

FINANCING AGREEMENT

Special Conditions

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

of the one part, and

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

of the other part,

have agreed as follows:

ARTICLE 1 – NATURE AND PURPOSE OF THE OPERATION

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

CRIS decision number: ENPI/2013/025-001

Title: Employment and Vocational Education and Training (EVET)

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

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

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

2.1 The total cost of the programme is estimated at 27 000 000 euro.

with the following components:

2.1.1 Budget support: 20 000 000 euro

2.1.2 Complementary support: 7 000 000 euro

2.2 The EU undertakes to finance a maximum of 27 000 000 euro. The breakdown of the EU's financial contribution into budget headings is shown in the budget included in the Technical and Administrative Provisions.

ARTICLE 3 – THE BENEFICIARY'S CONTRIBUTION

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

3.2 Where there is a non-financial contribution by the Beneficiary, detailed arrangements for the delivery of such contribution shall be set out in the Technical and Administrative Provisions.

ARTICLE 4 – IMPLEMENTATION

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

4.2 The following clauses of the General Conditions shall not be applicable: Articles 1.3, 5, 6, 7, 8.2, 8.3, 11, 16.2, 17, 19.4, 20.6, 22.3, 22.4 and 22.6.

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

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

4.3.2 Article 2.3: If the project/programme cannot be scaled down, or if the overrun cannot be covered by other resources including those of the Beneficiary, the Commission may decide to grant additional EU financing. Should it take such a decision, the excess costs shall be financed, without prejudice to the relevant EU rules and procedures, by the release of an additional financial contribution to be set by the Commission.

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

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

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

ARTICLE 5 – PERIOD OF EXECUTION

5.1 The period of execution of the Financing Agreement as defined in Article 4 of the General Conditions shall commence on the entry into force of the Financing Agreement and end 84 months after this date.

5.2 The duration of the operational implementation phase is fixed at 60 months.

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

ARTICLE 6 – ADDRESSES

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

a) for the Commission

Mr. Philip Dimitrov
Head of Delegation
EU Delegation to Georgia
38 Nino Chkheidze Street
0102 Tbilisi, Georgia

b) for the Beneficiary

Mr. Alexi Petriashvili
State Minister for European and Euro-Atlantic Integration
National Co-ordinator of EU Assistance Programmes
7 Ingorokva Street
0134 Tbilisi, Georgia

ARTICLE 7 – ANNEXES

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

Annex I: General Conditions

Annex II: Technical and Administrative Provisions

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

ARTICLE 8 – SPECIAL CONDITIONS APPLYING TO A BUDGET SUPPORT OPERATION

8.1. The following clauses of the General Conditions shall not be applicable to the part of the programme related to the budget support operation: Articles 1.3, 2, 4.2 first sentence, 5, 6, 7, 8, 9, 10, 11, 12, 13, 15, 16.2, 17 and 18.2, 19.5, 20.6, 22.3, 22.4 and 22.6.

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

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

8.2.2 Article 14: The Beneficiary undertakes to apply its national foreign exchange regulations in a non-discriminatory manner to the payments made under this Financing Agreement.

The foreign exchange transfers will be accounted for under the value date of the notification of credit to the Treasury account to the National Bank of Georgia. The exchange rate will be the standard National Bank of Georgia practice for all incoming transfers in line with non-discrimination clause 9.2.2 rate the value date of the notification of credit.

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

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

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

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

8.4 Article 19.6 of the General Conditions shall be applicable mutatis mutandis in relation to any practices of active or passive corruption whatsoever in relation to the implementation of the operation.

ARTICLE 9 – ENTRY INTO FORCE OF THE FINANCING AGREEMENT

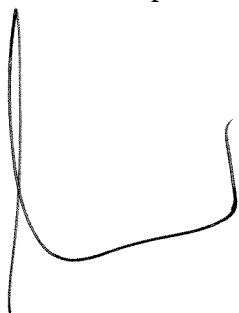
The Financing Agreement shall enter into force on the date on which it is signed by the last party.

Done in 2 original copies, 1 copy being handed to the Commission and 1 to the Beneficiary.

FOR THE COMMISSION

Michael A. Köhler
Director Neighbourhood
Directorate-General for Development
and Cooperation - EuropeAid

Signature



18.12.2013

Date

FOR THE BENEFICIARY

Alexi Petriashvili
State Minister for European and
Euro-Atlantic Integration
National Co-ordinator of EU
Assistance Programmes

Signature

Date

ANNEX I - GENERAL CONDITIONS

TITLE I - PROJECT/PROGRAMME FINANCING

ARTICLE 1 – GENERAL PRINCIPLE

- 1.1 The EU's financial contribution shall be limited to the amount specified in the Financing Agreement.
- 1.2 The provision of the EU financing shall be subject to fulfilment of the Beneficiary's obligations under this Financing Agreement.
- 1.3 The expenditure incurred by the Beneficiary before the entry into force of the Financing Agreement is not eligible for the EU financing.

ARTICLE 2 - COST OVERRUNS AND COVERING THEM

- 2.1 Individual overruns of the budget headings of the Financing Agreement shall be dealt with by reallocating funds within the overall budget, in accordance with Article 22 of these General Conditions.
- 2.2 Wherever there is a risk of overrunning the global amount set in the Financing Agreement, the Beneficiary shall immediately inform the Commission and seek its prior approval for the corrective measures planned to cover the overrun, proposing either to scale down the project/programme or to draw on its own or other non-EU resources.
- 2.3 If the project/programme cannot be scaled down, or if the overrun cannot be covered either by the Beneficiary's own resources or other resources, the Commission may, at the Beneficiary's duly substantiated request, decide to grant additional EU financing. Should the Commission take such a decision, the excess costs shall be financed, without prejudice to the relevant EU rules and procedures, by the release of an additional financial contribution to be set by the Commission.

