerning calls for proposals and in section 5.4.3 concerning grants awarded directly without a call for proposals.

<b>1. Title/basic act/ CRIS number</b>	Skills Development and Matching for Labour Market Needs CRIS number: ENI/2017/040-319 financed under European Neighbourhood Instrument
<b>2. Zone benefiting from the action/location</b>	Georgia The action shall be carried out at the following location: country wide
<b>3. Programming document</b>	Single Support Framework for EU support to Georgia 2017-2020
<b>4. Sector of concentration/ thematic area</b>	Economic development and market opportunities; Mobility and people-to-people contacts
<b>5. Amounts concerned</b>	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"> <li>- EUR 30 000 000 for budget support</li> <li>- EUR 15 100 000 for complementary support;</li> <li>- EUR 3 750 000 for specific actions in Georgia's breakaway region of Abkhazia</li> </ul> This action is co-financed by potential grant beneficiaries for an indicative amount of EUR 2 000 000
<b>6. Aid modality(ies)</b>	Budget Support

<b>and implementation modality(ies)</b>	Direct management: <ul style="list-style-type: none"> <li>- budget support: sector reform contract</li> <li>- grants: calls for proposals and direct award</li> <li>- procurement of services</li> </ul> Indirect management with the United Nations Development Programme (UNDP)			
<b>7. DAC code(s)</b>	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>8. Markers (from CRIS DAC form)</b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	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"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	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"/>
<b>9. Global Public Goods and Challenges (GPGC) thematic flagships</b>	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-Kartli<sup>1</sup>. The expected results of the action are: (i) relevant skills-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.

## CONTEXT

### 1.1. Sector/Country/Regional context/Thematic area

Georgia is a small country with a population of 3.7 million, 1.1 million living in the capital Tbilisi. Overall 57% of the population live in urban areas. Despite the economic growth during the past decade, the Georgian labour market features several structural problems: (i) limited (high-skilled) job creation; (ii) high share of non-productive self-employment in subsistence agriculture in rural areas; (iii) high level of urban unemployment, especially for youth. Roughly speaking, half of the total employment is in agricultural sector, 40% in services and 10% in manufacturing (Geostat). The majority of jobs created in the country are in the traditional, low-productivity sectors, which limits the demand for a highly educated workforce. Several studies and statistics reveal discrepancy between traditional employment structure and the current education system in Georgia. The results of the first ever labour market demand survey done in 2015 by the Ministry of Health, Labour and Social Affairs (MoLHSA) showed that the overall demand for labour remains very low due to a limited number of vacancies and job openings. The interviewed companies identified skills shortages in some occupations while the lack of applicants and higher salary expectation are the biggest obstacles for hiring. In one year, 18% of firms hired new workers while 13% of firms fired workers; the net increase in total employment was 1%. The following occupations were growing in demand: doctors, nurses, teachers, sales workers, customer service clerks; while construction workers, personal services, metal and machinery workers were declining occupations. The qualitative component of the survey revealed a number of positions such as marketing manager, sales manager, food technologist, project manager, financial specialist and risks analyst as 'hard-to-fill' vacancies.

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

There are also other analyses confirming the lack of relevant skills and qualifications of the locally available workforce for vacant jobs<sup>2</sup>. As employers demand both technical as well as generic/transversal skills from potential workers, core employability skills (e.g. creative thinking, communication, ability to work independently, teamwork, problem solving, and analytical skills), foreign languages and digital skills are widely sought after. The lack of entrepreneurship key competences and absence of a relevant coherent policy vision in the education system hinders stimulation of an entrepreneurial culture for youth and adults as well as SME development in the country. Although higher education institutions (HEIs) have observed improvement in their students' confidence and adaptability as evidenced by the Erasmus+ evaluations, according to the World Bank, general and higher education largely fail to develop cognitive and social skills in their students<sup>3</sup>. Moreover, there is a growing demand for middle-skilled workers, which the education sector is not producing.

### *1.1.1 Public Policy Assessment and EU Policy Framework*

The EU and Georgia signed in 2014 an Association Agreement (including a Deep and Comprehensive Free Trade Area, AA/DCFTA), which includes Chapter 14 on 'Employment, Social Policy and Equal Opportunities' (articles 348-354 and Annex XXX) and Chapter 16 on 'Education, Training and Youth' (articles 358-361 and Annex XXXII). In line with the above-mentioned chapters of the AA/DCFTA, as well as Sector 1 (economic development and market opportunities) and Sector 4 (mobility and people-to-people contacts) of the 20 Deliverables for 2020<sup>4</sup> the Government has developed overall policies to address shortcomings with both labour market and education reforms. Those policies are in line with the Sustainable Development Goals (SDGs). Education and economic growth **are prioritised in the Georgia 2020 Strategy** that identifies "enhancing skills" as one of the three overarching goals of the country's socio-economic development. This is further specified in the **4-Point Government Programme 2016-2020**, where education and economic growth are set as priority reform areas.

The respective EU-Georgia Sub-Committees on Science and Technology, Information Society, Audio-Visual Policy, Education, Training and Youth, Culture, Sport and Physical Activity (Cluster 4) and –on Employment, Social Policy, Equal Rights and Public Health (Cluster 6) are regularly meeting to monitor progress towards implementation of the Association Agenda.

Georgia has taken steps towards rehabilitating labour market policies and institutions. It has created a Labour and Employment Policy Department within the MoLHSA<sup>5</sup> and relaunched its public employment services<sup>6</sup> under the Social Service Agency (SSA/ESS) in 2013. Between 2014 and 2016, the MoLHSA has adopted several crucial policy documents on employment and labour market; namely the **State Strategy for the Formation of the Georgian Labour Market 2015-2018** and its Action Plan. The current strategy is

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<sup>2</sup> See for example MoLHSA (2015), Labour Market Development in Georgia; and World Bank (2015), Skills Gaps and the Path to Successful Skills Development – Emerging Findings from Skills Measurement Surveys in Armenia, Georgia, FYR Macedonia, and Ukraine.

<sup>3</sup> See World Bank (2014), Georgia: Education Sector Policy Review; and World Bank (2014), STEP in Georgia.

