



Brussels, 8.11.2023
SWD(2023) 697 final

COMMISSION STAFF WORKING DOCUMENT

Georgia 2023 Report

Accompanying the document

**Communication from the Commission to the European Parliament, the Council, the
European Economic and Social Committee and the Committee of the Regions**

2023 Communication on EU Enlargement policy

{COM(2023) 690 final} - {SWD(2023) 690 final} - {SWD(2023) 691 final} -
{SWD(2023) 692 final} - {SWD(2023) 693 final} - {SWD(2023) 694 final} -
{SWD(2023) 695 final} - {SWD(2023) 696 final} - {SWD(2023) 698 final} -
{SWD(2023) 699 final}

Table of Contents

1.	INTRODUCTION.....	3
1.1.	Context	3
1.2.	Summary of the report.....	4
1.3.	Assessment of the implementation of the 12 priorities in the Commission's opinion	9
2.	CLUSTER 1: FUNDAMENTALS OF THE ACCESSION PROCESS	14
2.1.	Functioning of democratic institutions and Public Administration Reform.....	14
2.1.1.	Democracy.....	14
2.1.2.	Public administration reform	18
2.2.	Rule of law and fundamental rights	21
2.2.1.	Chapter 23 - Judiciary and fundamental rights	21
2.2.2.	Chapter 24 - Justice, freedom and security	43
2.3.	Economic criteria	55
2.3.1.	The existence of a functioning market economy	56
2.3.2.	The capacity to cope with competitive pressure and market forces within the Union.....	62
2.4.	Public procurement, statistics, financial control	65
	Chapter 5 - Public procurement.....	65
	Chapter 18 - Statistics.....	67
	Chapter 32 - Financial control.....	69
3.	GOOD NEIGHBOURLY RELATIONS AND REGIONAL COOPERATION	70
4.	ABILITY TO ASSUME OBLIGATIONS OF MEMBERSHIP	72
	Chapter 1 - Free movement of goods	72
	Chapter 2 - Freedom of movement for workers	74
	Chapter 3 - Right of establishment and freedom to provide services.....	75
	Chapter 4 - Free movement of capital	76
	Chapter 6 - Company law.....	77
	Chapter 7 - Intellectual property law	78
	Chapter 8 - Competition policy	79
	Chapter 9 - Financial services	80
	Chapter 28 - Consumer and health protection.....	82
	Cluster 3: Competitiveness and inclusive growth	84
	Chapter 10 - Digital transformation and media	84
	Chapter 16 - Taxation.....	86
	Chapter 17 - Economic and monetary policy	87
	Chapter 19 - Social policy and employment	88
	Chapter 20 - Enterprise and industrial policy	90
	Chapter 25 - Science and research.....	91
	Chapter 26 - Education and culture	93
	Chapter 29 - Customs union	94
	Cluster 4: The Green agenda and sustainable connectivity.....	95

Chapter 14 - Transport policy.....	96
Chapter 15 - Energy	98
Chapter 21 - Trans-European networks.....	100
Chapter 27 - Environment and climate change	101
Cluster 5: Resources, agriculture and cohesion.....	104
Chapter 11 - Agriculture and rural development.....	105
Chapter 12 - Food safety, veterinary and phytosanitary policy.....	106
Chapter 13 - Fisheries and aquaculture	107
Chapter 22 - Regional policy and coordination of structural instruments.....	108
Chapter 33 - Financial and budgetary provisions.....	110
Cluster 6: External relations.....	111
Chapter 30 - External relations.....	111
Chapter 31 - Foreign, security and defence policy.....	112
Annex I – Relations between the EU and Georgia.....	115

1. INTRODUCTION

1.1. CONTEXT

Following Georgia's application for EU membership in March 2022, the Commission issued an opinion¹ on the application where it identified 12 priorities for the country to continue proceed on its accession process. These priorities relate to the EU's values and standards, in particular: democracy and the rule of law, including justice reform and public administration reform, as well as fundamental rights. On 23 June 2022, the European Council expressed its readiness to grant the status of candidate country to Georgia², once the 12 priorities have been addressed and invited the Commission to report on the implementation of the twelve priorities. To complement the opinion, in February 2023 the Commission published the analytical reports on Georgia's alignment with the EU *acquis*³.

This report is the Commission's first annual enlargement report on Georgia, replacing the previous annual Association Implementation Reports. At the invitation of the European Council, it includes a detailed assessment of Georgia's fulfilment of the 12 priorities laid down in the Commission opinion on Georgia's application for membership.

The Georgian Parliament prepared a Strategy for EU Membership Candidacy in July 2022. Parliamentary committees and dedicated working groups have been set up to implement the strategy, with support from the government. Civil society organisations and political parties also took part in policy processes to bring the formulation and implementation of reforms forward.

The Georgian government has declared that EU membership is its strategic goal and is making efforts in reforms and legislative alignment. In this context, coherent action and sustained effort are needed. In April 2023, the government approved the 2023 action plan for EU integration of Georgia, including the activities to be carried out in 2023, expected outcomes, timeframes, and sources of funding.

Regarding the EU's common foreign and security policy (CFSP), following Russia's war of aggression against Ukraine, Georgia has aligned itself with international and EU initiatives in support of Ukraine, including on Resolutions adopted by the UN General Assembly and Human Rights Council and the Council of Europe. Georgia did not align with the EU's restrictive measures against Russia and Belarus, nor with the related statements by the High Representative on behalf of the EU. In May 2023, the Georgian government's decision to resume flights with Russia also raised concerns in terms of its commitment to align with the EU in its foreign policy, as per the EU-Georgia Association Agreement.

Georgia has continued to steadily implement the Association Agreement (AA), including a Deep and Comprehensive Free Trade Area (DCFTA).

The EU supports Georgia's sovereignty and territorial integrity within its internationally recognised borders and has been engaged since 2008 in peaceful conflict resolution efforts, including through the EU Monitoring Mission and the work of the EU Special Representative for the South Caucasus and the crisis in Georgia. The Georgian government does not exercise effective control over Georgia's regions of Abkhazia and South Ossetia⁴.

¹ COM(2022) 405 final

² EUCO 24/22

³ SWD(2023) 31 final

⁴ This report does not address the situation in both regions.

1.2. SUMMARY OF THE REPORT⁵

As regards the **political criteria**, overall, the legislative framework, institutional setup and vibrant civil society provide Georgia with some level of preparation to further democratic and rule of law reforms. Nevertheless, the reform process has been hampered by continuing political tensions, deep polarisation, the absence of constructive engagement between political parties and the challenges of building consensus on key matters of national interest.

Cross-party tensions between the ruling majority and the opposition, as well as limited consultation with civil society affected decision-making processes and the implementation of reforms. Parliament led the efforts to address the 12 priorities laid down in the Commission opinion and in July 2022, soon after the opinion was published, it set up working groups to debate the necessary reforms.

Substantive cross-party work in Parliament was hampered by limited inclusion (by the ruling party) of the opposition in drawing up legislation, as well as by on-and-off boycotts by parts of the opposition. Nevertheless, there were good examples of cross-party cooperation and votes, including amendments to the Parliament's rules of procedure that were adopted in November 2022 to moderately increase the level of parliamentary oversight.

A number of crucial laws for the EU integration path were taken through Parliament in the second and third quarter of 2023 with overall limited consultations, nor thorough analysis of compliance with EU or Council of Europe standards. With most of the work on the 12 priorities left to the Parliament, government action to accelerate the reform process and strengthen good governance led to limited progress in some reforms and some progress in others. The President vetoed several laws she assessed as contrary to the country's European integration process.

Civil society is well developed, diverse, vibrant and continues to enjoy the freedom to operate. The involvement of civil society in decision-making processes (opinion priority 10), at first promoted by Parliament through inclusion in working groups on the 12 priorities, was tainted by the March 2023 draft law creating a registry for 'agents of foreign influence'. The draft law, which was eventually withdrawn following large protests in Tbilisi and strong international reactions, sowed distrust among civil society for the government and triggered a boycott of consultations on key reforms. This has persisted even after the law was withdrawn, although the government and Parliament held two conferences with civil society on 25 July and 13 September to re-establish good cooperation and announced to continue coordination meetings with CSOs. The Speaker of the Parliament took up the chairmanship of the Permanent Parliamentary Council on Open Governance in September 2023.

A Memorandum on cooperation between the Parliament of Georgia and the Georgian National Platform of the Eastern Partnership Civil Society Forum was signed in October 2023.

Georgia is moderately prepared in the area of **public administration reform**. Some progress has been achieved in preparing and adopting the strategies for public administration and public finance management, and their related actions plans. The regulatory and procedural foundation

⁵ This report covers the period from June 2022 to June 2023. It is based on input from a variety of sources, including contributions from the government of Georgia, the EU Member States, European Parliament reports and information from various international and non-governmental organisations. It also includes the results of comparative assessments and indices produced by other stakeholders, in particular in the area of rule of law. The report uses the following assessment scale to describe the state of play: early stage, some level of preparation, moderately prepared, good level of preparation and well advanced. To describe progress made during the reporting period, it uses the following scale: backsliding, no progress, limited progress, some progress, good progress and very good progress. Where appropriate, interim steps have also been used.

for evidence-based policy making needs to be enforced. Efforts need to be maintained to ensure a stable, accountable and transparent civil service system.

The judicial system of Georgia has some level of preparation and limited progress has been achieved. On the functioning and overall capacity of **the judiciary**, four consecutive waves of reform have improved the legal framework. Some legislative changes were adopted, including on the accessibility of court decisions, the quality of reasoning for judicial appointments and on increasing the professional experience requirement to 10 years for the selection of Supreme Court nominees. Parliament adopted amendments to the Law on Common Courts in June 2023 and drafted additional amendments in September 2023 implementing some of the recommendations of the Venice Commission including on the suspension of judges from office and, restrictions of the grounds of judge's disciplinary liability. However, the amendments did not address the most important recommendations of the Venice Commission (stated in its opinions of March 2023 and October 2023) regarding a comprehensive reform of the High Council of Justice (HCJ) and the binding nature of the decisions of the Supreme Court on appeal against HCJ decisions in the selection process of the Supreme Court judges. Namely, further broader reforms to ensure the full independence, accountability and impartiality of all judicial and prosecutorial institutions, especially the HCJ need to be undertaken in line with European standards and the recommendations of the Venice Commission. In particular, improvements and additional safeguards concerning the functioning and powers of the HCJ are needed and an effective right of appeal for the selection of Supreme Court judges should be ensured by clarifying the binding nature of the Supreme Court decision for the HCJ. Parliament elected two remaining non-judge members to the High Council of Justice with some concerns raised regarding the selection procedure. Finally, the pending amendments concerning the nomination procedure of the Prosecutor General through qualified majority in Parliament should be adopted.

Georgia has made some progress in the **fight against corruption** and has some level of preparation. In line with recommendations in the opinion, an Anti-corruption Bureau was established, combining several anti-corruption functions in a single body. Legislation on the Anti-Corruption Bureau was sent to the Venice Commission in September 2023.

Georgia endorsed an action plan on de-oligarchisation on 14 September and sent the action plan to the Venice Commission for opinion in September 2023. The action plan builds on the European Commission's recommendations and the Venice Commission's opinion of June 2023 to follow a systemic approach, including by reinforcing the rules on competition policy, media diversity and the financing of political parties. The action plan has been revised in October strengthening the co-ordination and setting clearer timelines for actions. The draft law on de-oligarchisation which envisaged a 'personal' approach was voted down in third reading in Parliament on 19 September. Overall, prosecutions and convictions on corruption cases have increased compared to 2021. Further action is needed to further complete the de-oligarchisation action plan and start its implementation, to establish a track record of investigations, prosecution, adjudication and final convictions of corruption cases, notably at high-level and, in particular, to address the challenge of large-scale vested interests and their influence in both the political, judicial and economic spheres.

Georgia made some progress in **fighting organised crime** and has some level of preparation. It participated in an increasing number of joint operations with EU Member States and neighbouring countries. A new national strategy for combating organised crime, together with an action plan, is in place. The anti-money laundering legislation partially reflects the recommendations made by the Financial Action Task Force, as well as relevant international legislation. The Government adopted the Report on Money Laundering and Terrorism

Financing Assessment Risks in Georgia on 3 October 2023.

There are still outstanding recommendations from the Council of Europe's Moneyval to be addressed. A national counterterrorism strategy for 2022-2026 and the corresponding action plan were adopted in 2022. More effort is needed to improve the coordination and effectiveness of law enforcement in fighting certain forms of crime, such as money laundering and financial crimes.

On **fundamental rights**, Georgia has ratified most international human rights conventions and instruments, and complies overall with its obligations under international human rights law. A national strategy for human rights protection was adopted in March 2023. A draft action plan was elaborated and was submitted for civil society consultations. The strategy contains some positive elements concerning economic and social rights. However, several key issues remain to be addressed, notably discrimination on grounds of sexual orientation and gender identity as well as the independence, accountability and transparency of the judiciary. The amendments remain to be aligned with the recommendations of the Venice Commission issued on 9 October 2023.

As regards the safeguard of fundamental rights, the amendments to the Criminal Procedure Code, which raised serious concerns regarding compliance with European standards were adopted, overruling Georgia President's veto. The amendments remain to be aligned with the recommendations of the Venice Commission opinion of October 2022. Parliament adopted a legislative package with amendments to eleven legislative acts that make reference to the ECtHR. The new Public Defender was appointed in February 2023, including with votes from the opposition. Challenges remain in adopting national strategies to fight all forms of hatred and discrimination and to protect minorities.

On **freedom of expression**, Georgia has some level of preparation and achieved limited progress. The right to freedom of expression is respected and upheld. Georgia improved its position in the World Press Freedom Index by 12 places (from 89th position in 2022 to 77th in 2023). There are no restrictions on the online media environment, which is increasingly diverse. Civil society actively contributes to political dialogue.

Georgia has continued to align its legislation with the key principles of the Audio-visual Media Services Directive (AVMSD) and in October adopted related amendments to the law on broadcasting. The effective independence of the national regulator, the Communication Commission remains to be ensured. The Parliament is currently discussing amendments in this regard. The media environment is largely pluralistic, but also highly polarised and working in a hostile environment. The intersection of business and political interests continued to hamper media independence.

Intimidation and physical and verbal attacks on media professionals have taken place, especially in the context of demonstrations and election rallies. Follow-up investigations are not yet effective. Strong language against media emanates also from senior government officials.

Court proceedings and investigations against opposition media owners have become frequent. Recent verdicts have a negative effect on critical media reporting.

Challenges persist regarding the exercise of the right to freedom of assembly, notably for persons in the most vulnerable situations, and this includes the right to peaceful protest, as seen during the violent attacks against participants in the Tbilisi Pride on 8 July 2023. On 5 October, the Georgian Parliament adopted amendments to the Law on Assemblies in expedited

procedure, without prior consultations. The civil society and the Public Defender expressed concerns with this Law and the President vetoed it on 17 October.

During the reporting period, Georgia adopted a series of strategic documents and legislation on **gender equality**, including on gender-based violence against women and domestic violence. The package of adopted laws introduced a gender impact assessment for all legislative acts and aimed to ensure compliance with the Council of Europe Convention on Preventing and Combating Violence against Women and Domestic Violence (“Istanbul Convention”). The legal definition of ‘rape’ needs to be brought in line with the Istanbul Convention (as it is based on the absence of consent). On an institutional level, response to gender-based violence is well defined and operational. However, protective measures, survivors support services and post-shelter support need further improvement.

The legal framework on **migration** is partially aligned with the EU *acquis* but needs further alignment. Georgia strengthened its institutional resources and capacity to manage migration. Georgia’s visa liberalisation framework should be further improved and benchmarks met.

Legislation on **asylum** is broadly in line with the EU *acquis*. The asylum management system has been put under increased pressure with the influx of Ukrainian nationals into Georgia and the issue of stranded migrants. The implementation and enforcement capacity of the asylum management system in Georgia needs further strengthening.

On the **economic criteria**, Georgia is moderately prepared to establish a functioning market economy. Real GDP growth exceeded 10% for the second year in a row, the external position improved significantly, inflation moderated and the fiscal deficit and public debt fell significantly.

Georgia also demonstrates a satisfactory track record in carrying out sound macroeconomic policies, and the institutional and regulatory environment is favourable overall. Regarding the capacity to cope with competitive pressure and market forces within the EU, Georgia has some level of preparation. The structure of the economy is relatively well diversified, albeit with a high share of low value-added sectors. The EU remains Georgia’s largest trade partner but the share has been gradually decreasing in favour of geographically closer economies.

On **public procurement**, Georgia has some level of preparation. Good progress was made in adopting the new Law on public procurement in February 2023. Further work is needed to align its legislative framework with the EU public procurement *acquis*, including utilities and concessions. On **statistics**, Georgia has some level of preparation, with limited progress made with adopting the Law on official statistics. The adequacy of Geostat, Georgia’s National Statistics Office – in terms of human, financial and IT resources – needs substantial improvement. Georgia has some level of preparation in the area of **financial control**, where the country made no progress, notably on public internal financial control and internal audit.

On **good neighbourly relations and regional cooperation**, Georgia is committed to improving bilateral relations with candidate countries, potential candidates and neighbouring EU Member States. Georgia remains committed to the Eastern Partnership and maintained its engagement in several regional cooperation initiatives. Georgia enjoys a strategic partnership with Türkiye and Azerbaijan. Relations with neighbouring EU Member States Romania and Bulgaria are good, with a strong focus on connectivity in the Black Sea.

On Georgia’s ability **to assume the obligations of EU membership**, the country continued its work on alignment with the EU *acquis* in many areas; overall there was some progress.

Regarding **cluster 2 on the internal market** Georgia is moderately prepared in the areas of right of establishment and freedom to provide services, although no progress was registered in

the reporting period. The country has some level of preparation in terms of the free movement of goods, on which there was limited progress, and in terms of company law, notably with the strengthening of auditing. Georgia is at an early stage of preparation when it comes to the free movement of workers, with limited progress on circular migration. Limited progress can also be reported on intellectual property with the adoption of amendments to the Law on patent. There is some level of preparation on consumer and health protection, where the country made limited progress. Significant efforts are still needed on ensuring quality healthcare coverage for all. The national competition agency responsible for enforcement of consumer protection measures should be properly staffed. No progress can be reported on competition policy, where the Georgian State Aid Commission still lacks operational independence. There was limited progress on free movement of capital, where Georgia needs to follow up on outstanding recommendations from the MONEYVAL report. Georgia has some level of preparation in the area of financial services and made limited progress during the reporting period.

In **cluster 3, competitiveness and inclusive growth**, Georgia is moderately prepared in economic and monetary policy; enterprise and industrial policy; science and research; education and culture and the customs union. Georgia has some level of preparation in digital transformation and media, social policy and employment and is in between some and moderate level of preparation in taxation. The country has made some progress in digital transformation and media, taxation and science and research. Georgia has shown limited progress on enterprise and industrial policy.

In **cluster 4, green agenda and sustainable connectivity**, Georgia is at an early stage of preparation in environment and climate change. Georgia finalised its long-term low-emission development strategy. It has some level of preparation in the areas of energy, transport policy and trans-European networks. A new market-based support scheme for renewable energy production was introduced. Some progress was achieved on trans-European networks and more effort is needed to improve transport and energy infrastructure. Georgia achieved some progress with the adoption of the new National Transport and Logistics Strategy, the adoption of the Railway Strategy in February and the adoption of the Maritime code. More effort is needed in the transport sector, with a notable focus on road safety, rail sector reform, and incorporating the principles of the smart and sustainable mobility strategy.

In **cluster 5, resources, agriculture and cohesion**, Georgia is at an early stage of preparation in the chapters on agriculture and rural development and financial and budgetary provisions. Georgia is in between an early stage and some level of preparation regarding regional policy and coordination of structural instruments. It has some level of preparation in food safety, veterinary and phytosanitary policy and fisheries. Some progress was made in regional policy and limited progress in agriculture and rural development, with the amendment of the Law on agricultural cooperatives. No progress was registered in fisheries and on financial and budgetary rules. More effort is needed to increase human and administrative capacity in the field of fisheries and aquaculture. It is also important to adopt the new regional development strategy and consider expanding its coverage to the whole country.

In **cluster 6, external relations**, Georgia is moderately prepared. Limited progress was made on external relations, where Georgia is expected to align its legislation on export controls on dual use goods with the EU *acquis*. Limited progress was made on foreign, security and defence policy. In line with its long-standing policy, Georgia did not align with the EU's restrictive measures (sanctions) regarding Russia, including airspace closure.

In the area of Common Foreign and Security Policy, following Russia's war of aggression against Ukraine, Georgia has aligned itself with international and EU initiatives in support of Ukraine, including on Resolutions adopted by the UN General Assembly and Human Rights

Council and the Council of Europe. Georgia did not align with the EU's restrictive measures against Russia and Belarus nor with the related statements by the High Representative on behalf of the EU. Georgia's alignment with EU statements and Council decisions under the CFSP remained largely the same (44% in 2022, 43% in August 2023).

Georgia is expected to considerably increase its alignment rate with EU statements and Council decisions under the CFSP. Georgia has shown active engagement in ensuring that the territory of Georgia and/or legal entities registered in Georgia are not used to circumvent these sanctions, including sanctions in the financial sector.

1.3. ASSESSMENT OF THE IMPLEMENTATION OF THE 12 PRIORITIES IN THE COMMISSION'S OPINION

Priority 1: address the issue of political polarisation, through ensuring cooperation across political parties in the spirit of the April 19 agreement.

Most Members of Parliament have ended their boycott of Parliament and a few laws were passed with cross-party support. Regular ministers' question times take place in Parliament with attempts aiming to start cross-party discussion notably on EU-path related reforms. Parliament voted against impeaching the President of Georgia. The use of harsh rhetoric continues with incidents of disinformation regarding the EU.

Cooperation, compromise-building and inclusive consultations with opposition parties and civil society, notably with regards to reforms that relate to Georgia's EU agenda, should be further pursued. All parties and stakeholders should build on the broad consensus towards Georgia's European path in line with the will of the vast majority of Georgian citizens.

Priority 2: guarantee the full functioning of all state institutions, strengthening their independent and effective accountability as well as their democratic oversight functions; further improve the electoral framework, addressing all shortcomings identified by OSCE/ODIHR and the Council of Europe/Venice Commission in these processes

Amendments to the rules of procedure strengthened parliamentary oversight functions and led to increased ministerial hearings. The use of these oversight prerogatives should be enacted including by enabling the setting up of parliamentary investigative committees and the participation of opposition parties in the "trust group" overseeing the security services. Parliament adopted, in an expedited manner and by later overruling a veto by the President, amendments on the functioning of the National Bank of Georgia which raised concerns in relation to the Bank's independence. The Government adopted a public administration reform strategy and an action plan. Investigations into the large-scale wiretapping revealed in 2021 are still outstanding. Georgia should ensure effective parliamentary oversight, notably of security services, and independence and impartiality of its key institutions.

The electoral code and the law on political associations were amended to align with some Venice Commission and ODIHR recommendations and with support from some opposition MPs. Parliament later voted to reverse the amendments to the Electoral Code changing the appointment procedure of the Central Election Commission chairperson and overriding a veto by the President. Georgia sent these amendments to the Venice Commission for consultation in September 2023. Georgia should address key ODIHR/VC recommendations from past elections, on intimidation and abuse of administrative resources and should address the recommendations in the upcoming Venice Commission opinions in a timely manner, before the next elections take place.

Priority 3: adopt and implement a transparent and effective judicial reform strategy and action

plan post-2021 based on a broad, inclusive and cross-party consultation process; ensure a judiciary that is fully and truly independent, accountable and impartial along the entire judicial institutional chain, also to safeguard the separation of powers; notably ensure the proper functioning and integrity of all judicial and prosecutorial institutions, in particular the Supreme Court and address any shortcomings identified including the nomination of judges at all levels and of the Prosecutor-General; undertake a thorough reform of the High Council of Justice and appoint the High Council's remaining members. All these measures need to be fully in line with European standards and the recommendations of the Venice Commission”.

Non-judge members of the High Council of Justice (HCJ) were elected. Parliament adopted amendments to the Law on Common Courts in June 2023 and drafted additional amendments in September 2023, addressing some of the Venice Commission key recommendations. The June amendments addressed one key recommendation - the procedure for suspension of judges from office, and some additional issues. The Venice Commission opinion acknowledged that if the draft September amendments were to be adopted, one other key recommendation would be addressed, namely the restriction of the grounds of judge's disciplinary liability. The amendments did not address the core recommendations of repeated Venice Commission opinions, regarding a comprehensive reform of the HCJ and regarding the Supreme Court. In particular, these relate to the functioning and powers of the HCJ, including on the mandate of the members of the HCJ, the transfer of judges without their consent and an effective right of appeal in the selection of Supreme Court judges.

Georgia should still pursue a holistic and effective reform of the judicial system to ensure effective independence, accountability and impartiality of all judicial and prosecutorial institutions with thorough reform of the High Council of Justice. Draft constitutional amendments on the Prosecutor General's appointment should be adopted.

