

Georgian and the EU Association Agenda: Reforms Undertaken in 2019-2020

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Abstract

Georgia has generally been successful in conducting reforms that are necessary in order to build a foundation for a democratic society and working market economy that correspond to European standards. Important reforms have been conducted in the fields of building democracy and rule of law, good governance and economic development. Georgia remains committed to the obligations and undertakings of the EU Association Agreement. However, although Georgia has made significant progress in some areas, some serious problems remain. Political situation in the country after the parliamentary elections in October 2020 remains tense and there is not enough political dialogue between governing party and opposition, how to solve problems facing the country. The administrative inefficiency and spread of corruption remain serious problems for Georgian political and economic integration with the EU. Georgian economic and health situation has become complicated in the end of 2020 as there is an economic downturn resulting from the COVID-19 crisis. However, together with Ukraine, Georgia is certainly among the best performing Eastern Partners, which have succeeded implementing the Association Agreement commitments fullest.

General EU support and appraisal of Georgian reforms

In June 2014, the EU and Georgia signed an Association Agreement, along with the Deep and Comprehensive Free Trade Area (DCFTA) Agreement, which entered into force on July 1 2016. Association Agreement, builds a foundation for far-reaching Georgian political and economic integration with the EU. The ambition for Georgia includes ever increasing democracy and rule of law, human rights, good governance and economic development. The EU provides over €100 million in assistance to Georgia annually. Funding comes mostly from the European Neighbourhood Instrument (ENI), which supports Georgia in achieving the goals set out in the Association Agreement.¹

According to the last official EU assessment of Georgian reforms Georgia remains committed to the obligations and undertakings of the Association Agreement. Alignment to the EU acquis, as well as to European standards, particularly in the area of human rights, has effectively continued. But challenges remain in the areas of political dialogue between Government and opposition, and how electoral reform, and reform of the judiciary were and are conducted.²

With the EU as Georgia's largest trade partner, the country has further aligned its legislation with EU standards and norms to facilitate the trade of food and non-food products. However, the distance of Georgia from the EU, weak sea transport links over Black Sea and comparatively low interest by Georgian producers toward EU market due to lower technical requirements in Russian export market have meant that Georgia has not moved forward farther in this area. Additional structural reforms are required to make Georgia's economy less vulnerable to external developments and to enhance the investment climate.³ In 2020 the emerging COVID crisis worsened the economic climate and led the country into health and economic crises.

Political reforms in Georgia

Due to the lack of sufficient progress in building democracy, the Freedom House still classifies Georgia as imperfect democracy, specifically transitional or hybrid regime.⁴

1 – Georgia and the EU. – European External Action Service (EEAS). 02.08.2018. https://eeas.europa.eu/delegations/georgia/49070/georgia-and-eu_en

2 – European Commission. Georgia: EU Report Highlights Importance of Maintaining Reform Momentum and Depolarising the Political Environment. 07.02.2020. https://ec.europa.eu/commission/presscorner/detail/en/ip_20_172

3 – European Commission. Georgia: EU Report Highlights Importance of Maintaining Reform Momentum and Depolarising the Political Environment. 07.02.2020. https://ec.europa.eu/commission/presscorner/detail/en/ip_20_172

4 – Georgia. Score Changes in 2020. – Freedom House. <https://freedomhouse.org/country/georgia/nations-transit/2020>

The legislation concerning regulation of political party campaigning has practically not changed in recent years. What few amendments have been made, omitted important recommendations put forward by the Office for Democratic Institutions and Human Rights (ODIHR) and Group of States against Corruption (GRECO), which called for harmonisation of legal frameworks concerning party campaign finance. The existing legal framework for overseeing donations to political parties is still weak and gives little authority to the State Audit Office (SAO) to investigate a potential offender linked to illegal donation activity. There is no legal requirement for SAO to verify reports containing campaign finance activity before the election day, which in turn significantly limits the transparency of the process. Considering the above, SAO has been largely unsuccessful in terms of identifying and addressing violations of political finance regulations.⁵

The most important political reform passed in Georgia in 2020 was adopting constitutional and other legislative changes for establishment of a new electoral system for parliamentary elections. The introduction of fully proportional electoral lists has long been a main goal of opposition parties and civil society. It was hoped that this move would depolarize Georgia's political landscape, bring a break from dominant party politics, and contribute to the emergence of a more pluralist and consensus-based national governance.⁶

On 29 June 2020, the Georgian parliament finally approved the Western-mediated electoral reform amendment to the Constitution, with 117 deputies voting in favour and 3 opposed. According to the revised Constitution, the 150-seat legislature includes 120 seats apportioned via a proportional system with only a one percent electoral threshold, while the remaining 30 seats will go to the winners of single-member majoritarian districts. On 2 July 2020 parliament formally amended the Georgian election code to bring it in line with recommendations issued by the Organization for Security and Cooperation in Europe's Office for Democratic Institutions and Human Rights (OSCE/ODHIR) following the strained presidential elections in 2018. The most notable legal changes include restriction in the use of so-called "administrative resources" during election campaigns and establishing female representation quota in the parliament to 20 percent of the overall number of deputies.⁷

Thanks to the reduction of Georgia's electoral threshold to one percent of the vote, the country is seeing a rapid appearance of new political parties with varying ideologies, ranging from far-right nationalist to leftist liberal. The electoral reform has opened up opportunities