TITLE II - IMPLEMENTATION

ARTICLE 3 – GENERAL PRINCIPLE

The project/programme shall be implemented under the responsibility of the Beneficiary with the approval of the Commission.

ARTICLE 4 - PERIOD OF EXECUTION

4.1 The period of execution of the Financing Agreement shall comprise two phases:

- an operational implementation phase, in which the principal activities are carried out. This phase shall commence on the entry into force of the Financing Agreement and end with the opening of the closure phase;
- a closure phase, during which final audits and evaluation are carried out and contracts and programme estimates for the implementation of the Financing Agreement are technically and financially closed. This phase shall end at the latest 24 months after the end of the operational implementation phase.

4.2 Costs related to the principal activities shall be eligible for EU financing only if they have been incurred during the operational implementation phase. Costs related to final audits and evaluation and closure activities shall be eligible up to the end of the closure phase.

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

4.4 In exceptional and duly substantiated cases, a request may be made for the extension of the operational implementation phase and correlatively of the period of execution. If the extension is requested by the Beneficiary, the request must be made at least three months before the end of the operational implementation phase and approved by the Commission before that latter date.

4.5 In exceptional and duly substantiated cases, and after the end of the operational implementation phase, a request may be made for the extension of the closure phase and correlatively of the period of execution. If the extension is requested by the Beneficiary, the request must be made at least three months before the end of the closure phase and approved by the Commission before that latter date.

TITLE III – PAYMENTS TO BE MADE BY THE COMMISSION TO THIRD PARTIES

ARTICLE 5 – DEADLINE FOR PAYMENTS TO BE MADE BY THE COMMISSION TO THIRD PARTIES

- 5.1 When the Commission is making payments related to contracts implementing the Financing Agreement and awarded by the Beneficiary, the Beneficiary shall undertake to provide the Commission with the payment requests or invoice no later than 15 calendar days before the payment deadline for the initial pre-financings specified in the contract. In case of further pre-financing for grants, and interim and final payments, the Beneficiary shall undertake to provide the Commission with the payment request or invoice not later than 30 calendar days before the expiry of the payment deadline specified in the contract. The Beneficiary shall notify the Commission of the date of registration of this request. The payment request is not admissible if at least one essential requirement is not met. The time limit for payments may be suspended at any time by the Commission by informing the Beneficiary, that the payment request can not be met, either because the amount is not due or because the appropriate supporting documents have not been produced. If information which puts in doubt the eligibility of expenditure appearing in a payment request, comes to the notice of the Commission the Commission may suspend the time limit for payment for the purpose of further verification, including an on-spot check, in order to ascertain, prior to payment, that the expenditure is indeed eligible. The suspension should be communicated to the Beneficiary as soon as possible. The time limit for payment shall resume once the payment request becomes admissible.
- 5.2 The deadline referred to in paragraph 1 shall also apply when payment is conditional on approval of a report. The approval of any report is included in the payment deadline specified in the contract. To this end, the Beneficiary has to approve the report and provide the Commission with the payment request or invoice within the deadline set above in article 5.1. When the Beneficiary does not approve the report he shall send, as soon as possible, to the contractor or grant beneficiary a document formally suspending the deadline for payment and explaining the reasons for suspension. Suspension is effective from the sending of the notification. The contractor or grant beneficiary must provide clarifications, modifications or further information within 30 days of the notification. The time limit for payment begins to run again from the date on which the clarifications are registered.
- 5.3 In the event of any delay in forwarding payment requests attributable to the Beneficiary, the Commission shall not be obliged to pay the contractor the late-payment interest provided for in contracts, which will be payable by the Beneficiary. The contractor is entitled to payment of late-payment interest, unless he is a government department or public body in an EU Member State.

TITLE IV – PAYMENTS TO BE MADE BY THE BENEFICIARY TO THIRD PARTIES AND DISBURSEMENT TO BE MADE BY THE COMMISSION THROUGH PROGRAMME ESTIMATES

ARTICLE 6 – GENERAL PRINCIPLE

- 6.1 When the Beneficiary is making payments to third parties, programme estimates must be drawn up and adopted beforehand.
- 6.2 The programme estimate is a document laying down the programme of measures to be carried out and the human and material resources required, the corresponding budget and the detailed technical and administrative implementing arrangements for decentralised execution of a project/programme over a specified period by direct labour and/or by means of public procurement and/or the award of grants.
- 6.3 All programme estimates implementing the Financing Agreement must respect the procedures and standard documents laid down by the Commission, in force at the time of the adoption of the programme estimates in question.

ARTICLE 7 - DISBURSEMENT

- 7.1 The Commission shall transfer funds no later than 45 calendar days after the date on which it registers an admissible payment request from the Beneficiary. The payment request is not admissible if at least one essential requirement is not met. The time limit for payments may be suspended by the Commission by informing the Beneficiary, at any time during the period referred to above, that the payment request can not be met, either because the amount is not due or because the appropriate supporting documents have not been produced. If information which puts in doubt the eligibility of expenditure appearing in a payment request comes to the notice of the Commission, the Commission may suspend the time limit for payment for the purpose of further verification, including an on-spot check, in order to ascertain, prior to payment, that the expenditure is indeed eligible. The suspension should be communicated to the Beneficiary as soon as possible. The time limit for payment shall resume once the payment request becomes admissible.
- 7.2 The Commission shall make payments to a bank account denominated in euro and opened at a financial institution accepted by the Commission.
- 7.3 The Beneficiary shall guarantee that funds paid by the Commission by way of pre-financing can be identified in this bank account.