Priority 4: *strengthen the independence of its Anti-Corruption Agency bringing together all key anti-corruption functions, in particular to rigorously address high-level corruption cases; equip the new Special Investigative Service and Personal Data Protection Service with resources commensurate to their mandates and ensure their institutional independence.*

Parliament passed legislation establishing an Anti-corruption Bureau to oversee and coordinate Georgia's anti-corruption policy and draw up recommendations. The Bureau was granted powers to monitor asset declarations and party financing and to adopt recommendations on whistle-blower protection. The Prime Minister appointed the head of the Bureau for a term of six years. Georgia withdrew from the OECD anti-corruption network. The EU has requested Georgia to repeal the decision of February 2023 to withdraw from the OECD anti-corruption monitoring network for Eastern Europe and Central Asia (OECD/CAN) and fully implement recommendation from the previous rounds. Parliament adopted legislation, strengthening the investigative authority of the Special Investigative Service and social protection benefits of the Personal Data Protection Service personnel. Outstanding 2022 ODIHR recommendations on the appointment and dismissal of the Head of Service should be addressed. Georgia should also review the legislation on the Anti-Corruption Bureau, the Special Investigation Service and the Personal Data Protection Service addressing upcoming Venice Commission recommendations.

Priority 5: *implement the commitment to “de-oligarchisation” by eliminating the excessive influence of vested interests in economic, political, and public life.*

The draft law on de-oligarchisation envisaging a “personal” approach was voted down by Parliament. The government adopted an amended action plan on de-oligarchisation. The action plan builds on prior Venice Commission recommendations to follow a “systemic” approach, with a focus on the fight against corruption, public procurement, competition policy, justice

reform, the fight against money laundering, financing of political parties and media; the amendments strengthened its implementation with clearer timelines.

Georgia should continue developing and improving the de-oligarchisation action plan to ensure that all key areas are adequately addressed with effective measures and with clear institutional arrangements. Efficient implementation of the plan should lead to building a tangible track record. An inclusive and robust mechanism for coordinating and monitoring should swiftly be put in place allowing also to timely review and complement the plan whenever needed.

Priority 6: strengthen the fight against organised crime based on detailed threat assessments, notably by ensuring rigorous investigations, prosecutions and a credible track record of prosecutions and convictions; guarantee accountability and oversight of law enforcement agencies.

The Government adopted the 2023-2024 Action Plan for the National Strategy of Fight against Organised Crime. Georgia stepped up its cooperation with Europol and the Member States. Parliament consulted NGOs and sent 76 recommendations on fight against organised crime, cybercrime, human trafficking, money laundering, terrorism financing and drug-related crimes to relevant executive agencies for implementation. The Government adopted a Report on Money Laundering and Terrorism Financing Assessment Risks in Georgia on 3 October 2023. Addressing recommendations of the Council of Europe's Moneyval needs to continue.

Priority 7: undertake stronger efforts to guarantee a free, professional, pluralistic and independent media environment, notably by ensuring that criminal procedures brought against media owners fulfil the highest legal standards, and by launching impartial, effective and timely investigations in cases of threats against safety of journalists and other media professionals.

An opposition TV Director was released from prison following a presidential pardon. Georgia has adopted amendments to the Law on Broadcasting to address the core principles of the EU's Audiovisual Media Service Directive (AVMSD) notably the issues of non-incitement to violence and hatred and the protection of minors. Georgia should continue work towards ensuring the effective independence of the media regulator (Georgian National Communication Commission) and build trust with the media sector. A first proposal to strengthen its independence is under discussion. Georgia should investigate and prosecute cases of threats against safety of journalists and other media professionals.

Priority 8: move swiftly to strengthen the protection of human rights of vulnerable groups, including by bringing perpetrators and instigators of violence to justice more effectively.

A National Human Rights Strategy was adopted. Civil society and international organisations submitted comments notably to strengthen protection of all vulnerable groups. A draft National Action Plan is being prepared with civil society consultations launched on 1 November 2023. The main 2023 Pride event had to be cancelled, due to far-right groups disrupting the festival. On 5 October 2023, the Georgian Parliament adopted amendments to the Law on Assemblies following an expedited procedure, without prior consultations. Civil society organisations and the Public Defender expressed concerns with this Law and the President vetoed it. Georgia should further the investigations against the instigators of the violence during the 2021 Pride event. Georgia should complete the National Action Plan for Human Rights Protection following the consultation process just launched, which needs to be inclusive, and start its implementation.

Priority 9: consolidate efforts to enhance gender equality and fight violence against women.

In a very inclusive process, Parliament adopted a package of draft laws related to compliance with the Istanbul Convention, mandatory Gender Impact Assessment for all legislative acts and several amendments regulating the fight against violence against women. The State Concept on Economic Empowerment of Women was approved and the validity of gender quotas in Parliament extended until elections in 2032. **This priority is completed.**

Priority 10: *Civil society ensure the involvement of civil society in decision-making processes at all levels*

Civil society representatives were invited to participate in the work on the 12 priorities. Civil society organisations (CSOs) could attend meetings and put questions to Public Defender candidates. In March, a draft law creating a registry for “agents of foreign influence” was adopted by Parliament and later withdrawn following large protests. In July and September, the ruling party held inclusive conferences on the implementation of 12 priorities with opposition and civil society organisations, in a move to resume constructive engagement with civil society, including on the EU integration process. A Memorandum on cooperation between the Parliament of Georgia and the Georgian National Platform of the Eastern Partnership Civil Society Forum was signed in October 2023. Structured engagement and dialogue with civil society at all levels, including with government, regional and local authorities, requires further strengthening to ensure CSOs can effectively and meaningfully engage in policy and decision-making. Georgia should also refrain from adopting measures which could hamper or restrict meaningful participation of civil society in such processes.

Priority 11: *adopt legislation so that Georgian courts proactively take into account European Court of Human Rights judgments in their deliberations.*

Parliament adopted a legal package on legislative mechanisms ensuring reference to European Court of Human Rights (ECtHR) decisions by Georgia’s courts, facilitating access to such decisions and supporting the professional development of judges, prosecutors and defence lawyers in that regard. All parties supported the legislation and voted in favour. **This priority is completed.**

Priority 12: *ensure that an independent person is given preference in the process of nominating a new Public Defender (Ombudsperson) and that this process is conducted in a transparent manner; ensure the Office’s effective institutional independence.*

A new Public Defender was appointed in February 2023 with votes from opposition MPs. The Public Defender’s Office operates with a high level of credibility in the Georgian society. **This priority is completed.**

2. CLUSTER 1: FUNDAMENTALS OF THE ACCESSION PROCESS

2.1. FUNCTIONING OF DEMOCRATIC INSTITUTIONS AND PUBLIC ADMINISTRATION REFORM

2.1.1. Democracy

Overall, the legislative framework, institutional setup and vibrant civil society provide Georgia with a good level of preparation for further democratic and rule-of-law reforms. This level of preparation was negatively affected in practice by the country’s deep political polarisation, the lack of effective cross-party cooperation on both the reform agenda and parliamentary oversight, as well as several instances of malpractice in the context of elections which were not effectively investigated.

The government agreed to undertake further reforms under the EU-Georgia Association Agenda. Nevertheless, a number of key measures remain to be adopted during the reporting period. Lack of cross-party consensus hampered legislative work, such as furthering judicial reform.

Elections

Overall, the electoral framework is in line with relevant international standards.

In December 2022, Parliament adopted amendments to the Election Code with multiparty support, some of which were in line with previous OSCE/ODIHR recommendations. The amendments did not address some of the key outstanding OSCE/ODIHR recommendations.

The latest amendments to the Election Code adopted in June 2023 are not in line with the Commission opinion's priority 2c nor with numerous recommendations, since they give a simple majority of Parliament members unilateral power to appoint the Central Election Commission (CEC) Chair and CEC non-party members, with no effective involvement of other institutions, including the President. Additional draft amendments to the Election Code were sent to the Venice Commission for opinion in September 2023.

Parliamentary elections are approaching in 2024 and the Parliament has yet to elect a permanent Central Election Commission (CEC) Chair and two CEC professional members. A need for comprehensive electoral reform remains.

Overall, the **electoral framework** is in line with relevant international standards enshrined in the International Covenant on Civil and Political Rights (ICCPR) and other international human rights conventions such as the Convention on the Elimination of all Forms of Discrimination against Women (CEDAW) and the Convention on the Rights of Persons with Disabilities (CRPD). Further constitutional amendments, complementing those adopted in 2018 and 2020 and envisaged by the 19 April agreement, are pending in Parliament.

The term of the Central Election Committee (CEC) Chairperson, who had been elected by simple majority for 6 months, expired in August 2022. Since then, Parliament has failed to elect a new CEC Chairperson.

In December 2022, Parliament adopted amendments to the Electoral Code and to the Law on political associations of citizens, with cross-party support. The initial parliamentary process on this reform did not meaningfully involve opposition parties and civil society organisations on the substance, though later work in the committee and plenary was more inclusive. Some of the changes envisioned by the amendments are in line with previous recommendations by the OSCE/Office for Democratic Institutions and Human Rights (ODIHR). The amendments also envisage the widespread use of electronic technologies which is broadly supported by most political parties. The proposed amendments were not based on a comprehensive review of the Electoral Code and only addressed a selection of issues.

Some issues raised by ODIHR in past observations were recalled in the Joint Opinion of the Venice Commission and OSCE/ODHIR issued in December 2022 and remain unaddressed. These include the delimitation of electoral districts, changes to the media campaign regulations and preventive measures against the intimidation of voters.

In June 2023 Parliament approved amendments to the Electoral Code and the Rules of Procedure. Parliament overruled the President's veto on the amendments on 3 July. The revised procedure overrides the stipulations in the 19 April agreement, with the Chairperson and seven members of the Central Election Commission (CEC) to be nominated for election by the Speaker of Parliament, instead of the President. Parliament will elect the Chairperson and

members of the CEC by a majority of votes from the entire composition (76 votes, as opposed to the current rule requiring 100 votes). Additional draft amendments to the Election Code were sent to the Venice Commission for opinion in September 2023.

Investigations into reports of intimidation, vote-buying and pressure on candidates and voters have so far not led to prosecutions or convictions. In July 2022, the Office of the Prosecutor General launched an investigation following the publication of documents pointing to possible cases of large-scale electoral malpractice, including vote-buying by civil servants and pressure on voters involving the security services. This has not so far led to criminal prosecutions against any individual.

No nationwide **elections** were held during the reporting period. By-elections were held on 1 October 2022 in Senaki municipality and on 29 April 2023 for a parliamentary seat in Poti-Senaki-Khobi and for several local positions. For the first time, electronic technologies were used on a large scale (at 117 out of 165 polling stations). The Central Election Commission (CEC) reported that small technical errors occurred at several electoral precincts but that these errors were promptly eliminated and did not impede the voting process.

As regards **women's participation** in elections, following the introduction of gender quotas for parliamentary elections, 27 out of the current 139 MPs are women. Still, women remain under-represented in public office.

Parliament

Parliament led the efforts to address the 12 priorities in the European Commission opinion. However, this effort was adversely affected by the deep political polarisation and limited inclusivity of opposition on the substance of the reforms.

Not all parliamentary procedures function effectively in the spirit of control and accountability, mostly due to strong tensions between the ruling party and opposition parties. The EU-mediated 19 April agreement (2021) provided an opportunity to tackle this deep polarisation and forge a cross-party consensus on crucial reforms, particularly in the electoral and judicial fields. More needs to be done to reduce polarisation and improve Parliament's oversight and control over the government and effective scrutiny of legislative implementation.

During the reporting period, substantive cross-party work in Parliament was limited due to (i) a lack of genuine inclusion of the opposition by the ruling party in drawing up legislation and (ii) on-and-off boycotts by parts of the opposition, notably the United National Movement party. Opposition parties argue that most of their legislative proposals are not scheduled for debate or included as part of draft laws. Elements from the 19 April agreement are still pending implementation. Key topics of political tension related to issues such as the deteriorating health of former President Mikheil Saakashvili and, in March 2023, the initial support by the ruling party for a 'foreign agents' draft law. Nevertheless, increasingly during the reporting period, most Members of Parliament have returned to Parliament.

There were good examples of cross-party cooperation and votes. Parliament established several working groups to address the 12 priorities. It also managed to elect a new Public Defender in March 2023. In May, Parliament elected three new non-judge members in the High Council of Justice (part of priority 3). Two non-judge members remain to be elected.

The **emergency procedure** to pass legislation, including in areas relevant to EU commitments, is regularly used and, at times, for issues that are perceived to be institutionally sensitive. There is a legal framework providing for comprehensive impact assessments of proposed legislation, but it is only partially implemented.

Amendments to the Parliament’s rules of procedure were adopted in November 2022 to increase the level of **parliamentary oversight** to some extent. Oversight over security services, including through the ‘trust group’ in Parliament, remains limited, with only three MPs from the ruling majority participating in the meetings. One of the key instruments for parliamentary oversight is the ability to set up parliamentary investigative commissions with a low threshold of 50 votes, which the opposition can gather alone. In April 2023, the ruling party used procedural means to prevent the opposition from setting up such a commission to investigate allegations of corruption in the judiciary, following visa restrictions on four judges by the U.S. Department of State. The ruling party used the same procedural means to prevent the opposition from creating an investigative commission over the ‘case of call centres’.

Governance

There was overall limited progress during the reporting period in strengthening good governance. The Parliament took an active role in implementing the 12 priorities. The government continued to declare that EU membership is its strategic goal and promoted its European agenda. The President vetoed several laws.

In April 2023, the Government approved the action plan for EU integration of Georgia for 2023, including the activities to be carried out in 2023, expected outcomes, timeframes and sources of funding. The Prime Minister chaired the EU Integration Commission.

The relationship between the President and the government or the ruling party has been increasingly challenging. The President vetoed legislation several times, a veto which the Parliament has overruled in several instances. On 14 September the ruling party filed a complaint with the Constitutional Court initiating impeachment proceedings against the President. Following the Constitutional Court decision on 16 October 2023, Parliament voted against impeaching the President.

Commitments to strengthen **local governance** and municipal services are included in the 2020–2025 decentralisation strategy, the public administration reform strategy and action plan, and the 2030 national development strategy-vision. In December 2022, the Parliament adopted amendments to the Local Self-Government Code, to allow the government to prematurely terminate the mandate of a city council if it fails to adopt the municipal budget within the first 3 months of the year.

Political culture for multi-party dialogue and coalition governance at local level is limited, leading to deadlocks in councils where the ruling party at national level does not also have the majority at local level. Participatory mechanisms for engaging civil society organisations and citizens in local decision-making process are codified in the Local Self-Government Code. The enforcement of the Code is uneven and differs widely across the municipalities. Only three out of 64 municipalities have female mayors (Rustavi, Dusheti and Ninotsminda, 4.7%).

Civil society

Georgia does not yet have a comprehensive government strategy in place for supporting or cooperating with civil society. Mechanisms for consultation with civil society in policy making and law making exist both at central and municipal level. Parliament invited civil society organisations (CSOs) to participate in the working groups on the 12 priorities. With some exceptions, these organisations were able to attend meetings and actively participate, although their input was rarely included in draft legislation or appointment processes. A dedicated mechanism for public online consultations or contributions for draft laws or policy documents is currently lacking.

Civil society in Georgia is well developed, diverse and vibrant and continues to enjoy the freedom to operate, albeit in an increasingly hostile environment. The **legal framework** remains conducive to an active civil society, due to streamlined registration and reporting requirements, the existence of a differentiated tax regime, and the absence of limitations on the freedom of association and the freedom to operate.

There is some level of involvement of CSOs in **policy dialogue**. Parliament invited CSOs to participate in the working groups on the 12 priorities, during the reporting period, and particularly in the first months of 2023. At the same time, certain CSOs have been increasingly excluded from policy consultation and some have withdrawn from consultation forums. Following the proposal and subsequent withdraw of the ‘foreign agents’ law, not all member organisations of the Consultative Group of the Permanent Parliamentary Council of Open Governance, which had suspended their membership in March 2023, returned. In September 2023 the Speaker of the Parliament took up the chairmanship of the Permanent Parliamentary Council on Open Governance. A dedicated mechanism for public online consultations or contributions for draft laws or policy documents is currently lacking. Draft legislation is available online.

The enabling environment has increasingly come under attack through hostile rhetoric by political leaders and radical groups and, intermittently, through draft legislation that would have labelled CSOs who receive foreign funding as ‘foreign agents’ and subjected them to possible penalties for non-compliance, including criminal prosecution. On 7 March 2023, the ruling majority passed one of the draft laws its first reading. This prompted condemnation from large segments of Georgian society and led to large demonstrations on 7 and 8 March. As a consequence, the parliamentary majority effectively withdrew the draft law on 10 March, in a second reading, by abstaining from voting. Opposition parties voted in favour of this withdrawal.

Mechanisms for consulting the public on policy-making and law-making exist at both central and municipal level. However, meaningful utilisation of these mechanisms is uneven and varies based on the sensitivity of the subject and institutions. The primary institutionalised mechanism for state-CSO cooperation, aimed at increasing public accountability and transparency, is the Open Government Partnership (OGP). Georgia has a progressive legislative framework for OGP coordination and CSO engagement. However, it has not adopted national OGP action plans since 2019, for two consecutive cycles. The country is currently under review by the OGP based on two consecutive procedures: Procedural Review – for failing to adopt an action plan for two consecutive cycles – and Response Policy Procedure, initiated on the basis of a letter of concern from a CSO.

Also, Georgia does not yet have a comprehensive government strategy in place for supporting or cooperating with civil society. Parliament has not made progress in adopting the state plan for supporting the development of CSOs, initiated during the previous parliamentary term.

The enabling **financial environment** for CSOs is largely in place, but a framework for the transparent and objective distribution of public money, including municipal funds, needs to be introduced. Public funding for CSOs is available, but is not fully developed and is distributed unevenly. The majority of CSOs, in particular at local level, are dependent on funding from foreign donors, and other means for ensuring their financial sustainability (e.g. crowdfunding, donations) are not well developed. Volunteering is legally regulated and strategic documents envisage specific steps to promote volunteering culture, especially among young people. The culture of volunteering in Georgia remains weak, due to a lack of legislative incentives, a dearth of diverse volunteering opportunities and a low level of public awareness about volunteering activities.

Civilian oversight of the security and intelligence sector

In addition to the Parliament's oversight role, a number of other institutions have oversight powers over the security sector. The rules and procedures covering civilian oversight are well defined in the respective legislative framework. In practice, the conduct of oversight faces shortcomings due to institutional reticence, the weakening of the state inspection bodies in 2022 (see above), the limited participation of opposition MPs and decreasing involvement of civil society.

Since the end of 2022, the earlier practice of dialogue with selected civil society organisations during the preparation of strategic documents has ceased. The Parliament's Security and Defence Committee does not consistently engage in dialogue and exchange with civil society organisations.

To date, there has been no effective investigation into the September 2021 leak of a large number of wiretapping recordings. The Prosecution is still waiting for the results of internal investigations within the State Security Service, and there have been no prosecutions to date. The Parliament amended the Criminal Procedure Code to allow for covert investigative actions in more cases and for longer periods. Oversight bodies, CSOs and the international organisations, including the Venice Commission, have voiced concerns in respect of these issues.

2.1.2. Public administration reform

Overall, Georgia **is moderately prepared** in the area of public administration reform (PAR). **Some progress** has been achieved with the preparation and adoption of the PAR and public finance management strategies and related actions plans. Georgia's civil service presents some fragmentation, limited standardisation and would benefit from a more comprehensive vision on digital transformation.

Efforts need to be maintained to ensure a stable, accountable and transparent civil service system.

In the coming year, Georgia should in particular:

- revise the legislation on the legal entities of public law to reduce the number of legal entities, classify them by functional criteria, and ensure that those with executing authority belong to the civil service;
- strengthen the legal mandate and capacity of the Administration of Government to coordinate the operations of the ministries; strengthen the mandate of the Civil Service Bureau for standardisation, monitoring and scrutiny, beyond its advisory role;
- review the legal framework to effectively guarantee citizens' right to access to public information.

Strategic framework for public administration reform

After a two-year gap, the government, in consultation with relevant public stakeholders, elaborated a new **public administration reform** (PAR) strategy. The new strategy and its action plan were adopted on 16 February 2023. It covers all PAR areas, except public finance management (PFM), which is covered by a separate strategy. The strategy mostly focuses on further implementation of previous reforms, with some bottlenecks such as public administration fragmentation, limited standardisation in civil service and lack of a clear vision for digital transformation.

Policy development and coordination

The institutions and the regulatory framework for central government **policy development and coordination** are in place and are functioning well. The Administration of Government of Georgia together with the Ministry of Finance, Ministry of Justice and Ministry of Foreign Affairs (for European integration) performs all expected functions of the centre of government. It includes effective policy coordination among these institutions.

A handbook supporting the rules of procedure for development, monitoring and evaluation of policy documents provides the regulatory and procedural foundation for **evidence-based policy** making. This framework needs to be enforced by further strengthening the capacity and implementation of policy monitoring, both in ministries and in the centre of government. The implementation of the system of regulatory impact assessments has not been fully incorporated into the decision-making process to improve the evidence behind adopted government policies. A ‘Gender Impact Assessment’ on Georgia’s Public Service Law was conducted.

Public financial management

Significant progress was made in terms of PFM. The government drafted a comprehensive PFM strategy in December 2022, which was adopted on 23 May 2023. The strategy is based on the Public Expenditure and Financial Accountability (PEFA) 2022 Assessment and was published for stakeholder consultations online. The PFM action plan is prepared on a yearly basis and is monitored through quarterly reports.

Significant progress has been achieved in terms of transparency of public finances in line with international standards. In the 2021 Open Budget Survey, published online in 2022, Georgia ranked first in the world in terms of state **budget transparency** (Open Budget Index). Transition to a fully automated VAT refund system has been ensured, which is an important step in terms of both tax reform and business.

Improvements are still needed in fiscal risk reporting; public assets and investment management; annual financial reports; fiscal strategy and revenue administration. Reforms in these areas will bring Georgia even closer to best international and EU practice.

Public service and human resources management

The **public service and human resources management** is based on a coherent legal framework. Constant efforts are needed to further strengthen a merit-based, professional civil service at all levels of the administration, as well as transparent recruitment, promotion and dismissal procedures.

In 2022, women represented 33 % of the civil servants, and 43% of middle or high managerial position. Only 13% of heads and deputy heads of public institutions were women (2021 data: 33%, 41% and 16%).

A new Head of the civil service bureau was appointed in September 2022. The Civil Service Bureau is a crucial institution for managing the civil service, developing policies and drafting legislation. Being a legal entity of public law (LEPL), it has no authority to enforce the application of the regulations or standardise practices. The PAR strategy and its 2023-2024 action plan include measures aimed at reinforcing the bureau’s accountability towards the Public Service Council. As the council is only an advisory body, the political responsibility for the public service is not attributed clearly. This continues to hamper the comprehensive implementation of public service reforms.

The legislation regulates the basic features of recruitment of civil servants. The main principles related to merit are clearly stated. Mobility, promotions and disciplinary procedures are well regulated according to good international practices. The provisions related to termination and

demotion largely meet EU standards. There is no defined ‘senior civil service’ in the Georgian system that could properly delineate the civil service from the political sphere. The fact that all human resources decisions are made by the ministers or deputy ministers, instead of senior civil servants, increases the risk of politicisation of the civil service and overburdens ministers with daily work routines.

Accountability of administration

Overall, the central government is coherently organised and the legal framework is being improved to ensure efficient and effective **accountability** lines between supervisory and subordinated bodies.

Some shortcomings of the public service at horizontal level are present. There are a high number of institutions, or LEPLs, which develop and implement government policies and whose staff are not covered by the public service legislation. The legislation on the LEPLs, therefore, needs to be revised to reduce the number of legal entities, classify them by functional criteria, and ensure that those with executing authority belong to the civil service.

Implementation of the **citizens’ right to good administration** can differ among various government institutions, in terms of length of proceedings, impartiality and substantiation of decision-making. Public Defender’s Office and State Audit Office are key institutions monitoring enforcement of this right; however, their recommendations are not consistently implemented.

Georgian constitution guarantees **citizens’ right to seek full compensation** for damages inflicted by unlawful actions or omissions of the public administration through court procedures, however, excessive length of the judicial proceedings in cases of administrative disputes (529 days in 2022) is hampering the effective judicial control over the citizens’ right to good administration, as well as right to seek compensation. The length of judicial proceedings needs to be reduced.

Access to public information is ensured by the legal framework. Its enforcement is mixed across various government institutions. The long-awaited review of the overall framework needs to be carried out to enhance the administrative capacity for effective enforcement. Publication of information – including publishing monitoring and activity reports – is uneven and needs to be significantly improved. The legal framework to effectively guarantee citizens’ rights to access to public information should be reviewed.