5 – Georgia's Implementation of 20 Eastern Partnership Deliverables for 2020. Report. Assessment by Civil Society. Tbilisi, 2020. <http://gip.ge/georgias-implementation-of-20-eastern-partnership-deliverables-for-2020/>

6 – Georgia. Score Changes in 2020. – Freedom House. <https://freedomhouse.org/country/georgia/nations-transit/2020>

7 – Zaal Anjaparidze. Constitutional Reform to Make Georgian Parliament More Pluralistic. – Eurasia Daily Monitor. 22.07.2020. Volume 17, Issue 107. <https://jamestown.org/program/constitutional-reform-to-make-georgian-parliament-more-pluralistic/>

for these newly established small-sized parties to win seat(s) in the legislature as well as diversify Georgia's political life more generally.⁸

The passage of the amendment was made thanks to the votes of the ruling Georgian Dream (GD). The parliament's two main opposition parties, the United National Movement (UNM) and European Georgia (EG), boycotted the vote, accusing GD of not fully abiding by their 8 March 2020 election agreement, which was reached with the help of Western diplomats.⁹

In such a situation European Parliament in its pre-election report stressed the importance of reducing antagonism and the polarisation of politics and of ensuring constructive cooperation in Georgia's democratic institutions, in particular cooperation in the Parliament of Georgia and emphasises the need to improve the political climate and build trust among all political and institutional actors, as well as between them and the Georgian people.¹⁰

In 31 October (first round) / 21 November (second round) 2020 parliamentary elections according to the official results, the ruling Georgian Dream party achieved again absolute majority (receiving 48% percent in the proportional vote, and it also won both rounds in all 30 majoritarian constituencies, while the main opposition party UNM received 27% of votes). The Georgian Dream thus won 90 seats in the 150-seat parliament, and the rest of the seats were distributed among eight opposition parties. However, all eight opposition parties in parliament have refused to take up their seats because they believe the elections were rigged. This raises the question; can a single party parliament function as a democracy.¹¹ Following the election, massive protest demonstrations against supposedly falsified election results took place in November 2020.¹²

According to OSCE/ODIHR and other Western observers, the 31 October 2020 parliamentary elections were competitive and, overall, fundamental freedoms were respected. Nevertheless, pervasive allegations of pressure on voters and blurring of the line between the ruling party and the state reduced public confidence in some aspects of the process.¹³

8 – Zaal Anjaparidze. Constitutional Reform to Make Georgian Parliament More Pluralistic. – Eurasia Daily Monitor. 22.07.2020. Volume 17, Issue 107. <https://jamestown.org/program/constitutional-reform-to-make-georgian-parliament-more-pluralistic/>

9 – Zaal Anjaparidze. Constitutional Reform to Make Georgian Parliament More Pluralistic. – Eurasia Daily Monitor. 22.07.2020. Volume 17, Issue 107. <https://jamestown.org/program/constitutional-reform-to-make-georgian-parliament-more-pluralistic/>

10 – Report on the Implementation of the EU Association Agreement with Georgia. 2019/2200(INI). https://www.europarl.europa.eu/doceo/document/A-9-2020-0136_EN.html

11 – Georgia: Can a Single-party Parliament Function? – JAMnews. 26.11.2020. <https://jam-news.net/georgia-can-a-single-party-parliament-work-function/>

12 – Opposition Parties in Georgia Sign Joint Statement Renouncing Their Seats in Parliament. – JAMnews. 03.11.2020. <https://jam-news.net/georgia-document-nika-melia-opposition-parliament-boycott-national-movement-lelo/>

13 – International Election Observation Mission Georgia – Parliamentary Elections, 31 October 2020. Statement of Preliminary Findings and Conclusions. <https://www.oscepa.org/documents/election-observation/election-observation-statements/georgia/statements-11/4097-2020-parliamentary-4/file4>

However, both EU and US have suggested to Georgian political opposition that it is better to participate in the work of parliament to forward their agenda.¹⁴

Media environment

The EU Association Implementation Report points out that Georgia's media landscape is still polarized and that a change in ownership of media group Rustavi 2 (which had been critical of the government), following the European Court of Human Rights (ECHR) ruling, impacted the overall media environment. That report puts emphasis on the fact that the Prosecutor's Office launched investigations into cases involving the owners/managers of several media outlets, namely the newly established Main Channel and Formula and also V Pirveli. The Government's Human Rights Action Plan 2018–2020 has still failed to deliver adoption of the law on Access to Freedom of Information.¹⁵

Development of the Civil Society

Since Georgia gained independence, numerous civil society organizations have emerged in the country. Georgia's existing legislation creates favourable conditions for the establishing and operation of CSOs. The number of registered CSOs is around 27 000, however, not all are active. CSOs have played an instrumental role in major political events of Georgia's recent history, such as the Rose Revolution in 2004 and the first peaceful transfer of power through national legislative elections in 2012. Over recent years, Tbilisi-based CSOs have been very actively engaged in major national discussions of important issues, such as constitutional reform, human rights, electoral, local government and judicial reforms, drug policy, external relation. However, the existing political polarisation of society has hampered dialogue regarding those issues. Georgian legislation does not require government authorities to hold consultations with civil society organizations. Even though tools exist for official participation in decision-making, such as commenting on draft laws, or the opportunity to participate in established working groups with state institutions, this process is still ad-hoc and depends on the institution as well as the topic for discussion.¹⁶