<sup>4</sup> Eastern Partnership - 20 Deliverables for 2020 Focusing on key priorities and tangible results, June 2017.

<sup>5</sup> Ministry of Labour, Health and Social Affairs (MoLHSA)

<sup>6</sup> According to the terminology adopted in Georgia, the PES are named as Employment Support Services (ESS).

complemented by additional strategies/programmes for creating a Labour Market Information System (LMIS), Professional Orientation and Career Counselling (POCC), Employment Promotion Services, and Active Labour Market Programmes (ALMP). Currently an Employment Services Act is under development to further transform SSA/ESS into a modern and efficient public employment service, while the Labour Market Strategy is under revision to identify targets to be achieved beyond 2018.

The Labour Market Strategy Action Plan 2015-2018 is costed. The annual budget for the labour and employment system is planned to remain the same over the period 2017-2020: GEL 4 500 000, representing only 0.12% of the total budget of MoLHSA. The LMIS function has been transferred to the MoESD<sup>7</sup> in May 2017. The Ministry of Economy and Sustainable Development (MoESD) reported that the resources will be used e.g. to maintain the LMIS website and outsource labour market surveys and research which will include nationwide labour demand surveys, sector specific surveys and others.

As regards monitoring and evaluation of strategies, the MoLHSA has developed a “Labour Market Strategy Implementation Matrix” (LMSIM) for management and monitoring purposes. The MoLHSA publishes the report on the Labour Market Strategy implementation annually.

The MoES<sup>8</sup> leads the development of an overarching National Education and Science Policy aimed to integrate all levels of education in line with the principles of lifelong learning. The **VET Reform Strategy of Georgia 2013-2020** sets seven specific outcomes that aim to form a modern, inclusive, attractive and open system for international cooperation. The MoES has recently reviewed the VET Strategy and revised it for the remaining three years. The draft VET Law is being sent to the Parliament. Once adopted, this law will provide new opportunities for LLL, better linkages between different levels of education and public-private partnerships.

The national budget for VET has increased 178% during 2013-2016 from GEL 13 300 000 to GEL 33 700 000. This indicates a clear commitment of the Government to promote VET. In 2017, the VET budget is GEL 44 909 000 which represents 3.1% of the overall MoES budget. The projections indicate an increase of 22% of the VET budget from 2017 to 2020. The MoES has developed a Strategy Implementation Action Plan (SIAP) to support and improve the coordination and monitoring of the implementation process of the National VET strategy. The MoES chairs the National VET Council (NVETC), a quadripartite body established in 2012 and composed of representatives of the four target sector Ministries (MoES, MoLHSA, MoSYA<sup>9</sup>, MoESD), employers, trade unions and civil society. It also regularly invites members of the donor community to meetings as observers. The MoES publishes a report on VET Strategy implementation annually.

In 2014, a **National Youth Policy** was adopted and it provides opportunities for youth to be involved in social, economic, cultural and political life as well as for appropriate and high quality education, decent employment, and professional growth. The Ministry of Sport and Youth Affairs (MoSYA) leads the implementation of the **Youth Strategy Action Plan** for 2015-2020 and plans to conduct a midterm review by the end of 2017. The MoSYA is responsible for disadvantaged youth and developed a “framework of youth competencies” in

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<sup>7</sup> Ministry of Economy and Sustainable Development (MoESD)

<sup>8</sup> Ministry of Education and Science (MoES)

<sup>9</sup> Ministry of Sports and Youth (MoSY)

2016 which includes the eight key competences of the EU, plus one on "healthy lifestyle and sports". The Youth Policy Action Plan 2015-2020 is not costed in detail. The spending by the MoSYA has increased by 36% from 2013 to 2016 from GEL 66 093 000 to GEL 90 000 000 and a substantial increase of about 50% to GEL 136 820 000 was undertaken in 2017. The MoSYA has established the State's Youth Policy Development Coordination Council, which meets regularly to discuss and monitor the youth strategy implementation. The Council includes representatives of the line ministries, the parliament as well as the main operating donors in Georgia. In addition, the MoSYA provides regular updates for the public on strategy implementation on their website to monitor ongoing actions, including research and publications on youth.

According to the **SME Policy Index**<sup>10</sup> 2016, Georgia, as a top reformer among Eastern Partners, has made significant improvements to its institutional framework for SME policy. In the area of human capital development, the SME Policy Index 2016 recommended to improve entrepreneurial learning by adopting the EU's entrepreneurship key competence framework<sup>11</sup>. In 2014, the MoESD created two new institutions, Enterprise Georgia (EDA) and Georgian Innovation and Technology Agency (GITA) to provide financial and technical assistance for entrepreneurship, innovation and SME growth. The **SME Development Strategy for 2016-2020** includes actions to improve entrepreneurial learning in accordance with EU practices to create concrete support measures to encourage innovative entrepreneurship. A pilot initiative has been carried out by EDA in 2016 to analyse skills needs and gaps at sector level, but the work needs to continue to improve skills intelligence to provide information to both companies and training providers. MoESD has established a technical working group to work on the details of the SME Development Strategy Action Plan, including costing. The budget allocations for entrepreneurship development have substantially increased to GEL 41 699 000 in 2017 which is approximately double compared to 2015 and 2016, indicating an increase of its importance in the MoESD portfolio. The MoESD has a Coordination Council for monitoring the SME Strategy. In addition to the Council, there is a working group which convenes regularly to work on technical issues and draft the Action Plans. The MoESD publishes an Annual Progress Report on the SME Development Strategy Action Plan. The first such report was the Annual Progress Report of 2016 which provides a summary of annual activities.

As part of the Public Administration Reform (PAR), the Administration of Government (AoG) has adopted in 2015-2016 a unified Policy Development Framework which sets standards for all policies and their monitoring and evaluation (M&E) mechanism. This framework is applicable to all national strategies and the AoG ensures its proper implementation.

In Georgia's breakaway region of Abkhazia there are neither comprehensive sector policies on youth/education/employment development, nor comprehensive substantive interventions by the de facto authorities in support of the sector. Georgia's breakaway region of Abkhazia has currently no access to EU programmes such as Erasmus+. For this region EU policy continues to be governed by the principles of engagement and non-recognition.