Systematic **implementation of recommendations by independent oversight bodies** such as the State Audit Office and the Public Defender Office is yet to be achieved. In 2022, only 12% of the 334 recommendations issued by the Public Defender in its annual parliamentary report were fully implemented by authorities – 23.6% were partially implemented, 54.7% were not implemented and the remaining became irrelevant.

Service delivery to citizens and businesses

A key government priority is to ensure a more **user-oriented service delivery**. Georgia is advanced in the provision of e-public services. Moreover, it has expanded the ‘one-stop shop’ network of public services at central and local level for services that cannot be provided electronically.

With the 2022-2025 public services development strategy, adopted in April 2022, and the recent 2023-2026 PAR strategy (including a pillar on public service delivery) the government has a strategic framework to focus on public services. Both strategies noted several gaps in public service design and delivery.

2.2 RULE OF LAW AND FUNDAMENTAL RIGHTS

2.2.1. Chapter 23 - Judiciary and fundamental rights

The EU's founding values include the rule of law and respect for human rights. An effective (independent, high-quality and efficient) judicial system and an effective fight against corruption are of paramount importance, as is respect for fundamental rights in law and in practice.

Overall, in the area of judiciary and fundamental rights, Georgia has **some level of preparation**. During the reporting period, **limited progress** was made overall.

Functioning of the judiciary

Georgia has **some level of preparation** in the area of the judiciary apply the EU *acquis* and European standards in this area. Overall, it has made **limited progress**.

Four consecutive waves of reform prior to 2022 have improved the legal framework related to the functioning of the judiciary and the overall capacity and organisation of the justice system. Parliament adopted a judicial reform strategy and action plan. However, the strategy and action plan do not address key challenges in the justice system, in particular the need to strengthen the integrity of the highest judicial bodies. Some legislative changes were adopted, including on accessibility of court decisions, the quality of reasoning for judicial appointments and on increasing the professional experience requirement to 10 years for the selection of Supreme Court nominees.

In June 2023 Parliament adopted amendments to the Law on Common Courts and drafted additional amendments in September 2023 implementing some of the Venice Commission's recommendations. However, the most important recommendations of the European Commission and of the Venice Commission as stated in its consecutive opinions (of March 2023 and October 2023), notably regarding reforming High Council of Justice and recommendations regarding the Supreme Court were not addressed. Namely, further broader reforms to ensure the full independence, accountability and impartiality of all judicial and prosecutorial institutions, especially the HCJ need to be undertaken in line with European standards and the recommendations of the Venice Commission. In particular, improvements and additional safeguards concerning the functioning and powers of the HCJ are needed and an effective right of appeal for the selection of Supreme Court judges should be ensured by clarifying the binding nature of the Supreme Court decision for the HCJ. At the same time, the Venice Commission acknowledged improvements on some recommendations including the suspension of judges from office and restrictions of the grounds of judge's disciplinary liability.

A broad justice reform remains outstanding. In particular, reforms to ensure the full independence, accountability and impartiality of all judicial and prosecutorial institutions, especially the Supreme Court, the Prosecutor General and the High Council of Justice (HCJ), need to be addressed. These reforms need to be undertaken, in line with European standards and the recommendations of the Venice Commission (Venice Commission).

In the coming year, Georgia should:

- adopt amendments to the Law on Common Courts to bring it fully in line with Venice Commission recommendations as regards the powers of the High Council of Justice (HCJ) concerning transfers and disciplinary proceedings of judges, and an effective right of appeal for appointments of Supreme Court judges.
- adopt a broader reform of the judiciary, in particular, reform the HCJ in line with Venice Commission recommendations. In particular, establish a system of extraordinary integrity

checks, with the involvement of international experts with a decisive role in the process, for candidates and persons currently appointed to all leading positions in the judiciary, in particular the HCJ, the Supreme Court and court presidents. Furthermore, establish a system of effective permanent and periodic asset declarations with the involvement of international experts in an oversight and advisory function.

→ adopt the draft constitutional amendments which include changing the appointment procedure of the Prosecutor General from simple to qualified majority in Parliament; align the law on the Prosecutor's Office with European standards, following the recommendations of the Venice Commission, OECD and the TAIEX peer review on the functioning of the justice sector and the fight against organised crime.

Strategic documents

In October 2022, the Georgian Parliament's Legal Affairs Committee published its judicial reform strategy and action plan. It lists 16 priorities, with a strong focus on efficiency measures, mostly related to the courts system, such as ensuring an optimal number of judges and other court officials, reducing caseloads by promoting alternative dispute resolution channels, improving technical infrastructure, etc.

The action plan also refers to improving the implementation of judgements by the European Court of Human Rights, strengthening the institution of trial by jury, improving the quality of reasoning accompanying court decisions, strengthening social protection guarantees for judges and increasing public communication, including on court decisions. However, the strategy and action plan do not address key challenges in the justice system and do not include major strategic items (detailed analysis of implementation of previous reforms and remaining challenges, sequence of actions, timelines, definition of responsible bodies, indicators, monitoring mechanism, etc.).

Management bodies

The High Council of Justice (HCJ) is the principal body managing the judicial system and the careers of judges. The Prosecutorial Council, the governing body for the prosecution, has a much more limited role in the management of the prosecution and the careers of prosecutors, which is largely in the competence of the Prosecutor General. Outstanding issues with regard to the composition, the functioning and powers of both bodies in line with European standards and Venice Commission recommendations, remain to be addressed. In addition, to ensure the independence, accountability and impartiality of the justice system, broader reform of judicial institutions remains to be prepared and adopted in line with European standards.

Parliament adopted amendments to the Law on Common Courts in June 2023 and drafted additional amendments in September 2023 implementing only some of the Venice Commission's recommendations. The amendments did not address the most important recommendations of the European Commission and the Venice Commission (opinions of March 2023 and October 2023), such as the transfer of judges without consent, the need for further reform of the HCJ including balance between judge and non-judge members in decision-making, restricting re-appointment of HCJ members and ensuring staggered election of HCJ members, and ensuring an effective appeal in the selection procedure of the Supreme Court Judges by clarifying that the SC decisions are binding.

The June amendments had addressed one key recommendation - the procedure for suspension of judges from office - and additional issues: limiting the grounds for withdrawal of a member of the HCJ; clarifying the moment when disciplinary proceedings should be considered as initiated; facilitating the procedure for access to court decisions. In addition, the Venice Commission opinion acknowledged that if the draft September amendments were to be

adopted, one other key recommendation would be addressed, namely the restriction of the grounds of judge's disciplinary liability based on the violation by a judge of the principle of "political neutrality". These amendments are still to be adopted.

Regarding the composition of the HCJ, in October 2022, two new judge members were elected to the HCJ. The speed, quality and level of transparency of this process were criticised by the EU, opposition parties and civil society. These appointments followed the election of a total of six judge members on 26 May and 31 October 2021, despite similar criticisms. For two years (from June 2021 until May 2023), the HCJ operated without five non-judge members, whose election requires a qualified majority (90 votes) in Parliament. In May 2023, three non-judge members were elected and the two remaining positions were filled in October 2023.

The appointment process for the **Prosecutor-General** needs to be improved to ensure it is transparent and based on criteria of integrity, independence, impartiality, and competence. In particular, draft constitutional amendments remain to be adopted to introduce a qualified majority vote in Parliament. In October 2022, the draft constitutional amendments on the Prosecutor General's appointment passed first reading.

The power to nominate a candidate for the position of Prosecutor General rests with the **Prosecutorial Council**. On 12 January 2023, the Prosecutorial Council unanimously elected its chair by secret ballot; there was only one candidate for the position. The recommendations of the OECD fifth-round monitoring report on anti-corruption reforms and Venice Commission opinions concerning the prosecution service remain to be addressed. This includes revising the composition of the Prosecutorial Council to ensure a better balance between prosecutor and non-prosecutor members, strengthening the internal independence of prosecutors by shifting certain powers concerning judges' career from the Prosecutor General to the Prosecutorial Council. To address these points, a comprehensive set of legislative amendments taking into account existing recommendations should be prepared and adopted in consultation with the EU, the Venice Commission and relevant stakeholders.

Independence and impartiality

Some work has been done to improve the **constitutional and legislative frameworks to** guarantee the independence of the judiciary and its impartiality. The Law on Common Courts remains to be aligned with European standards, as outlined in the section concerning management bodies. Furthermore, a more thorough and comprehensive reform of the High Council of Justice (HCJ) is needed as recommended above, to help further consolidate the independence and impartiality of the judiciary, improve public trust and address the problem of publicly perceived corporatism and problems of integrity in the HCJ. To address these systemic challenges, as also raised by the Venice Commission in its October 2023 opinion, there is a need for more thorough and more systematic integrity checks in line with best practices as established in the region, in consultation with the European Commission and the Venice Commission. Georgia could establish a system of extraordinary integrity checks with the involvement of international experts with a decisive role, for candidates and persons currently appointed to the leading positions in the judiciary, in particular the HCJ, the Supreme Court and court presidents. Furthermore, to safeguard the integrity of judicial office holders in the long term, a system of effective permanent and periodic asset declarations –with the involvement of international experts in an oversight and advisory function - should be established.

A system for the nominal **random allocation of cases** to judges is in principle in place. To reduce numerous exceptions to this rule (only 62% of cases are allocated by using the automated case management system, the rest is distributed manually), more needs to be done

so that the allocation of cases is not subject to undue influence. Case assignments are processed through the computerised distribution of cases, via a random algorithm. Different reasons for reassigning a case include conflict of interest declared by the judge, recusal of the judge or a request from the parties, and physical unavailability (illness, longer absence).

The **Constitutional Court** is a judicial body of constitutional control. In November 2022, the Constitutional Court partially satisfied the legal claim by the former State Inspector and the Public Defender against the Parliament, finding that the dismissal of the State Inspector and her deputies was not matched by providing either an adequate and equivalent position or fair compensation. There are several cases of high public interest which have been pending before the court for a significant time, including for instance on the amendments to the Law on common courts as well as on the legislation regulating secret surveillance. The announcement of the related judgments is still pending.

As for the Prosecutor's Service, the **external independence** of prosecutors is, in principle, guaranteed by the Constitution and the Law on the Prosecutor's Service. The Criminal Code (CC) criminalises any form of unlawful interference with the activities of a prosecutor that disrupt the comprehensive, complete and objective investigation of a case.

Regarding the **internal independence of prosecutors** including safeguards preventing undue interference by superiors, the law does not mention the obligation of the superior prosecutor (including the Prosecutor General) to provide instructions in written form; nor does it mention the right or duty of the subordinated prosecutor to draw attention to the (alleged) illegality of an instruction received. Mechanisms for reviewing the legality of instructions by an independent body are missing. Furthermore, the Criminal Procedure Code empowers prosecutors in management positions to remove subordinate prosecutors from an investigation and to assign their responsibilities to other prosecutors without any justification. The current legislative framework concerning internal independence of prosecutors must be revised to align with European standards, taking into account recommendations of the OECD, and the Venice Commission.

Accountability

The High Council of Justice is competent to initiate and conduct disciplinary proceedings, suspend and dismiss judges. The position of an Independent Inspector for disciplinary proceedings has been established, however, the number of proceedings resolved in line with the recommendations of the inspector is rather low (around 30%). While some work has been done to align the legal framework on the disciplinary liability of judges with European standards, further amendments are necessary in line with the recommendations of the Venice Commission.

The legal framework on the disciplinary liability of prosecutors remains to be further aligned with European standards, in line with the recommendations of the Venice Commission and GRECO.

Codes of ethics for judges and prosecutors are in place, as is a complaint mechanism. A system of verification of asset declarations by judges and prosecutors exists, but its practical implementation, including in terms of scope, needs improving.

The recommendations in the Council of Europe's Group of States against Corruption (GRECO) fourth evaluation round suggested widening the asset declaration regime to cover all prosecutors. On 16 May 2023, the parliament adopted amendments to the Law on conflict of interest and corruption which extend the asset declaration regime to all prosecutors.

Professionalism and competence

The system for recruiting, selecting, appointing, transferring, and dismissing judges in courts of first and second instance is managed exclusively by the HCJ. Presidents of individual courts are appointed by the HCJ. Supreme Court judges are selected and nominated by the HCJ and appointed by Parliament by simple majority.

The legal provisions on appointing judges and prosecutors stipulate that the appointments must be largely based on merit and objective criteria, as assessed through public competitions. A substantive reform of the functioning and powers of the HCJ is required to increase its transparency, integrity, and accountability, including concerning its competences related to appointments, appraisals, promotions, transfers, disciplinary measures and appeals, in line with European standards and the recommendations from the Venice Commission and ODIHR.

One of the objectives of the judicial reform strategy and action plan is to increase the number of judges. Only eight out of 76 vacant positions for judges in district (city) courts and appeals courts were filled as a result of the latest competition. More needs to be done to fill existing vacancies with qualified candidates that demonstrate the required integrity, including by attracting applications by ensuring that competitions are open and merit based.

The Prosecutor General appoints, promotes, releases from their position and dismisses employees of the Prosecutor's Office according to criteria for recruitment and grounds for discharging from office. The internal Career Management, Ethics and Incentives Council has an advisory role. The Prosecutor General thus has substantial discretion in the process.

Quality of justice

On **transparency of the justice system**, open access to reasoned court decisions in compliance with data protection rules has yet to be ensured. Based on judicial amendments adopted in June 2023, all court decisions following an open court session will be fully available on formal freedom of information (FOI) requests. At the same time all court decisions will be published on a dedicated website in a depersonalised manner. In both cases the decisions will only be available after final resolution of the case, which can take years. This process remains to be brought in line with European standards and Venice Commission recommendations.

The Supreme Court publishes annual statistical data for each year of cases in the common courts. The HCJ publishes activity reports covering several years. An integrated case management system is in place but needs to introduce a statistical element. Court-related mediation procedures are available in Georgia.

Judges are trained at the High School of Justice and prosecutors by the Training Centre of the General Prosecutor's Office. Training for judges should include case-based training on how to use indirect evidence, especially related to corruption and money laundering cases. For prosecutors further training and exchange of best practices should be developed in the field of asset recovery and financial investigations.

The number of judges in 2022 was 329, with 53.4% of them female, with only three female court presidents. The number of prosecutors in 2022 was 415, of which 33.7% were female. The number of staff is low compared to the European averages of 21 judges/12 prosecutors per 100 000 inhabitants⁶ (9 judges and 12 prosecutors per 100 000 inhabitants). The allocated 2022 budget for law courts increased to EUR 39.4 million and the implemented total budget was EUR 35.6 million (0.14% of GDP).

Efficiency

⁶ According to the Council of Europe European Commission for the Efficiency of Justice (CEPEJ).

As to the length of court proceedings, the disposition time in civil and commercial cases decreased to 257 days in 2022, compared to 433 days in 2020. For administrative cases the disposition time increased to 529 days in 2022, compared to 440 days in 2020. For criminal cases the disposition time is rather long in 2022 was 132 days, almost the same as in 2020 when it was 126 days.

The development in **clearance rates** in the first instance reflect a similar tendency with the clearance rate for civil and commercial cases improving from 87% in 2020 to 101% in 2022. The **backlog** for pending criminal cases was 4 322 in 2020 and 6 536 in 2022 in first instance, and 746 in 2020 and 784 in 2022 in second instance. For civil and commercial cases, the number of pending cases in first instance was 59 515 in 2020 and 63 969 in 2022.

The Constitutional Court had 284 pending constitutional complaints/submissions as of 31 December 2022 and its clearance rate in 2022 was 84%, compared to a clearance rate of 50% in 2021 and 106% in 2020. Very few submissions (only two in 2022) are presented to the Constitutional Court by Georgian courts and the Public Defender's Office regularly submits constitutional complaints.

Fight against corruption

Georgia **has some level of preparation** in the fight against corruption and made **some progress**. Georgia's legal framework on anti-corruption is largely approximated to the EU *acquis* and international norms following substantial legal reforms. In May 2023, Georgia implemented one outstanding GRECO recommendation by widening the scope of the asset declaration regime to cover all prosecutors. An Anti-Corruption Bureau was set up in 2022. The legal framework was amended to strengthen the investigative authority of the Special Investigation Service (SIS) and the Personal Data Protection Service (PDPS). Legislation on the Anti-Corruption Bureau, the SIS and the PDPS was sent to the Venice Commission in September 2023. Further efforts need to be undertaken to tackle high-level corruption and, in particular, to address the challenge of large-scale vested interests and their influence in both the political, judicial and economic spheres. Georgia has not yet developed a new national anti-corruption strategy or action plan.

In the coming year, Georgia should in particular:

- align the legislation on the Anti-corruption Bureau to the ODIHR/Venice Commission recommendations and ensure that the new Bureau, as well as the relevant enforcement agencies, operate independently and effectively, avoiding any politically selective approach; in particular, asset declarations should be audited against the legitimate income and investigations should take place in case of unexplained differences; Georgia should also develop and adopt an anti-corruption strategy and action plan, ensuring it is comprehensively implemented through realistic timelines, adequate funding and monitoring mechanisms;
- repeal the decision of February 2023 to withdraw from the OECD anti-corruption monitoring network for Eastern Europe and Central Asia (OECD/CAN) and fully implement recommendations from the previous rounds;
- on de-oligarchisation, implement the action plan following a systemic approaching line with the recommendations by the Venice Commission (Opinion of March 2023 and Opinion of June 2023). This includes that a new anti-corruption strategy and action plan needs to be adopted and its full implementation ensured by providing adequate funding and monitoring mechanisms.

Track record

A large number of corruption cases involving **low and-medium level** officials have been successfully prosecuted, primarily in the public procurement field. As regards the track record of investigations, prosecution, adjudication and final convictions of corruption cases, notably of **high-level corruption** cases, in 2022 a total of seven high-level officials were prosecuted and six officials were convicted for corruption. Overall, prosecutions and convictions on corruption cases have increased compared to 2021: 36% increase in prosecutions and 73.5% increase in convictions.

Detailed statistics and analytics on the detection, investigation, prosecution and adjudication of corruption cases, especially high-level corruption cases are deficient and needs to be more proactively published. Public communication and accountability on alleged high-level corruption cases also need to be strengthened.

Allegations of high-level corruption cases need appropriate follow up. The GRECO recommendations on preventing corruption in respect of judges are yet to be fully implemented (out of four recommendations in this area, three have been partially implemented and one has not).

The 2022 **asset declaration** monitoring results by the Civil Service Bureau detected violations in 52% of verified declarations (181 out of 346 asset declarations). The Civil Service Bureau actively applied administrative penalties for violations related to asset declarations. No case was referred for criminal investigation. The asset declaration monitoring has not detected any cases of illicit wealth or high-level corruption.

In 2022, 30 reports of wrongdoing were filed by **whistle-blowers** on a special online platform for whistleblowing reports created by the government. No information is available on what measures have been taken to address them.

Institutional framework

Prevention of corruption

The framework for policy coordination is in place, but it is not properly utilised in practice as the main anti-corruption policy coordination platform, the National Anti-Corruption Council, has not met since 2019. Pursuant to the establishment of the Anti-Corruption Bureau, some aspects of policy coordination were assigned to the Bureau, such as coordinating the drafting, implementation and monitoring process of the national anti-corruption strategy and the action plan. The mandate of the National Anti-corruption Council was also adjusted, and the Council was tasked with developing recommendations on implementing adopted anti-corruption policy documents. The mandates of the Bureau and the Council, especially in the policy development and monitoring domains, need to be clearly delineated.

In November 2022, the Parliament passed legislation in its third and final reading (with no votes from the opposition), establishing an **Anti-Corruption Bureau** to oversee and coordinate Georgia's anti-corruption policy and draw up proposals/recommendations. The Bureau will also have the mandate to monitor asset declarations (previously done by the Civil Service Bureau), monitor party financing (previously done by the State Audit Office) and adopt recommendations on protecting whistle-blowers. The Bureau took over these responsibilities on 1 September 2023. It does not have investigative functions. On 10 February 2023, the Prime Minister appointed the head of the Anti-Corruption Bureau for a term of 6 years. The legislation was not sent to the Venice Commission for an opinion. The opposition parties and CSOs expressed strong reservations as to the Bureau's independence and effectiveness. Legislation

on the Anti-Corruption Bureau was sent to the Venice Commission for opinion in September 2023.

Several Ministries and agencies developed or are developing an integrity risk assessment document. There is no systematic approach nor framework for risk assessment.

In November 2022, the Parliament passed the draft law on de-oligarchisation at its second reading, with 76 votes (with no votes from the opposition). After a Venice Commission opinion on March 2023, on 12 April 2023 Parliament sent an updated reform to the Venice Commission for a second opinion. In its final opinion the Commission unequivocally recommended not to adopt the proposed law due to its expected ineffectiveness, as well as the risks it posed for democracy and the rule of law. Instead, the Commission recommended countering undue influence by oligarchs through systemic reforms. On 19 September, the Parliament voted down the draft law. Georgia endorsed an action plan on de-oligarchisation on 14 September and sent the action plan to the Venice Commission for an opinion in September 2023. The action plan follows a systemic approach and builds on the recommendations by the Venice Commission (Opinion of March 2023 and Opinion of June 2023).

Law enforcement

There is no dedicated law enforcement, prosecution services or specialised courts for fighting corruption. The investigative mandate is spread among the Prosecution Service, the State Security Service, the Ministry of Justice and the Ministry of Finance. The corruption investigation units within these institutions lack autonomous powers and safeguards for independence, to prevent risks of undue political influence. Transparent appointment procedures for the heads of these units are also lacking. Similarly, there is no stand-alone body in charge of investigating/prosecuting high-level corruption. More needs to be done to strengthen the specialisation and efficiency of investigations in this area.

Legal framework

Georgia has introduced substantial legal reforms to combat corruption, with a view to approximating to the EU *acquis* and international norms. Georgia is a party to all key international anti-corruption conventions, including the UN Convention against Corruption (UNCAC) and the Council of Europe Criminal Law Convention against Corruption and the Civil Law Convention against Corruption.

Georgia is a participating state of the Group of States against Corruption (GRECO). It has implemented or dealt with eight of the 16 recommendations contained in the 4th Round Evaluation Report. In May 2023, Georgia implemented one outstanding GRECO recommendation by widening the scope of the asset declaration regime to cover all prosecutors. A recommendation about limiting the immunity of judges to activities relating to their participation in judicial decision-making ('functional immunity') remains to be implemented.

Georgia is also a member of the Anti-Corruption Network of the Organisation for Economic Cooperation and Development (OECD/ACN). On 16 February 2023, the government declined to join the new round of monitoring from this network, which would have assessed the country's anti-corruption framework using an updated methodology. There was no further follow-up of its recommendations.

The system of asset declarations for public officials is in place, and the laws regulate conflict of interests and protection for whistle-blowers. The scope of the law related to asset declaration and its implementation and monitoring should be improved, and whistle-blower protection needs to be strengthened and aligned with the EU *acquis*. The administrative capacity to obtain effective control of party financing and electoral campaign financing needs to be strengthened.

Lobbying in Georgia is regulated by the Law on Lobbying.

Strategic framework

The latest strategy and action plan for 2019-2020 dates from 2019. Less than half of the action plan measures (43.5%) were fully implemented and outstanding measures have not yet been addressed. The preparation of a national anti-corruption strategy and action plan are underway. The corruption risk assessment methodology is being revised.

Anti-corruption policies are also included in some thematic strategies as crosscutting issues (e.g. Public Administration Reform strategy, decentralisation strategy), but these lack a comprehensive and systematic approach. Sectors most vulnerable to corruption require targeted risk assessments and dedicated measures.

Fundamental rights

The legislative and institutional framework on fundamental rights is largely in place. The priorities from the Commission opinion that fall under fundamental rights are Priority 8 on ensuring the human rights for vulnerable groups, Priority 9 on gender equality and fighting violence, Priority 11 on legislation related to the European Court of Human Rights (ECtHR), and Priority 12 related to an independent Public Defender. An action plan for the National Human Rights Strategy is being developed, with consultations launched with civil society. In September Georgia has submitted the law on Personal Data Protection and SIS to the Venice Commission.

In the coming year, Georgia should in particular:

- ensure that the follow-up action plan to the 2022-2030 national human rights strategy is finalised in an inclusive manner and takes into account the main issues raised by the Public Defender, civil society and relevant international organisations. Strengthen the implementation of the anti-discrimination legislation; take more decisive measures to address and prevent hate speech and hate crimes;
- adopt national strategies to fight all forms of hatred and discrimination, and protect ethnic and religious minorities;
- investigate and prosecute the organisers of the violence on 5 July 2021 and 8 July 2023 at Tbilisi Pride, adopt the Human Rights action plan ensuring also the rights of LGBTIQ persons; ensure full respect and protection for freedom of assembly and freedom of expression, in particular by reforming the code on administrative offences, including through a broad participation by stakeholders;
- address the gaps in the new Personal Data Protection law and strengthen the Personal Data Protection Service in line with forthcoming Venice Commission Opinion, to ensure that the new data protection regulations are adequately implemented.