14 – Statement by the United States Embassy and the Delegation of the European Union to Georgia Tbilisi. 07.11.2020. https://eeas.europa.eu/delegations/georgia/88293/statement-united-states-embassy-and-delegation-european-union-georgia_en

15 – European Commission. Association Implementation Report on Georgia. Brussels, 6.2.2020 SWD(2020) 30 final. https://eeas.europa.eu/sites/eeas/files/1_en_document_travail_service_conjoint_part1_v4.pdf

16 – Georgia's Implementation of 20 Eastern Partnership Deliverables for 2020. Report. Assessment by Civil Society. Tbilisi, 2020. <http://gip.ge/georgias-implementation-of-20-eastern-partnership-deliverables-for-2020/>

Judicial reforms

Constitutional amendments in 2018 increased the minimum number of judges on the **Supreme Court** from 16 to 28, giving the new judges lifetime appointment instead of the previous 10-year period. On 12 December 2019, Parliament appointed 14 candidates for life tenures to the Supreme Court.¹⁷

Additionally, in March 2019, Parliament adopted new amendments to the Law of Georgia on Common Courts, initiated by the ruling Georgian Dream Party. The new nomination process of judges included requirements of an open recruitment, background checks, interviews with each candidate in a public hearing, and their ranking through a secret vote by the High Council of the Judiciary as requirements.¹⁸

However, according to EU report these amendments only partly reflected Venice Commission recommendations. The shortcomings were exacerbated in the nomination process led by the High Council of Justice (HCoJ), as also reported by the OSCE/ODIHR. The overall selection process of new judges failed to ensure the necessary transparency and meritocracy.¹⁹

Other amendments to Law of Georgia on **Common Courts** made important improvements in three areas: disciplinary violations, regulation of the functioning of the HCoJ and HCoJ reform. Of particular importance is the obligation on the HCoJ to justify all its decisions.²⁰

The main focus of **prosecutorial reforms** in 2019 was on the separation of functions between investigators and prosecutors, in order to move away from significant previous overlaps on both the legislative and practical level. In March 2019, the Venice Commission issued an opinion that included a number of recommendations for the careful preparation of the transfer of powers from prosecutors to investigators.²¹

Police reform continued in line with priorities set out by the Minister of Internal Affairs in early 2019, including: separation of roles between prosecutors and investigators, as well as between operational and investigative functions of different police officers, expansion of community-based and intelligence-led policing, enhancing centralised analytical work,

17 – European Commission. Association Implementation Report on Georgia. Brussels, 6.2.2020 SWD(2020) 30 final. https://eeas.europa.eu/sites/eeas/files/1_en_document_travail_service_conjoint_part1_v4.pdf

18 – Georgia. Score Changes in 2020. – Freedom House. <https://freedomhouse.org/country/georgia/nations-transit/2020>

19 – European Commission. Association Implementation Report on Georgia. Brussels, 6.2.2020 SWD(2020) 30 final. https://eeas.europa.eu/sites/eeas/files/1_en_document_travail_service_conjoint_part1_v4.pdf

20 – European Commission. Association Implementation Report on Georgia. Brussels, 6.2.2020 SWD(2020) 30 final. https://eeas.europa.eu/sites/eeas/files/1_en_document_travail_service_conjoint_part1_v4.pdf

21 – European Commission. Association Implementation Report on Georgia. Brussels, 6.2.2020 SWD(2020) 30 final. https://eeas.europa.eu/sites/eeas/files/1_en_document_travail_service_conjoint_part1_v4.pdf

stepping up the fight against cybercrime, and closer international cooperation.²²

On **legal cooperation in civil and criminal matters**, the entry into force of the Eurojust-Georgia cooperation agreement in July 2020 is meant to enable the swift and safe exchange of information and evidence. Georgia has strengthened international law enforcement cooperation with Europol as well as the network of Georgian police attachés in the EU Member States in order to expand cooperation to combat serious and organised cross-border criminal activities.²³ However, the organised cross-border criminal activities which affect EU member states remain serious issue.

A new version of the **Cyber-Security Strategy** had been drafted and the **national CERT** is fully operational and in permanent contact with EU-CERT.²⁴

Human rights and anti-discrimination

With regard to the detailed landscape of fundamental freedoms and human rights, there are positive developments alongside with some continuing problems. The media remains highly polarised and politicised and the government is criticised for alleged attempts to create financial difficulties for the critically - disposed outlets. Georgia makes some progress in improving the gender balance at political, economic and social dimensions, although problems remain, particularly in pay gap and gender based violence. Regarding discrimination, LGBTI+ people remain the least supported minority group in the country. Georgia is working to improve implementation of Juvenile Justice Code and to adopt a child-sensitive approach in its implementation. Council of Europe's European Committee for the Prevention of Torture reported several shortcomings in treatment of prisoners, but there is a new Action Plan to address these issues. Protecting worker's rights remains challenging for Georgia, especially for example with regard to dangerous working conditions in the mining sector. Civil society organisations remain active. Following the introduction of visa-free travel into the Schengen zone, the number of Georgian travellers to the Schengen area has grown substantially, which is positive, but so has the number of unfounded asylum applications.²⁵

22 – European Commission. Association Implementation Report on Georgia. Brussels, 6.2.2020 SWD(2020) 30 final. https://eeas.europa.eu/sites/eeas/files/1_en_document_travail_service_conjoint_part1_v4.pdf