- 7.4 Transfers in euro shall, if necessary, be converted into the Beneficiary's national currency as and when payments have to be made by the Beneficiary, at the bank rate in force on the day of payment by the Beneficiary.
- 7.5 The funds paid by the Commission to this bank account shall yield interest or equivalent benefits. The Beneficiary shall notify the Commission of interest or equivalent benefits yielded by those funds at least once a year.
- 7.6 Interest or equivalent benefits yielded by the funds paid of more than two hundred fifty thousand euro shall be repaid to the Commission within 45 days of receipt of the Commission's request.
- 7.7 For a programme estimate which has not given rise to any transfer of funds within three years of its signature, the corresponding committed amount shall be decommitted.

TITLE V - AWARD OF PROCUREMENT AND GRANT CONTRACTS

ARTICLE 8 – GENERAL PRINCIPLES.

- 8.1 All contracts implementing the Financing Agreement must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the award of procurement and grant contracts , in force at the time of the launch of the procedure in question.
- 8.2 The Beneficiary shall use the language of this Financing Agreement for the award of procurement and grant contracts ,
- 8.3 In cases of decentralised contracts, the Beneficiary will inform the Commission when a candidate, tenderer or applicant is in a situation of exclusion from participation in award procedures according to the relevant provisions of the Financial Regulation applicable to the general budget of the European Union or when a contractor has been guilty of making false declarations or has made substantial errors or committed irregularities and fraud, or has been found in serious breach of its contractual obligations.

In such cases, without prejudice to the power of the Commission to exclude an entity from future procurement and grant contracts financed by the EU according to the Financial Regulation applicable to the general budget of the European Union, financial penalties to contractors mentioned in the provision on "Administrative and Financial Penalties" of the General Conditions of

decentralised contracts may be imposed to the contractors by the Beneficiary if this is allowed by its national law. Such financial penalties shall be imposed following an adversarial procedure and ensuring the right of defence of the contractor.

- 8.4 The Beneficiary undertakes to take every appropriate measure to remedy any practices of active or passive corruption whatsoever at any stage of the procedure for the award of contracts or grants. "Passive corruption" shall mean the deliberate action of an official, who, directly or through an intermediary, requests or receives advantages of any kind whatsoever, for himself or for a third party, or accepts a promise of such an advantage, to act or refrain from acting in accordance with his duty or in the exercise of his functions in breach of his official duties, which has, or would have, the effect of harming the EU's financial interests. "Active corruption" shall mean the deliberate action of whosoever promises or gives, directly or through an intermediary, an advantage of any kind whatsoever to an official, for himself or for a third party, to act or refrain from acting in accordance with his duty or in the exercise of his functions in breach of his official duties, which has, or would have, the effect of harming the EU's financial interests.

ARTICLE 9 - DEADLINE FOR THE SIGNATURE OF THE CONTRACTS IMPLEMENTING THE FINANCING AGREEMENT

- 9.1 Except for those components of this Financial Agreement implemented under Joint Management or Indirect Centralised Management, the contracts implementing the Financing Agreement shall be signed by both parties within three years of the entry into force of the Financing Agreement. That deadline may not be extended.
- 9.2 The above provision shall not apply to:
- audit and evaluation contracts, which may be signed later;
 - addenda to contracts already signed;
 - contracts concluded after early termination of an existing contract and
 - cases of change of entity charged with budget execution tasks
- 9.3 At the end of the three years of the entry into force of the Financing Agreement, any balance for which contracts have not been signed, except those referred to in Article 9.2 here above, will be decommitted
- 9.4 The above provision shall not apply to any balance of the contingency reserve.
- 9.5 A contract which has not given rise to any payment within three years of its signature shall be automatically terminated and its funding shall be decommitted.

ARTICLE 10 - ELIGIBILITY

- 10.1 Participation in invitations to tender for works, supply or service contracts and in calls for proposals shall be open on equal terms to all natural and legal persons of the Member States of the EU and, in accordance with the specific provisions in the basic acts governing the cooperation sector concerned, to all natural and legal persons of the beneficiary third countries or of any other third country expressly mentioned in those acts.
- 10.2 It may be decided, on the basis of the specific conditions laid down in the basic acts governing the cooperation sector concerned, to allow third-country nationals other than those referred to in paragraph 1 to tender for contracts.
- 10.3 Goods and supplies financed by the EU and necessary for the performance of works, supply and service contracts and procurement procedures launched by the grant beneficiaries for the execution of the action financed must originate in countries eligible to participate in the terms laid down in the previous two paragraphs, except when it is provided otherwise in the basic act.

ARTICLE 11 – PUBLICATION OF INFORMATION

- 11.1 The Beneficiary undertakes to publish each year in a dedicated and easily accessible place of its internet site the title of each contract financed by the Financing Agreement, the name and nationality of the grant beneficiary or successful tenderer as well as the amount of the corresponding grant or contract.
- 11.2 If such internet publication is impossible, the information shall be published by any other appropriate means, including the official journal of the Beneficiary. Publication shall take place during the first half of the year following the closure of the year in respect of which the contracts and grants were awarded by the Beneficiary. The Beneficiary shall communicate to the Commission the address of the place of publication and reference shall be made to this address in the dedicated place of the internet site of EuropeAid . If the information is published otherwise, the Beneficiary shall give the Commission full details of the means used.

