

APPENDIX 1: PERFORMANCE CRITERIA AND INDICATORS USED FOR DISBURSEMENT (BUDGET SUPPORT)

The Conditions / Policy Measures set out in Appendix 2 are based on achievable and objectively verifiable indicators. They reflect commitments made by the Government of Georgia as part of (i) the Labour Market and (ii) Vocational Education and Training Strategies and represent progressive steps towards the realisation of the objectives of these strategies.

Conditions and indicators related to the management of the reforms are included in a General Condition on Sector Policy and Strategy. Compliance with all four General Conditions – related to management of Public Finance Policy, Sector Policy and Strategy, Macroeconomic stability, and Budget oversight and transparency – will result in the release of the fixed tranche for each instalment. Compliance with the General Conditions is a pre-requisite for the assessment of compliance with the Specific Conditions, which shall allow the disbursement of the variable tranche of each instalment.

Failure to fulfil the General Conditions attached to the fixed tranche (see Appendix 2, Section 3) will result in the irrevocable loss of the entire instalment, including its variable component.

The Specific Conditions (as detailed in Appendix 2) are related to 3 different priority policy areas:

- Effective Labour Market management
- Improved quality of VET system
- Efficient transition from training into employment

These areas have been chosen carefully on the basis of various criteria:

- A declared priority of the Government of Georgia, the EU and/or the ENP Action Plan
- A background of EU support to the Sector
- No significant presence of other donors in order to avoid overlap and duplications
- Synergies with other programmes/actions financed by the EU

More specifically the indicators for the 3 priority policy areas are:

Component 1: Effective Labour Market Management

R1.1 Reliable and sustainable Labour Market Information and forecasting

- A Sustainable Labour Market Information System (LMIS)) is established, with the involvement of all relevant stakeholders which provides quantitative and qualitative

labour market forecasts, disaggregated by gender, occupation, sector and region (as appropriate), and which supports anticipation and matching of skills supply and demand.

R1.2 Improved quality of Employment Support Services

- The institutional and human resource capacities of the public Employment Support Services (ESS) have been strengthened, measured by the range and quality of services provided, the number of pilot labour market measures introduced.

Component 2: Enhanced Quality and relevance of VET System

R2.1. Enhanced matching of skills provided by the VET system with the needs of the labour market

- Occupational standards are regularly updated in line with the needs of the labour market and with the National Qualifications Framework (NQF).
- Existing VET curricula revised and new VET curricula developed for occupations in line with the needs of the labour market.

R2.2 Improved quality of VET qualifications

- Improved system of VET teacher career development, and initial and continuing teacher training, measured by number of persons entering the profession, length of service, and number of teachers trained.
- Revised National Qualifications Framework (NQF) is established, based on the findings of the NQF evaluation and inputs from the labour market information system, and proposals from sector and employers' organisations.
- Non-formal learning recognition systems are developed, notably through the revision of the NQF.
- Continuing education and short, flexible and tailor-made VET pathways are offered, in particular within active labour market measures and programmes.

Component 3: Efficient Transition from Training into Employment

R3.1 Efficient transition from training to employment

- A system of career guidance, based on a reliable Labour Market Information Management System (LMIMS) and labour market forecasts and studies, is established in educational institutions and employment services, and is supported by a dedicated, user-friendly web-portal to which the public has access.
- Improved traceability of VET graduates entering into employment (wage and self-employment) or in internships in companies within a maximum of 15 months after graduation.

- Elements of the active learning methods and work-based learning are embedded in the VET system.

R3.2 Increased awareness of VET amongst potential students and employers

- Enhanced awareness of VET amongst young people/adults, measured by an increase of VET students applications.
- Improved standing and credibility of VET qualifications amongst employers.