Successful implementation of these strategies and laws requires a close connection and coordination of different policy areas and actors targeting education sub-systems (general

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<sup>10</sup> [http://www.etf.europa.eu/web.nsf/pages/SME\\_Policy\\_Index\\_Eastern\\_Partners\\_2016](http://www.etf.europa.eu/web.nsf/pages/SME_Policy_Index_Eastern_Partners_2016).

<sup>11</sup> <https://ec.europa.eu/jrc/en/entrecomp>.

education, vocational education and training and higher education), labour market and employment, youth, and small and medium-sized enterprise (SME) development. Within this context, this programme will target the implementation of the entire labour market and VET and their follow-up strategies, as well as specific parts of the Youth (the Youth Policy Action Plan 2.1, 2.2, 2.3 on non-formal education and career guidance) and SME Strategies (3.1, 3.2, 3.3, 3.4 of the SME Action Plan on skills/ training needs identification, lifelong entrepreneurial learning, entrepreneurship key competence training).

Based on the above mentioned assessment, the targeted policies are sufficiently relevant and credible, and are consistent with the objectives of the sector reform contract.

### *1.1.2 Stakeholder analysis*

At national level, the direct beneficiaries will be the MoLHSA, MoES, MoSYA and MoESD. The line ministries have clearly defined functions and the MoES, MoLHSA and MoESD have experience with previous and ongoing EU budget support programmes and the related policy dialogue. In these line ministries, there are departments and/or units responsible for implementation and coordination of the respective policies addressed by this programme.

As regards labour market and employment policies the MoLHSA and the Social Service Agency (SSA) and particularly its Employment Department lead and coordinate the activities of the **Employment Support Services (ESS)** at national and regional level. The human resource capacity of MoLHSA and ESS remain weak due to the limited number of staff and requires further capacity building.

As regards VET and LLL, the MoES and its agencies have good experience of coordination and monitoring of the VET policy implementation, but relatively limited experience in LLL and will require support in this direction.

As regards non-formal and informal education, the MoSYA has a wide outreach to youth, NEETs (not in employment, education or training), minorities, people with disabilities, IDPs and will require support for increased engagement in non-formal and informal education, career guidance and counselling, as well as entrepreneurship skills development, particularly at local level.

As regards entrepreneurship and SME skills, the MoESD provides a variety of support services to SMEs and entrepreneurs. The MoESD together with its subordinate agencies will require support in implementing entrepreneurship and SME skills related actions. In addition, the MoESD will require support in implementing LMIS related functions transferred from the MoLHSA.

In the course of the ongoing EVET programme, the MoES and MoLHSA have demonstrated a strong commitment and ownership for policy implementation and coordination. The MoSYA lacks some experience and capacity. However, in the course of programme identification the MoSYA has demonstrated a strong commitment and interest to be actively involved.

Besides the staff of public agencies (officials, employment officers, career counsellors, etc.), the **teachers and management of public and private VET providers as well as education institutions** at all levels will be direct beneficiaries of the programme. Other stakeholders include representatives and entities of the business community and **private sector** as well as **social partners**, who can benefit from and be engaged in various actions of the programme.

Private sector participation in skills development and matching remains weak and limited in spite of the government's declarations and efforts to engage them more. The programme can make a major contribution in terms of awareness raising, creating incentives and new modus operandi to activate public-private partnerships.

The population of Georgia's breakaway region of Abkhazia lacks opportunities for non-formal education and training. Entrepreneurship training and SME skills development have so far only been limited to and provided through initiatives of humanitarian organisations on the ground. Therefore, the programme is expected to also make a considerable contribution in terms of awareness raising, creating incentives and introducing new modus operandi to activate the private sector in Georgia's breakaway region of Abkhazia and to open channels for knowledge transfer and cooperation across the divide.

The Georgian citizens at large will benefit from the programme in terms of new lifelong learning opportunities, improved employability and public employment services. The final beneficiaries of the programme will be particularly disadvantaged youth, women and other vulnerable groups such as job-seekers, long-term unemployed, people with disabilities (PwD), as well as learners at all levels of education.

### ***1.1.3 Priority areas for support/problem analysis***

Overall, as pointed out in the public policy assessment, there is a positive trend in policy reforms and significant progress has been achieved both in labour market and VET actions in recent years. This is also evidenced by the two mid-term evaluations carried out in 2016 on the current EU programme and by strategy reviews. The policy development capacity has improved at national level and they are in line with the standards of policy planning adopted by the AoG.

The Georgian government has initiated reforms as regards labour market/employment, education, youth and SME development policies which will require further support. However, the focus of reforms needs to shift from policy development to policy implementation. This requires for example designing interventions targeting specific regions and/or sectors and their needs, and focusing more on 'service providers' rather than 'policy-makers'. These policies need to strengthen their outreach to the regions and final beneficiaries in order to enhance economic development and resilience in an inclusive and sustainable way. Besides focusing on these policy areas, youth and entrepreneurship will be addressed as transversal issues throughout the programme. The momentum and sustainability of the reforms initiated in employment and VET will be ensured, while at the same time, the programme will boost synergy and coordination of various national efforts for youth employability and entrepreneurship.

Building on the gains of ongoing initiatives, the new programme will go a step further into policy implementation, especially in the regions. Based on the existing policy documents and analyses, the new EU programme proposes three thematic components as follows:

**(1) 'Skills anticipation and matching'<sup>12</sup>:** There is a mismatch between labour demand and supply. An effective matching of labour supply and demand would be possible through a

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<sup>12</sup> The terms 'skills anticipation and matching' are used as generic terms to define all processes, mechanisms and actions in identifying current and future skill needs and matching labour demand with right skills. More specifically, the term 'skills



well-established anticipation system of current and future skills needs in the labour market. This information then feeds the matching services, as well as skills development and active labour market policies (ALMPs) and entrepreneurial programmes. The 2015 Labour Market Demand Survey done by the MoLHSA is not yet a regular practice as difficulties continue at methodological and regional levels, mainly due to inadequate institutional structure and capacity. In this regard, the business sector should be encouraged to identify their skills needs and inform the education and training system accordingly. The role of social partners and their participation in the process should be encouraged. The outreach to clients/beneficiaries of employment support services, career guidance and counselling and active labour market programmes has been limited in regions and rural areas as well as for the disadvantaged groups. The employment support services have only been recently re-established and a new service model is at the piloting stage. The institutional structures and human resources of the employment support services need further strengthening and increased awareness of the public is required on the availability of employment services. Overall career guidance and counselling services are needed to prompt different career options including wage employment, self-employment and entrepreneurship.