Georgia has ratified all major European and main **international human rights instruments**. It has not ratified the Convention for the Protection of All Persons from Enforced Disappearance and the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families. Georgia still needs to ratify several key ILO conventions including the Labour Inspection Convention, the Occupational Safety and Health Convention, the 2014 protocol to the Forced Labour Convention, the Minimum Wage Fixing Convention, the Social Security (Minimum Standards) Convention, the Maternity Protection Convention and the Violence and Harassment Convention.

During the reporting period Georgia underwent a few periodic reviews: the International Covenant on Civil and Political Rights (ICCPR) in July 2022; the Committee on the

Elimination of Racial Discrimination (CERD) in December 2022; the Committee on the Elimination of Discrimination against Women (CEDAW) in February 2023 and the Committee on the Rights of Persons with Disabilities (CRPD) in March 2023.

It has not yet ratified the Occupational Safety and Health Convention (C155), the Promotional Framework for Occupational Safety and Health Convention, the 2014 Protocol to the Forced Labour Convention (P29), the Labour Inspection Convention (C81) or the Labour Inspection (Agriculture) Convention (C129) have not yet been ratified. To fulfil its reporting obligations before the UN treaty and charter-based bodies, Georgia has developed national reporting processes. All government reports are now subject to parliamentary scrutiny.

The recommendations are not always fully implemented. The mandate to monitor the level of implementation is vested in the Parliament.

The 2022 Human Rights strategy does not include references to the rights of LGBTIQ persons and discrimination on grounds of sexual orientation and gender identity, specific provisions related to effective protection of privacy, nor does it address the challenges related to torture, not the least that the definition in Georgian law does not meet the relevant international standards. There is a need to develop a comprehensive monitoring and data collection system in order to assess the level of implementation of human rights legislation, policies, and strategies. On 1 September 2023, the Human Rights Department was established under the Government Administration. An action plan for the National Human Rights Strategy is being developed and consultations with civil society were launched early November. This consultation process should continue ensuring broad and inclusive process engaging further civil society and also international partners.

Procedural rights are protected by the Constitution and the legal framework is generally in line with international standards. The UN has expressed concerns regarding the persisting protection gap in the Code of Administrative Offences, including insufficient safeguards for administrative detainees, the lack of clarity about standards of proof, which often results in the burden of proof being borne by detainees, and the absence of the meaningful right to appeal detention decisions. This puts them at a higher risk of ill treatment, both at the time of arrest and during detention. During the reporting period, the ECtHR found a violation of Article 6 § 1 of the Convention in several cases.

The government took positive steps to ensure the protection of victims' rights. In 2022, the Special Investigation Service issued an order granting a probable victim the right to study case materials during an investigation even before receiving victim status. Moreover, a council for reviewing the complaints of victims in life infringement cases was established at the General Prosecutor's Office in December 2022. The council is empowered to review a victim's complaints regarding the effectiveness of investigations into life infringement cases and prepare a recommendatory decision for the Prosecutor General. The Public Defender reports that the practice of granting victim status is inconsistent in criminal cases. In most cases, victim status is granted after receiving expert opinions and (sometimes) launching prosecution against a specific individual.

In 2022, the Public Defender also reported that in some instances the right to fair trial was not respected and a conviction was delivered in breach of the principle of legality. There have also been cases in which the fairness of the court proceedings was not guaranteed. There are some challenges with reported practice of bringing citizens as witnesses to police facilities and arresting them.

In June 2023, there were 172 applications pending before the European Court for Human Rights (ECtHR). The Court delivered judgements on 20 applications and found breaches of the

European Convention on Human Rights in 14 out of 15 cases, relating mainly to the right to respect for private and family life, the right to a fair trial, the prohibition of torture and freedoms of assembly and association. In the reporting period, 179 new applications were allocated to a decision body. Currently, there are 34 cases under enhanced supervision by the Committee of Ministers.

On 31 December 2022, Georgia had 68 cases pending execution (compared to 63 in 2021 and 53 in 2020), of which six were leading cases classified under the enhanced procedure (compared to 5 in 2021 and 5 in 2020), and 21 were leading cases classified under the standard procedure. Of the leading cases under the enhanced procedure, 5 have been pending for 5 years or more; similarly, 5 of the leading cases under the standard procedure have been pending for 5 years or more (compared to 4 in 2021 and 3 in 2020).

The pending caseload includes cases and groups of cases concerning ill-treatment, hate crimes and domestic violence. The cases were also characterised by ineffective investigations into them, restrictions on the right to liberty and security for purposes not prescribed by the European Convention, violations of the right to freedom of assembly and the right to freedom of religion or belief, and the right to a fair trial. The new violations found by the Court in 2022 concerned the right to a fair trial and property rights.

In October 2022, Parliament passed the legal package aimed at enabling Georgian courts to proactively take into account the judgments and decisions of the ECtHR. The initiative focused mainly on legislative mechanisms stimulating the reference to ECtHR decisions by Georgia's courts, supporting the professional development of judges, prosecutors and defence lawyers and raising the quality of reference to ECtHR decisions in their work, establishing new organisational units in the courts' system for analysing ECtHR decisions and increasing access to them for judges.

Regarding the national framework for respect, protection and fulfilment of human rights, the Public Defender's Office (PDO) continues to implement its mandate including as regards the national preventive mechanism, anti-discrimination mechanism and the mechanism of monitoring the rights of persons with disabilities. The Office currently has sufficient financial and staffing resources to perform its duties. Currently there are 123 permanent positions in the PDO and 19 of those remain vacant. In March 2023, 38 contracted employees were added to the Office. In 2023, funding for the Public Defender's Office increased by GEL 406,000 compared to 2022 and amounts to a total of GEL 9.27 million (EUR 3.3 million).

During the reporting period, the mandate of the Public Defender expired. Priority 12 of the Commission opinion highlighted the need to ensure that an independent person is given preference in the process of nominating a new Public Defender and that this process is conducted in a transparent manner. It also stressed the need to ensure the Office's effective institutional independence. In September 2022, the Parliament launched an open call for candidates. No candidate received support from a sufficient number of MPs. Following this failed attempt, the procedure reverted to one nominee per party. As a result, a new Public Defender was elected on 7 March by 96 votes (with 10 votes coming from the opposition), with no one voting against. The United National Movement abstained from voting. On 3 April, the Public Defender appointed two new deputies.

In March 2023, Parliament adopted the national strategy for human rights. The process of finalising the strategy was criticised for its lack of a consultative approach and insufficient time to provide feedback. The strategy contains positive elements concerning economic and social rights, though it does not adequately address several key issues, notably discrimination on

grounds of sexual orientation and gender identity, independence of judges, protection of journalists, the and the right to privacy and elimination of torture.

The Constitution explicitly prohibits the use of the death penalty. The Public Defender found in 2022 many cases of failure by the government to conduct a proper investigation into cases where the **right to life was violated**. In 2022, the ECtHR found violations of the right to life in two cases.

Prohibition of **torture and ill-treatment** is enshrined in the Constitution. The Inter Agency Council on Combating Torture and other forms of Ill Treatment coordinates and monitors the fight against torture. Its latest action plan expired at the end of 2022. The 2023-24 action plan is currently being drafted. A manual on the use of qualifications for torture, humiliating or inhuman treatment exceeding official authority and other related crimes was created by decision of the Special Investigation Service in July 2023.

The Georgian Criminal Code has an article on torture and inhuman or degrading treatment as well as other articles that provide for lesser penalties, including an article on exceeding official powers. Effort should be made to apply the appropriate article when investigating allegations of ill treatment or torture by law enforcement officials, to avoid the occurrence of ill treatment or torture being underestimated.

The Prosecution Service has the remit to investigate torture and ill treatment committed before 1 November 2019 and the Special Investigative Service (SIS), established on 1 March 2022, has jurisdiction over such crimes after this date. The mandate of the SIS is very broad and its jurisdiction has been extended several times since its establishment. This entails the risk that its key mission, i.e. investigation of torture and ill treatment committed by law enforcement officers, does not get sufficient attention or resources. In September 2023, Georgia has submitted the law on SIS to Venice Commission. The SIS reported that it had received 2 514 applications/reports since its creation in March 2022 until the end of 2022. A large number of the alleged victims are detainees, be it persons under administrative arrest or subject to pre-trial detention or imprisoned convicts. Criminal investigations were launched in 420 cases, of which 56% concerned ill treatment by law enforcement officers.

In 2022, the Prosecution Service of Georgia (PSG) launched investigations into 3 criminal cases on allegations of ill treatment in penitentiary institutions and 8 cases on alleged ill treatment committed by police officers. The Service prosecuted 4 officers in penitentiary institutions and 7 police officers for ill treatment. Three of the prosecuted persons had been investigated by the SIS. It is important to provide statistics that enable the monitoring of the entire criminal justice chain, to determine the number of investigated, prosecuted and convicted cases of ill treatment and thus evaluate the quality of investigations and the propensity of the PSG to prosecute.

In 2022, the first instance courts did not hear any cases related to law enforcement based on Article 144 (1) of the Criminal Code, which criminalises ‘torture’. First instance courts delivered convictions in three cases on the basis of Article 144 (3) of the Criminal Cod, which criminalises ‘humiliation or inhuman treatment’ and one case under Article 333 of the Criminal Code covering use of force/exceeding official power.

The National Preventive Mechanism (NPM) carried out its mandate by performing 148 monitoring visits to 118 places where individuals were deprived of their liberty in 2022. Of the 129 NPM recommendations from 2021, only 25% have been implemented. The Georgian authorities need to implement more of the recommendations by the NPM and other monitoring bodies, including the CPT.

Efforts to reduce the **prison** population need to progress, as the country remains among the top five European countries regarding incarceration rate (265 per 100 000). However, the occupancy rate is only around 82%: with a capacity of 11 656, the penitentiary system housed 9 542 inmates in December 2022.

The legislative framework on criminal penalties is largely in line with relevant European standards, regulating custodial penalties and offering a number of non-custodial penalties as well as probation. The system for implementing non-custodial and probation measures is well advanced and functions well. In general, the penalties system established by the criminal code should allow wider application of non-custodial measures and probation, and an early release mechanism. A new penitentiary code was adopted in first reading by the Parliament in June 2023.

The Public Defender's annual report for 2022 does not report any deteriorated conditions/capacities in police detention centres, except for a reduction in the number of monitoring cameras in most police institutions. The same goes for the overall assessment of conditions in pre-trial detention/prison facilities managed by the Ministry of Justice/Special Penitentiary Service. As per the 2021 report by the Council of Europe's Committee for the Prevention of Torture (CPT), based on inspection visits in 2021 to three semi-open prisons, disparities in conditions between cells were reported along with lack of sufficient administrative control. The shortcomings have been acknowledged by the MoJ and action is now planned as part of the new (still draft) penitentiary strategy for 2023-26.

Since his return to Georgia in September 2021, former President Mikheil Saakashvili has been imprisoned under charges including abuse of power, for which he is serving a six-year sentence, with several other criminal charges still pending against him. Since May 2022, he has been serving his sentence in the VivaMedi Clinic. Strong concerns continue to be raised regarding the deterioration in his health. In 2022, Mr Saakashvili applied to the Georgian courts for deferral of his sentences on health grounds; this was denied in March 2023 by the Tbilisi Court of Appeals.

The Georgian authorities have a legal responsibility to protect the health of all detainees, to provide adequate medical treatment and respect their fundamental rights, in line with Georgia's international commitments. In April 2023, Mr Saakashvili's lawyers applied to the ECtHR to use an interim measure, arguing that his medical condition cannot be treated in any facilities in Georgia. The ECtHR ruling, issued on 11 May, did not instruct the Georgian authorities to transfer Mr Saakashvili to Poland for medical examination and treatment.

Parliament adopted the Personal **Data Protection** Law on 14 June 2023, which was sent to the Venice Commission for opinion in September 2023. The law aims to align Georgia's legislation with the EU *acquis*. It has been under discussion for several years. Overall, the new legislation provides for improvements in comparison to the 2011 law. Several issues are still to be addressed, notably regarding rules on international data transfers and certain exemptions/limitations to data protection rights. The law will be applicable as of 1 March 2024. The country has signed and ratified Council of Europe data protection Convention 108 and its Additional Protocol 181, but has not yet signed Convention 108+ (the modernised version, from 2018).

The new Personal Data Protection Service (PDPS) was created in March 2022 after the dissolution of the State Inspector's Service. Its role is to monitor the lawfulness of data processing and oversee covert investigative action and the activities carried out at the central database for electronic communication identification data. In the reporting period, the Service received 220 applications/notifications related to lawfulness of personal data processing (137

applications/notifications related to data processing in private institutions, 47 in public institutions and 36 in law enforcement bodies). The Service identified 99 cases of unlawful processing of personal data, of which 39 cases were studied in the scope of the examinations (inspections) initiated in 2022 and completed in the reporting period. 60 cases were studied in the scope of the examinations (inspections) initiated and conducted in 2023. The Service imposed fines and warnings as administrative penalties in 74 cases.

In June 2022, the Parliament adopted the draft Law on amendments to the Criminal Procedure Code. This significantly extends the list of crimes under which the use of covert investigative measures in investigations is allowed, as well as the permissible duration of a covert investigative measure. The amendments were vetoed by the President of Georgia. On her request, the Venice Commission, in its opinion of 22 August 2022, concluded that the law was adopted in a hasty procedure, highlighted the inadequate oversight mechanism for the secret surveillance measures, and urged the authorities to re-examine the legislation. Moreover, the Venice Commission underlined that covert surveillance should be seen as an exception and be very carefully worded and narrowly interpreted by the government. In spite of these clear recommendations to take a cautious approach, the Parliament overruled the President's veto on 6 September and the law was enacted. This development raises serious concerns.

The investigation that started in September 2021 into the eavesdropping and illicit surveillance of politicians, journalists, civil society activists and the diplomatic community, including tapes of private life and correspondence, has not been concluded. The repeated calls, including by the Public Defender, to improve accountability and effective institutional oversight are yet to be addressed.

Freedom of thought, conscience and religion is constitutionally guaranteed. Georgia's anti-discrimination legal framework prohibits discrimination and manifestation of intolerance on the ground of religious beliefs. The Criminal Code prohibits any unlawful obstruction to holding worship and religious rites, violation of equality or interference with the establishment of religious associations.

However, religious minorities face several challenges in exercising their freedom of religion notwithstanding this comprehensive legal framework. For example, there is insufficient funding provided to religious minorities for rehabilitating their places of worship and an unequal application of tax exemptions for religious organisations. Other issues include the denial of a request to construct a new mosque in Batumi City and subsequent legal proceedings, allegations of stigmatisation, pressure to convert and harassment against members of religious minorities, particularly Muslim students, in state schools. The main policy-making government body, the State Agency on Religious Issues, does not have the full trust of the public and there are concerns about its security-centric approach to minority religious issues.

Hate crimes towards religious minorities are addressed, though some investigations into alleged attacks, discrimination and physical violence committed on the grounds of religious intolerance lack effectiveness.

Regarding the **fight against antisemitism**, Georgia reported only few cases of antisemitic hate-speech in 2022. The government is taking measures to safeguard Jewish culture and heritage in Georgia.

Freedom of expression

Georgia has reached **some level of preparation** on freedom of expression and made **limited progress**. The Law on broadcasting was amended to further align with the Audiovisual Media Service Directive. In Georgia, there is an overall pluralist, diverse but highly polarised media landscape. Critical media reporting is available. Freedom of expression is overall respected and upheld. Georgian citizens and civil society enjoy their rights of freedom of speech. Most of the TV broadcasters are affiliated to political parties, deepening the political divisions in the country. This is contrary to the prohibition on political parties owning media outlets. Georgia made some progress on the issue of ownership concentration with the revised Law on Public Broadcasting. The government and CSOs have taken steps to engage in a structured dialogue including on freedom of expression. There was also progress in the regulation of party financing with Parliament adopting in December 2022 electoral amendments including a party financing cap.

Continued public attacks and discrediting rhetoric against journalists and media professionals by high-level public officials and politicians, from both government and opposition, as well as from violent far-right groups, have created a somewhat hostile environment, posing a threat to media freedom and pluralism. Delays by public institutions and officials in responding to (or failure to respond to) requests for information, especially from critical and independent media, raise concern.

In the coming year, Georgia should in particular:

- ensure the safety of journalists and provide prompt, impartial and due legal follow-up in cases of attacks against and intimidation of journalists, including as regards the instigators of the 5 July 2021 violence against over 50 journalists;
- improve the independence of the national media regulator (Communication Commission) in line with the principles of Audiovisual Media Service Directive and European standards;
- align further the legislative framework with European and international standards notably regarding hate crimes and hate speech including the 2008 Framework Decision on combating certain forms of expressions of racism and xenophobia.

Intimidation of journalists

The media environment is largely pluralistic, but also highly polarised. Georgia needs to follow the EU's policies on the protection and safety of journalists and media professionals. The Council of Europe (CoE) has conveyed strong concerns related to both Georgia's legal and policy framework and its implementation in terms of protection and safety of journalists. In 2020-2022, the CoE's Platform on Safety of Journalists received 16 alerts of violence and threats of violence against journalists in Georgia, compared to no alerts in the 3 previous years. Georgia's security indicator deteriorated from 100 to 135 in the Reporters without Borders 2023 Index, as the country slid from 77th to 89th place.

The organisers of the violence on 5 July 2021 remain at large. 60 individuals (including 48 journalists and one cameraman) and one legal entity – 'Tbilisi Pride' – are recognised as victims. The Prosecution Service prosecuted 31 individuals for participating in the violence; proceedings against 14 defendants were concluded. As for the organisers of the violence, investigations are officially still ongoing. No prosecution took place during the reporting period. Georgia needs to urgently follow-up on these cases and ensure the perpetrators and instigators of the violence are brought to justice.

In November 2022, the Tbilisi Court of Appeals ruled to uphold Mtavari Arkhi TV director sentence of 3 years and 6 months in prison, finding him guilty on two counts under Article 220 of the Criminal Code, abuse of power. The Public Defender found the judgement and reasoning

of the court to be unfounded and unsubstantiated in terms of conviction as well as sentencing. In June 2023, the Supreme Court reaffirmed the above-mentioned judgement by upholding prison sentence and ruling that the filed cassation appeals were inadmissible. On 22 June, President Zourabichvili used her discretionary right and signed the decree on pardoning the Mtavari Arkhi TV director, who was released from prison on the same day.

Several court proceedings and investigations against opposition media owners took place. Recent libel and defamation lawsuits and verdicts have a problematic effect on critical media reporting. In addition, there is a number of ongoing cases against journalists, including those dismissed from Rustavi 2.

Legislative environment

The Constitution and the Law on freedom of speech and expression provide for the right to freedom of expression as per international human rights law.

The Law on broadcasting was amended in October 2023 following intensive discussions with the European Commission. Amendments were adopted to ensure the enforcement of the rules prohibiting incitement to violence and hatred and protection of minors and to introduce a system of self-regulation with legal backstop, aiming at alignment with the AVMSD. To ensure transparent and trustful relations with media the effective independence of the Communication Commission needs to be further ensured. Georgia shared proposals in this regard and should adopt transparent rules relating to the decision-making processes of the national regulator, including the publicity of their decisions and the handling of complaints. Further, the transparency of the appointment of candidates and grounds for dismissal of its members should be adapted building on European standards. Ensuring that all decisions are made public with increased dialogue can further assist in this task and assist developing conducive environment for cooperation with media sector. Further, the grounds for dismissal of its members should be reinforced building on best current practice.

The legislative framework needs to be fully aligned with the EU recommendation on protection, safety and empowerment of journalists. There are serious shortcomings regarding investigation and prosecution. The Council of Europe recommends amending Article 154 of the Penal Code and the Law on Assemblies and Demonstrations.

Implementation of legislation/institutions

The Georgian National Communication Commission (ComCom) regulates activities in the field of broadcasting and electronic communication. Its rulings have a mandatory effect. Its governing body is composed of five elected Commissioners and a Chair. The ComCom functional independence and impartiality needs to be further demonstrated with transparent proceedings and trustful relations with media stakeholders. The letter from the Chairmen of the Georgian Parliament confirms the commitment to work on the issue of independence which should be swiftly addressed. Among other issues, the duration of the Commissioners' tenure and the quorum for decisions raise concerns. The mechanism for selecting its members should be revised to ensure transparency.

Public service broadcaster

The independence of the Georgian Public Broadcaster (GPB) is guaranteed under the Law on broadcasting. It has significant budget funding of at least 0.14% of the previous year's GDP, as well as income from broadcasting fees.

Economic factors

Transparency of media ownership is guaranteed by law. In a context of strong political and editorial divisions, media operates on market principles, which include the use of public procurement rules to buy airtime (including advertising) - also by government agencies. The exception being for key public information.

The arrest of and court cases against some media owners and directors had a chilling effect on the fundraising and sales ability of the smaller, critical pro-opposition TV companies, resulting in a fall in their sponsorship revenues and advertising income.

Internet

The Constitution guarantees the right of access to and free use of the internet. (*See data protection section*).

Freedom of artistic expression

Neither the Constitution, the Law on culture or the Law on freedom of speech and expression restrict freedom of artistic expression. The 2020-2025 culture strategy is in place. Information on its implementation is scarce and dialogue between the government and civil society remains limited.

Georgia is a signatory of the 2005 UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions. More incentivising, lobbying and funding of a diverse range of artistic expression is needed. There have been several high-profile incidents of alleged restriction and hindrance of artistic expression, including restricting access to public funding and cancelling movie screenings.

Professional organisations and working conditions

Georgian journalists and media outlets are represented by several membership-based, associations/organisations which lobby on their behalf. These include the Georgian Charter of Journalism Ethics, the Media Advocacy Coalition, the Georgian Alliance of Broadcasters and the Georgian Regional Media Association (GRMA). There is a dialogue between the government and professional bodies, but its impact is limited. Considerable delays and a recurring refusal to access public information pose a serious challenge for media and CSOs, affecting the timeliness, accuracy and quality of their work and reporting.

Associations set professional standards for ethical reporting, ethical coverage of sensitive issues (such as suicide, children's issues and victims of sexual violence). Enforcement of professional standards set by professional bodies is not mandatory. National and regional TV broadcasters have internal self-regulation mechanisms to review and respond to complaints.

The rights to freedom of assembly and association are guaranteed by the Constitution and regulated by the Law on assemblies and demonstrations. There are some legal restrictions in place prescribed by the Constitution and the law itself. For example the constitutional right does not cover those serving in the army or law enforcement. On 5 October 2023, Parliament adopted amendments to the Law on Assemblies and Manifestations in expedite manner and without prior consultations. The Public Defender and CSOs expressed concerns with this Law and the President vetoed it on 17 October. The amendments allow for arbitrary and undue restrictions on the right to freedom of assembly.

Georgia needs to ensure judicial follow-up regarding the alleged excessive use of force and disproportional measures used by law enforcement officers during the 7-9 March 2023 protests, where thousands of demonstrators gathered in front of the Parliament building, protesting

against the draft ‘foreign agents’ law. The Special Investigation Service launched an investigation into alleged excessive use of force and ill treatment by law enforcement officers during the protests, based on 22 received complaints.

Georgia has not yet reformed its administrative offences’ system, which continues to use the Law on administrative offences to address alleged administrative misconduct during public gatherings. The Code is the only remaining legislative act in force that was adopted during the Soviet period and lacks substantial procedural guarantees (e.g. burden of proof, presumption of innocence, comprehensive examination of a case) to ensure the right to a fair trial in the light of freedom of assembly. The legislative ambiguities in the Code allow arbitrary decisions to restrict freedom of assembly.

During the reporting period, the ECtHR found violations of Article 11 (freedom of assembly and association) in three cases. On 2 June 2023, police detained seven human rights defenders and activists protesting in front of the Parliament, sparking strong reactions about potential violation of freedom of assembly and the freedom of expression.

Georgia has a comprehensive legislative framework on **non-discrimination**, which is largely in line with the EU *acquis* and international standards. Its enforcement requires substantial improvements. Strategic policy aimed at strengthening equality is in place. It does not specifically recognise challenges faced by certain persons in vulnerable situations, such as LGBTIQ persons, failing to plan specific measures to eliminate prevailing discriminatory practices.

The Public Defender’s Office examined 153 cases of alleged discrimination in 2022, 20% of which concerned alleged discrimination on the grounds of dissenting opinion. 13% of the cases concerned discrimination based on sex/gender and disability and 11% were about discrimination on the grounds of sexual orientation and gender identity.

The Criminal Code defines aggravating circumstances for hate crimes. Strategic frameworks for law enforcement agencies also include measures to address hate crimes. There are shortcomings in terms of prompt and effective investigation, as well as identifying a hate motive and conviction for hate-crimes against persons belonging to minority groups or in vulnerable situation, often perpetrated by extreme right-wing groups, remains to be ensured. In 2022, the number of prosecuted hate crime cases significantly increased, as the Prosecutor’s Office launched prosecutions against 1 172 individuals (compared to 834 in 2021 and 95 in 2020) on alleged crimes on grounds of intolerance, of which a majority of cases concerned intolerance based on gender (1 065), followed by sexual orientation (37), gender identity (18) and race or ethnic background (12 cases). Similarly, convictions for hate crimes have increased, as 585 individuals were convicted in 2022 for hate crimes, compared to 321 in 2021 and 50 persons in 2020.