R3.3 Enhanced social partnership

- Revised, operational and effective social partnership model resulting in the establishment of sustainable, functional partnerships between training institutions and businesses.
- Increased participation of employers, employers' and employees' associations in defining skills needs, designing VET curricula, and supporting the transition from education and training to employment.
- Enhanced availability of apprenticeships and on-the job training schemes for VET graduates.

APPENDIX 2: DISBURSEMENT ARRANGEMENTS AND TIMETABLE (BUDGET SUPPORT)

1. Responsibilities

On the basis of the conditions for disbursement set out in this Financing Agreement, the Ministry of Finance of Georgia shall make a formal request to the European Commission for each tranche disbursement on the dates set out in the Table 3 and including: (i) the fullest possible analysis and justification for the release of the funds, including all necessary supporting documentation and (ii) a duly signed Financial Identification Form in order to facilitate subsequent payment.

The first instalment of EUR 3 million will be released upon signature of the Financing Agreement and subject to compliance with the General Conditions for tranche release specified in Table 2. However, in relation to public policy (Employment and VET policy) compliance is only required with regard to sub-condition 3. For all subsequent tranche releases compliance with all General Conditions is required.

2. Indicative disbursement timetable

TABLE 1: Summary indicative disbursement timetable in EUR millions

Tranche type	2014				2015				2016				2017				Total
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Fixed Tranches		3.0				1.0				1.0				1.0			6.0
Variable Tranches		0.0				3.0				4.5				6.5			14.0
COMPONENT 1: Effective Labour Market management																	
R1.1 Reliable and sustainable labour market information and forecasting						0.3				0.5				1.0			1.8
R1.2 Improved quality of Employment						0.2				0.5				1.0			1.7

Support Services																	
COMPONENT 2: Enhanced quality and relevance of VET system																	
R2.1 Enhanced matching between the skills provided by VET system and the needs of labour market						0.5				0.5				1.0			2.0
R2.2 Improved quality of VET qualifications						0.5				1.0				1.0			2.5
COMPONENT 3: Efficient transition from training into employment																	
R3.1 Efficient transition from training to employment						0.5				0.5				1.0			2.0
R3.2 Increased awareness of VET amongst potential students and employers						0.5				1.0				1.0			2.5
R3.3 Enhanced social partnership						0.5				0.5				0.5			1.5

TOTAL		3.0				4.0				5.5				7.5			20.0
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3. General conditions for tranche release

The General Conditions for tranche release set out below shall apply to the disbursement of all tranches and all requests for tranche release shall be accompanied by supporting information on that matter.

TABLE 2: GENERAL CONDITIONS FOR TRANCHE RELEASE

AREA	CONDITION	SOURCE OF VERIFICATION
EMPLOYMENT AND VET POLICY	Satisfactory progress in the review and implementation of relevant and credible medium-term Labour Market and VET reform strategies: 1. The Ministry of Labour, Health and Social Affairs: Monitors, updates, assesses and publishes on its web-site a relevant and credible medium-term Labour Market reform strategy together with the costed Action Plan, reflected in the Ministry's annual budget proposal to be submitted to the Ministry of Finance, and subsequently as part of the Basic Data and Directions Document to the Government of Georgia and in the annual budget law to the Parliament 2. The Ministry of Education and Science: Monitors, updates, assesses and publishes on its web-site a relevant and credible medium-term VET reform strategy together with the costed Action Plan reflected in the Ministry's annual budget proposal to be submitted to the Ministry of Finance, and subsequently as part of the Basic Data and Directions Document to the Government of Georgia and in the annual budget law to the Parliament 3. Employment-VET	MoLHSA Labour Market Strategy and Action Plan for 2014-2017 Government of Georgia/MoLHSA budget proposal MoLHSA Annual Reports (2015, 2016, 2017 on implementation of the Labour Market Strategy Action Plan, including statistical data linked to the indicators included in the Action Plan MoES VET Strategy and Action Plan for 2014-2017 Government of Georgia/MoES budget proposal MoES Annual Reports (2015, 2016, 2017 on implementation of the VET Strategy Action Plan including statistical data reflecting the achievement of the indicators included in the Action Plan MoLHSA and MoES web-sites Minutes of Employment-VET Coordination Council Annual reports VET-Employment Council