**(2) ‘Skills development’<sup>13</sup>:** There are four main challenges in VET: (i) meeting the demand for a medium-skilled work force; (ii) provision of core employability skills; (iii) improving the attractiveness and image of VET; and (iv) close cooperation with the private sector and its increased engagement in VET. The government's actions in the field of VET have been addressing primarily the public VET provision and therefore there is a lack of a holistic overview of the skills development system – e.g. fully recognising and incorporating the potential of private VET providers into the system and effectively coordinating/liasing with other public and civil society providers of skills development.

Given the importance of private providers in the Georgian context, addressing the public-private division of VET and developing one coherent and coordinated system, with clear and complementary roles of both public and private providers, is a first crucial step in increasing VET provision. Second, coordinating better with other providers of informal/ non-formal skills development is essential, but their quality needs to be substantially improved. As referred to in the recent youth survey, preference for higher education over VET is still predominant. Efforts need to continue to make VET a more attractive choice among learners and to inform the general public and businesses on VET offer. Third, further enhancement of cooperation with the private sector is essential in order to increase skills relevance and adaptability to the labour market. There are some good examples of successful interaction between VET and the private sector in the form of public private partnerships, development of work-based learning, but additional sound steps are required especially at local level. In addition, some cross-cutting themes need to be streamlined in all education levels and types, from secondary education to VET and higher education; e.g. career guidance and counselling, entrepreneurial learning and entrepreneurship key competence development, emphasis on

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anticipation’ stands for all attempts to capture current and future relationship of skill supply and demand and identify changing skill requirements of a country, sector or region for now and future. The term ‘skills matching’ covers all mechanisms and actions to improve the coordination of skill supply and demand in the labour market and reduce skill gaps and shortages.

<sup>13</sup> The term “skills development” is used here in preference to “vocational education and training (VET)”, given the broader coverage of the former. The term skills development covers all forms of knowledge, experience and ability learned by individuals in formal, non-formal and informal settings.

soft/ generic skills, language and digital skills, all of which are needed in a modern labour market.

The Education Management and Information System (EMIS) statistics and VET surveys reveal that the public VET system primarily absorbs the 20-29 age group, which are mostly graduates of upper secondary and higher education, while there is no information on the student profile of private VET provision. The VET teacher profession is not attractive and the majority of teachers are above 50 years old and lack competences in modern teaching methods and experience in the world of work. The programme will support the government's efforts in the implementation of professional development actions for teachers to make the profession more attractive and improve teachers' skills. Another challenge is the lack of sufficient lifelong learning (LLL) opportunities for adults and mechanisms for the validation of non-formal and informal learning (VNFIL). There is a need to better coordinate LLL activities as mentioned in different government strategies for a more effective use of resources, which the programme will address.

**(3) 'Entrepreneurship development':** Given the limited job creation in the Georgian economy and wide self-employment in subsistence agriculture, entrepreneurship development is a viable option for individual earnings and future economic development, as recognised in the government strategies. According to the business registers of Geostat, there are 652 046 firms as of 1 March 2017, but only 172 532 of them are economically active. The economy is dominated by micro, small and medium-sized enterprises (SMEs). While they constitute 96% of all active enterprises, they cover only 44% of employment and produce just 21% of GDP value added. Despite many positive steps taken recently to improve the business environment, create new agencies for SME support and introduce entrepreneurship modules in VET and higher education, Georgia needs to continue its efforts for entrepreneurship promotion including the development of entrepreneurship as a key competence and SME skills improvement. A well connected policy vision and a strategy for entrepreneurship key competence development in the education system should be supported by stimulating entrepreneurial culture and mind-sets of the wider population and setting up conditions for ensuring access to lifelong entrepreneurial learning opportunities for youth and adults. Special attention should be paid to improving teaching methods and skills of teachers. It requires integration of the entrepreneurship key competence<sup>14</sup> as one of the EU key competences into formal education particularly as regards upper secondary general education and VET to ensure the development of an entrepreneurial personality of students including skills, knowledge and attitudes by means of entrepreneurial learning<sup>15</sup>.

The programme will support measures to improve SME skills of VET and higher education institutions by offering specific entrepreneurship courses and entrepreneurship experience, thus widening future career opportunities of young people and adults, including disadvantaged groups and job seekers. This will build on and strengthen the existing practice of entrepreneurship training by using institutional networks more effectively to cater for the

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<sup>14</sup> There is a growing awareness that entrepreneurial skills, knowledge and attitudes can be learned and in turn lead to the widespread development of entrepreneurial mind-sets and culture, which benefit individuals and society as a whole. See EC (2016), *EntreComp: The Entrepreneurship Competence Framework*.

<sup>15</sup> All forms of education and training, both formal and non-formal, which contribute to an entrepreneurial spirit and entrepreneurial behaviour with or without a commercial objective (ETF, 2009).

needs of adult learners as well as students through entrepreneurship friendly career guidance. Particularly higher education institutions would, thus, increase their contribution to the development of the growth and innovation potential of the Georgian economy and creation of high-value jobs.

As for Georgia's breakaway region of Abkhazia, there is an extremely low capacity of VET providers in the development of new methodologies, standards and training programmes and their facilities are out of date as regards the learning environment. The VET system suffers from a low image and is not focused on the development of life and entrepreneurial skills which has resulted in a low engagement of youth in VET and very poor employability opportunities. There is a considerable need to develop cooperation schemes and dialogue with local employers and companies.