TITLE VI - RULES APPLICABLE TO THE PERFORMANCE OF CONTRACTS

ARTICLE 12 - ESTABLISHMENT AND RIGHT OF RESIDENCE

- 12.1 Where justified by the nature of the contract the Beneficiary shall entitle natural and legal persons participating in invitations to tender for works, supply or service contracts with a provisional right of establishment and residence in the Beneficiary's territory(ies). This right shall remain valid for one month after the contract is awarded.
- 12.2 The Beneficiary shall also entitle contractors (procurement and grant contracts) and natural persons whose services are required for the performance of the contract and members of their family with similar rights during the implementation of the project/programme.

ARTICLE 13 - TAX AND CUSTOMS PROVISIONS

- 13.1 The Beneficiary shall apply to procurement contracts and grants financed by the EU the most favoured tax and customs arrangements applied to States or international development organisations with which it has relations.
- 13.2 Where a Framework Agreement is applicable, which includes more detailed provisions on this subject, these provisions shall apply as well.

ARTICLE 14 - FOREIGN EXCHANGE ARRANGEMENTS

- 14.1 The Beneficiary undertakes to authorise the import or purchase of the foreign currency necessary for the implementation of the project. It also undertakes to apply its national foreign exchange regulations in a non-discriminatory manner to the contractors allowed to participate referred to in Article 10 of these General Conditions.
- 14.2 Where a Framework Agreement is applicable, which includes more detailed provisions on this subject, these provisions shall apply as well.

ARTICLE 15 – USE OF DATA FROM STUDIES

Where the Financing Agreement involves the financing of a study, the contract related to this study, signed for the implementation of the Financing Agreement, shall govern the

ownership of that study and shall include the right for the Beneficiary and the Commission to use data in the study, to publish it or to disclose it to third parties.

ARTICLE 16 - ALLOCATIONS OF AMOUNTS RECOVERED UNDER CONTRACTS

- 16.1 Without prejudice to the responsibilities of the Beneficiary, the Commission may, in accordance with the relevant provisions of the Financial Regulation applicable to the general budget of the European Union formally establish an amount as being wrongly paid under a contract financed under this Financing Agreement and proceed to its recovery by any means.
- 16.2 Amounts recovered by the Beneficiary from payments wrongly effected, from financial guarantees lodged on the basis of procedures of award of contracts or under a contract financed under this Financing Agreement, as well as from financial penalties imposed by the Beneficiary on candidate, tenderer, contractor or grant beneficiary, shall be returned to the Commission. The damages granted to the Beneficiary shall also be returned to the Commission.

ARTICLE 17 - FINANCIAL CLAIMS UNDER CONTRACTS

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

TITLE VII - GENERAL AND FINAL PROVISIONS

ARTICLE 18 – VISIBILITY

- 18.1 Every project/programme financed by the EU shall be subject to the appropriate communication and information measures. Unless otherwise agreed, the Beneficiary shall take the necessary measures to ensure the visibility of the EU funding for the project/programme. These measures shall be defined under the responsibility of the Beneficiary with the approval of the Commission.
- 18.2 These communication and information measures shall follow the rules in the Communications and Visibility Manual for EU External Actions laid down and published by the Commission, in force at the time of the measures.

ARTICLE 19 – PREVENTION OF IRREGULARITIES, FRAUD AND CORRUPTION

19.1 The Beneficiary undertakes to check regularly that the operations financed with the EU funds have been properly implemented. It shall take appropriate measures to prevent irregularities and fraud and, if necessary, bring prosecutions to recover funds wrongly paid.

19.2 "Irregularity" shall mean any infringement of the Financing Agreement, implementing contracts and programme estimates or of EU law resulting from an act or omission by an economic operator, which has, or would have, the effect of prejudicing the general budget of the EU, either by reducing or losing revenue accruing from own resources collected directly on behalf of the EU, or by an unjustified item of expenditure.

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

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

19.3 The Beneficiary shall immediately inform the Commission of any element brought to its attention which arouses suspicions of irregularities or fraud and of any measure taken to deal with them.

19.4 As stated in Article 8.3, in cases of decentralised contracts, the Beneficiary will inform the Commission when a contractor has been guilty of making false declarations or has made substantial errors or committed irregularities and fraud, or has been found in serious breach of its contractual obligations.

Without prejudice to the power of the Commission to exclude a natural or legal person from future procurement and grant contracts financed by the EU according to the Financial Regulation applicable to the general budget of the European Union financial penalties to contractors mentioned in the provision on "Administrative and Financial Penalties" of the General Conditions of decentralised contracts may be imposed to contractors by the Beneficiary if this is allowed by its national law. Such financial penalties shall be imposed , following an adversarial procedure and ensuring the right of defence of the contractor.

19.5 The Beneficiary shall immediately inform the Commission of the name of the economic operators whom have been the subject of a judgment which has the force of res judicata for fraud, corruption, involvement in a criminal organisation or any other illegal activity detrimental to the EU's financial interests.

19.6 The Beneficiary undertakes to take every appropriate measure to remedy any practices of active or passive corruption whatsoever in the implementation of the related contracts. Definitions in Article 8.3 apply herein.

If the Beneficiary does not take the appropriate measures to remedy any practices of corruption or fraud mentioned under this article, the Commission may adopt itself such measures including the recovery of the EU funding by any means.