	Coordination Council established to steer the present programme and meets at least quarterly to monitor strategy implementation	
MACRO-ECONOMIC STABILITY	Government of Georgia maintains stability oriented macroeconomic policies	IMF, WB & EU Reports
PUBLIC FINANCE MANAGEMENT	Satisfactory progress in the implementation of the public finance management reform programme	PFM Reform Coordination Council meeting minutes EU PFM Reports MoF, SAO reports on PFM action plan implementation
TRANSPARENCY AND OVERSIGHT OF THE BUDGET	The Georgian authorities (the Government, the Parliament and the State Audit Office) maintain and/or progress with regard to the public availability of accessible, timely, comprehensive, and sound budgetary information	Open Budget Index IMF, WB & EU Reports

1. Specific Conditions for tranche release

The Specific Conditions for tranche release apply to individual tranches in addition to the General Conditions which are applicable to all tranches.

TABLE 3: SPECIFIC CONDITIONS FOR TRANCHE RELEASE

Tranche	Amount	Indicative disbursement request date Quarter/Year	Indicative disbursement date Quarter/Year	Condition/Criteria/Activity for disbursement	Sources of Verification
Second Fixed Tranche	EUR 1 million	Q1/2015	Q2/2015	General Conditions set out in TABLE 2 above	
First Variable Tranche	EUR 3 million	Q1/2015	Q2/2015	General Conditions set out in TABLE 2 above	
COMPONENT 1: EFFECTIVE LABOUR MARKET MANAGEMENT					
				R1.1 Reliable and sustainable labour market information and forecasting R1.1.1 Institutional setting for Labour Market Information System (LMIS) model defined and approved by the responsible government entity R1.1.2 Detailed concept and action plan for implementation of LMIS (including at least the objectives, with accent on skills anticipation and matching, users, methods and tools, reporting and data; links with National Statistics Office of Georgia, as well as with MoES, Ministry of Economy and Sustainable Development and other relevant institutions) defined and approved by the responsible government entity(ies)	Ministerial Decision establishing institutional setting for LMIS. Ministerial Decision approving LMIS Concept Ministerial Decision approving Action Plan for implementation of LMIS

				R1.2 Improved Quality of Employment Support Services R.1.2.1 Action Plan for further development of Social Services Agency's Employment Support Services is prepared and approved by the responsible government entity(ies)	Ministerial Decision approving Action Plan for ESS
COMPONENT 2: ENHANCED QUALITY AND RELEVANCE OF VET SYSTEM					
				R2.1 Enhanced matching of skills provided by the VET system with the needs of the labour market R 2.1.1 At least two new VET curricula developed according to the adopted approach (e.g. modular approach) and agreed with the responsible government entity(ies)	Approval by National Centre for Educational Quality Enhancement or relevant body on newly developed VET curricula
				R2.2 Improved quality of VET qualifications R2.2.1. Concept and Action Plan for improving VET system of teacher development, including provisions for recruitment, induction, career development / training defined and approved by the responsible government entity(ies)	Ministerial Decision adopting Concept and Action Plan

				R2.2.2 Revised legal and regulatory framework governing teacher development in the VET Sector defined and approved by the responsible government entity(ies) R2.2.3 Independent NQF evaluation conducted and related report together with recommendations, including those referring to non-formal learning, is published	Ministerial Decision adopting regulatory framework governing teacher development in the VET Sector Minutes of National VET Coordination Council recording discussion and endorsement of evaluation report Ministerial Decision approving evaluation report
COMPONENT 3: EFFICIENT TRANSITION FROM TRAINING INTO EMPLOYMENT					
				R3.1 Efficient transition from training to employment R3.1.1 Lifelong career guidance and counselling concept and methods adopted (including as minimum objectives, target audiences, institutional arrangements, career guidance tools; links with LMIS; articulation with employment support services and education and training system) defined and approved by the responsible government entity(ies)	Ministerial Decision adopting career guidance concept and methods