23 – European Commission. Association Implementation Report on Georgia. Brussels, 6.2.2020 SWD(2020) 30 final. https://eeas.europa.eu/sites/eeas/files/1_en_document_travail_service_conjoint_part1_v4.pdf

24 – Georgia's Implementation of 20 Eastern Partnership Deliverables for 2020. Report. Assessment by Civil Society. Tbilisi, 2020. <http://gip.ge/georgias-implementation-of-20-eastern-partnership-deliverables-for-2020/>

25 – Michael Emerson, Tinatin Akhvlediani. Briefing Paper. Report on the Implementation of the Association Agreement between the EU and Georgia. – Association Agreement between the EU and Georgia. European Implementation Assessment. Part II. European Parliamentary Research Service. April 2020, pp. 35–67. [https://www.europarl.europa.eu/RegData/etudes/STUD/2020/642820/EPRS_STU\(2020\)642820_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2020/642820/EPRS_STU(2020)642820_EN.pdf)

In February 2019 the Parliament of Georgia adopted fresh legislative changes to the Law on the Elimination of All Forms of Discrimination. These amendments introduced concepts of discriminatory harassment and sexual harassment into the law. They also widened understanding of the principle of equal treatment in labour relations and in access to education and healthcare.²⁶ In May 2019, the Labour Code and a number of other laws were amended, with **sexual harassment** being defined as a form of unlawful discrimination in the workplace and administrative penalties introduced for sexual harassment in public spaces.²⁷

In September 2019, Georgia adopted a **Child Rights' Code** which entered into force on 1 June 2020. This umbrella document introduces legal grounds, safeguards, and guarantees for the realisation of overarching principles, rights and freedoms of the child. Furthermore, it provides legal guarantees for empowering the child in independently exercising and protecting his/her rights.²⁸

With regard to **ill treatment**, a 2019–2020 action plan on fighting torture, inhuman and degrading treatment or punishment was adopted in May. The transfer of independent powers of investigation to the State Inspectorate, took place on 1 November 2019, due to insufficient budget allocation. The new powers cover data protection and the investigation of crimes committed by law enforcement officials.²⁹

Public Administration and fighting corruption

In June 2019, the Government adopted a 2019-2020 action plan to implement the **public administration reform roadmap** for 2020. Secondary legislation implementing the Civil Service Law was adopted in the course of the year. New classification and remuneration systems now apply to all civil servants and a new performance appraisal approach being piloted in key ministries will be extended to all institutions. While most of the legal and institutional conditions are in place, implementation is still incomplete in some ministries.³⁰

26 – Georgia's Implementation of 20 Eastern Partnership Deliverables for 2020. Report. Assessment by Civil Society. Tbilisi, 2020 <http://gip.ge/georgias-implementation-of-20-eastern-partnership-deliverables-for-2020/>

27 – European Commission. Association Implementation Report on Georgia. Brussels, 6.2.2020 SWD(2020) 30 final. https://eeas.europa.eu/sites/eeas/files/1_en_document_travail_service_conjoint_part1_v4.pdf

28 – European Commission. Association Implementation Report on Georgia. Brussels, 6.2.2020 SWD(2020) 30 final. https://eeas.europa.eu/sites/eeas/files/1_en_document_travail_service_conjoint_part1_v4.pdf

29 – European Commission. Association Implementation Report on Georgia. Brussels, 6.2.2020 SWD(2020) 30 final. https://eeas.europa.eu/sites/eeas/files/1_en_document_travail_service_conjoint_part1_v4.pdf

30 – European Commission. Association Implementation Report on Georgia. Brussels, 6.2.2020 SWD(2020) 30 final. https://eeas.europa.eu/sites/eeas/files/1_en_document_travail_service_conjoint_part1_v4.pdf

In 2020, **Public Administration Unit** was created at the Government Administration and the involvement of civil society representatives in the monitoring of the Public Administration Action Plan was ensured.³¹

The Government developed a **decentralisation strategy for 2019–2025**, with the intention of devolving more functions and financial resources to local authorities. The strategy's three dimensions, all aimed at enhancing public welfare, the role of citizens and community groups, and the delivery of public services to address increasing demands from the population, are as follows: 1) increasing the powers of local authorities; 2) fiscal decentralisation; and 3) citizens' involvement and transparency.³² Some steps to realise Strategy were taken, but COVID-19 outbreak has limited their success.

On preventing and **fighting corruption**, Georgia continued implementing the anti-corruption strategy and action plan, in line with association agenda commitments. In July 2019, the Anti-Corruption Council adopted a new anti-corruption strategy and action plan for 2019-2020. However, while petty corruption remains rare in Georgia, high-level corruption remains an unsolved problem and a significant obstacle to the country's development.³³ The independence of agencies responsible for the investigation and enforcement of anti-corruption activities is significantly weak, as a result of the undue influence of the ruling party over these institutions. Small progress has been made with regard to granting more independence to the corruption investigating unit within the Chief Prosecutor's Office (CPO). Moreover, an effort has been made to further distance the investigative function from direct supervision of the Investigative Unit of the State Security Service and establishing it as an independent Anti-Corruption Unit within CPO.³⁴

Recent amendments to the Law on Conflict of Interest and Corruption in Public Institutions compel public officials and senior members of the civil service to submit **annual asset disclosures**. The submitted asset declarations are reviewed by the Civil Service Bureau (CSB), which has the authority to impose fines for inaccuracies in annual asset disclosures and is required to report cases of violations pointing to the evidence of criminal activity to the law enforcement agencies.³⁵