ARTICLE 20 - VERIFICATIONS AND CHECKS BY THE COMMISSION, THE EUROPEAN ANTI-FRAUD OFFICE (OLAF) AND THE EUROPEAN COURT OF AUDITORS

20.1 The Beneficiary agrees to the Commission, OLAF and the European Court of Auditors conducting documentary and on-the-spot checks on the use made of EU funding under the Financing Agreement (including procedures for the award of contracts and grants) and carrying out a full audit, if necessary, on the basis of supporting documents of accounts and accounting documents and any other documents relating to the financing of the project/programme, throughout the duration of the agreement and for seven years after the date of the last payment.

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

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

20.4 The checks and audits described above shall also apply to contractors and subcontractors who have received EU funding.

20.5 The Beneficiary shall be notified of on-the-spot missions by agents appointed by the Commission, OLAF or the European Court of Auditors.

20.6 The Beneficiary shall keep the following financial and contractual supporting documents

Procurement procedures:

- Forecast notice with proof of publication of the procurement notice and any corrigenda
- Nomination of shortlist panel
- Shortlist report (incl. annexes) and applications
- Proof of publication of the shortlist notice
- Letters to non-shortlisted candidates
- Invitation to tender or equivalent
- Tender dossier including annexes, clarifications, minutes of the meetings, proof of publication
- Nomination of the evaluation committee
- Tender opening report, including annexes
- Evaluation / negotiation report, including annexes and bids received¹
- Notification letter
- Supporting documents
- Cover letter for submission of contract
- Letters to unsuccessful candidates
- Award / cancellation notice, including proof of publication
- Signed contract, amendments, riders and relevant correspondence

Calls for proposals and direct award of grants:

- Nomination of the evaluation committee
- Opening and administrative report including annexes and applications received²
- Letters to successful and unsuccessful applicants
- Concept note evaluation report
- Letters to successful and unsuccessful applicants
- Evaluation report of the full application or negotiation report with relevant annexes
- Eligibility check and supporting documents
- Letters to successful and unsuccessful applicant with approved reserve list
- Cover letter for submission of contract
- Award/cancellation notice with proof of publication
- Signed contract, amendments, riders and relevant correspondence

In case of decentralised operations:

- In addition to all of the above –mentioned supporting documents also all relevant documentation relating to payments and recovery orders.

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

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

ARTICLE 21 – CONSULTATION BETWEEN THE COMMISSION AND THE BENEFICIARY

- 21.1 The Beneficiary and the Commission shall consult each other before taking any dispute relating to the implementation or interpretation of this Financing Agreement further.
- 21.2 Where the Commission becomes aware of problems in carrying out procedures relating to management of this Financing Agreement, it shall establish all necessary contacts with the Beneficiary to remedy the situation and, take any steps that are necessary, including, where the Beneficiary does not, or is unable to, perform the duties incumbent on it, temporarily taking the Beneficiary's place
- 21.3 The consultation may lead to the amendment, suspension or termination of the Financing Agreement.

ARTICLE 22 – AMENDMENT OF THE FINANCING AGREEMENT

- 22.1 Any amendment to the Special Conditions, Annex II and Annex III to the Financing Agreement shall be made in writing and be the subject of an addendum.
- 22.2 If the request for an amendment comes from the Beneficiary, the latter shall submit that request to the Commission at least three months before the amendment is intended to enter into force, except in cases which are duly substantiated by the Beneficiary and accepted by the Commission.
- 22.3 For technical adjustments which do not affect the objectives and results of the project/programme and alterations in matters of detail which do not affect the technical solution adopted, and with no reallocation of funds, the Beneficiary shall inform the Commission of the amendment and its justification in writing as soon as possible and apply that amendment.
- 22.4 The use of contingency reserve shall be subject to the Commission's prior written approval.
- 22.5 The specific cases of the extension of the operational implementation phase or closure phase are governed by Article 4 (4) and (5) of these General Conditions.
- 22.6 Where the Commission considers that the Beneficiary ceases to satisfy the decentralisation criteria and without prejudice to Articles 23 and 24 of these General Conditions, the Commission may decide to retake the financial implementation tasks entrusted to the Beneficiary in order to continue the implementation of the project/programme on behalf, and for the account, of the Beneficiary after informing the latter in written form

ARTICLE 23. SUSPENSION OF THE FINANCING AGREEMENT

23.1 The Financing Agreement may be suspended in the following cases:

- The Commission may suspend the implementation of the Financing Agreement if the Beneficiary breaches an obligation under the Financing Agreement, and notably if it ceases to satisfy the decentralisation criteria laid down, where relevant, in the Special Conditions
- The Commission may suspend the implementation of the Financing Agreement if the Beneficiary breaches any obligation set under the procedures and standard documents laid down and published by the Commission for the award and implementation of contracts and grants.
- The Commission may suspend the Financing Agreement if the Beneficiary breaches an obligation relating to respect for human rights, democratic principles and the rule of law and in serious cases of corruption.
- The Financing Agreement may be suspended in cases of force majeure, as defined below. "Force majeure" shall mean any unforeseeable and exceptional situation or event beyond the parties' control which prevents either of them from fulfilling any of their obligations, not attributable to error or negligence on their part (or the part of their contractors, agents or employees) and proves insurmountable in spite of all due diligence. Defects in equipment or material or delays in making them available, labour disputes, strikes or financial difficulties cannot be invoked as force majeure. A party shall not be held in breach of its obligations if it is prevented from fulfilling them by a case of force majeure of which the other party is duly informed. A party faced with force majeure shall inform the other party without delay, stating the nature, probable duration and foreseeable effects of the problem, and take any measure to minimise possible damage.