Regarding consolidation of efforts to achieve **gender equality** (one of the 12 EU priorities for Georgia), the government and the Parliament adopted three strategic documents in 2022: the national action plan on combating violence against women and domestic violence and measures to be implemented for the protection of victims/ survivors (2022-2024); the national action plan for implementing the UN Security Council resolution on Women, Peace and Security (2022-2024) and the gender equality concept.

All these documents were drafted with the support of international and local CSOs.

In 2022, Parliament initiated and adopted several legislative initiatives to address gender equality. In a very inclusive process, Parliament adopted a package of draft laws on 15 December, related to compliance with the Council of Europe Convention on Preventing and Combating Violence Against Women and Domestic Violence, better known as the Istanbul

Convention, mandatory gender impact assessment for all legislative acts and several amendments to combat violence against women and girls. The legal definition of rape is not in line with the Convention as it is not based on the absence of consent.

In February, Parliament approved amendments to the Electoral Code, which extended gender quotas for parliamentary and municipal elections by 4 years (until the 2032 elections) and introduced gender quotas under the earlier Constitutional Court Decisions. In March, Parliament adopted a Plan for the economic empowerment of women.

Another positive step, in December 2022, was the adoption of amendments by Parliament to the law on Normative Acts, to introduce mandatory gender impact assessments for all draft legal initiatives. In 2022, the Ministry of Finance introduced Gender-Responsive Public Financial Management (GRPFM) Assessment, which creates a roadmap mainstreaming gender-responsive budgeting and gender-sensitive reporting. The Ministry of Internal Affairs updated the domestic violence risk-assessment tool, to improve its effectiveness. The updated tool entered into force in May 2023.

According to Georgian criminal legislation, so-called honour crimes are an indicator of gender-based discrimination. On an institutional level, the response to gender-based violence is well defined and operational; it needs to be improved in practice, including in terms of protective measures, survivors support services, and post-shelter services/support. The 2022 decision to provide financial compensation to victims of domestic violence is a step forward in creating a better supporting environment for victims. The necessary minimum standards for temporary housing for victims of violence against women and/or domestic violence were approved on 11 July 2023. As a result, the existence of victim status as a barrier of receiving services has been abolished from July 2023. The UN has expressed concerns about the prevalence of sex-selective abortions in Georgia, particularly among minorities.

Economic participation of women remains low compared to men. The gender pay gap is significant, with women earning monthly on average about 30% less than an average nominal salary of men.

Women's political participation in the decision-making process remains a low, especially at the local level. Gender quotas in the 2020 parliamentary elections did not change the fact that the number of women in elected positions remains low. Women constitute only 17% of all Members of Parliament. The share of local women council members doubled from 11% to 24% at the local government level, as a result of the 2021 elections. There are only three women mayors.

Georgia needs to promote gender balance in decision-making and politics with and address the non-enabling environment both within party structures and in society, but also women's capacities to finance election campaigns, gender-based disinformation and cyber-discrimination against women politicians, as well as stereotypes and perceptions of women's roles and girls' role in the society.

Significant improvements in sex-disaggregated/sensitive data collection were introduced. This needs to be further improved, especially at regional/local levels, to enable evidence-based policymaking.

Georgia has a comprehensive legal framework **on the rights of the child**. Progress in this area has been achieved. The systematic collection of reliable and comparable data disaggregated by age and sex is essential for setting evidence-based policy priorities and ensuring the effective protection of children. Georgia should further develop a child-sensitive social protection system to reduce/prevent child-poverty and providing services that promote inclusion of

children with disabilities, especially at municipal levels. According to a 2023 UNICEF study, 37.8% of children in Georgia are materially deprived. In recent years, the government has substantially increased child benefit programmes. The benefits only cover children under the age of 16 and almost half of poor families (47%) do not benefit from the programme, supposedly due to fact that they are above poverty line.

Georgia is a member of the Lanzarote Committee. However, violence against children, including corporal punishment, remains a persistent problem. The official data of the Agency for State Care reveals an increasing number of verified cases of violence against children: 1 781 cases in 2022, compared to 714 cases in 2021 and 618 cases in 2020. This echoes a similarly increasing trend in the number of cases reported to the Agency.

Prompt and effective investigation of cases involving violence against children is lacking. Georgia has not adopted a national strategy on addressing violence against children, which is addressed under the 2022-2030 national human rights strategy. However, the launch of centres for psycho-social services (Barnahus), which provide child-friendly, interdisciplinary and multi-agency services for child victims of sex-crimes, is seen as a positive step.

Georgia has made progress in the de-institutionalisation process of large-scale institutions. Effective investigation of the alleged mistreatment incidents that occurred over several years at the Ninotsminda orphanage is still pending and should be swiftly followed-up. Georgia needs to prioritise the development and adoption of a credible deinstitutionalisation strategy and ensure the transition to community-based care.

The existence of child, early and forced marriage and adolescent pregnancies also requires more coordinated and effective prevention. The Ministry of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs registered 815 cases of adolescent pregnancies in 2022, marking an increase over previous years (518 cases in 2021 and 578 in 2020). The Ministry of Internal Affairs launched investigations into 171 cases of alleged child marriage. A coherent child-friendly justice system reform is also needed.

Concerning the **rights of persons with disabilities**, Georgia has a comprehensive legal system in place, being a party to the UN Convention on the Rights of Persons with Disabilities (CRPD) and its Optional Protocol. According to data from September 2022, there are 125 467 registered persons with disabilities in Georgia, representing 3.4% of the population. The real number is estimated to be larger, possibly 558 000.

In February 2023, the government adopted a strategy on deinstitutionalisation and independent living for persons with disabilities, together with a 2023-2030 action plan. In 2022, positive steps were taken to ensure the rights of persons with disabilities, including roughly 20% more funding for social packages, to counter inflation. Persons with disabilities working in the public sector can now maintain their social payment. There were 78 persons with disabilities employed in the civil service in 2022, compared to 80 in 2021 and 51 in 2020. Persons with disabilities continue to face discrimination in many aspects of life, from education to poor social awareness in general, and remain one of the most marginalised groups in the country.

The disability assessment system has not yet moved away from the medical model and still largely disregards individual functioning and environmental factors that undermine the well-being of persons with disabilities. The legislation requires the government to shift from a medical to a biopsychosocial assessment model in 2023. In March 2023 the action plan on introducing a biopsychosocial model of assessment for disability was approved by the Ministry of Labour, Health and Social Affairs (MLHSA).

National accessibility standards are not effectively enforced and a lack of access to buildings, transport and services persists, with persons with disabilities facing physical and sensory obstacles.

The upholding of the **rights of lesbian, gay, bisexual, transgender, intersex and queer (LGBTIQ) persons** remains a challenge. In Georgia LGBTIQ persons are one of the most marginalised groups, subjected to systemic homophobia, negative social attitudes and political exploitation of homophobic sentiments.

The national strategy for the protection of human rights for 2022-2030 does not address LGBTIQ rights. The authorities fail to recognise and acknowledge the systemic nature of discriminatory patterns and inequalities affecting LGBTIQ persons, and this has resulted in significant gaps in the measures taken to address these concerns. There is an absence of concrete measures to support LGBTIQ persons, combating discrimination based on sexual orientation and gender identity.

The use of hate speech by politicians and public figures fuels hatred towards LGBTIQ persons, makes them socially unacceptable and extends the scope of violence against them. Investigations into alleged hate crimes in 2022 failed to meet standards of effectiveness and timeliness. A similar conclusion was made by the Council of Europe's Commissioner for Human Rights, who identified the failure to identify and correctly qualify hate motives as one of the biggest challenges.

No investigation or prosecution has taken place of the instigators and organisers of the violence during the events of the Tbilisi Pride march in 2021. On 16 January 2023, a Court of Appeal reduced the charges against the perpetrators (and excluded the qualification of 'organiser').

The issue of legal gender recognition is not regulated, and the general procedures are vague. On 1 December 2022, the ECtHR found a violation of Article 8 of the European Convention on Human Rights (the right to protection of private and family life) in the case of three transgender men v. the Georgian state.

Regarding the **protection of persons belonging to minorities**, 13.1% of the population of Georgia (488 136 people) belong to a national minority. Of those, 6.27% are ethnic Azerbaijanis and 4.53% ethnic Armenians. There are other ethnic groups, such as Kists, Udis, Avars, Assyrians, Ossetians, Yezidis, Kurds, Ukrainians, Russians, Greeks, Jews and Roma⁷, in total making up about 2.4% of the population.

The political representation for minorities is limited, including at local level. In the Parliament, 6 MPs belong to the national minorities (3 Azerbaijanis, 2 Armenians and 1 Yazidi). At municipal level, several local councils have a majority of minority representatives (in Akhalkalaki 35 out of 42 members are from national minorities, in Ninotsminda 29 out of 30).

The 2021-2030 state strategy for civic equality and integration is being implemented. The government has prepared a 2023-24 action plan with a special focus on empowering women and young people from minority backgrounds, through targeted programmes and improved knowledge of the national language as a key priority. One of the priorities in the strategy is 'national language to support integration'.

The systemic problems in the minority educational system have resulted in various education-related issues, including poor knowledge of the national language. Minority pupils have lower PISA scores than other Georgian pupils, which reflects educational inequality in terms of

⁷ In line with the terminology of European institutions the umbrella term 'Roma' is used here to refer to a number of different groups, without denying the specificities of these groups.

access to pre-school education and a lack of resources for schools in areas densely populated by minorities. Teacher training and materials for teachers of the Georgian language and minority languages is not sufficient.

There are around 22 TV stations broadcasting in minority languages, over ten online media outlets and several radios run by minorities. Minority media face similar problems to those of ‘critical’ national media outlets, e.g. lack of financing, attacks against journalists, slandering.

Lack of equality was also observed regarding the rights of religious communities (10.7% Muslim and 2.9% of Armenian Apostolic Christianity). The Orthodox church (representing 83.4%) enjoys unequal privileges in terms of owning or purchasing state property and as regards taxes. Allocation of municipality funding is also discriminatory towards some religious groups. The Defence Code of 11 July 2023 provides for an exemption to military service for clergy in the Orthodox church, but not in other confessions.

According to the 2014 population census, there are about 640 **Roma** living in Georgia. Most of them are registered and have identity documents. In general, they have access to social services and education. There is no specific legislative framework to address Roma issues, given the small number of them residing in Georgia. The State strategy for civic equality and integration for 2021-2030 and its accompanying action plan address all minorities, including Roma, to protect and support their cultural identity and increase their participation in different spheres of social life. The Roma are one of the most discriminated ethnic groups and suffer from more limited access to housing and government services and experience literacy problems, which impact children’s education. It is also a cause of concern that children living and/or working on the streets are predominantly Roma.

The Constitution states that citizens must be afforded the same rights regardless of ethnicity, and in accordance with international law, must ‘have the right to develop freely, without discrimination and interference, their culture.’ According to the 2022 OHCHR report, Georgia supports activities aimed at promoting the culture of national minority representatives and inter-cultural dialogue. National minority theatres, museums and cultural centres receive government funding. The registration of monuments of cultural heritage is ongoing and various buildings have received monument status. The monuments of various national minorities are being monitored and rehabilitated.

There are approximately 92 000 **internally displaced** families from the breakaway regions of Abkhazia and South Ossetia (more than 290 000 internally displaced people, or IDPs). There is a need to ensure that resources are distributed based on needs rather than IDP status. To date, a long-planned IDP social allowance reform, aiming to change assistance from status-based to needs-based, had not been implemented. Providing IDP families with durable, permanent accommodation remains a challenge. In 2022, the government provided 3 530 internally displaced families with new housing. The 2023-2024 action plan for implementing the state IDP strategy envisages a reduction in provision of durable housing solutions. Parliament introduced additional amendments in December 2022, following which any IDP born after 2022 will no longer have a right to request housing individually, unless they are a member of a nuclear family. Both these amendments constitute positive steps towards a needs-based rather than status-based assistance policy.

As regards **property rights**, Georgia has legislative guarantees in place. The process of initial registration of land through the cadastral system has not been finalised. Approximately 708,000 ha of territories in the country remain to be registered in the property registry.

2.2.2. Chapter 24 - Justice, freedom and security

The EU has common rules governing border control, visas, residence and work permits, external migration and asylum. Schengen cooperation entails removing border controls inside the EU. EU Member States also cooperate with Georgia in the fight against organised crime and terrorism, and on judicial, police and customs matters, with the support of EU Justice and Home Affairs agencies.

Georgia has **some level of preparation** for implementing the EU *acquis* in this area. **Some progress** was made, through the continued implementation of the action plan for justice, freedom and security. Criminal justice reform and police reorganisation have gained momentum but so far results are limited. Reception centres for migration and asylum are now operational and so far coping with the inflow of migrants. The centres represent a major step forward in creating a sound migration and asylum management system in the country.

In the coming year, Georgia should in particular:

- continue to fulfil the visa liberalisation benchmarks as regards unfounded asylum applications in EU Member States;
- continue to fulfil the visa liberalisation benchmarks regarding anti-money laundering measures to combat money laundering and preventing/tackling corruption and organised crime;
- properly implement the EU's Integrated Border Management strategy and its accompanying action plans.

Fight against organised crime

Georgia has **some level of preparation** in fighting organised crime. **Some progress** was made by adopting and implementing a dedicated action plan and, to a lesser extent, strengthening the accountability and oversight of law enforcement agencies. The Government adopted the Report on Money Laundering and Terrorism Financing Assessment Risks in Georgia on 3 October 2023.

Georgia participated in an increasing number of joint operations with EU Member States and neighbouring countries. A national strategy for combating organised crime was adopted in 2021 and a subsequent action plan is in place and being implemented.

The anti-money laundering legislation partially reflects the recommendations by the Financial Action Task Force (FATF) and relevant international legislation. The country also needs to align its legislation with Directive (EU) 2018/1673 on combating money laundering by criminal law. There are still outstanding recommendations from the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures (Moneyval) to be addressed. Georgia needs to improve its track record of proactive investigations, prosecutions and final convictions in organised crime and money laundering.

More needs to be done to improve the coordination and effectiveness of law enforcement in fighting certain forms of crime, such as money laundering and financial crimes.

In the coming year, Georgia should in particular:

- increase the effectiveness of the investigation into criminal networks with further reform on intelligence-led policing and increasing investigators' analytical capabilities;
- strengthen the Interagency Coordinating Council for Combating Organised Crime to improve cooperation and increase the efficiency and effectiveness of the fight against organised crime;

→ strengthen the accountability and oversight of law enforcement agencies.

Institutional set-up and legal alignment

Georgia has 11 415 police officers (11 337 in 2021) which is 309.5 police officers per 100 000 inhabitants in 2022, compared with an EU average of 335 police officers per 100 000 inhabitants over 2019-2021.

The fight against **organised crime** falls under the remit of several law enforcement and security administrations in Georgia. Coordination of policy development and implementation lies with Georgia's Inter-agency Coordination Council for Combating Organised Crime. It is composed of the Ministry of Internal Affairs (MIA), the Ministry of Justice (MoJ), the Ministry of Finance, the Ministry of Education and Science as well as the General Prosecutor's Office and the State Security Service. MIA acts as the Secretariat of the Interagency Council. The Asset Recovery Office is set up within the Public Prosecution Office. There has been a significant increase in seized/confiscated assets, especially in money laundering and corruption-related cases. In 2022, the Prosecutor General's Office confiscated EUR 19 856 600 worth of assets (compared to EUR 5 668 484 in 2021) in money laundering cases and EUR 1 578 600 worth of assets (compared to only EUR 180 330 in 2021) in corruption cases. Georgia's financial monitoring service is the Financial Intelligence Unit (FIU). It continued to strengthen its analytical capacity for data processing and financial analysis. No beneficial ownership register has been created yet.

Georgia has ratified the UN Convention against Transnational Organised Crime, as well as its protocols on Trafficking in Persons and Smuggling of Migrants. In these areas the criminal code is partially in line with the EU *acquis*. The Law on confiscation of criminal assets is partially aligned with the EU *acquis*.

The main strategic priorities for combating organised crime are reflected in the 2021-2024 national strategy for combating organised crime. In April 2023, the government approved the 2023-2024 action plan under this strategy. On 3 October 2023, the Government adopted the Report on Money Laundering and Terrorism Financing Assessment Risks in Georgia.

As a way to implement Priority 6 in the European Commission's opinion, a parliamentary working group on strengthening the fight against organised crime was created, under the leadership of the Parliament's Defence and Security Committee. In October 2022, the Committee adopted an action plan with 76 activities tackling organised crime, cybercrime, trafficking in human beings, money laundering, terrorism financing and drug-related crimes.

Amendments to the Criminal Procedure Code on the separation of powers between criminal prosecution and investigation bodies are in process. The reform is part of the commitments taken by the government in the context of the 2021-2027 EU-Georgia Association Agenda.

The legislation on trafficking in human beings is well developed. The criminal code criminalises trafficking in human beings for the purpose of sexual and labour exploitation and lays down penalties ranging from seven to 12 years imprisonment for offences involving an adult victim, and from eight to 12 years for those involving a child victim.

The Labour Inspection Service is responsible for detecting forced labour and/or labour exploitation cases in public and private companies.

To reinforce the proactive identification of possible cases among children working and/or living on the street, special guidelines for eight mobile groups of the Agency for State Care were developed in collaboration with the MoJ, the Agency for State Care and the International Organisation for Migration.

The Ministry of Justice (MoJ) coordinates the fight against **trafficking in human beings** leading the Anti-trafficking Interagency Coordination Council (THB Council). Further capacity building for the relevant law enforcement agencies is needed. The new 2023-2024 national action plan was adopted in December 2022. It is based on the '4Ps' principles (i.e. Protection, Prevention, Prosecution and Partnerships) and is in line with most of the EU, UN and Council of Europe (GRETA) special rapporteurs and the US State Department recommendations and strategic priorities. The THB Council approved the governmental strategy on protecting homeless children from violence, including trafficking in human beings in December 2022.

Fight against cybercrime is one of the core priorities of the 2021-2024 strategy for combating organised crime. Georgia is party to the Budapest Convention on Cybercrime, except for the Second Additional Protocol to the Convention. Georgia's criminal law is largely in line with the Lanzarote and Budapest convention requirements in terms of addressing online child sexual abuse and exploitation. A National Action Plan for Combatting Violence against Children in the Digital Environment aligned with the Lanzarote Convention is needed.

The **possession of weapons by civilians** is regulated by article 236 of the Criminal Code, which envisages criminal liability for the illegal purchase, storage, carrying, manufacturing, transportation, forwarding or sale of firearms (other than smooth-bore firearms (shotguns) for hunting), ammunition, explosive substance or explosive devices. The Law on Weapons and regulations were amended to prevent and reduce cases of non-designated use of weapons and to restrain illegal circulation of weapons.

In September 2022, the Parliament adopted amendments on combating money laundering and the financing of terrorism, to align with the 5th EU anti-money laundering Directive, including regulations and a supervisory mechanism on virtual assets. Still, Georgia has yet to fully align with this Directive. The 2023-2026 national anti-money laundering strategy was approved on 4 April 2023, together with and its implementing action plan on prevention, detection and combating money laundering and terrorist financing as well as financing weapons of mass destruction.

Witness protection in criminal proceedings is regulated by Chapter 9 (Articles 67-71) of the Criminal Procedure Code.

Implementation and enforcement capacity

Georgian organised crime groups operate beyond Georgia's borders and are active in migrant smuggling, organised property crime, trafficking in human beings, firearms and drug trafficking, money laundering and other related crimes, such as document fraud.

The number of investigations into organised crime in 2022 was 196 (compared to 100 in 2021). The number of prosecuted and convicted individuals for organised crime ('thief in law' offences) has increased. In 2022, 257 people were prosecuted/indicted for different organised crimes (211 in 2021), of which 83 fell under 'thief in law' offences. 161 people were convicted of organised crime in 2022 (94 in 2021) and 87 for 'thief in law' offences, compared to 39 in 2021 (an increase of 123%).

Georgia needs to strengthen the professional development of training for the employees of the agencies involved in fighting cybercrime.

On **international police cooperation**, Georgia concluded a Working Arrangement with the European Union Agency for Law Enforcement Training (CEPOL). It is recommended that the Georgian authorities, with the assistance of CEPOL design, prepare and organise targeted training to address the priority training topics at a national level.

An operational cooperation Agreement with the European Union's law enforcement Agency (Europol) is in force. Georgia has increased its participation in Europol Analytical projects. Between May 2022 and February 2023, 1 002 pieces of operative information related to more than 4 500 people were shared by MIA with Europol members and partner countries through the SIENA channel. In 2022, 2 970 information were exchanged compared to 2 505 in 2021 (+20%). Moreover, in 2022 62 cases were initiated via SIENA compared to 33 in 2021 (+93%).

Since March 2023, Georgia has been participating in a Joint Investigation Team (JIT) to fight irregular migration, initiated by Italy, Greece, Ukraine and Georgia.

Georgia substantially increased its participation in the context of the European Multidisciplinary Platform Against Criminal Threats (EMPACT), from 40 operational actions in 2022 to 79 actions in 2023. Georgia is co-leading one operational action in 2023, as it did in 2022. Georgia's EMPACT coordinator actively participates in the meetings of the EMPACT national coordinators.

Georgia has been actively involved in working groups as a member of Interpol. In the reporting period, a large amount of operational information was exchanged with various countries through Interpol channels. Currently, the MIA deploys police attachés in several partner states, covering numerous countries (including EU Member States and EU/Schengen Associated States).

Concerning **domestic operational capacity**, the modernisation of the police forces continued with further development of intelligence-led policing (ILP), aiming to establish a unified system for crime information and analysis. With the aim of supporting the smooth implementation of the ILP reform process, an action plan for 2023-2025 was adopted in April 2023. Moreover, by the end of 2022, community-led policing was introduced in all police divisions in Tbilisi and the concept has been launched in Rustavi.

In 2022, 96 cases of investigations of crimes under Art. 194 of the Criminal Code 'Legalisation of illegal income (**money laundering**)' were registered and 19 cases solved – compared to 64 cases registered and 17 solved in 2021.

Georgia is primarily a country of origin and, to a lesser extent, of destination and transit, for victims of **trafficking in human beings**. The number of investigations, prosecutions and detected victims of trafficking was gradually increasing until 2021, when there were 16 investigations, five prosecutions and two convictions (compared with 19 investigations, seven prosecutions and four convictions in 2021).

On **arms control** in 2022, the first instance courts heard 14 cases (against 16 people); in 13 cases (against 13 people) courts delivered convictions and in one case (against three people) the court delivered an acquittal. In 2021, the first instance courts heard eight cases (against nine people).

Cooperation in the field of drugs

Institutional set-up and legal alignment

The 2023-2030 national drug strategy was adopted on 24 February 2023 along with its accompanying action plan for 2023-2024 and the 2022-2026 national action plan for the drug information system. The Ministry of Justice serves as a national focal point for the Reitox network run by the European Monitoring Centre for Drugs and Drugs Addiction.

The **legal framework** for the fight against drugs consists of specific legislation and provisions in the criminal code, which include both criminal and administrative penalties. The legal framework for this is largely in line with the EU *acquis*. Rules on minimum sentences and

penalties for drug-related criminal offences need to be further aligned. Georgia is party to the relevant international narcotic drug control conventions.

Georgia has had a National Drugs Observatory (NDO) since 2020, which is in charge of collecting and analysing data for evidence-based drug policy. The Observatory is hosted by the Interagency Coordinating Council for Combating Drug Abuse and is part of the Ministry of Justice. The Early Warning System (EWS) on new psycho-active substances (NPS) has not yet become operational.

Implementation and enforcement capacity

Georgia is a transit country located on the Caucasus drugs route, used among other things for smuggling heroin from Iran to Türkiye and onwards into the EU. Drug seizures also include hemp and cannabis. Addressing drug transit and drug trafficking is one of the biggest challenges of the law enforcement system, as outlined in the National Strategy on Combating Organised Crime. The Ministry of Internal Affairs continuously implements measures aimed at reducing illicit drug trafficking. In 2022 3 112 kg of illicit narcotic substances were seized (compared with 2 581 kg seized in 2021). In 2022 202 people were accused of illegal sales of drugs (136 in 2021).

The National Drug Observatory has no dedicated budget but it can rely on the financial resources and infrastructure of the Ministry of Justice. Although the laboratory of the Ministry of Internal Affairs is well equipped, the implementation of a National Early Warning System (NEWS) on new psychoactive substances (NPS) is at an early stage and needs to be developed. Both the law enforcement system and the National Drug Observatory are in need of further capacity building. The National Drug Observatory should further improve its reporting and effectively make the NEWS operational.