## **1.2. Other areas of assessment**

Based on the foregoing analysis and track record with EU budget support operations in the country, Georgia meets the eligibility criteria for a sector reform contract (relevant and credible VET, labour market, youth and SME sector policies, public financial management reform programme, stability oriented macroeconomic policy framework and budget transparency and oversight).

### **1.2.1. Fundamental values**

Fundamental values of democracy and human rights are protected by the Georgian Constitution, in line with international standards. Georgia is considered to be a country adhering to the rule of law, although improvement is still expected in the areas of enforcement of judicial decisions and the independence of the judiciary. Freedom House assesses Georgia as “partly free”. Georgia is given a score of 3/7 (1 being the most free) both for political rights and civil liberties.

### **1.2.2 Macroeconomic policy**

In 2015-2016 the macro-fiscal outlook deteriorated due to severe currency devaluations in trading partner countries (including Turkey, Ukraine and Azerbaijan) coupled with a parallel (less severe in comparison but still significant) devaluation of the Lari. This produced a two-fold negative impact on the economy and the Government finances: on one side the reduction of Georgian exports which has become less competitive; on the other side the dollar-denominated debt has become more expensive to service. This contributed to a slowdown of economic growth from 4.6% in 2014 to 2.9% in 2015. Following weaker than expected performance, Georgia's GDP growth was 2.7% for 2016, according to preliminary GEOSTAT data. In 2017, GDP growth is expected to pick up to 3.5% (growth reached 5% in 1<sup>st</sup> quarter).

Following cycles of appreciation and fall, the Lari started rising again vis-à-vis the US Dollar in February this year after reaching record lows in December 2016. The deterioration in the current account deficit (13.3% in 2016) has been partly compensated by a significant recovery of foreign direct investment (USD 1645.4 million in 2016). Yet, these increases have not been sufficient to cushion the effects on the economy of the currency depreciation and as a result external debt has increased quite markedly to a relatively high level of around 108% of GDP in 2016.

Inflation was low in 2016 (1.8% at end-December), but picked up in the first quarter of 2017 mainly due to excise increases (gasoline, tobacco, cars) reaching 5.4% in March 2017. In response to inflationary pressures, the National Bank increased interest rates up to 7% in 2017 (January +0.25% and May +0.25).

Following a long period of fiscal consolidation since 2009, the fiscal situation was fragile in 2015-2016, partly resulting from an increase in social spending (35% of the State budget) aimed at addressing the country's persistently high levels of poverty and inequality.

In order to return to fiscal consolidation path and counterbalance the effect of corporate income tax reform estimated at 1.5% of GDP, excise taxes were raised from January 2017, bringing an estimated 2% of GDP of additional revenues to the budget. In addition, administrative costs (salaries, operations and subsidies) are planned to be decreased by 10% across all line ministries. Taking those measures into account and despite a planned parallel increase in public investment (from 7% of GDP in 2016 to 8.2% of GDP in 2017 to finance large infrastructure projects) the government expects the budget deficit to narrow to 4.1% of GDP in 2017 and gradually decrease to 2.0% of GDP by 2020.

The government also plans to introduce financial sector reforms (pension reform, deposit guarantee scheme, capital market development) that should be incorporated in the medium term fiscal framework. Following government fiscal consolidation measures, on 12 April 2017, the Executive Board of the IMF approved a three year USD 285.3 million Extended Fund Facility for Georgia. This enabled the EU to disburse the second tranche of macro financial assistance worth EUR 23 million in May 2017.

Overall, and despite a deceleration in growth and some deterioration in the fiscal and balance of payments positions and in the debt indicators for last two years, Georgia's macroeconomic situation remains stable, showing early signs of a pick-up in the medium-term.

### ***1.2.3 Public Financial Management (PFM)***

There is no overarching Public Finance Management Strategy in Georgia. However, key government institutions – Ministry of Finance (MoF), State Audit Office (SAO) and the Budget and Finance Committee of the Parliament – have medium term policy documents and action plans for 2014-2017. Strategic documents take the 2012 PEFA findings as a baseline while reform milestones were being developed through inclusive policy dialogue processes via the EU Public Finance Policy Reform (PFPR) programme and in line with Georgia's commitments of the Association Agreement.

The Public Finance Management Reform Strategy (PFMRS) 2014-2017 of the Ministry of Finance was approved by decree No 142 of the Minister of Finance on 7 May 2014, and replaced the PFM Reform Policy Vision 2009-2013. An updated PFM strategy is being developed on the basis of the updated PEFA which is being undertaken by the Ministry of Finance and should be available in 2018 once the PEFA has been concluded.

The PFM Reform Strategy 2014-2017 defines the following five goals for PFM Reform:

Priority 1- Maintaining fiscal discipline and improving fiscal forecasts; Priority 2- Improvement of state finance planning; Priority 3- State Funds Management, Accounting and Reporting; Priority 4- Reforms in the Sphere of Internal Audit and Control; and Priority 5- Development of State Electronic Services in Public Finances.

In 2015-2016 new components were added to the Action Plan reflecting the commitments taken under the EU-Georgia Association Agenda as well as incorporating the World Bank's Public Expenditure Review (PER) recommendations. Actions are envisaged for harmonising VAT and excise legislation with the EU acquis, as well as for creating mechanism for investment projects selection and implementation. In 2016 the Cabinet of Ministers approved the guidelines for identification, evaluation, prioritisation, and funding of Public Investment Projects to make sure that investment planning is aligned with medium to long term national economic and social priorities. Proposed projects with a value above GEL 5 million should undergo a feasibility study and cost-benefit analysis. Strategies, Action Plans and complementary actions by the Georgian authorities demonstrate a direct and explicit targeting of identified weaknesses and tangible actions in practice.

The Georgian State Audit Office fulfils the role of Supreme Audit Institution in Georgia. The SAO has a Strategic Plan, covering the period 2014 to 2017, and (with reference to the EU PFPR) aims to continue the work of establishing the SAO as a credible and independent SAI. The State Audit Office submits its opinion to the Parliament on the draft budget (November) and annual execution report (June). The SAO also conducts financial and compliance audits of budgetary organisations. Audit opinions and reports are available online and accessible to the public. During recent years use of SAO reports by member of the Parliament and media has increased (one of the benchmarks of the PFPR programme).