23.2 No prior notice shall be given of the suspension decision.

23.3 The Commission may take any appropriate precautionary measure before suspension takes place.

23.4 When the suspension is notified, the consequences on the ongoing contracts and programme estimates or contracts and programme estimates to be signed will be indicated.

23.5 A suspension of the Financing Agreement is without prejudice to the suspension of payments by the Commission for the sake of ensuring sound financial management or protecting the EU's financial interests.

ARTICLE 24 – TERMINATION OF THE FINANCING AGREEMENT

- 24.1 If the issues which led to the suspension of the Financing Agreement have not been resolved within a maximum period of 180 days, either party may terminate the Financing Agreement at 30 days' notice.
- 24.2 Where a Financing Agreement has not given rise to any payment within three years of its signature or no implementing contract has been signed within this period, that Financing Agreement will be terminated.
- 24.3 When the termination is notified, the consequences on the ongoing contracts and programme estimates or contracts and programme estimates to be signed will be indicated.

ARTICLE 25 - DISPUTE-SETTLEMENT ARRANGEMENTS

- 25.1 Any dispute concerning the Financing Agreement which cannot be settled within a six-month period by the consultations between the parties provided for in Article 21 of these General Conditions may be settled by arbitration at one of the parties' request.
- 25.2 In this case the parties shall each designate an arbitrator within 30 days of the request for arbitration. Failing that, either party may ask the Secretary-General of the Permanent Court of Arbitration (The Hague) to designate a second arbitrator. The two arbitrators shall in their turn designate a third arbitrator within 30 days. Failing that, either party may ask the Secretary-General of the Permanent Court of Arbitration to designate the third arbitrator.
- 25.3 Unless the arbitrators decide otherwise, the procedure laid down in the Permanent Court of Arbitration Optional Rules for Arbitration Involving International Organisations and States shall apply. The arbitrators' decisions shall be taken by a majority within a period of three months.
- 25.4 Each party shall be bound to take the measures necessary for the application of the arbitrators' decision.

ANNEX II TO FINANCING AGREEMENT N° ENPI/2013/025-001
TECHNICAL AND ADMINISTRATIVE PROVISIONS

BENEFICIARY COUNTRY/REGION	Georgia		
REQUESTING AUTHORITY	Government of Georgia		
BUDGET HEADING	19 08 01 03		
TITLE	Employment and Vocational Education and Training (EVET)		
TOTAL COST	EU contribution: EUR 27 million, of which: - Budget support: EUR 20 million; - Complementary support: EUR 7 million. From the ENPI 2012 and 2013 Special Measure “EaPIC” (Eastern Partnership Integration and Cooperation Programme)		
AID METHOD/ MANAGEMENT MODE	Sector Policy Support Programme: - Sector budget support (centralised management); - Project approach (direct centralised management).		
DAC-code	16020 11330	Sector	Employment policy and administrative management; Vocational training

1. INTERVENTION

In line with the “more for more” principle, this Programme benefits from funding under the Eastern Partnership Integration and Cooperation (EaPIC) programme, with the aim of fostering sustainable and inclusive growth and economic development.

1.1 Objectives

The General Objective of the Employment and Vocational Education and Training programme is to stimulate sustainable and inclusive socio-economic development through improved transition from training to employment.

The Specific Objectives (SO) of the programme are:

- SO 1: To strengthen the institutional and human resource capacities of the national authorities to design, coordinate, implement and monitor labour market and skills needs in close partnership with the private sector;
- SO 2: To enhance the quality and relevance of the VET system in a lifelong learning perspective in order to ensure better synergy between the skills and qualifications offered and the needs of the labour market;

- SO 3: To increase the attractiveness of the VET system to potential students and employers and to stimulate the engagement of employers in the design and delivery of vocational education and training and continuing education.

Specific attention will be paid to gender issues, notably the position of women in the labour market and their access to VET and continuing education and training. Other important target groups include young persons, long-term unemployed, self-employed, persons in low-productivity/low paid employment, returning migrants and internally displaced persons (IDPs). Target sectors provisionally include agriculture, tourism, energy, construction and transport but will be further refined following the adoption of the Government's national Development Strategy.

1.2 Expected results and main activities

Expected results are grouped around three components in line with the specific objectives. They will be addressed by the programme through a combination of budget support and complementary support.

COMPONENT 1: Effective Labour Market Management		
SO 1: To strengthen the institutional and human resource capacities of the national authorities to design, coordinate, implement and monitor labour market and skills needs in close partnership with the private sector	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 permits better matching of skills and needs and demand/jobs.
	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 clients using these services, and the number of pilot labour market measures introduced.
COMPONENT 2: Enhanced quality and relevance of VET system		
SO 2: To enhance the quality and relevance of the VET system in a lifelong	R2.1 Enhanced matching of skills provided by the VET system with the needs of	Occupational standards are regularly updated in line with the needs of the labour market and

learning perspective in order to ensure better synergy between the skills and qualifications offered and the needs of the labour market	labour market	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 of 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, tailor-made VET pathways are offered, in particular within active labour market measures and programmes.
COMPONENT 3: Efficient transition from training into employment		
SO 3: To increase the attractiveness of the VET system to potential students and employers and to stimulate the engagement of employers in the design and	R3.1. Efficient transition from training to employment	A system of career guidance, based on the Labour Market Information Management System (LMIMS) and labour market forecasts and studies, is established in educational

delivery of vocational education and training and continuing education		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 active learning methods and work-based¹ 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 in VET student 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 analysing skills needs, designing VET curricula, and supporting the transition from education and training to employment

¹ Work-based learning: acquisition of knowledge and skills through carrying out – and reflecting on – tasks in a vocational context, either at the workplace or in a VET institution. WBL comprehends various forms / models, e.g.: apprenticeships, on-the-job training in companies, practical learning in the school context (in workshops, laboratories, simulated work environment), internships after graduation. As yet the concept of WBL is undeveloped in Georgia and one of the tasks of the TA support will be to assist the national authorities to elaborate its own understanding of and approach to WBL.