In September 2022, the MoJ signed a second technical cooperation working arrangement document with the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA). Several national data collection systems are available in Georgia, some compatible with EMCDDA protocols.

There are two types of treatment available in Georgia for drug users and people with substance use disorders (SUD): opioid agonist therapy (OAT) and withdrawal-oriented therapy, including detoxification. Methadone maintenance therapy (MMT) is available only in public clinics. Suboxone maintenance therapy is available in both public and private clinics. The country has relevant regulatory framework and standards for treatment management, and the EMCDDA's treatment demand indicator has been in operation since 2021. Psychosocial rehabilitation capacities and possibilities are still limited and need further development. In Georgia, harm reduction programmes are implemented by low-threshold service providers, which are members of the Georgian Harm Reduction Network (GHRN). Services are funded mainly by the Ministry of Health and the Global Fund to Fight AIDS, Tuberculosis and Malaria, and in some cases by other independent projects.

Fight against terrorism

Institutional set-up and legal alignment

A permanent interagency commission, composed of high-level representatives from all agencies responsible for preventing and combating terrorism, is chaired by the State Security Service of Georgia (SSSG). The SSSG is responsible for terrorism-related incidents and investigations, including cases of terrorism financing and cyber-terrorism.

Anti-terrorism legislation is largely aligned with the EU *acquis* and relevant international law,

including UN Security Council Resolutions. It is a criminal offence to use Georgia's online space to support terrorism and/or incite terrorism. Georgia has a legislative framework on protecting critical information infrastructure, though the overall critical infrastructure protection framework is still being prepared.

Georgia has a comprehensive legal framework in place to criminalise terrorism financing and has adopted a law on facilitating measures to counter money laundering and terrorism financing. Georgia continues to be only partly compliant with the Financial Action Task Force recommendation relating to an independent financial investigation unit/financial intelligence units.

A national counterterrorism strategy for 2022-2026 and the corresponding action plan were adopted in 2022. The 2021-2030 national strategy on reducing chemical, biological, radiological and nuclear threats also covers arms control in each of these domains.

The first money laundering and terrorist financing risk assessment was adopted in October 2019. The Government adopted the Report on Money Laundering and Terrorism Financing Assessment Risks in Georgia on 3 October 2023. Following the 2020 evaluation by the Council of Europe's Moneyval committee, Georgia has been in an enhanced follow-up procedure. In the first follow-up report, Georgia was, for one recommendation (financial intelligence unit), upgraded from 'partially compliant' to 'largely compliant'. The upgrade was possible because of the amendments to the Law on anti-money laundering/counter-terrorism financing (AML/CFT). Georgia also amended the AML/CFT law in order to fulfil the relevant FATF recommendations.

Implementation and enforcement capacity

Georgia is involved in international efforts in the fight against terrorism and is an active member of the Global Coalition against Daesh (ISIS). Georgia has signed bilateral international agreements that include cooperation in the fight against terrorism with 29 partner countries, of which 17 are EU Member States.

In May 2022, five individuals were convicted of membership of a terrorist organisation, joining a foreign terrorist organisation and assisting in terrorist activities. They were sentenced to imprisonment for a term of 10 to 12 years.

The SSSG detained a Georgian citizen on his arrival at Tbilisi International Airport in December 2022 and brought charges against him for joining a foreign terrorist organisation and assisting in terrorist activities. He was detained as a measure of constraint.

Following a special operation, in 2023 the SSSG's counterterrorism centre arrested a Georgian citizen who was an ISIS leader, on the basis of court decision. An investigation was launched under the Criminal Code, which criminalises joining a foreign terrorist organisation and supporting it in terrorist activities. In May 2023, the counterterrorism centre arrested a number of ISIS supporters (six Georgian citizens and one foreign national). Investigations were launched.

In December 2022, the SSSG further expanded cooperation with Europol's three operational analysis projects on counterterrorism (on 'Travelers', Terrorist Finance Tracking Programme and 'Check the Web') and joined the Counter Terrorism Joint Liaison Team (CT JLT).

Judicial cooperation in civil and criminal matters

Georgia is a member of The Hague Conference on Private International Law and party to six of its core conventions, including the Convention on service of documents (1965), the Convention on the taking of evidence (1970) and the Convention on international child

abduction (1980).

Georgia has not ratified the Convention on Choice of Court agreements (2005), the Convention on the international recovery of child support and other forms of family maintenance (2007) and its Protocol on the law applicable to maintenance obligations, nor the Convention on the recognition and enforcement of foreign judgements in civil or commercial matters (2019). Georgia has appointed a Liaison Prosecutor at Eurojust.

Georgia's Law on international cooperation in criminal matters provides the basic legal framework for judicial co-operation in criminal matters. Cooperation in criminal matters, as well as recognition and enforcement of foreign judicial decisions outside the framework of bilateral agreements and conventions, is allowed based on special agreements or reciprocity with other countries. The MoJ and the Prosecutor's Office, as the central authorities designated in accordance with international agreements, manage Georgia's international judicial cooperation in civil and criminal matters.

The Prosecution Service of Georgia concluded a working arrangement with the European Public Prosecutor's Office (EPPO) on 28 September 2022.

Foreign judicial decisions are legally enforceable in Georgia if recognised by a competent court in Georgia, under the conditions outlined in the Law on international cooperation in criminal matters. The Convention on international child abduction is implemented efficiently. Georgia does not have a practice of direct judicial communication with countries outside the EU.

All aspects of customs cooperation are covered under Chapter 29 – Customs union.

Legal and irregular migration

Institutional set-up and legal alignment

The State Commission on Migration Issues (SCMI) has, since 2010, been the Government's consultative body for discussing and taking decisions on various important issues related to migration management.

As of 2022, the SCMI has nine line ministries as fully-fledged members and a number of bodies with consultative status (international and local NGOs, the Public Defender's Office and educational/research institutions). The SCMI and its secretariat are in charge of developing and implementing Georgia's migration strategy, coordinating migration management and developing and monitoring the strategy's annual action plans. The existing institutional architecture is well established and functions effectively.

The 2021-2030 migration strategy covers the improvement of migration management, facilitating legal migration, the fight against irregular migration, the reintegration of returned migrants, an improved asylum system and the integration of aliens. The strategy includes a whole-of-government approach and considers gender equality and human rights issues as cross-cutting ones. Annual action plans are developed and implemented by the relevant line ministries.

Amendments to the Law on labour migration were prepared by the Ministry of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs, and were adopted by Parliament in May 2023. The amendments aim to refine existing legal norms and enforcement mechanisms in terms of labour emigration and immigration.

The fight against irregular migration and the administration of the Temporary Accommodation Centre are led by the MIA. The 'Procedure for Detaining and Accommodating Aliens in the Temporary Accommodation Centre' was amended on 25 July 2023 and the 'Rule for Accommodation of the Asylum-seeker in the Reception Centre or Another Place' was amended

on 17 August 2023.

Georgian legislation on foreigners is broadly in line with the EU *acquis*. It provides for the *nonrefoulement* principle, and for a maximum detention time for irregular migrants in detention centres. The legal framework needs to be further aligned regarding migrants' rights, notably for vulnerable migrants. Georgia joined the European Migration Network as an observer in 2021.

Georgia has **readmission agreements** with the EU (in force since 2011) and bilaterally with Denmark as well as with the UK, Switzerland, Norway, Iceland, Montenegro, the Republic of Moldova, Belarus and Ukraine. Under the aegis of the EU agreement, it has concluded bilateral implementing protocols with 12 EU Member States⁸. Georgia is in the process of concluding (i) further bilateral implementing protocols with the remaining EU Member States and (ii) is negotiating readmission agreements with additional countries.

Implementation and enforcement capacity

In 2022, there were 580 illegal crossings of Georgia's borders (Art. 344 CCG), compared to 438 in 2021. In the area of migrant smuggling, Georgia cooperates with international organisations and partner countries in the framework of police and international cooperation on combating cross-border crime.

The implementation of the Readmission Agreement with the EU is very good, as corroborated in the last Joint Readmission Committee meeting in November 2022. In 2022, 8 045 Georgians returned to Georgia following an order to leave. Of these, 2 870 fall under the assisted voluntary category, 3 375 under assisted forced return and 1 560 were non-assisted voluntary returnees.

The overall level of coordination of migration management in the country is well-designed. The recent changes in Georgia's migration landscape, caused by the Russia's war of aggression against Ukraine, highlighted existing challenges in migration management. The government demonstrated an openness to refugees and Ukrainian citizens with its limited long-term strategy.

In recent years, the MIA took major steps to improve the effectiveness of detection and expulsion mechanisms for individuals staying in Georgia without a permit, in accordance with existing international standards. In 2022, 165 legal expulsion orders were executed by the MIA, mostly for citizens of Iran, Türkiye and Azerbaijan.

The only Temporary Accommodation Centre (TAC), operated by the Migration Department of the MIA, can accommodate up to 60 detainees. In 2022, 73 foreigners were placed in the TAC (including a high number of citizens of Türkiye (23) and Azerbaijan (10)). In the first quarter of 2023, there were 38 foreigners placed in TAC. TAC has the policy to prevent all forms of discrimination and a mechanism to report ill-treatment, and constant efforts are made to improve both the conditions in the centre and the capacities of the personnel working there. Staffing situation is good.

2022 was an exceptional year in terms of returns to Georgia, reaching the highest number ever: 2 945 persons from 31 countries. In 2022, Greece outnumbered all other countries with 55.69%, followed by Germany (23.19%), Austria (4.92%), France (3.46%) and Switzerland (3.43%).

⁸ Belgium, Bulgaria, Czechia, Germany, Estonia, Lithuania, Luxembourg, Hungary, Netherlands, Austria, Romania, Slovakia.

The reintegration programmes of returning migrants need improvement as they do not sufficiently address the specific needs of all categories of returnees (e.g., vulnerable returnees groups versus highly skilled migrants).

The Agency of Internally Displaced Persons, Eco-migrants and Livelihood Provision (the Livelihoods Agency), operating under the Ministry of Internally Displaced Persons from the Occupied Territories, Health, Labour and Social Affairs (MoLHSA) is not sufficiently budgeted to deal with the challenges of return and re-integration of migrants. Recognising this limitation, the draft Reintegration Policy has been developed by MoLHSA, introducing a more holistic approach to reintegration based on the whole-of-government approach. The draft is under interagency review and is expected to be endorsed by September 2023. MoLHSA plans the establishment of a returned migrants registration and reintegration management digital system.

Asylum

Institutional set-up and legal alignment

Asylum procedures are the responsibility of the migration department of the MIA.

Georgia is a party to the 1951 Geneva Convention on the status of refugees and its 1967 Protocol. Legislation on asylum is broadly in line with the EU *acquis*, notably on improved reception standards and the rights of asylum applicants such as rights for employment, secondary education, psychological and social aid, reunification of families and subsidiary protection. As to the alignment of legislation and standards regarding interview techniques, access to rights and legal aid, international partners, in particular the UNHCR, report that this is sufficiently addressed.

A programme for the integration of persons under international protection, asylum seekers and stateless persons is run by the Livelihoods Agency and the MoLHSA agency.

Cooperation between Georgia and the European Union Agency for Asylum (EUAA) started in 2013.

Implementation and enforcement capacity

According to MIA data, in 2022, 1 473 individuals applied for asylum in Georgia.

The top countries of origin were Ukraine (516 in 2022, 3 in 2021), Türkiye (203 in 2022, 137 in 2021), Iran (194 in 2022, 125 in 2021) and Russia (115 in 2022, 54 in 2021).

Most asylum seekers were male, and the biggest age group was 26-40 years old, followed by 41-65 years old. The gender distribution (i.e. mostly male) is similar in the case of the major countries of origin. However, in the case of Ukraine, more women applied for asylum than men.

Numerous challenges in asylum/migration management appeared with the influx of Ukrainian nationals into Georgia. Around 24 000 Ukrainian citizens were living in the country as of the first quarter of 2023. They have been granted an extended stay in the country for 2 years. They enjoy certain access to health and social services. Given the increase in asylum applications, the only state-run reception centre is full, and some asylum-seekers have turned to the UNHCR for assistance with accommodation. Services for vulnerable asylum-seekers, such as those in need of psychological or psychiatric treatment, are largely lacking and are fulfilled by a number of grass-roots CSOs, many of them established by the Ukrainian nationals themselves.

Another challenge for asylum management is the high number of stranded migrants in Georgia who turn to the asylum procedure after they fail to obtain or extend a short-term residence

permit. This illustrates that the various stages of the country's immigration policy (visa, admission into the country and residence) are not fully synchronised with each other.

Visa policy

The main authorities responsible for examining visa applications are the Consular Department of the Ministry of Foreign Affairs (MFA) and Georgia's diplomatic missions and consular posts abroad. The visa register/database is hosted by the MFA. Visa legislation is broadly in line with the EU *acquis*, but the list of non-EU countries with which Georgia maintains visa-free regimes is not fully aligned with the list of non-EU countries whose nationals are subject to a visa for short stays in the EU. There are 17 such countries: Ecuador, Iran, Jordan, Kazakhstan, Kuwait, Kyrgyzstan, Lebanon, Oman, Qatar, Russia, Saudi Arabia, South Africa, Tajikistan, Thailand, Türkiye, Turkmenistan and Uzbekistan. The Commission issued a recommendation for Georgia to align its visa policy to the EU in its sixth report under the Visa Suspension Mechanism⁹. Security features of visas and travel documents are broadly aligned with EU standards.

Georgia does not have agreements with non-EU countries to issue visas on its behalf. Individual activities related to the issuance of visas can be entrusted to a non-EU country only under conditions determined by an international agreement or treaty.

The implementation of the **visa-free regime** with the EU, which has been in place since 2017, is globally satisfactory. Overall, Georgia continues to fulfil the visa liberalisation benchmarks and has taken action to address the Commission's previous recommendations. The law on pre-departure checks on the credentials of Georgian nationals who wish to travel to the EU (in place since January 2021) continues to be implemented by the MIA's Patrol Police Department at the country's three international airports and at the Sarpi border crossing point.

According to the MIA, in 2021 there were 1 952 cases (1 896 unique individuals) and in 2022 2 726 cases (2 667 unique individuals) of Georgian citizens being denied exit to board a direct flight to the EU, based on insufficient compliance with the basic criteria of Georgia's pre-departure law. Further effort is needed to address unfounded asylum applications in EU Member States, in line with the recommendation issued in the sixth report under the Visa Suspension Mechanism. In 2022, a record number of 28 797 Georgians applied to the EU+ countries for asylum¹⁰.

Schengen and external borders

Institutional set-up and legal alignment

Border management is the responsibility of the MIA, the Ministry of Finance (Revenue Service) and the Ministry of Defence.

Under the MIA, the Georgian border police are responsible for protecting state borders (land and maritime) and the Patrol Police Department is responsible for the state border regime (document checks and border migration control) at border crossing points. Border control legislation is partly aligned with the EU/Schengen *acquis*. The Georgian Air Code obliges the air carrier to communicate **advance passenger information/passenger name records** (API/PNR) to the authorised state institution. Exactly which information should be provided under the API/PNR and the terms and conditions of its management is defined by Georgian implementing legislation.

The Integrated Border Management strategy for 2023-2027 was approved by the government

⁹ COM(2023) 730 final

¹⁰ https://euaa.europa.eu/latest-asylum-trends-annual-overview-2022#footnote5_t7thsbh.

on 9 March 2023. The strategy determines the priorities for 2023-2027 to further improve the government's integrated border management system. It includes a chapter on cooperation with the European Border and Coast Guard Agency (Frontex) and, in general, follows the structure of similar strategic documents adopted by Member States of the European Union. The strategy lacks a particular emphasis on several cross-cutting elements, in particular human rights and gender aspects. It envisages that the Frontex handbook on fundamental rights in border guarding will be integrated by the MIA Academy of Georgia within the national training curricula. Furthermore, the chapter on monitoring and evaluation of the strategy implementation, essential for guiding the National Security Council in conducting regular monitoring and evaluation exercises, was excluded from the final draft. Only general monitoring principles are included. This undermines the oversight of the strategy and monitoring and evaluation (M&E) mechanism.

Implementation and enforcement capacity

Further improvement of border guard training modules and training on implementation methods is needed. A trend of high outflow of personnel is observed at border crossing points, as well as at the green border (land border crossing points). This would need to be assessed and could serve as a basis for further support.

Border checks satisfy minimum standards, although there is a need for additional technical and human resources to improve their quality. The MIA's border management and coordination division oversees the preparation of border management strategic documents, establishing a unified border risk analysis system and coordinating activities by analytical units involved in the border management process in terms of border risk assessment.

Since 2021, the amended Law on the rules and procedures for Georgian citizens exiting and entering Georgia is enforced and establishes criteria under which a Georgian citizen may be denied issuance of a passport required to temporarily leave Georgia and may be denied crossing the state border when travelling to a Member State of the European Union or a Schengen-associated country. The abovementioned criteria partially reflect the entry conditions for third-country nationals provided in the Schengen Borders Code.

Georgia's **risk assessment** methodology is based on the common integrated risk analysis model (CIRAM) developed by Frontex and includes the three factors – threat, vulnerability and impact – defining border risks.

Customs risk management is fully automated and implemented in the automated customs data system and databases for border crossing of passengers, goods and vehicles moving through the customs border and customs clearance processes. The MIA has not yet fully operationalised the information flow and intelligence cycle layouts at all levels of analysis (tactical, operational and strategic). A systematic intra- and inter-agency information exchange between the agencies and/or departments involved needs to be set up.

Inland measures and the fight against cross-border organised crime requires improvement in investigations and prosecution of criminal offences. Fighting human trafficking, migrant smuggling, firearms trafficking and terrorism require more efficient delineation of jurisdictions and powers. Exchange of criminal intelligence and biometric data requires significant improvements. Approaches to countering transnational crime remain fragmented and largely based on disconnected efforts by different units of the MIA, Revenue Service and the State Security Service of Georgia .

From an investigation standpoint, serious crimes require more efficient delineation of responsibilities and powers. Currently, Georgia does not see smuggling of migrants as a

separate phenomenon from irregular migration. Responsible entities and departments mainly deal with each case of illegal border crossing (or attempted illegal border crossing) individually, based on their narrow remit, without really looking into the background of a crime and who stands behind it. The practice of changing identity in Georgia still seems possible based on several cases detected in recent years. This modus operandi by Georgian nationals is used to avoid Schengen Information System (SIS) hits, thereby evading detection at the European Union's external borders in case of entry ban or arrest warrant. To identify and dismantle transnational migrant smuggling networks, Georgia needs to set up a unified, comprehensive approach for thorough intelligence collection and investigation .

The MIA has proactive cooperation with Europol's European Migrant Smuggling Centre (AP Migrant Smuggling). Information on the investigation of criminal cases conducted in Georgia in the field of irregular migration is shared with the Centre. Georgia cooperates with INTERPOL on combating the illegal transfer of migrants and trafficking in human beings. To this end, in June 2022, Georgia joined the 'ODYSSEY' project initiated by Interpol Member States.

Concerning API/PNR, Georgia now receives passenger data from almost 60% of airlines. Passenger data analysis is currently conducted by each body (MIA, RS, SSSG) separately. To efficiently fight terrorism and serious crime, Georgia needs to (i) establish a joint inter-agency passenger information unit (PIU), (ii) develop information sharing schemes between different bodies and (iii) develop PIU analytical capacities.

The MIA signed a working arrangement with Frontex in 2008, which was renewed in 2021. The common core curriculum developed by Frontex is implemented in border-related courses provided to border police and Patrol Police officers by the Ministry of Internal Affairs Academy. Georgia is an associate member of the Frontex Partnership Academies Network. Georgia participates in the joint operation coordination points, aimed at improving border security, operational cooperation and the exchange of information and best practice among participating countries. Georgia is one of the most frequent destinations for Frontex returns by both scheduled and charter flights. The overall cooperation with Georgian authorities, as well as the efficiency of returns to Georgia has been very good. Moreover, Frontex is currently exploring opportunities for more advanced cooperation with Georgia in coast guard functions.

Cooperation is active with the Frontex risk analysis network. The Frontex Liaison Officer to the Eastern Partnership countries has been physically deployed to the region as of 16 July 2022 with a mandate covering all six countries, including Georgia. Among the main tasks, the officer facilitates the implementation of inter-institutional working arrangements and supports the coordination of joint activities and operational cooperation between Frontex and the countries in the region.

On operational cooperation with neighbouring countries, Georgia has bilateral agreements with neighbouring countries, mainly on customs: Azerbaijan, Armenia, Türkiye and Russia. There is an agreement between the governments of Georgia and Azerbaijan to construct the first joint border crossing point in the region.

Some measures are in place to fight **corruption** on the border, in particular the possibility to conduct inspections when disciplinary norms are violated and to impose disciplinary penalties.

Protection of the euro against counterfeiting (criminal aspects)

In 2000, Georgia acceded to the 1929 Geneva Convention for the suppression of counterfeiting currency but has not yet ratified it. The Criminal Code (Article 212) provides for liability for counterfeiting.

2.3. ECONOMIC CRITERIA

<i>Table 1.1:</i> Georgia - Key economic figures	2014-19 average	2020	2021	2022
GDP per capita (% of EU-27 in PPS) ¹⁾	31.9	33.6	34.5	37.1
Real GDP growth	4.2	-6.8	10.5	10.1
Economic activity rate of the population aged 15-64 (%) , total	53.9	50.5	50.9	51.9
<i>female</i>	44.8	40.4	40.5	41.5
<i>male</i>	64.5	62.0	62.9	64.0
Unemployment rate of the population aged 15-64 (%) , total	20.8	18.5	20.6	17.3
<i>female</i>	18.6	16.2	17.8	14.6
<i>male</i>	22.6	20.2	22.7	19.3
Employment of the population aged 15-64 (annual growth %)	0.1	-4.2	-2.0	5.4
Nominal wages (annual growth %)	6.5	5.4	9.5	22.0
Consumer price index (annual growth %)	3.8	5.2	9.6	11.9
Exchange rate against EUR	2.82	3.55	3.81	3.08
Current account balance (% of GDP)	-9.0	-12.4	-10.4	-4.0
Net foreign direct investment, FDI (% of GDP)	8.0	3.6	4.9	6.7
General government balance (% of GDP)	-1.5	-9.3	-6.1	-2.7
General government debt (% of GDP)	39.5	60.1	49.4	39.8

Source: National sources; 1) IMF.

In line with the conclusions of the European Council in Copenhagen in June 1993, EU accession requires the existence of a functioning market economy and the capacity to cope with competitive pressure and market forces within the Union.

2.3.1 The existence of a functioning market economy

Georgia is **moderately prepared** for establishing a functioning market economy. In 2022, the country continued its strong recovery from the 2020 pandemic-induced recession. Real GDP growth exceeded 10% for the second year in a row, where the outturn in 2022 was positively affected by the indirect impact of Russia's war of aggression against Ukraine, including the inflow of migrants from Russia and their spending. Georgia's external position improved significantly in 2022, following high deficits in previous years. While inflation remained elevated in 2022, it fell sharply in early 2023. The combination of high economic activity, elevated inflation and a stronger currency, accompanied by the unwinding of the pandemic-driven support measures by the authorities, led to a significant reduction in Georgia's fiscal deficit and public debt ratios in 2022, to 2.7% and 39.8% of GDP, respectively.

Georgia demonstrates a satisfactory track record in carrying out sound macroeconomic policies. Prudent fiscal policy before the pandemic (with deficits averaging 1.5% of GDP in 2014-2019, and public debt below 40% of GDP in 2019) allowed the authorities to provide significant fiscal stimulus after the outbreak of COVID-19. The central bank has a track record of successfully containing inflationary pressures (inflation averaged 3.8% in 2014-2019) and its policy response to the crisis appears appropriate in view of the size of the shock. The macroeconomic policy mix in 2022 helped building resilience and supported a balanced and strong economic recovery that

helped the country weather well the sizeable external shocks related to the war in Ukraine. It also contributed to some consolidation of the country's fiscal position.

The institutional and regulatory environment is favourable overall. Some challenges persist, in particular as regards the unfinished judicial reform, the adverse impact of political polarisation on business confidence, and a large degree of political control over public institutions and their limited transparency. The strong economic activity in 2022 led to significant improvements in the labour market which, however, continues to be characterised by a very high unemployment rate and a high share of informal employment. The share of state-owned enterprises in the economy is relatively low and the authorities continue to pursue important reforms of corporate governance. The banking sector is well capitalised and shows high liquidity and profitability, although the non-banking segments of the financial sector remain underdeveloped.

In the coming year, Georgia should in particular:

- continue to implement prudent fiscal, monetary and other policies underpinning macroeconomic and financial stability, in particular in view of a potential reversal of the financial flows related to the new Russian migrants;
- address the main weaknesses in the Georgian labour market, such as the low employment rate, high level of informal employment, as well as significant gender disparities and regional differences;
- further develop the non-banking segments of the financial sector.