31 – Georgia's Implementation of 20 Eastern Partnership Deliverables for 2020. Report. Assessment by Civil Society. Tbilisi, 2020. <http://gjp.ge/georgias-implementation-of-20-eastern-partnership-deliverables-for-2020/>

32 – European Commission. Association Implementation Report on Georgia. Brussels, 6.2.2020 SWD(2020) 30 final. https://eeas.europa.eu/sites/eeas/files/1_en_document_travail_service_conjoint_part1_v4.pdf

33 – Statement on the Occasion of International Anti-Corruption Day. – Transparency International. 09.12.2020. <https://transparency.ge/en/post/statement-occasion-international-anti-corruption-day>

34 – Georgia's Implementation of 20 Eastern Partnership Deliverables for 2020. Report. Assessment by Civil Society. Tbilisi, 2020. <http://gjp.ge/georgias-implementation-of-20-eastern-partnership-deliverables-for-2020/>

35 – Georgia's Implementation of 20 Eastern Partnership Deliverables for 2020. Report. Assessment by Civil Society. Tbilisi, 2020. <http://gjp.ge/georgias-implementation-of-20-eastern-partnership-deliverables-for-2020/>

Economic Reforms

Georgia has established a **strong record of reforming its economy** and raising the living standards of its citizens, according to the World Bank. Between 2010 and 2019, Georgia's GDP grew at an average annual rate of 4.8 percent, helping nearly halve the poverty rate from 37.4% over ten years to 20.1% in 2018 and to improve living conditions. This positive record was however offset by COVID epidemic in 2020. In the World Bank's Doing Business 2020 report, thanks to its low-taxation, minimal bureaucracy and entrepreneurial business strategies, Georgia remained one of the most **business friendly** countries globally, ranking 7 out of 190 countries.³⁶ However, as pointed out earlier, corruption and inefficient bureaucracy remain serious problems for developing an economy.

Georgia's **structural reform agenda**, as supported by the IMF programme and the conditionality of the EU's macro-financial assistance, focuses on improving the business environment, education and public administration, and investing in infrastructure. However, structural reforms are required to make Georgia's economy more resilient and less vulnerable to external developments and to enhance the investment climate and trade potential. The adoption of energy efficiency laws, in particular given the growing urgency for action on the climate, and the need to reduce dependency of energy imports, will equally be essential.³⁷

A completely new **Company Law** has been drafted to regulate corporate relations by default and to approximate the legislation to the EU directives referred to in the Association Agreement. In 2019, financial reporting requirements under the Law on Accounting, Reporting and Auditing became compulsory for companies of all types (other than non-profit making) and sizes.³⁸

On **taxation**, the fight against fraud and the smuggling of excisable products continued, as did work on legislative approximation in the area of indirect taxation (excluding taxation of energy products).³⁹

To minimise financial market risks the **Law on Financial Collateral, Netting and Derivatives**

36 – The World Bank in Georgia. Country Context. – The World Bank. 12.10.2020.
<https://www.worldbank.org/en/country/georgia/overview>

37 – European Commission. Association Implementation Report on Georgia. Brussels, 6.2.2020 SWD(2020) 30 final.
https://eeas.europa.eu/sites/eeas/files/1_en_document_travail_service_conjoint_part1_v4.pdf

38 – European Commission. Association Implementation Report on Georgia. Brussels, 6.2.2020 SWD(2020) 30 final.
https://eeas.europa.eu/sites/eeas/files/1_en_document_travail_service_conjoint_part1_v4.pdf

39 – European Commission. Association Implementation Report on Georgia. Brussels, 6.2.2020 SWD(2020) 30 final.
https://eeas.europa.eu/sites/eeas/files/1_en_document_travail_service_conjoint_part1_v4.pdf

has been approved by the parliament; to help the creation of funds and encourage saving the **Investment Funds Law** has also been approved.⁴⁰

Georgia has established “a well-structured and advanced institutional and regulatory framework for SME policy” according to the OECD.⁴¹ The Government continued to implement the **Small and Medium Size Enterprises Development strategy**. Government has made operational key public agencies to support SMEs under the authority of the Ministry of the Economy and Sustainable Development – Enterprise Georgia, which manages the country’s main enterprise development programs, the Agricultural and Rural Development Agency and the Georgian Innovation and Technology Agency.⁴² By August 2019, a total of 521 businesses had been supported under the „Produce in Georgia“ programme.⁴³ Also the Georgian government introduced **Credit Guarantees**, the most widely used and efficient mechanism adopted in government support programmes world wide to boost for SME lending.⁴⁴

As regards **agriculture**, the 2015–2020 strategy for the agricultural development of Georgia and the 2017–2020 rural development strategy were implemented. A new 2021–2027 agricultural and rural development strategy and its Action Plan for 2021–2023 have been approved on 18 December 2019. In June 2019, the Parliament adopted the new Organic Law on Agricultural Land, which inter alia regulates exceptions from the ban (under the new constitution) on foreigners owning agricultural land in Georgia.⁴⁵ As a result of the cooperation with European Commission DG SANTE has given authorisation and legal approximation process the EU market has been opened for four Georgian products of animal origin – Black Sea fish and fishery products, wool, honey and processed leather.⁴⁶