The Parliamentary Budget Office has developed a Strategic Plan (2015–2018) for further development of the Budget Office as an independent and expert entity guided by international standards and practices. The Budget and Finance Committee of the Parliament publishes quarterly work plans that are available on the Parliament website and informs on the participation of Parliament designated staff to the PFM Reform Coordination Council.

Overall monitoring of the PFM Reform Strategy is undertaken by the Coordination Council for the Implementation of the PFM Reform Strategies for 2014-17, chaired by the MoF. The implementation of the PFM strategies is done through annual Action Plans that are developed by the State Audit Office, MoF and the Budget and Finance Committee of the Parliament. Progress on implementation is reviewed and reported by the PFM Coordination Council at quarterly meetings, chaired by a Deputy Minister for Finance, which are open to the public, NGOs and donors.

A PEFA self-assessment is under preparation and it will take stock of already implemented reforms based on the updated methodology. It will be used as the basis to develop future PMF Action Plans. The MoF anticipates publishing the assessment by end 2017 once the quality check has been finalised and the final report validated by the PEFA Secretariat.

#### ***1.2.4 Transparency and oversight of the budget***

Georgia's PFM Reform Strategy Action Plans for 2015-2017 entail budget transparency objectives. Georgia's ranking in the 2015 Open Budget Survey was 16 among the 102 countries included in the survey – a significant improvement from its position of 33 in the 2012 survey. Its score places it among a grouping of high-scoring countries classified as substantially transparent. Following-up on the International Budget Partnership (IBP) recommendation, Georgia published in 2016 a Mid-Year Budget review. In December 2016 the IBP published an update stating that Georgia makes "eight of eight key budget documents publicly available online in a timeframe consistent with international standards".

As part of the Public Finance Policy Reform programme, MoF prepares and makes a 'Citizen's Guide to the Annual Budget' in Georgian and English publicly available on the MoF website which invites citizens to take part in budget planning and defining budget priorities. Access to information has been improved in the 2017 Citizen Guide.

The strategic goals of the State Audit Office Strategy for 2014-2017 are geared towards ensuring greater transparency and oversight: (1) Support the parliamentary oversight over the government through audit work; (2) Support government reforms aimed at improving government accountability; (3) Promote transparency and accountability in political party financing. In addition, with EU support, the Budget Office of the Parliament was established as an independent financial institution in 2014 which provides independent advice to the Parliament on the fiscal and macro-economic environment.

In order to strengthen the accountability mechanism, the PFPR programme has helped the Government to establish a follow-up mechanism to the SAO recommendations. The report on progress of implementing recommendations is annexed to the annual budget execution report submitted to the Parliament in May. The Parliament holds hearings on the SAO's annual report as well as the report on the execution of the State budget at its spring plenary sessions.

Important milestone for the EU-Georgia policy dialogue is enhancing the legal independence of the SAO and removing the responsibility for the monitoring of political party expenditures, which is incompatible with INTOSAI rules.

The World Bank's recommendations for strengthening public investment management and external oversight have been accepted and incorporated into the 2016 and 2017 PFM Action Plans.

## 2 RISKS AND ASSUMPTIONS

<b>Risks</b>	<b>Risk level (H/M/L)</b>	<b>Mitigating measures</b>
(1) Macroeconomic instability, economic/financial crisis and/or poor public finance management disallows the budget support modality	L/M	Continuous contacts with Georgian government; reinforced economic/financial monitoring and other supportive measures
(2) Delays in the start and implementation of complementary measures (technical assistance, twinning, grants)	L	The EU Delegation takes timely actions to launch tenders and calls for proposals to alleviate possible delays
(3) High turnover of civil service staff of the line ministries and agencies involved and low absorption and implementation capacity	L/M	Continuous policy dialogue with Georgian government, including all relevant line ministries, reinforced analyses, surveys and regular monitoring and evaluation of policy implementation; identification of key supportive measures, development of enabling policies and remedial actions
(4) Low (or lack) of employers' engagement in skills anticipation,	L/M	Continuous involvement of private sector representatives and social partners through the

matching and skills development policies and their implementation		National VET Council, Tripartite Commission and M&E of the programme; awareness raising and engagement of the private sector and social partners in all actions, exposure to international practice, cost-benefit analyses
(5) For Georgia's breakaway region of Abkhazia: tensions and sensitivities relating to status issues result in possible restrictions or complete cancellation of implementation	M	Continuous political contacts with the Georgian government; conflict-sensitive implementation of grants based on conflict analysis and identification of remedial actions
<b>Assumptions</b>		
The government continues supporting and funding all the strategies covered by the programme and will continue monitoring their implementation involving actively key stakeholders, civil society and donor community representatives. The government continues investing and effectively monitors the new employment services model and gradually rolls it out.		
The government includes all relevant line ministries, social partners and civil society in a steering committee, which continues to be the main platform for policy dialogue and inter-agency cooperation and monitoring of the programme.		
The MoES continues to register both public and private VET providers in a comprehensive database (EMIS).		
For Georgia's breakaway region of Abkhazia: geo-political conditions remain in place for the implementation of grants		

### 3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

#### 3.1 Lessons learnt

The ongoing Employment and Vocational Education and Training (EVET) sector reform contract (2013-2018) tackles the nexus between VET and employment. The interim evaluation of the EVET conducted in 2016 highlighted the important achievements, but also the key issues to be addressed in the coming years. The EVET enhanced cooperation between VET and various public and private bodies active on the labour market, although those links are very limited at meso- and micro levels especially in the regions. The EVET contribution to increase the attractiveness of the VET system to potential students and employers was significant, although there is still a need to foster awareness about improved VET and employment services to the wider public and to increase access to quality VET and employment service provision.