				R3.1.2 A Tracer Study, covering the public VET institutions Graduates from academic year 2012/2013 is established and produced annually for the following years	Annual Tracer Study published
				R3.2. Increased awareness of VET amongst potential students and employers R3.2.1 Independent and representative satisfaction survey for VET students conducted and results available R 3.2.2. Independent and representative baseline study on status and credibility of VET qualifications amongst employers conducted and results available	Report of Satisfaction survey for VET Students including an explanation of the methodology used Report of baseline including an explanation of the methodology used
				R3.3. Enhanced social partnership R3.3.1 Revised framework for enhanced social partnership in VET, including reference to work-based learning, and systemic and regular participation in VET policy cycle is elaborated and adopted	Ministerial Decision approving social partnership framework Minutes of the NVETC indicating approval of the

				R3.3.2 Action Plan for enhanced industry engagement drafted with social partners and approved	framework by employers' organisations and trade unions. Memorandum of Understanding between Ministry and social partners approving the Action Plan
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Third Fixed Tranche	EUR 1 million	Q1/2016	Q2/2016	General Conditions set out in TABLE 2 above	
Second Variable Tranche	EUR 4.5 million	Q1/2016	Q2/2016	General Conditions set out in TABLE 2 above	
COMPONENT 1: EFFECTIVE LABOUR MARKET MANAGEMENT					
				R1.1. Reliable and sustainable labour market information and forecasting R1.1.1 Minimum of two pilot labour market studies (e.g. 1 employers' survey and 1 qualitative sector study) completed and published. R1.1.2 VET statistics published annually by responsible government entity disaggregated at least by: gender, occupation (or equivalent in the Georgian classification), level of NQF, region, VET provider.	Studies Annual VET statistical publication VET enrolment and completion rates

				R1.2. Improved Quality of Employment Support Services R1.2.1. Concept of active labour market policy, taking into consideration relevant EU practice / policy, defined and approved by the responsible government entity(ies). The concept should include at least: a) objectives and main target groups; b) measures to increase the efficiency of the matching process and measures to raise the productivity and skills of participants, e.g. job seekers, in particular flexible and tailored training for employment; c) approach to monitor effectiveness of the policy). R1.2.2 Central ESS fully operational as measured by following components of ESS: • Feedback module is operational, • data collection and preservation module, is operational ; • statistical data processing is operational; • analysis and current tendencies module is operational;	Ministerial Decision approving active labour market policy concept Site visit Statistical data Ministerial order/ Order of the Head of the responsible governmental agency Feedback, Data collection and preservation, statistical data processing, analysis and current tendencies Modules
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COMPONENT 2: ENHANCED QUALITY AND RELEVANCE OF VET SYSTEM					
				R2.1 Enhanced matching of skills provided by the VET system with the needs of labour market R2.1.1 At least two new VET curricula designed according to adopted approach (e.g. modular approach) and in line with the NQF and approved by the responsible government entity (ies)	Approval by National Centre for Educational Quality Enhancement or relevant body on VET curricula
				R2.2 Improved quality of VET qualifications R2.2.1 At least 30% of VET teachers participate in planned teacher professional development programmes / actions R2.2.2 Revised NQF takes into consideration formal and non-formal learning, and includes updated list of vocational qualifications. An improved online catalogue of occupational standards is approved and published, and disseminated for users	Report from VET Teachers' Professional Development Centre (TPDC) Post-training questionnaires Ministerial Decision Online catalogue of occupational standards Information on NQF developments for users (Media, minutes of meetings and others)