The amended Law on **Occupational Health and Safety** (OHS) entered into force in

40 – Georgia’s Implementation of 20 Eastern Partnership Deliverables for 2020. Report. Assessment by Civil Society. Tbilisi, 2020. <http://gip.ge/georgias-implementation-of-20-eastern-partnership-deliverables-for-2020/>

41 – Georgia: Small Business Act Country Profile. – SME Policy Index: Eastern Partner Countries 2020. OECD iLibrary. https://www.oecd-ilibrary.org/development/sme-policy-index-eastern-partner-countries-2020_fcc42977-en

42 – Georgia’s Implementation of 20 Eastern Partnership Deliverables for 2020. Report. Assessment by Civil Society. Tbilisi, 2020. <http://gip.ge/georgias-implementation-of-20-eastern-partnership-deliverables-for-2020/>

43 – European Commission. Association Implementation Report on Georgia. Brussels, 6.2.2020 SWD(2020) 30 final. https://eeas.europa.eu/sites/eeas/files/1_en_document_travail_service_conjoint_part1_v4.pdf

44 – Georgia’s Implementation of 20 Eastern Partnership Deliverables for 2020. Report. Assessment by Civil Society. Tbilisi, 2020. <http://gip.ge/georgias-implementation-of-20-eastern-partnership-deliverables-for-2020/>

45 – European Commission. Association Implementation Report on Georgia. Brussels, 6.2.2020 SWD(2020) 30 final. https://eeas.europa.eu/sites/eeas/files/1_en_document_travail_service_conjoint_part1_v4.pdf

46 – Georgia’s Implementation of 20 Eastern Partnership Deliverables for 2020. Report. Assessment by Civil Society. Tbilisi, 2020. <http://gip.ge/georgias-implementation-of-20-eastern-partnership-deliverables-for-2020/>

September 2019, allowing the Labour Inspectorate to perform unannounced checks and charge fines in all sectors.⁴⁷

In January 2019, a state-run **Contributory Pension Scheme** was introduced. The government believes that this pension reform will have important economic implications, encouraging savings and productivity and promoting the development of long-term local currency funding for Georgian companies.⁴⁸ However, in general pensions remain low and the elderly are depending in support from relatives.

With regard to the detailed implementation of **the DCFTA's market regulatory provisions**, the overall record is positive, as illustrated in the following important sectors: Trade liberalisation has gone ahead more radically than the other DCFTA states. The customs services were radically reformed over a decade ago, and are now considered by stakeholders to be fast, efficient and corruption-free. Technical product regulations and standards are being brought in line with EU practice as scheduled, although in the agrifood sector the some regulations are very onerous for small farms. Compliance with basic banking regulations is proceeding smoothly, and the banking sector is in sound condition. The insurance sector has a lot to catch up on. The energy sector is broadly on track with regard to commitments under the Energy Community Treaty, but energy efficiency remains highly problematic in the household sector. Regarding environmental policy, on the whole Georgia progresses with its legislative obligations, often quite reasonably with long transition period for implementation. In the rapidly developing digital and cyber domains Georgia has made significant advances in public e-services and legislation in line with EU directives. The weakest points in Georgia's DCFTA implementation are seen in the environmental, energy efficiency and renewables sectors. Some of the obligations of the agreement are very costly to implement, with relatively little financial support from the EU to make these objectives feasible.⁴⁹

The **new Customs Code** entered into force in September 2019. It has three main principles: modern customs infrastructure, simple and fair procedures, and digital customs, i.e. electronic provision of all customs services to businesses. On 1 May 2019, the Government

47 – European Commission. Association Implementation Report on Georgia. Brussels, 6.2.2020 SWD(2020) 30 final. https://eeas.europa.eu/sites/eeas/files/1_en_document_travail_service_conjoint_part1_v4.pdf

48 – Georgia's Implementation of 20 Eastern Partnership Deliverables for 2020. Report. Assessment by Civil Society. Tbilisi, 2020. <http://gip.ge/georgias-implementation-of-20-eastern-partnership-deliverables-for-2020/>

49 – Michael Emerson, Tinatin Akhvlediani. Briefing Paper. Report on the Implementation of the Association Agreement between the EU and Georgia. – Association Agreement between the EU and Georgia. European Implementation Assessment. Part II. European Parliamentary Research Service. April 2020, pp. 35–67. [https://www.europarl.europa.eu/RegData/etudes/STUD/2020/642820/EPRS_STU\(2020\)642820_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2020/642820/EPRS_STU(2020)642820_EN.pdf)

established a National Trade Facilitation Committee to oversee obligations under the Trade Facilitation Agreement and issues relating to the establishment of the authorised economic operator system.⁵⁰

On **technical barriers to trade**, Georgia has continued to improve the national quality infrastructure, in particular in the fields of: standards and metrology, where the laboratory of small volumes has undergone a peer review to obtain international recognition as a valid reference laboratory; accreditation, where the Georgian Accreditation Centre is preparing for conformity assessment of approximated 'new and global approach' directives (e.g. explosives for civil use, medical devices, appliances burning gaseous fuels, personal protective equipment); and market surveillance, where the Technical and Construction Supervision Agency is progressing with the provision of market surveillance services for a range of industrial and consumer products.⁵¹ According to some estimates Georgia is technically ready to sign ACAA agreements (Agreement on Conformity Assessment and Acceptance of Industrial Products) in certain areas. Nevertheless, there is not a lot of interest at this stage for Georgia to export industrial goods because the distance of Georgia from the EU, weak sea transport links over the Black Sea and comparatively low interest of Georgian producers towards EU market due to lower technical requirements in Russian export market.⁵²

The signing of the DCFTA has not resulted in any significant increase of **investments** from either the EU or EaP countries. The EU remained the biggest source of FDI (50%, including UK) and EaP countries represented one third; Azerbaijan is the main investor from among EaP countries, but its investments are related to energy transit through Georgia.⁵³

Georgia maintained its efforts in the area of **digital economy and society** to promote economic and business opportunities, strengthen digital competences and develop e-trade.