		Enhanced availability of apprenticeships and on-the job training schemes for VET graduates
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The main activities to implement the budget support package are policy dialogue, financial transfer, performance assessment, reporting and capacity development.

The activities will include:

- The development of a Labour Market Information System capable of anticipating skills needed;
- Institutional Capacity Building of the Employment Support Services;
- The regular revision and update of Occupational standards;
- Sustainable revisions to VET curricula;
- Sustainable revisions to the system of teacher training and career development;
- The revision of the National Qualifications' Framework;
- The development of a Career Guidance System;
- Communications and Awareness Raising actions;
- Support to the introduction of elements of work-based learning.

1.3 Duration

The execution period of the Agreement will be as specified in Article 5 of the Special Conditions.

Pursuant to Article 6 of the General Conditions (Annex 1 of the present Agreement), the contracts implementing the Financing Agreement shall be signed at the latest within three years of entry into force of the Financing Agreement (except audit and evaluation). The deadline may be extended ("sunset clause").

2. IMPLEMENTATION

2.1 Implementation method and procurement and payment clauses

I. Budget Support

The Budget Support Component will be implemented through centralised management.

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

II. Project approach

The Complementary Support Component will be implemented through direct centralised management on the basis of the following modalities:

(1) **Technical assistance** will be used to assist the national authorities (in particular the Ministry of Education and Science and the Ministry of Labour, Health and Social Affairs) to further develop VET and Labour Market policy, to introduce a Results-Based Management approach, and to design and implement labour market forecasting and planning tools. Support may also be provided to related agencies, such as the National Centre for Educational Quality, the National Teacher Professional Development Centre, and the State Social Agency. Social partner organisations, business associations, relevant civil society organisations and municipalities may also benefit from technical assistance in order to strengthen their involvement, and to establish sustainable partnerships for training-employment. Technical assistance will be delivered through a combination of high-level policy advice, capacity building and on the job-training.

(2) **Twinning** will be targeted at assisting in the start-up and institutional capacity building of the Employment Support Services.

(3) A **Grant Scheme** will support the design and implementation of pilot initiatives to strengthen the interface between labour market needs and the VET system, and to test important novelties of the VET and labour market reforms (e.g. work-based learning, training for unemployed, new training programmes oriented to rural and regional socio-economic development, matching skills and jobs). The scope of activities supported by the Grant Scheme will mainly be aligned with Component 3 of the programme.

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

Payment clause: All payments must be made by the Commission in accordance with the general and specific conditions of the Financing Agreement and with the procedures and standard documents drawn up and published by the Commission for the implementation of external operations in force at the time of the launch of the procedure in question.

2.2 Budget and calendar

2.2.1 Budget

The total programme cost is estimated at EUR 27 million, financed from the general budget of the European Union (from the ENPI 2012 and 2013 Special Measure “EaPIC” (Eastern Partnership Integration and Cooperation Programme)).

Categories	EU contribution (EUR million)	Government sector budget, according to BDD (MTEF) (without external contributions)
Budget Support Sector Reform Contract	20	VET budget: 2014-2017: 146,650 GEL Labour market budget: 2014- 2017 (not specifically disaggregated within BDD)
Complementary Support	7	
Grant Scheme	2.0	
Twinning	1.5	
Procurement	3.0	
Evaluation and audit	0.3	
Communication and Visibility	0.1	
Contingencies	0.1	
TOTAL	27	

2.2.2 Calendar

EUR 20 million, allocated in support of the Budget Support Sector Reform Contract, shall be disbursed in four instalments, starting in 2014. The indicative calendar for disbursement is as follows:

- Disbursement of the first annual tranche (EUR 3.0 million) 2nd quarter 2014
- Disbursement of the second annual tranche (up to EUR 4.0 million): 2nd quarter 2015
- Disbursement of the third annual tranche (up to EUR 5.5 million): 2nd quarter 2016
- Disbursement of the fourth annual tranche (up to EUR 7.5 million): 2nd quarter 2017

Each instalment shall be composed of either a fixed component or a fixed and variable component, entitled "tranche". Disbursement of the tranches will be contingent upon compliance by the Government of Georgia with the Conditions detailed in Appendices 1 & 2. Failure to fulfil the Conditions attached to the fixed instalment shall result in the irrevocable loss of the entire (fixed and variable) instalment.

The Table below gives an indicative overview of the contracting schedule for the complementary support operations:

Subject in generic terms	Type	Indicative number of contracts	Indicative trimester of launch of the
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			procedure
Grant Scheme	Grant	8	Q3 2014
Twinning	Grant	1	Q2 2014
Technical assistance	Services	1	Q2 2014
Review the implementation of the Programme	Services	3	Q4 2014 Q4 2015 Q4 2016

2.3 Performance monitoring and criteria for disbursement

2.3.1 Description of performance monitoring arrangements

Performance monitoring of the proposed programme will be entrusted to an Employment and VET Sector Coordination Council under the co-chairmanship of the Ministry of Labour, Health and Social Affairs and the Ministry of Education and Science, which will consolidate the existing working groups set up to coordinate specific elements of the Labour Market, VET and Agriculture Development strategies, and which will include representatives from the National VET Council, from the world of work (e.g. employers and trade unions) and from Civil Society. In addition, the Council will include representatives from relevant line Ministries and State Agencies. The EU Delegation will be a member of the Council.