The main lesson learned from the current programme is to move the focus from policy development to policy implementation targeting more 'service providers' rather than 'policy-makers'. Therefore, the new programme will pay special attention to (i) the comprehensiveness of support to different state and non-state beneficiaries, especially to disadvantaged groups (IDPs, ethnic/religious minorities, persons with disabilities (PwDs), etc.), (ii) shift concentration from the policy/macro level to meso- and micro levels with tailor-made activities in the regions; (iii) strengthening the links between VET, public and private actors active on the labour market in the regions; (iv) targeted support in Georgia's breakaway region of Abkhazia based on the lessons learned from IcSP/COBERM .

The programme will take into account the successful experience of the US government funded Millennium Challenge Corporation (MCC), notably in the grant scheme fostering public-private partnerships in skills development. The programme will continue engaging other donors and civil society in monitoring and steering as they have been part of the EVET Council.

### **3.2 Complementarity, synergy and donor coordination**

The programme will be complementary to the ongoing and upcoming EU budget support operations, such as (a) support to Public Administration Reform (PAR), in activities related to improved policy planning and coordination capacities in the beneficiary ministries of this programme; (b) support to SMEs in activities linked to entrepreneurship support. It will be in synergy with the upcoming EU programme on Economic and Business Development in Georgia, especially in activities related to entrepreneurship for job creation (focusing on the same regions) and to enhance the capacities of key institutions to deliver better services to businesses. Complementarity and synergy will be ensured through the EU-Georgia coordination and monitoring mechanisms.

This programme is in line with the joint programming Fiche on Human Capital Development elaborated for the SSF 2017-2020 with representatives of the EU Member States Embassies in Georgia and coordinated with other non-EU donor community such as the Millennium Challenge Corporation (MCC), USAID, International Financial Institutions (European Bank for Reconstruction and Development (ENBRD), World Bank) and UN agencies (see the list on donor coordination and complementarity in Appendix 2). This exercise aimed at mapping the ongoing and planned interventions in the relevant fields covered by the SSF.

In addition to the EU, the main donors supporting education and the training sector in Georgia are the MCC, SDC (Swiss Agency for Development and Cooperation)/UNDP (United Nations Development Programme) and GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit). Their ongoing programmes will phase out by 2019/2020. Donor cooperation is particularly active in VET and regular monitoring and coordination meetings are organised and led by the Ministry of Education and Science. This programme builds on good practice, results and actions of the other donors. The programme is consistent and in line with EU regional programmes such as EU4Youth and Erasmus+ as well as with the regional activities implemented under the Eastern Partnership (EaP) Platforms. The Government's donor coordination is led by the Division within the Department for Political Analysis, Strategic Planning and Coordination (AoG), which has overall responsibility for the coordination of external assistance. The coordination of EU assistance remains with the EU Assistance Coordination Department/Programme Administration Office (PAO) in Georgia, within the Office of the State Minister of Georgia for European and Euro-Atlantic Integration. The Budget Department of the Ministry of Finance has specific responsibility for the oversight of EU-funded budget support programmes. At the level of the line ministries the quality of donor coordination process varies: The MoES is more advanced and experienced in donor coordination compared to the MoLHSA. The MoESD recently has made certain efforts in donor coordination. The EU Delegation ensures co-ordination with EU Member States through regular meetings, inviting Georgian authorities to attend them. The EU Delegation also coordinates and chairs sectoral donor co-ordination groups in a variety of sectors such as governance, human capital development, rule of law and justice. Donor coordination for Abkhazia is mostly done by the UNDP via the Joint Consultative Forum and the Ambassadorial Working Group in Tbilisi, and as *primus inter pares* at the Abkhaz Strategic



Partnership in Georgia's breakaway region of Abkhazia, which brings together UN agencies and international NGOs.

### **3.3 Cross-cutting issues**

There is no quantitative gender inequality in general education while more females enrol in tertiary education. In VET slightly more males enrol than females (GEOSTAT 2016). Due to occupational stereotypes, there is a high degree of gender segregation by fields of studies. There is a big difference (15-20 percentage points) in activity and employment rates between men and women. The share of the inactive population due to domestic responsibilities is very high among women (UNDP 2015). The NEETs rate is higher among females. Women in rural areas, particularly ethnic/religious minorities, are more disadvantaged than urban ethnic Georgian women. Both youth and women are special target groups for budget support and complementary measures in this programme.

Furthermore, there is a high disparity between the regions as well as urban and rural areas. Job and education opportunities are better in urban areas and Tbilisi. Overall, 12% of the population is below the minimum poverty line and they are recipients of targeted social assistance (TSA). Difficulties faced by people with disabilities (PwD) are addressed by the government offering special quota in access to education, VET and employment support services.

The objective of gender equality, to which Georgia is committed in its national policies as well as through its international commitments, is embedded in this programme at national policy level by disbursement indicators that include sex and region specific targets where important differences exist. Complementary measures, in particular as regards capacity building for data gathering and awareness raising activities, will be designed to include gender aspects. At final beneficiary and local level, the grant schemes and the specific support to Georgia's breakaway region of Abkhazia will target females and males and the disadvantaged regions in equal manner. This will be reflected in the grant scheme guidelines for proposals both for eligibility and evaluation criteria of the proposals.

Although environment and climate change aspects are not directly addressed by this programme, issues such as increased awareness on environmental protection and the importance of the green economy, in particular green skills and green jobs, will be taken into account in the design and implementation of all programme actions.

All activities under this programme will be designed and implemented in accordance with principles of good governance and human rights, gender equality and the inclusion of socially or economically deprived groups. The programme aims at enhancing equally the employability of Georgian women and men, while specific focus is given to youth and NEETs and the regions. Vulnerable groups such as ethnic/religious minorities, PwDs, the beneficiaries of the TSA, IDPs, and persons with special education needs (SEN) will be targeted according to the objectives of national policies which the programme is supporting.

The Policy Planning Framework adopted by the AoG in 2015-2016 requires a more inclusive approach in policy development and implementation. Civil society representatives are involved in the monitoring and coordination of VET related policies. They are members of the NVETC, which has a quadripartite nature. In addition, NGOs will have an opportunity to monitor and watchdog the implementation of the respective policies via the actions funded by the call for proposals envisaged within this programme.

## DESCRIPTION OF THE ACTION

### 4.1 Objectives and results

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 4.3-4.5<sup>16</sup> 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 2017-2020<sup>17</sup>.