⁵⁴

Georgia has established a fully-fledged **E-procurement system**, which ensures the

50 – European Commission. Association Implementation Report on Georgia. Brussels, 6.2.2020 SWD(2020) 30 final. https://eeas.europa.eu/sites/eeas/files/1_en_document_travail_service_conjoint_part1_v4.pdf

51 – European Commission. Association Implementation Report on Georgia. Brussels, 6.2.2020 SWD(2020) 30 final. https://eeas.europa.eu/sites/eeas/files/1_en_document_travail_service_conjoint_part1_v4.pdf

52 – Georgia's Implementation of 20 Eastern Partnership Deliverables for 2020. Report. Assessment by Civil Society. Tbilisi, 2020. <http://gip.ge/georgias-implementation-of-20-eastern-partnership-deliverables-for-2020/>

53 – Georgia's Implementation of 20 Eastern Partnership Deliverables for 2020. Report. Assessment by Civil Society. Tbilisi, 2020. <http://gip.ge/georgias-implementation-of-20-eastern-partnership-deliverables-for-2020/>

54 – European Commission. Association Implementation Report on Georgia. Brussels, 6.2.2020 SWD(2020) 30 final. https://eeas.europa.eu/sites/eeas/files/1_en_document_travail_service_conjoint_part1_v4.pdf

transparency of tenders. The country continues working on alignment with EU standards.⁵⁵

The Public Service Development Agency (PSDA) signed/sealed documents are available for downloading on the is as of March 2020, and it is the sole **Trust Service Provider** throughout the country and provides the following trust services to the whole of Georgia Qualified Electronic Signature; Qualified Electronic Seal; Qualified Electronic Time Stamp, all of which are in compliance with the requirements of eIDAS.⁵⁶

Most goals and activities are not yet in place for harmonized legislation for **eCommerce, eCustoms and eLogistics/Digital Transport Corridors** with EaP partners and with the EU. Import-export processes have to some extent been re-engineered for eTrade with all EaP partner countries. Pilots are in place for cross-border eTrade with EaP partners and with the EU and for a Digital Transport Corridor between the Baltic and the Black Sea. However, most of this has yet to be enacted in Georgia.

An EaP **regional roaming agreement** (RRA) is expected to ensure a substantial lowering of applicable roaming prices among mobile users in the six Eastern partner countries. Signature of the RRA is planned to take place during the fourth EaP Ministerial Meeting on the Digital Economy, in early December 2020.⁵⁷

Transport

At the end of 2018 the EU adopted the **EaP TEN-T Action Plan**, which allocates 3,4 billion euros and includes 18 investment projects to be implemented in Georgia in partnership with the EU and international financial institutions. The projects to be completed in near future include Tbilisi-Batumi railway, Anaklia Deep Sea Port (first phase) and many road projects East-West Highway, Batumi and Kobuleti bypass roads etc.⁵⁸

Energy and Environment

The Ministry of Economy and Sustainable Development continued to draft **energy sector**

55 – Georgia's Implementation of 20 Eastern Partnership Deliverables for 2020. Report. Assessment by Civil Society. Tbilisi, 2020. <http://gip.ge/georgias-implementation-of-20-eastern-partnership-deliverables-for-2020/>

56 – Georgia's Implementation of 20 Eastern Partnership Deliverables for 2020. Report. Assessment by Civil Society. Tbilisi, 2020. <http://gip.ge/georgias-implementation-of-20-eastern-partnership-deliverables-for-2020/>

57 – Roaming Deal One Step Closer as Draft Agreement Presented to Eastern Partners. – EU4Digital. 01.07.2020. <https://eufordigital.eu/regional-roaming-agreement-presented-to-eastern-partner-coordinators-and-eu-delegations/>

58 – Georgia's Implementation of 20 Eastern Partnership Deliverables for 2020. Report. Assessment by Civil Society. Tbilisi, 2020. <http://gip.ge/georgias-implementation-of-20-eastern-partnership-deliverables-for-2020/>

legislation. The first key deadlines for implementation of energy acquis under the Association Agreement and the Energy Community Treaty have been missed. As recently as in November 2019, the EU Energy Community Secretariat estimated that the Georgia's overall level of implementation of the energy acquis at 25%. The Energy and Water Supply Law and the Renewable Energy Law were adopted by the Parliament on 13 December 2019. Adoption of the laws on Energy Efficiency and Energy Performance of Buildings on 21 May 2020 has opened up the way for significant EU backed assistance.⁵⁹

The building of **gas pipelines** through Georgia to EU continued and Southern Gas Corridor carrying gas to West has become operational.⁶⁰