COMPONENT 3: EFFICIENT TRANSITION FROM TRAINING INTO EMPLOYMENT					
				R3.1. Efficient transition from training to employment R3.1.1 Career Guidance and counselling manual available through dedicated web portal R3.1. 2 New career guidance and counselling scheme piloted in at least 18 public VET institutions and 5 centres of ESS	Web portal Reports from pilot institutions MoLHSA and MoES Annual Reports
				R3.2 Increased awareness of VET amongst potential students and employers R3.2.1. Increased number of VET applicants over the period by 5% comparing to baseline data of 31.12.2013 R3.2.2 Positive feedback on VET qualifications amongst employers	Data on VET applicants Feedback from social partners, VET providers
				R3.3 Enhanced social partnership R3.3.1 Concept for the development of elements of work-based learning (WBL) in the national context is elaborated, published and discussed with stakeholders (including at least: objectives, forms of WBL, online access to list of WBL opportunities for learners and businesses, mentoring in-companies, learners' assessment, link with employment, monitoring)	Ministerial Decision approving Concept for elements of work-based learning Concept approved by Ministry and social partners

				R3.3.2 Information on practical training places / opportunities in companies and organisations accessible for users (e.g learners, VET institutions) is publicly available R3.3.4 Increased opportunities of trainings in businesses / companies (at least in 2 qualifications) for VET teachers from public VET institutions are available	Information base on practical training in companies (online or other formats) Progress reports/evaluation reports of pilot work-based approach initiatives Learners' files defining training objectives, content, performance Post-training reports
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Fourth Fixed Tranche	EUR 1 million	Q1/2017	Q2/2017	General Conditions set out in TABLE 2 above	
Third Variable Tranche	EUR 6.5 million	Q1/2017	Q2/2017	General Conditions set out in TABLE 2 above	
COMPONENT 1: EFFECTIVE LABOUR MARKET MANAGEMENT					
				R1.1 Reliable and sustainable labour market information and forecasting R1.1.1 Action Plan for implementation of LMIS concept has been implemented R1.1.2. Annual LMIS reports of skills supply (including annual VET statistical reports disaggregated at least by: gender, occupation (or equivalent in the Georgian classification), level of NQF, region, VET provider) and demand (including annual labour market statistics) are prepared and published	Report on the implementation of the Action Plan Annual LMIS report Minutes of the Employment and VET Coordination Council
				R1.2 Improved Quality of Employment Support Services R1.2.1 Report on ESS operations reflecting feedback from users on the quality of services is produced, consulted with stakeholders and available for the public	MoLHSA Report on ESS operations and services Databases of ESS offices LMIS Annual Reports Annual Labour

					Market Report
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COMPONENT 2: ENHANCED QUALITY AND RELEVANCE OF VET SYSTEM					
				R2.1. Enhanced matching of skills provided by the VET system with the needs of labour market R2.1.1 Two new VET Curricula designed for occupations in demand and in line with updated NQF / catalogue of occupational standards are approved and published R2.1.2 An improved entrepreneurial learning component introduced as a transversal competence in all state financed VET programmes R2.1.3 Occupational standards are regularly updated to meet labour market demand and designed with participation of employers organisations and sector committees	Agreement of National Centre for Educational Quality Enhancement or relevant body on VET curricula Entrepreneurial Learning component reflected in state funded VET programmes List of occupational standards
				R2.2. Improved quality of VET qualifications R2.2.1 15% increase in n° of teachers receiving initial training in line with new policy on VET teacher's development	Annual VET Report Reports of Teachers Professional Development Centre (TPDC)