Economic governance

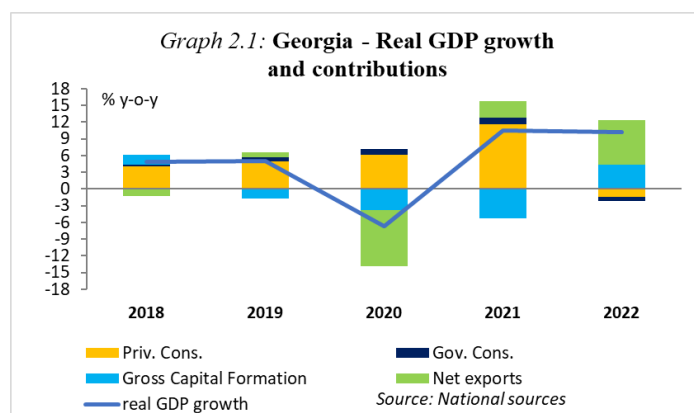
The authorities continued to implement sound fiscal and monetary policies and to advance economic reforms. Georgia has a good track record in carrying out prudent macroeconomic policies, which have helped it address various recent external shocks. In 2022, the authorities weathered well the fallout from Russia's war of aggression in Ukraine by preserving macroeconomic stability, as reflected by strong economic activity, amid lower inflation than in many peer countries and a contained budget deficit. The National Bank of Georgia (NBG) has been instrumental in safeguarding macroeconomic stability during recent shocks. In June 2023, the Parliament adopted amendments to the Law on NBG that could weaken its institutional independence, which is critical for sustaining the credibility of the institution.

Georgia has progressed on implementing the three-year stand-by arrangement with the IMF that started in June 2022. The first review was completed in December 2022. Although a staff-level agreement was reached for the second review in May 2023, the review remains on hold as IMF staff consider the implications of recent amendments to the NBG law for achieving the objectives of the programme. The programme aims at entrenching macroeconomic stability by reducing fiscal and external deficits and bringing inflation to target, further enhancing financial sector resilience, and stimulating agreed reforms in the governance of state-owned enterprises, public financial management, and tax and customs administrations. The authorities treat the arrangement as precautionary, i.e. with disbursements envisaged only in case of a deterioration of Georgia's external position.

Macroeconomic stability

Economic activity recovered strongly in 2021 and 2022 from the recession induced by the COVID-19 pandemic in 2020. Real GDP growth reached double-digit levels in both 2021 (10.5%) and 2022 (10.1%). As a result, by the end of 2022, economic output was more than 13% higher than its pre-pandemic level. This translates into still low GDP per capita in

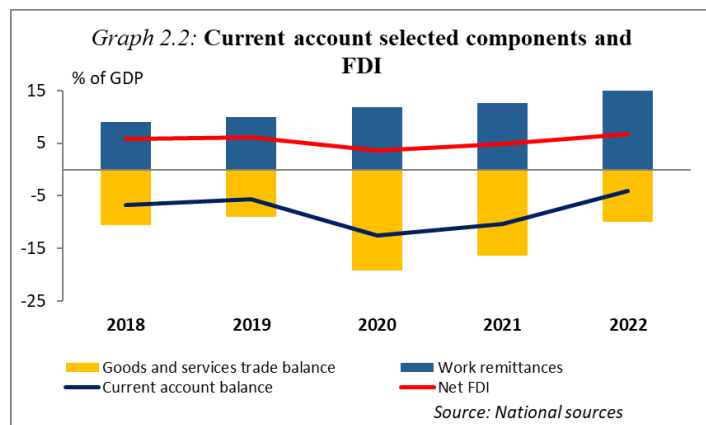
purchasing power parity of 37% of the EU average in 2022. While 2021 GDP growth was driven by household and government consumption, the 2022 expansion was the result of a strong positive impact from net exports, to a large extent driven by the services sector due to the ongoing recovery of tourism, the inflow of Russian migrants, as well as by a delayed



rebound in investment activity. Despite the increase in real wages, household consumption declined in real terms in 2022, on account of the high base but also the elevated inflation during the year. Government consumption also contracted as the authorities continued to phase out support measures introduced as a response to the pandemic.

Georgia exhibits a high (albeit decreasing) current account deficit

due to its significant deficit in trade with goods. The current account deficit averaged 9.0% of GDP in 2014-2019. It then widened to above 10% of GDP in 2020-2021, before narrowing to a record-low 4.0% of GDP in 2022. In particular, the surplus in services increased sharply to 10.9% of GDP in 2022 from 3.9% of GDP in 2021, thanks to the recovery of the tourism sector and a strong rise in exports of IT services. Georgia’s merchandise trade deficit remained high at 20.7% of GDP in 2022, a reflection of its relatively narrow export base. While the deficit on the primary account rose on the back of an increase in reinvested earnings by foreign companies, the surplus on the secondary account increased thanks to growing remittances. Money transfers from Russia surged fivefold.



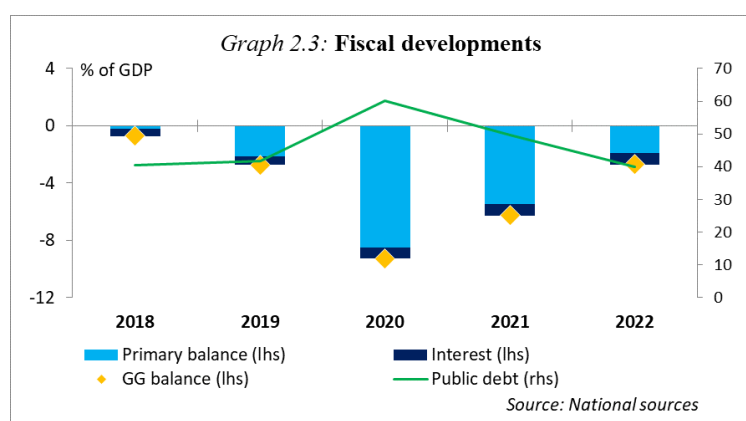
Georgia managed to increase its foreign exchange reserves to USD 4.9 billion at the end of 2022 from USD 4.3 billion at the end of 2021 thanks to the narrowing current account deficit and a sizeable FDI inflow, as well as foreign exchange purchases by the NBG. This meant that reserves exceeded the 100% level of the IMF’s Assessing Reserve Adequacy metric. Supported by the strong nominal GDP growth and the

appreciation of the local currency, the share of gross external debt in GDP declined by more than 20 percentage points on the year in 2022 and dropped below 100% for the first time since 2014.

While consumer price inflation remained elevated in 2022 (11.9% on average), it eased sharply in 2023 to 0.9% year-on-year in August, well below the central bank’s 3% target. Before the pandemic, inflationary pressures were muted and largely neutralised by the sound policies of the central bank. The disinflation in 2023 reflected the pass-through from the sharp appreciation of the local currency in 2022 (it gained 10% against the USD and 24% against the EUR), the tight monetary policy by the central bank and the stabilisation, and in some cases decrease, in global food and energy prices. The introduction of a price cap on pharmaceutical prices in early 2023 also supported the downward trend. Despite the lower consumer price

growth, the central bank kept its tight policy stance unchanged at 11.0% for a long time before it started a cautious easing cycle in May 2023, when it reduced the key policy rate by 50 basis points, followed by cuts of 25 basis points each in August and in September. This tight monetary policy together with macroprudential measures, has led to a slowdown in credit growth in 2022, in particular for households. Credit activity was mainly driven by domestic currency loans, as the central bank raised the reserve requirements for loans in foreign currency in order to reduce risks to financial stability. This slowdown ended a drawn-out credit boom, during which the stock of loans to the national economy in local currency had risen by nearly 20% on average annually in 2014-2021.

In 2022, public finances benefited from strong revenue growth supported by robust economic activity and elevated inflation, and from the fiscal consolidation efforts



including unwinding pandemic support and saving some of the revenue windfall. This followed two years (2020 and 2021) of high budget deficits, when the state intervened intensely to contain the impact the COVID-19 pandemic. Before the pandemic, the budget deficit was low at 1.5% of GDP on average in 2014-2019, in line with the cautious fiscal stance taken by the authorities. In 2022, reflecting the high economic growth and

inflation, general government revenues increased by 30% in nominal terms. At the same time, current expenditure grew by 9% and capital outlays by 24%. As a result, the general government deficit narrowed to 2.7% of GDP and thus returned below the 3%-of-GDP ceiling envisaged by Georgia's fiscal rules. This outcome was more favourable than had been planned in the fiscal consolidation path for 2022 (a deficit of 4.3% of GDP). After a sharp increase of approximately 20 percentage points during the pandemic, Georgia's public debt-to-GDP ratio declined rapidly in 2021 and 2022. At 39.8% of GDP at the end of 2022, it returned to its pre-pandemic level and was well below the 60% of GDP ceiling set by the country's fiscal rule. The improvement of the debt ratio in 2022 was mainly the result of the high nominal GDP growth and the substantial appreciation of the local currency.

The public finance governance framework was further strengthened. The 2022 Public Expenditure and Financial Accountability assessment, using an international methodology, showed that the public finance system performed well, especially as regards transparency of public finances, predictability and control in budget execution, external scrutiny and audit. Based on these results, a new Public Finance Management (PFM) strategy for 2023-2026 was prepared. The new strategy focuses on public asset management, revenue arrears monitoring, implementation of international public sector accounting standards, consolidation of central government financial statements, as well as gender-responsive budgeting. In February 2023 a public debt management strategy for 2023-2026 was adopted. It provides for a further shift to financing in local currency to minimise foreign exchange risks and deepen the local financial market. The authorities have also further developed green budgeting mechanisms.

In sum, the macroeconomic policy mix has been adequate in terms of coping with sizable external shocks, helping to mitigate the impact on people and businesses, while supporting a strong economic rebound following the pandemic. The authorities phased out

pandemic-related spending and increased capital expenditures. They also used the opportunity to rebuild fiscal buffers. The reduction of the fiscal deficit and the public debt ratios suggests a considerable improvement in the fiscal space, which is essential in view of the high investments needs in infrastructure and education. Further improvements in revenue mobilisation and in managing public investments, including better prioritisation, could improve expenditure efficiency. The tight monetary policy helped manage inflationary pressures in 2022 and was among the key factors for the sharp slowdown in inflation in early 2023.

Functioning of product markets

Georgia's business environment has been liberalised and the barriers to market entry are low. For instance, registering of a company requires just one single procedure and is completed within one day at a very low cost. In mid-2023, the number of active business entities was 32% higher than in 2021, and the number of active solo entrepreneurs was 39% higher. The insolvency legislation from 2020 has facilitated insolvency proceedings, made them more transparent and reduced their duration and costs.

The institutional and regulatory environment is favourable overall, but some challenges persist. Georgia scored very well on regulatory quality (close to EU average) and government effectiveness (better than some Member States), as measured by the 2022 World Bank's Worldwide Governance Indicators. Georgia has a comparatively low level of perceived corruption. It was ranked 41st out of 180 countries in the 2022 Transparency International's corruption perception index. However, some challenges related to the business environment persist. They include reduced business confidence due to deep political polarisation and political control over many public institutions and the prevalence of vested interests. Stalled judicial reform and inefficiencies of the court system are also considered as weaknesses in terms of protecting property rights, and thus constitute obstacles to Georgia's investment climate.

The authorities introduced or expanded a number of business support programmes, aimed in particular at small and medium enterprises (SMEs), in line with Georgia's SME development strategy and its action plan. These measures included providing micro-grants to SMEs, introducing growth hubs (business incubators) to provide local SMEs with advisory and digital services, and providing export promotion and assistance to foreign investment projects in some sectors.

The state footprint in the economy is modest. State-owned enterprises (SOEs) accounted for 3.5% of the value added of Georgian companies and 8% of employment in 2022. Three SOEs were privatized in 2022, four were liquidated and two filed for bankruptcy. The total amount of state aid issued by public bodies in Georgia and reported by the Georgian National Competition Agency was very low at GEL 3 million (below EUR 1 million). The scope of state aid reported in Georgia diverges from the EU *acquis* and is much narrower.

Corporate governance reform for the remaining SOEs is among the government's priorities and is progressing well. In December 2022, the government adopted the public corporation reform strategy for 2023-2026 and a respective action plan for its implementation. The strategy envisages a dual model for SOE ownership (50% of shares in each SOE for the Ministries of Finance and Economy, respectively), operation on the basis of commercial principles, selection of independent supervisory boards and avoiding quasi-fiscal activities unless explicitly mandated and compensated, in line with international best practices. The implementation of the strategy started with a pilot project covering three public corporations: Georgian Railways, United Airports of Georgia and Gas Transportation Company.

The share of the informal sector in Georgia's economy is considered to be substantial, but

is difficult to measure¹¹. A significant part of workers are employed informally, most of them in agriculture or in seasonal jobs. Informality significantly reduces the country's tax revenues, exacerbates poor working conditions and distorts competition. Further efforts are needed to promote formalisation, adjust tax policy measures and stimulate digital payments.

Functioning of the financial market

The Georgian banking sector remains sound. It is strongly concentrated in the two largest domestic banks, out of 14 in total. At the end of the first quarter of 2023, the banking system's capital adequacy ratio stood at a comfortable 20.8% and most lenders remained very profitable (29% return on equity). Asset quality continued to improve as the ratio of non-performing loans decreased from 5.2% at the end of 2021 to 3.8% at the end of the first quarter of 2023. Due to measures undertaken by the central bank (such as non-remuneration of the minimum reserves in foreign currencies kept by banks at the national bank) coupled with rising USD and EUR interest rates, the share of loans and deposits in foreign currencies (dollarisation) declined substantially from 51% and 58% respectively at the end of 2021 to 44% and 52% in the first quarter of 2023. The inflow of Russian migrants contributed to a substantial increase in deposits in Georgian banks.

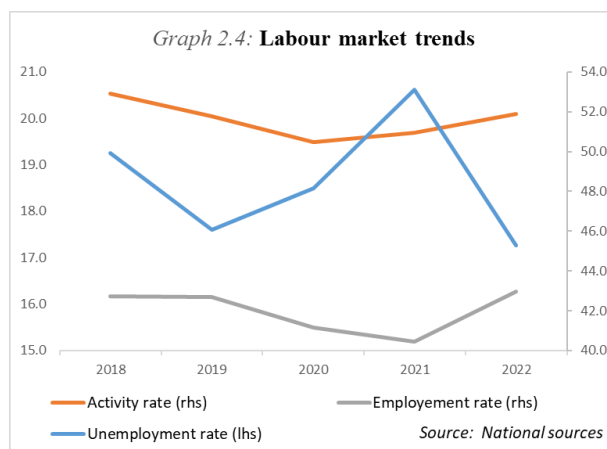
Non-banking segments of the financial sector remain underdeveloped. Georgia's insurance sector is small with 18 insurance companies and at total insurance premium of GEL 910 million in 2022 (1.3% of GDP). The largest part of this is health insurance. Car insurance is expected to grow fast after the introduction of mandatory third party vehicle liability insurance, where the respective legislation is being currently finalised by the authorities. In 2022, only 7% of cars in the country were insured. The capitalisation and liquidity of the Georgian Stock Exchange (GSE) are limited, with stocks of 8 companies admitted for trading and a total market capitalisation of GEL 2.3 billion (3.2% of GDP) in April 2023. Since its peak in 2007, trading activity for stocks listed on the GSE has been decreasing, and a number of Georgian companies have chosen to list on international stock exchanges. In December 2022, the government adopted its 2023-28 capital market development strategy, which focuses on two main goals: developing capital market instruments and deepening of the investor base.

Access to finance has improved in recent years but is still considered as a major obstacle by many SMEs. The central bank has made substantial efforts to improve the regulatory framework and the infrastructure for digital financial services. The size of financial intermediation, measured by the ratio of loans to non-financial sector and households to GDP, has increased over the last five years from 55% at the end of 2017 to 62% at the end of 2022, as against 90% of GDP in the EU. Credit growth reached 12.1% year-on-year at the end of 2022 (excluding the effect of exchange rate fluctuations) and was faster for corporate than for retail loans. Nonetheless, access to bank loans continues to be a major obstacle for many small and medium enterprises, for instance due to substantial collateral requirements, while non-bank sources of finance are largely absent, and the existing financial products and services fail to meet the diverse needs of enterprises throughout their lifecycles. To overcome this obstacle, Enterprise Georgia, a government agency, facilitates access to finance for the private sector through credit guarantees, subsidising interest rates on bank loans and other instruments, while the Georgia Innovation and Technology Agency provides targeted support for start-ups. As a new measure aimed at stimulating lending to very small companies, especially in agriculture, the Parliament approved a law on micro banks which entered into force in July 2023.

¹¹ According to World Economics (2022), which uses an average of the latest estimates from economists around the world, the informal economy represents about 46% of GDP in Georgia, versus an EU average of 16.9%. Such estimations need to be taken with caution given the variety of methodological approaches.

Functioning of the labour market

The situation on the labour market improved in 2022 but remains characterised by many weaknesses. The unemployment rate increased from the pre-COVID average of 19.5% in 2017-19 to 20.6% in 2021 and then decreased by over 3 percentage points year-on-year to a still high 17.3% in 2022. The structurally low employment rate rose from 40.4% in 2021 to 42.9% last year. These rates, calculated by the national statistical office (Geostat), are based on ILO definitions covering the population aged 15 years or older and are not directly comparable with Eurostat labour indicators for EU countries. The positive trends on the labour market in 2022 can be attributed to high economic growth, the arrival of qualified migrants following the outbreak of the war in Ukraine, but also to more active labour market services provided by the State Employment Support Agency. These included vocational training, internships, career guidance, intermediary services and, since March 2022, public works. To analyse the existing mismatch between labour skills and business needs, the Ministry of Economy conducted in 2022 a survey of business demand for skills on a big sample of large and small companies. Despite these improvements, numerous structural weaknesses in the Georgian labour market persist. A large share of employment is still focused on traditional sectors with low value-added (such as agriculture), and the ability of more productive sectors to create opportunities for high-skill employment remains limited. Georgia has considerable levels of informal employment (estimated by Geostat at 28% of non-agricultural employment), gender disparities and regional differences. For instance, the employment rate in 2022 was 52% for men and only 35% for women. The share of young people who are neither in employment nor in education or training (NEETs) was also very high at 30.7% in 2022, as against the EU average of 11.7%. While Georgia's labour market regulation is not considered as distortive, there is some room to improve labour market intermediation channels, facilitate flexible working arrangements to improve employment of women, and enhance vocational training.



In 2022, the average monthly wage increased by 9% in real terms (22% in nominal terms) and amounted to GEL 1592 (EUR 517). As in the case of employment indicators, wage levels displayed large gender and regional disparities, with men earning on average over 20% more than women.

2.3.2. The capacity to cope with competitive pressure and market forces within the Union

Georgia has **some level of preparation** to cope with competitive pressure and market forces within the EU. While the country has a strong track record in attracting foreign direct investment from the EU, which remains its largest trade partner, the EU's share in trade has been gradually decreasing, in favour of geographically closer economies. The structure of the economy is relatively well diversified, albeit with a high share of low value-added sectors. Its high exposure to tourism and the low value-added base of its exports makes Georgia particularly vulnerable to external shocks.

Despite some progress, the limited level of educational achievement, quality and labour-market relevance of education weighs on the development of Georgia's human capital and holds back its potential growth. Spending on research and innovation is low and very few

firms innovate. The level of investment is broadly comparable to EU, but the quality and density of the transport network remains low, despite recent investment in this area. While it has developed a stable and reliable energy sector, the country remains heavily dependent on imported energy sources. Access to digital infrastructure has improved substantially in recent years and is in line with EU levels.

In the coming year, Georgia should in particular:

- further develop its transport and energy infrastructure, in compliance with international Public Investment Management standards.
- stimulate innovation and make concerted efforts to support both public and private investment in R&D, also with a view to promoting exports.
- Improve the quality of education and training to ensure that their outcomes align with labour market needs.

Education and innovation

Despite the reforms, the outcomes of the educational system are poor. Public spending on education represented 3.6% of GDP in 2021, below the EU average of 5%. While 93% of the population has at least upper secondary education, a higher share than the EU average, only 35% have completed tertiary education, as against 41% in the EU. However, available indicators point to the quality of education as being rather low. For instance, Georgia was ranked only 70th out of 77 countries participating in the 2018 PISA assessment measuring reading outcomes in secondary education, well behind all EU countries. The unified strategy for education and science (2022-2030), adopted in August 2022, lays out priorities for improvements in this area. They include increasing access to early childhood education, development of a methodology and standards for vocational qualification system, improving the quality of higher education and making it more international.

Spending on R&D was very low at some 0.3% of GDP in the last five years (EU average: 2.2% of GDP in the same period). Georgia ranked 74th (out of 132 economies) in the 2022 Global Innovation Index compiled by the World Intellectual Property Organisation. In particular, the country exhibits weaknesses in domestic industry diversification, high-tech manufacturing, software spending, intellectual property receipts and logistics performance, among others. According to a 2022 World Bank report, very few Georgian firms innovate. The reasons include, a limited innovation ecosystem, lack of dedicated finance and advisory services supporting innovation, limited managerial capabilities, a small market and a low number of engineers and scientists. As a result, only 7% of firms introduce new or significantly improved goods or services into the market.

Physical capital and quality of infrastructure

Investment in Georgia represented 22.3% of GDP in 2022, similar to the EU average, having increased by 20% in real terms on the year following significant declines in 2020 and 2021. However, only a part of this amount was spent on infrastructure. There is a need for continued investments in a range of transport and energy infrastructure projects to enhance transit trade potential, energy independence, and connectivity with neighbouring countries and the EU. There are also some issues regarding the efficiency of public investment, operations and maintenance, and challenges to leverage public-private-partnerships. To address these challenges, the authorities work on improving the institutional framework for public investment. For instance, since 2023 all new investment projects over a specified threshold have to be selected according to internationally recognised public investment management

guidelines.

Georgia has developed a stable and reliable energy sector. However, the country is heavily dependent on imported energy. In spite of a very high share of electricity generation coming from domestic hydropower (81%), almost all other energy sources, including gas, oil products and coal, are imported. The government is focused on securing private investment to construct new hydropower stations, wind and solar power generation, increase energy efficiency and diversify fossil fuel supply sources and routes. In 2022, Georgia developed a support scheme for renewable power generation based on competitive bidding. The first auction took place in February 2023.

In transport, the quality and density of road and rail network remains weak despite gradual improvement. Poor transport infrastructure hampers internal and external connectivity and leads to poor road safety. The efforts on road infrastructure focus on the construction of the missing part of the East-West Highway (part of European route E60), with one of the sections completed in late 2022. Apart from roads, ports and railways also remain underdeveloped and face capacity constraints, in part due to lack of sufficient investment.

Access to digital infrastructure has improved substantially in recent years and is in line with EU levels. 92.3% of Georgian households have fixed broadband internet access at home, in line with the EU average.

Sectoral and enterprise structure

Tourism and low value-added sectors account for a sizeable share of Georgia's economy. The services sector accounts for approximately 60% of GDP. This share has been relatively stable since 2014. Within services, tourism has been playing an increasingly important role over the years. It was severely hit by the COVID-19 pandemic but has been steadily recovering since then. The number of international visits in 2022 was some 40% lower than the peak recorded in 2019 but tourism revenues have reached an all-time high. Industry, including construction, is the second largest sector of the economy with a share of 24.6% of GDP in 2022. Industrial production is dominated by low value-added sectors: commodities (predominantly metals), agricultural products and food processing. These are also Georgia's key export items. IT and communication was the sector witnessing the strongest expansion in 2022 and increased its share in GDP by more than one percentage point to 4.7%. While still sizeable when compared with the EU average (1.4% of GDP in 2022), agriculture has been steadily losing ground and accounted for 7.0% of GDP in 2022, down from 9.6% in 2014.

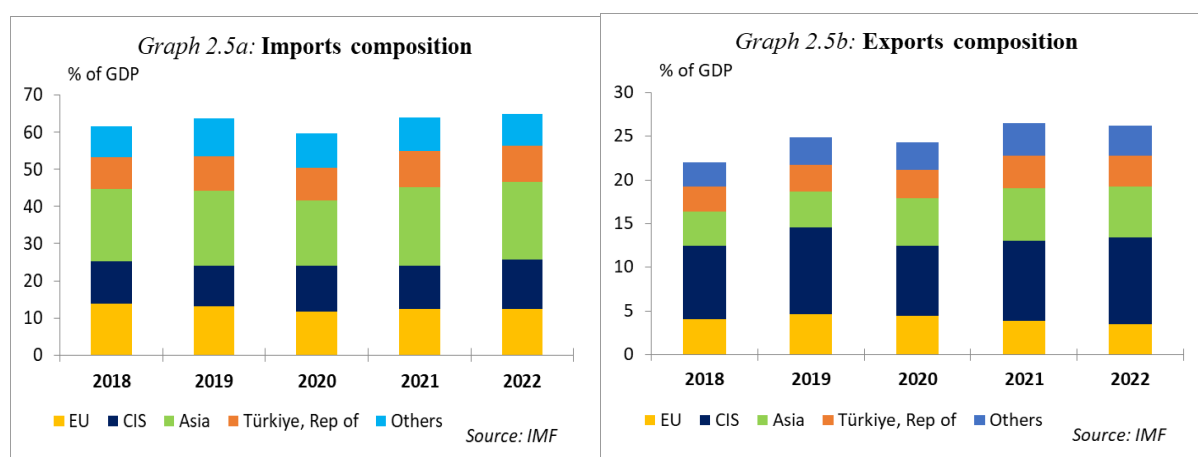
As regards employment, the share of people working in agriculture is disproportionately high, even if this has decreased in recent years. This suggests continued low productivity in the sector, which seems to be a reflection of the still high reliance on small-scale farming that hinders economies of scale. People employed in agriculture amounted to 17.9% of the total in 2022, thus making the sector the biggest employer in the country. It is followed by wholesale and retail trade (15.0%), industry (11.9%) and education (11.7%). Construction and transportation are among the sectors that have witnessed the sharpest rise in employment in the last five years, and the information and communication sector grew very fast in 2022.