Preparation of the **First Climate Change Action Plan** (CAP), for Georgia's Paris Agreement Nationally Defined Contribution implementation is underway with the support of the German Government. CAP includes a vision and action by 2030, to be implemented in 2021–2022. The Government of Georgia has established a Climate Change Council, consisting of different sectoral ministries. The new **Forest Code** was also adopted on 2019.⁶¹

Mobility

Georgia has made serious efforts aimed at consolidating its compliance with recommendations of the two Visa Suspension Mechanism Reports. For now, 16 European countries recognise Georgia as safe, with 15 of them, excluding Ireland, belonging to the Schengen zone and the list is expected to grow in the near future. The law on Civil Acts was amended to restrict the number of times a person could change a surname, closing a window of opportunity for offenders seeking readmission to the EU.⁶²

Education

In March 2019 the Government announced a new education programme, with a declared increase of state funding to 6% of GDP by 2022. The 2017–2021 overarching strategy for

59 – Georgia's Implementation of 20 Eastern Partnership Deliverables for 2020. Report. Assessment by Civil Society. Tbilisi, 2020. <http://gip.ge/georgias-implementation-of-20-eastern-partnership-deliverables-for-2020/>

60 – Georgia's Implementation of 20 Eastern Partnership Deliverables for 2020. Report. Assessment by Civil Society. Tbilisi, 2020. <http://gip.ge/georgias-implementation-of-20-eastern-partnership-deliverables-for-2020/>

61 – European Commission. Association Implementation Report on Georgia. Brussels, 6.2.2020 SWD(2020) 30 final. https://eeas.europa.eu/sites/eeas/files/1_en_document_travail_service_conjoint_part1_v4.pdf

62 – Georgia's Implementation of 20 Eastern Partnership Deliverables for 2020. Report. Assessment by Civil Society. Tbilisi, 2020. <http://gip.ge/georgias-implementation-of-20-eastern-partnership-deliverables-for-2020/>

education and science is being reviewed in the light of the new wave of education reform. The European School in Georgia (a fully-fledged secondary school) was officially launched in September 2019, with the aim of bringing together students from across the Eastern Partnership region and offering a unique curriculum inspired by European and international values of multiculturalism, peace and tolerance.⁶³ In September 2019 construction of a complex for the EaP European School was started in Tbilisi. The building is supposed to be fully constructed and operational by 2023 and intended to accommodate 100 students.⁶⁴

COVID - 19 epidemic and Government response

Georgian Government has adopted quarantine measures to withstand the effects of epidemic.⁶⁵ Already in January 2020 the Interagency Coordination Council was launched to mitigate and contain the threat of coronavirus. On 16 March, Government announced the state of emergency that continued until 23 May 2020. The Coordination Council recommended all elderly citizens of Georgia to avoid mass gatherings and isolate themselves. The Government also recommends cafes, restaurants and bars to offer customers the take-away service. The government disseminated a special SMS to all phones in Georgia informing population about measures and recommendations. Georgia opened again its borders to foreign citizens in August.⁶⁶ As of 2 December 2020 Georgia had experienced 143 376 coronavirus cases, 1342 corona deaths and 121 621 people have recovered from the disease.⁶⁷

Conclusion

During the last years Georgia has continued to implement reforms that are necessary for country's development and fulfilling its commitments to the EU (Association Agreement, 20 Deliverables for 2020). The pace of reforms from the EU point of view has been generally satisfactory, but problems continue to exist that hinder progress towards closer integration

63 – European Commission. Association Implementation Report on Georgia. Brussels, 6.2.2020 SWD(2020) 30 final. https://eeas.europa.eu/sites/eeas/files/1_en_document_travail_service_conjoint_part1_v4.pdf

64 – Georgia's Implementation of 20 Eastern Partnership Deliverables for 2020. Report. Assessment by Civil Society. Tbilisi, 2020. <http://gip.ge/georgias-implementation-of-20-eastern-partnership-deliverables-for-2020/>

65 – Measures Implemented by the Government of Georgia against COVID-19. Report. – Prevention of Coronavirus Spread in Georgia. StopCOV.ge. https://stopcov.ge/Content/files/COVID_RESPONSE_REPORT_ENG.pdf

66 – COVID-19 pandemic in Georgia. – Wikipedia. 16.11.2020 [https://en.wikipedia.org/wiki/COVID-19_pandemic_in_Georgia_\(country\)](https://en.wikipedia.org/wiki/COVID-19_pandemic_in_Georgia_(country))

67 – Prevention of Coronavirus Spread in Georgia. StopCOV.ge. <https://stopcov.ge/en/>

with EU. The political situation in the country after parliamentary elections in October 2020 remains tense, as the opposition parties continue to boycott the work of Parliament.

As the result, the reforms in Georgia have taken place in a context of serious political confrontation. Such a debate is natural in any democracy, but in Georgia it has become very difficult to find a common ground between the ruling party and the opposition for the development of the country. It is therefore natural that EU and other Western partners have repeatedly helped to maintain political dialogue between ruling party and opposition in Georgia.

The administrative inefficiency and spread of corruption remain serious problems. COVID-19 epidemic has worsened the country's economic situation putting to pause the stable improvement of economic indicators of previous years. However, together with Ukraine, Georgia is certainly among the best performing Eastern Partners, which have succeeded implementing Association Agreement commitments fullest. It should be hoped that Georgia can overcome its political problems and can continue to make progress in economy, public administration reform, fighting corruption and other areas that are important from the point of view of Georgia's goal for further deepening its integration with the European Union.