The establishment of the Employment and VET Sector Coordination Council is a general precondition for the budget support.

The Coordination Council will meet quarterly and will assure the technical and financial monitoring reports and the progress reports prepared for it by the responsible line Ministries, the Ministry of Labour, Health and Social Affairs and the Ministry of Education and Science.

To guarantee sound implementation of the Programme, the Coordination Council will ensure that:

- The European Commission is associated in all Government-Donors' discussions on the elaboration and implementation of the State Strategies for Vocational Education and Training and Labour Market and Employment;
- Any substantial revision of the structure and/or charters of the Ministry of Labour, Health and Social Affairs and the Ministry of Education and Science undertaken by the Government of Georgia will be subject to prior notification to the European Commission;

The Coordination Council will ensure that the following documentation related to the implementation of the Programme is made available to the European Commission, or any EU funded technical assistance financed under this Employment and Vocational Education and Training Reform Programme, or any other project or programme, including members of specialist missions (Reviews, Audit, Evaluation etc.):

- Bank statements relevant to the transfer referred to in Section 2.1 of these Technical and Administrative Provisions;

- Laws, Government Decrees and other legislative/regulatory acts and administrative provisions (draft and final) related to the sectors relevant for the implementation of the Programme;
- Reports and Agreements with the IMF, the World Bank, the United Nations and its Agencies, the Council of Europe and its Agencies, and;
- Government and other donor policy documents and reports (draft and final), relevant to the implementation of the Programme.

2.3.2 Criteria for disbursement

Instalments of the budget support will be payable to the Georgian State Treasury, subject to the fulfilment of General and Specific Conditions agreed in the Policy reform Matrix (Appendix 1 and 2) attached to the Programme's Technical and Administrative Provisions..

General conditions for the disbursement of all tranches covering at least the eligibility criteria for budget support:

- Satisfactory progress in the maintenance of a stability-oriented macroeconomic policy;
- Satisfactory progress in the review and implementation of relevant and credible medium-term partner country Labour Market and VET reform strategies;
- Satisfactory progress in the implementation of its programme to improve public financial management;
- Satisfactory progress with regard to the public availability of accessible, timely, comprehensive, and sound budgetary information.

In addition, the release of the variable tranches will be linked to the compliance with Specific conditions in three policy reform areas:

- Effective Labour Market Management
- Improved quality of VET System
- Efficient transition from training into employment

The details are given in Appendix 1 and 2.

Analysis of the chosen performance indicators in Appendix 1 represents the fact that they are of adequate quality to justify their use for the disbursement of budget support.

The chosen performance targets and indicators specified in Appendix 1 will apply for the duration of the Programme. However, in duly justified circumstances, the Government of Georgia may submit a request to the European 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..

3. MONITORING, EVALUATION AND AUDIT

3.1 Budget support

Evaluation and monitoring of the Budget Support Sector Reform Contract will be carried out by external experts contracted by the Commission Services. Commission Services will procure as necessary the services of experts to carry out independent reviews of the programme prior to the release of the variable tranches.

3.2 Project approach

(a) Day-to-day technical and financial monitoring will be a continuous process as part of the Beneficiary responsibilities. To this aim, the Beneficiary shall establish a permanent internal, technical and financial, monitoring system to the project, which will be used to elaborate the progress reports.

(b) Independent consultants recruited directly by the Commission (or the responsible body to which the monitoring task has been delegated) on specifically established terms of reference may carry out external monitoring ROM system, which in principle will start from the sixth month of project activities, and will be finalised at the latest 6 months before the end of the operational implementation phase.

(c) A mid-term evaluation as well as a final evaluation and a final audit are foreseen for the programme.

Additional evaluations, verifications and/or audits of the TA projects under this programme can be requested by the EU at any time.

4. COMMUNICATION AND VISIBILITY

Communication and visibility initiatives shall focus on the achievements and impact of the action. In order to maximise the impact of communication efforts, both the Government and the implementing partners for the different technical assistance projects under this programme shall produce and adopt a communication and visibility plan within six months of the signature of the Financing Agreement or as an Annex to the Inception Report for TA project(s), in accordance with the EU Communication and Visibility guidelines and in agreement with the Delegation of the European Union to Georgia.

(http://ec.europa.eu/europeaid/work/visibility/documents/communication_and_visibility_manual_en.pdf).

The above-mentioned communication and visibility plan shall be endorsed by the Coordination Council for the Budget Support Programme, which will include representatives from the Delegation of the European Union to Georgia.

In order to promote accountability and transparency and to enhance the visibility of the Programme, the EU together with the partner country shall disseminate information, organise public events, and issue press briefings on the Programme's achievements and developments, including disbursement conditions, performance reviews etc.

APPENDICES

- 1 - Performance criteria and indicators used for disbursement
- 2 - Disbursement arrangements and timetable

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 instalment	Maximum amount (EUR million)	% total instalment	Maximum amount (EUR million)	% total instalment	Maximum amount (EUR million)	% total instalment	Maximum amount (EUR million)	Total (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