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 two<sup>18</sup> 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 programme<sup>19</sup>. 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.

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-Kartli<sup>20</sup>).

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<sup>16</sup> 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.

<sup>17</sup> Single Support Framework for EU support to Georgia (2017-2020), June 2017.

<sup>18</sup> As per agreement between the EU and Government of Georgia, four focus regions (Imereti, Kakheti, Guria, Racha-Lechkhumi) have been selected for comprehensive support under SSF 2017-2020

<sup>19</sup> Guria, Racha-Lechkhumi

<sup>20</sup> Two regions: Guria and Racha-Lechkhumi have been additionally selected for support through complementary measures component of this programme

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 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.

## **4.2 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.

### **4.2.1 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 development<sup>21</sup>.

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	<b>Total</b>
Type of tranche						
Fixed tranche	4.0	3.0	2.0	1.0	1.0	<b>11.0</b>
Variable tranche		2.0	4.0	6.0	7.0	<b>19.0</b>
<b>Total</b>	<b>4.0</b>	<b>5.0</b>	<b>6.0</b>	<b>7.0</b>	<b>8.0</b>	<b>30.0</b>

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

**4.2.2. 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

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<sup>21</sup> See Appendix 1 for additional information.

**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 (MoLHSA, MoES, MoSY, MoESD) 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 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 MoLHSA 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 5.9 and 5.10.

### **4.3 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
<b>Themes</b>	<ul style="list-style-type: none"> <li>• LMIS/anticipation</li> <li>• ALMPs delivery</li> <li>• Career Guidance and Counselling</li> <li>• Public Employment Services</li> <li>• Labour policy, legislation</li> </ul>	<ul style="list-style-type: none"> <li>• VET provision development</li> <li>• Lifelong learning</li> <li>• Quality Assurance</li> <li>• Work-based learning and PPP</li> <li>• Teacher and headmasters training</li> </ul>	<ul style="list-style-type: none"> <li>• Entrepreneurial learning</li> <li>• Entrepreneurship key competence</li> <li>• Entrepreneurship training</li> </ul>
<b>Cross-cutting themes</b>	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.

## 5 IMPLEMENTATION

### 5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

### 5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of entry into force of the financing agreement. Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

## **5.3 Implementation of the budget support component**

### **5.3.1 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.

### **5.3.2 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.

### **5.3.3 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.

## **5.4 Implementation modalities**

### *5.4.1 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

2<sup>nd</sup> trimester 2019.

*5.4.2 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 MoLHSA 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%<sup>22</sup>.

(e) Indicative timing to launch the call  
2<sup>nd</sup> 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.

*5.4.3 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. 1268/2012<sup>23</sup>, 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.

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

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<sup>22</sup> As provided for in the Twinning Manual.

<sup>23</sup> 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.

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:

3<sup>rd</sup> trimester 2018.

#### 5.4.4 Procurement (direct management)

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

#### 5.4.5 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 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 5.4.6.

#### *5.4.6 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 5.4.5, these activities would be integrated in the call for proposals described in section 5.4.1, by broadening the scale and funding of the grants.

### **5.5 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.

### **5.6 Indicative budget**

	<b>EU contribution (in EUR)</b>	<b>Indicative third party contribution (in EUR)</b>
5.3 - Budget Support - sector reform contract	30 000 000	N.A.
5.4.1 – Grants call for proposals (direct management)	7 000 000	1 750 000
5.4.2 - Grants: up to two twinning calls for proposals (direct management)	3 000 000	N.A.
5.4.3 - Grant: direct award (direct management)	1 000 000	250 000
5.4.4 – Procurement (direct management)	4 500 000	N.A.
.5.4.1.4 – Indirect management with UNDP	2 750 000	N.A.
5.9 – Evaluation	300 000	N.A.

5.10 - Audit		
5.11– Communication and visibility	300 000	N.A.
<b>Totals</b>	<b>48 850 000</b>	<b>2 000 000</b>

### 5.7 Organisational set-up and responsibilities

The MoES 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 MoES 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: MoES, MoLHSA, 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.

### 5.8 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 <sup>nd</sup> Tranche	2019	1 <sup>st</sup> quarter 2020
3 <sup>rd</sup> Tranche	2020	1 <sup>st</sup> quarter 2021
4 <sup>th</sup> Tranche	2021	1 <sup>st</sup> quarter 2022
5 <sup>th</sup> Tranche	2022	1 <sup>st</sup> 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).

## **5.9 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.



## **5.10 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.

## **5.11 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 - INDICATIVE LIST OF RESULT INDICATORS (FOR BUDGET SUPPORT)<sup>24</sup>

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)**

	Intervention logic	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification
Overall objective: Impact	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

<sup>24</sup> Indicators aligned with the relevant programming document are marked with '\*' and indicators aligned to the EU Results Framework with '\*\*'.

Specific objective(s): Outcome(s)	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
Induced outputs	<b>1. Relevant skills-matching services accessible in the selected regions</b>				
	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)	
	<b>2. Relevant lifelong learning skills provision in the selected regions with a focus on youth</b>				
	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"> <li>non-formal entrepreneurship education</li> <li>career guidance</li> </ul>	Baseline 2016	5% increase from the baseline (2020)	MoSYA, MES, SSA, GITA administrative data
Baseline 2016			5% increase from the baseline (2021)		

	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, MES 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
<b>3. Entrepreneurial learning and entrepreneurship training opportunities accessible in the selected regions</b>				
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 MoES

## 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, MoES, MoLHSA, MoSYA, 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:

<b>Partners</b>	<b>Funded programmes</b>	<b>Timetable</b>
<b>Labour Market</b>		
Austria (ADA)	Education for strengthening and stabilising Labour Rights – Trade Union School of Georgia	07/2016-06/2018
<b>Education and Science</b>		
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, MoES 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
<b><u>Main non-EU donors</u></b>		
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
<b><u>International Financial Institutions</u></b>		
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	2014-2017
	Georgia National Innovation Ecosystem (GENIE) Project (USD42 million) – project includes a component supporting education for knowledge economy and innovation hubs (fablab incubators)	2016-2021