				R2.2.2 15 % increase in n° of teachers receiving continuing training in line with new policy on VET teacher's development R2.2.3 Updated online list of vocational qualifications and online catalogue of occupational standards available for public use	Post-training satisfaction questionnaires Websites of MoES and National Centre for Educational Quality Enhancement
COMPONENT 3: EFFICIENT TRANSITION FROM TRAINING INTO EMPLOYMENT					
				R3.1 Efficient transition from training to employment R3.1.1 All public VET institutions are providing career guidance and counselling in accordance with a new career guidance and counselling concept R3.1.2 Tracer Study of all public VET graduates from 2014-2015 and online publication of information on employment trends (barometer) of the main VET qualifications.	Annual VET Report / LMIS Report Annual Labour Market Report Tracer Study Online barometer of VET qualifications
				R3.2. Increased awareness of VET amongst potential students and employers R3.2.1 10% increase in students application to VET courses over the period compared to the baseline data of 31/12/2013	MoES Annual Report Info-Centres Reports

				R3.2.2 Positive feedback on VET qualifications amongst employers compared to the baseline survey	Feedback from social partners, VET providers, Repeated survey
				R3.3 Enhanced social partnership R3.3.1 Improved framework for social partnership in VET, including reference to elements of work-based learning, and reflecting the systemic participation of social partners in VET policy cycle is implemented R3.3.2 At least 3 pilot projects with elements of work-based learning	Implementation report Minutes of the meetings /consultations with social partners Reference/planning documents for work-based learning pilot projects Site visits

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

1. Modalities of assessment of performance in the case of variable tranches

This Programme foresees the payment of four instalments (four fixed tranches and three variable tranches). For each of them, the fixed tranche will be paid upon compliance with the General Conditions (as detailed in Table 2, General Conditions, above). Once compliance with the General Conditions has been established, the variable tranche will be assessed on the basis of the agreed indicator and targets, as detailed in the Specific Conditions for tranche release, Table 3. Full compliance with one Specific Condition will entail the release of the full corresponding quota of the variable tranche as detailed in Table 4 below. Partial compliance will entail the release of half the corresponding quota. Non-compliance will entail no release of funds. For each Specific Condition, compliance corresponds to all indicators being met. Partial compliance corresponds to more than half of the indicators being met. Non-compliance corresponds to less than half of the indicators being met. Funds withheld for lack of compliance will be lost at the end of the Programme. In duly justified cases and upon request by the Government, approved by the Coordination Council of the Programme (and subject to the appreciation of the Commission Services), compliance with unmet and/or partially met conditions might be reassessed along with the compliance review of the subsequent instalment, allowing for the payment of the corresponding unpaid amount(s).

TABLE 4: Instalments Allocation

	1 st instalment		2 nd instalment		3 rd instalment		4 th instalment		Total (EUR million)
	% total instalment	Maximum amount (EUR million)	% total instalment	Maximum amount (EUR million)	% total instalment	Maximum amount (EUR million)	% total instalment	Maximum amount (EUR million)	
TOTAL	100	3.0	100	4.0	100	5.5	100	7.5	20
Fixed tranches	100	3.0	25.0	1.0	18.2	1.0	13.3	1.0	6.0
Variable tranches up to a maximum	0.0	0.0	75.0	3.0	81.8	4.5	86.7	6.5	14.0
COMPONENT 1: Effective Labour Market Management			12.5	0.5	18.2	1.0	26.7	2.0	3.5
R1.1 Reliable and sustainable labour market information and forecasting				0.3		0.5		1.0	1.8
R1.2 Improved quality of Employment Support Services				0.2		0.5		1.0	1.7
COMPONENT 2: Enhanced quality and relevance of VET system			25	1.0	27.3	1.5	26.7	2.0	4.5
R2.1. Enhanced matching of skills provided by the VET system with the needs of labour market				0.5		0.5		1.0	2.0
R2.2 Improved quality of VET qualifications				0.5		1.0		1.0	2.5
Component 3: Efficient transition from training to employment			37.5	1.5	36.3	2.0	33.3	2.5	6.0
R3.1 Efficient transition from training to employment				0.5		0.5		1.0	2.0
R3.2 Increased awareness of VET amongst potential students and employers				0.5		1.0		1.0	2.5
R3.3 Enhanced social partnership				0.5		0.5		0.5	1.5