SMEs remain key for the Georgian economy despite a gradual decline in their role in recent years. In 2022, they accounted for 37.3% of the turnover and 52.8% of the value added by all companies. This is well below the 55.1% and 59.2% respective average annual values for the 2014-19 period. At the same time, the number of employees at SMEs went down to 58.3% from 67.6%. Access to finance remains a key constraint for the development of the sector.

Economic integration with the EU and price competitiveness

Georgia is an open economy with a persistently high merchandise trade deficit driven by a relatively weak domestic export base; its trade integration with the EU is moderate.

Following the sharp contraction caused by the COVID-19 pandemic due to the hit on the sizeable tourism sector, Georgia's trade openness as measured by the ratio of trade with goods and services related to GDP recovered strongly to 117.2% of GDP in 2022. The EU is the country's main trading partner but its share in the total turnover in merchandise trade has been gradually declining due to a stronger increase in nominal trade with non-EU countries. After peaking at nearly 28% in 2016, it has gradually eased to 20.5% in 2022. The decline was particularly pronounced for Georgia's exports of goods. The EU's share in them fell to 15.4% in 2022, down from 28.7% in 2015. Georgia has strong links with all its neighbours - Türkiye and Russia are the next two biggest trade partners besides the EU.



Georgia remains an attractive destination for foreign investments. In 2014-2019, FDI inflows amounted to nearly 10% of GDP each year on average. Following a short-lived drop with the pandemic, they rebounded strongly in 2022 to exceed for the first time USD 2 billion (8.3% of GDP). While, similarly to previous years the majority of the FDI reflected re-invested earnings that are supported by the favourable tax regime, there was also a significant increase in equity investments in 2022. The EU is traditionally the biggest source of FDI for the country. In 2018-2022, the EU-27 accounted for 37% of total FDI inflows, followed by the UK (27%), Türkiye and the US. The sectoral breakdown of FDI is diversified. The financial sector was by far the biggest recipient of FDI (30% in 2018-22), while the real estate, energy, manufacturing, trade, entertainment and other sectors also attracted significant investment.

The real effective exchange rate has appreciated strongly following the pandemic, implying that Georgia's competitiveness has weakened. Supported by the recovery of the tourism sector and the large money transfers associated with the relocation of Russian citizens and businesses following the start of the war in Ukraine, it appreciated by nearly 40% in cumulative terms in 2021 and 2022 and continued this upward trend in the first four months of 2023. In particular, the real exchange rate of the local currency against the euro appreciated by 53% over the course of 2021 and 2022.

2.4. PUBLIC PROCUREMENT, STATISTICS, FINANCIAL CONTROL

Chapter 5 - Public procurement

EU rules ensure that the public procurement of goods, services and works in any Member State is transparent and open to all EU companies on the basis of non-discrimination and equal

treatment.

Georgia has **some level of preparation** in the area of public procurement. **Good progress** was made with the adoption of the new Law on public procurement in February 2023.

In the coming year, Georgia should:

- further align its legislative framework with the EU public procurement *acquis*, including utilities and concessions;
- further align its legislation with the directive **on procurement in the fields of defence and security**;
- further consolidate the capacity of the Dispute Resolution Council.

Institutional set up and legal alignment

The **legislative framework** remains partly aligned with the EU *acquis*. Parliament adopted a new public procurement (PP) Law in February 2023, aimed to align with the EU Directive 2014/24 on public procurement. The new PP Law regulates, among others, public procurement procedures and tools, dispute review, reporting and control. It also includes provisions on defence and security-related public procurement. The main provisions of the new Law will enter into force on 1 January 2025. In February 2023 Parliament also amended sectoral laws regulating certain aspects of public procurement. The EU Directive on procurement by entities operating in the water, energy, transport and postal services sectors has still not been aligned with.

State purchases in the range of GEL 5 000 to 200 000 are conducted through a simplified electronic tender which is a substitute to single-source procurement. Purchases above GEL 200 000 mandate a call for a regular e-tender.

Implementation and enforcement capacity

In 2022, the **public procurement market** amounted to 10.3% of the country's GDP, compared to 10% in 2021. It represented 38% of the state budget. According to the State Procurement Agency (SPA), the central public procurement institution responsible for the public procurement system, electronic and consolidated tenders placed through the state procurement system made up 82.4% of the total volume of purchases.

Regarding **monitoring of contract award and implementation**, the contracts signed through simplified purchase amounted to 17.6% of total purchases. Government procurement is often driven by a lowest bid consideration versus a best value for money approach, which can lead to the cheapest offer winning at the expense of quality. The use of negotiated procurement procedures without prior publication decreased to 18% in 2022, as compared to 18.4% in 2021. The use of centralised procurement and framework agreements was GEL 543.6 million (7.3%) in financial year 2022, and GEL 526.6 (9%) in financial year 2021. The proportion of the overall value of public procurement awarded to SMEs increased to 22% in 2022 as compared to 2021. Tender cancellation was almost the same – 846 (2%) cases in 2022 as compared to 844 (2%) cases in 2021.

The SPA's capacity to manage public procurement process is good. The SPA has been essential in the drafting and adoption of the new PP Law and is actively involved in the drafting and preparation of new secondary legislation required under the new Law. It efficiently runs the e-procurement system and provides consistent training to contracting authorities and economic operators. Further capacity development is required to fully transpose and implement the EU *acquis*.

Capacity development

With a view to strengthen the capacity of public, business and civil sectors' representatives, the SPA elaborated a comprehensive internal roadmap which plans a series of capacity building activities during 2024-2025. A series of training sessions, practical workshops, public awareness actions, guidelines and users' guides are needed to ensure proper launching of the full-scale public procurement transformation reform in line with AA/DCFTA commitments and newly adopted PPL.

Additional technical assistance is needed for institutional capacity building to properly design and establish a fully new public/administrative body, the Central Purchasing Body (CPB).

The relevant activities related to the conduct of public procurement are defined by the current Law on State procurement, including the conditions for avoiding and the grounds for identifying conflicts of interest. The newly adopted Law of Georgia on public procurement (PPL) provides more detailed and extensive regulations regarding the issues of conflict of interest in public procurement in line with EU Directive 2014/24/EU.

To mitigate corruption risks in public procurement proceedings, SPA permanently monitors the adherence to principles of publicity, fairness and non-discrimination during the entire public procurement process. National legislation also provides for administrative liability and/or criminal liability in accordance with the Administrative offences code and the Criminal code. Moreover, the SPA works in close cooperation with law enforcement agencies and the State Audit Office during criminal cases, investigation or administrative punishment proceedings.

An efficient remedy system

The Procurement Dispute Resolution Council is 'institutionally hosted' by the Competition Agency. The council is independent and its members are selected through a public competitive procedure and later appointed by the Prime Minister. The Council handled 862 complaints in 2022.

The legislation on the **right to legal remedy** needs to be aligned with the EU *acquis*. The new public procurement law contains several provisions safeguarding the independence of the Council, but it does not cover public procurement processes that are implemented according to the rules of international financial institutions. The Council has therefore no jurisdiction over complaints lodged by bidders participating in tender procedures launched to award contracts financed by international financial institutions. This situation leaves the harmed party without any recourse to legal remedy. This is not fully in line with the main principles of the EU legal framework.

Chapter 18 - Statistics

EU rules require that EU Member States are able to produce statistics based on professional independence, impartiality, reliability, transparency and confidentiality. Common rules are provided for the methodology, production and dissemination of statistical information.

Georgia **has some level of preparation** in the area of statistics. **Limited progress** was made in the reporting period, with the adoption of the Law on official statistics. To a large extent, national legal instruments are in place for producing required statistical data and further developing the system to approximate it with EU standards. As regards administrative capacity, adequacy of resources is of concern. Geostat, the National Statistics Office of Georgia has a relatively small number of employees and salary levels are not aligned with those of officials in other areas of public service. Financial and IT resources are also relatively limited. Data

transmissions to Eurostat are limited.

In the coming year, Georgia should:

- strengthen coordination and cooperation between Geostat and the Administration of Government, as well as with line ministries and agencies;
- improve the human and technical capacity of the statistical office;
- increase production and transmission of timely and high-quality data to Eurostat.

On 31 May 2023, the Parliament adopted the new Law on official statistics, which entered into force on 30 August 2023. The primary objective of the law is to bring Georgia's official statistical legislation in line with international standards and European legislation, as well as to fulfil the obligations outlined in the Association Agreement between Georgia and the European Union.

The new Law addresses issues such as the concept of ‘professional independence’; the status and appointment of the Executive Director of Geostat; and access to relevant administrative data for statistical purposes in line with the internationally-recognised statistical principles. Two institutions are recognised as official statistics producers: Geostat and the National Bank of Georgia.

To strengthen the availability and access to data sources, improved coordination and cooperation between multiple government institutions is still needed in the national statistical system. This applies to holders of administrative data and producers of statistics.

As regards **registers and classifications**, Georgia has been implementing NACE Rev. 2 (Statistical classification of economic activities in the European Community), CPA 2008 (Classification of products by activity), ISCO-08 (International standard classification of occupations), the Standard international trade classification (SITC, Rev. 4) and ISCED 2011 (International standard classification of education) with different degrees of compliance with the EU *acquis*. The statistical **business register** held by Geostat is largely in line with international recommendations and alignment on classification is partial. A population register is currently not established in Georgia.

On **macroeconomic statistics**, Georgia introduced the UN standard 2008 System of National Accounts (2008 SNA) methodology in 2019 and compiles main annual and quarterly aggregates; sector accounts; and supply use and input output tables. Georgia needs to start submitting national accounts data to Eurostat. Georgia needs to start submitting excessive deficit procedure tables and data on government finance statistics to Eurostat. In addition, the institutional arrangements need to be carefully reviewed to assure statistical independence to delineate the general government sector and the recording of its operations. Georgia should start developing data compliant with the ESA 2010. The country needs to start submitting regional GDP tables, consistent at statistical regions level – equivalent to level two of the nomenclature of territorial units for statistics, also referred to as NUTS 2. Annual financial sector accounts are not transmitted.

In 2022, Geostat published the harmonised index of consumer prices (HICP), but it has not been validated by Eurostat. Data on housing price statistics are not transmitted to Eurostat.

Balance of Payments (BOP) statistics are compiled and disseminated by National Bank of Georgia (NBG) according to methodology of the BPM6, connected with BOP or its components.

Business statistics are not transmitted to Eurostat.

On **social statistics**, the next population and housing census is scheduled for 2024, between 14 November and 19 December (the last population census was conducted in 2014). The programme of the 2024 general population census was adopted in June 2022. The population register is yet to be created. Demographic statistical data were transmitted to Eurostat, but improvements are needed. Statistics on international migration are incomplete and work on statistics concerning asylum and managed migration is needed.

The last agriculture census was conducted in 2014. The next agriculture census will be carried out in 2024, together with the general population census. Geostat relies on an integrated approach of agriculture census and sample surveys to produce the official **agricultural statistics**.

Environment statistics data is not transmitted to Eurostat. There are no waste statistics in the country. Geostat disseminates several environmental indicators and accounts based on administrative sources or data obtained from other statistical surveys. On transport statistics, in 2022, Geostat started producing additional indicators of rail transport statistics, air transport statistics and road freight transport statistics, but data is not transmitted to Eurostat.

On **energy statistics**, Georgia is aligned with the EU statistical *acquis* set out in the Statistical Requirements Compendium, in line with the provisions adopted by the Energy Community in agreement with the European Commission. It includes for instance statistics on passenger kilometres, energy consumption by transport and energy efficiency of buildings. The production of energy efficiency indicators still needs to be carried out.

Chapter 32 - Financial control

The EU promotes the reform of national governance systems to improve managerial accountability, sound financial management of income and expenditure, and external audit of public funds. The financial control rules further protect the EU's financial interests against fraud in the management of EU funds and the Euro against counterfeiting.

Georgia has **some level of preparation** in the area of financial control. **No progress** was made in the reporting period. The Law on public internal financial control (PIFC) is an adequate basis for enabling the development of PIFC in line with international standards and to meet EU PIFC requirements. Managerial accountability, financial management and control and internal audit are not implemented effectively. This is due to insufficient capacity, low understanding of their benefit across the public service and ineffective accountability arrangements between ministries and their subordinate bodies.

In the coming year, Georgia should:

- Implement financial management and control arrangements and strengthen the managerial accountability;
- consolidate the capacity of the Central Harmonisation Unit within the Ministry of Finance in terms of human and financial resources;
- establish an official anti-fraud coordination service.

Public internal financial control

The **legal framework** for public internal financial control (PIFC) is in place. It adequately covers financial management and control, internal audit and the role of the Central Harmonisation Unit.

The 2021-2024 public internal financial control system strategy is being carried out. In terms of **financial management and control**, the focus is on improving the methodological base and

promoting awareness and accountability in the target institutions (mostly central ministries), followed by implementation. In terms of **internal audit**, key elements are: developing methodological and auxiliary manuals; evaluating the quality of the activities of internal audit subjects; enhancing the qualifications of internal auditors both at the central and local level; and developing the concept of certification of internal auditors.

Internal audit units are established in all line ministries, local government units and in legal entities of public law. Capacity of internal audit units to conduct different types of audit in line with international standards and the quality of produced reports vary across ministries.

Financial management and control systems are still at an early stage of development. The government adopted a decree to regulate the establishment of managerial and control systems in the public sector. The progress in establishing the financial management control system is limited to few line ministries.

A **central harmonisation unit** has been established in the Ministry of Finance. The unit does not have sufficient leverage and staff to effectively support implementing PIFC reform and depends heavily on donor support. The State Audit Office also cooperates (providing training courses) with the Central Harmonization Unit to strengthen the efficiency of the internal financial control system of public agencies. As for cooperation with the Prosecutor's Office, when signs of crime are detected during the audit process, such cases are immediately sent to the Prosecutor's Office. The annual activity report of the Prosecutor's Office presents information on the actions taken on the cases. The report is public.

External Audit

Georgia's State Audit Office operates in line with international best practices. The constitution and organic Law on state audit ensure the Office's financial and operational independence. Remaining weaknesses relate to the legal protection and tenure of the auditor general and to the unclear mandate for auditing state owned enterprises and tax revenues.

The State Audit Office carries out all types of audits and provides audit findings to the public. Audit guidelines are in line with international or ISSAI standards. The State Audit Office covers 90% of central government expenditures and audits local governments at least once every three years. Improvements are needed in terms of completion and publishing of conducted audit reports and in terms of frequency of municipal finances audits.

A permanent working group that is functioning under the Budget and Finance Committee of the Parliament scrutinises audit reports within 6 months after receiving documents from State Audit Office. The audit hearings are open to participation from civil society organisations and other interested stakeholders.

The implementation rate of State Audit Office's recommendations by the executive remains low (47% fully implemented in 2022, compared to 45% in 2021).

Protection of the EU's financial interests

Georgia started the process of legal approximation of the EU *acquis* requirements of Directive on the fight against fraud to the EU's financial interests by means of criminal law, and the continuation of this alignment is to be encouraged. Cooperation in investigations between the European Anti-Fraud Office (OLAF) and relevant national authorities takes place on a case-by-case basis. Georgia nominated the Prosecutor's Office as main focal point for cooperation with OLAF. Efforts should continue in developing a track record of cooperation on investigations. No **anti-fraud coordination service (AFCOS)** has been officially designated and progress on this should be made.

3. GOOD NEIGHBOURLY RELATIONS AND REGIONAL COOPERATION

Georgia maintains dialogue and actively participates in the framework of the **Eastern Partnership**, and in various regional cooperation platforms such as the Central European Initiative (CEI), the Black Sea Economic Cooperation Organisation (BSEC), the Organisation for Democracy and Economic Development (GUAM), the Southeast European Cooperation Process (SEECP) and the Regional Cooperation Council (RCC).

Georgia also helps implement the Central European Free Trade Agreement (CEFTA).

Georgia and **Türkiye** enjoy a strategic partnership. Since 2016, Georgia and Türkiye have a High-Level Strategic Cooperation Council at Prime Minister level. Türkiye is Georgia's second largest trading partner among those with free trade regimes. There are major energy projects such as the Baku-Tbilisi-Ceyhan oil pipeline and the Baku-Tbilisi-Erzurum gas pipeline. Georgia, Türkiye and Azerbaijan have a political trilateral format since 2012 at Minister of Foreign Affairs level.

Georgia and **Ukraine**, an 'Association Trio' member, have a strategic partnership since 2017, but relations are currently strained. Georgia is a participant of the Crimea International Platform. While Georgia continues to support Ukraine's territorial integrity and sovereignty, including through co-sponsorship of Ukrainian UN resolutions, Ukraine considers Georgia's position on the Russian aggression as ambivalent, criticising, inter alia, the non-alignment of Georgia with EU sanctions against Russia and absence of military-technical cooperation. The Government of Georgia continues to support more than 24 000 war-affected Ukrainians currently staying in Georgia. The resumption of flights between Russia and Georgia and the health conditions of former Georgian President Saakashvili, a Ukrainian citizen, had led to additional diplomatic tensions.

Georgia and **Azerbaijan** enjoy solid relations built on an understanding of regional geopolitical challenges and mutual interests, particularly in energy and trade. Georgia and Azerbaijan broadly cooperate in regional energy development, transportation and economic partnership projects.

In December 2022, Georgia signed a quadrilateral Memorandum of Understanding with Azerbaijan, Romania and Hungary on a strategic partnership in the field of green energy development and transmission. The Memorandum includes the promotion of a future Black Sea electricity cable. In June 2023, the Parliament of Georgia approved a Georgia-Azerbaijan bilateral agreement on cooperation on defence issues.

Georgia and **Moldova**, an "Association Trio" member, traditionally enjoy good bilateral relations. The recent period has been marked by intensified dialogue manifested in the visits of the President and Foreign Minister of Georgia to Moldova, and the visit of the Deputy Prime-Minister of Moldova to Georgia. During these visits, the two countries discussed strengthening their political dialogue and further expanding sectoral cooperation. A special emphasis was placed on furthering the common goal of EU membership.

In 2022, Georgia strengthened its engagement and further broadened its range of cooperation with **Albania, Bosnia and Herzegovina, Montenegro, North Macedonia and Serbia**, particularly given their experience and expertise in the EU enlargement process. With these countries, Georgia enjoys an active exchange of visits at various levels and interactions within the international forums, which facilitates the further advancement of bilateral relations based on mutual interest. In addition, Georgia has a memorandum of understanding with **Serbia** (between the Ministries of Foreign Affairs) on cooperation in the field of European integration, covering a broad range of topics and relevant state institutions. It is currently

considering signing similar memoranda with **Albania, Bosnia and Herzegovina, Montenegro, and North Macedonia**. Georgia does not recognise **Kosovo*** as an independent state.

Relations with neighbouring EU Member States **Romania and Bulgaria** are good, with a strong focus on connectivity in the Black Sea.

4. ABILITY TO ASSUME OBLIGATIONS OF MEMBERSHIP

CLUSTER 2: INTERNAL MARKET

This cluster covers: free movement of goods (Chapter 1); freedom of movement for workers (Chapter 2); right of establishment and freedom to provide services (Chapter 3); free movement of capital (Chapter 4); company law (Chapter 6); intellectual property law (Chapter 7); competition policy (Chapter 8); financial services (Chapter 9); and consumer and health protection (Chapter 28). This cluster is key for Georgia's preparations for the requirements of the EU's internal market and is of high relevance for the development of the common regional market.

Georgia is moderately prepared in the areas of right of establishment and freedom to provide services, with no progress registered in the reporting period. The country has some level of preparation in terms of the free movement of goods, on which there was limited progress, and in terms of company law, notably with the strengthening of auditing. Georgia is at an early stage of preparation when it comes to the free of movement of workers, with limited progress on circular migration. Limited progress can also be reported on intellectual property with the adoption of amendments to the Law on patent. There was limited progress on free movement of capital, where Georgia needs to follow up on outstanding recommendations from the Moneyval report.

Some level of preparation can be noted on consumer and health protection where the country made limited progress. Significant efforts are still needed on ensuring quality healthcare coverage for all, as well as on ensuring proper staffing of the national competition agency responsible for consumer enforcement. No progress can be reported on competition policy, where the State Aid Commission still lacks operational independence. Georgia has some level of preparation in the area of financial services and made limited progress during the reporting period.

Chapter 1 - Free movement of goods

The free movement of goods ensures that products can be traded freely across the EU based on common rules and procedures. Where products are governed by national rules, the principle of the free movement of goods prevents these rules from creating unjustified barriers to trade.

Georgia has **some level of preparation** in the area of free movement of goods. **Limited progress** was made, notably to align with a few elements of the EU *acquis* in the new and global approach sectors. There is almost no alignment under the old approach, including almost none regarding the EU *acquis* on motor vehicles and on chemicals and almost all procedural measures.

In the coming year, Georgia should:

* This designation is without prejudice to position on status and is in line with UNSCR 1244(1999) and the ICJ Opinion on the Kosovo declaration of independence.

- implement market surveillance in compliance with the EU *acquis* and phase out the ‘pre-notification’ system of market surveillance before placement on the market;
- adopt a strategy and action plan with a clear timeline to complete alignment with the EU *acquis* on the standards, conformity assessment, accreditation, metrology and market surveillance;
- put into force and implement legislation to align with the EU *acquis* on energy labelling.

General principles

Some of the elements of the general principles of the legislative and institutional framework for the free movement of goods are in place. Georgia is partly aligned with the EU *acquis* on standards, conformity assessment, accreditation, metrology and market surveillance due to its obligations under the AA and DCFTA.

Non-harmonised area

Georgia will need to review all its legislation, processes, and procedures that could impact the free movement of goods in the non-harmonised area and decide how it will address any elements that are not compliant with the obligations of **Articles 34-36 Treaty on the Functioning of the European Union**. These non-compliant elements will need to be repealed, or amended, and/or mutual recognition provisions will need to be introduced. The main entry point on technical barriers to trade is Georgia’s national agency for standards and metrology (GEOSTM).

Harmonised area: quality infrastructure

The legal basis and administrative structure for technical regulations, standards, conformity assessment, accreditation, metrology and market surveillance are in place. These are partly aligned with the EU *acquis*.

Standardisation is regulated by a national law that is partly aligned with the EU *acquis*. The Law has provisions on the functioning and organisation of GEOSTM as the national body for standardisation. Since January 2023, GEOSTM is an affiliate member of the European Committee for Standardisation and the European Committee for Electrotechnical Standardisation. Since November 2022, GEOSTM has been an associate member of the European Association of National Metrology Institutes (EURAMET). As of 2022, Georgia has adopted 11 936 European standards. Georgia still has many conflicting Soviet-era standards in place. No Georgian entities are members of the European Technical Standards Institute (ETSI). Georgia launched a new export assistance programme in 2022, which includes three components: product licensing/certification; branding/product packaging; and stimulating international sales/entering the international trade network. Since 1 January 2023, GEOSTM offers standards to small and micro enterprises for special prices.

The Law on product safety and free movement code, which is partly aligned with the EU *acquis*, regulates Georgia’s **accreditation** framework. The Unified National Body on Accreditation, an associate member of the European cooperation for Accreditation, ensures the accreditation of conformity assessment. In September 2022, the digitalisation of the state programme for accreditation services was completed. All accreditation services – including application for accreditation, document review, exchange with accredited organisations, and protection of electronic accreditation documentation – are delivered electronically to certified organisations.

The legal base for **conformity assessment, metrology and market surveillance** is partly aligned with the EU *acquis*. Georgia currently relies on a ‘pre-notification’ system of **market**

surveillance before placement on the market. This is not aligned with the EU *acquis* and is currently only applied to what are identified as high-risk products. The Market Surveillance Agency is an independent body. In 2022, the Market Surveillance Agency did 461 market surveillance inspections, focusing on in three types of consumer products (toys, devices working on gas fuel and personal protective equipment) and three types of industrial and construction products (construction goods, machinery and pressure equipment). In the reporting period, the agency took seventeen types of toys off the market.

Harmonised area: sectoral legislation

As regards the ‘**new and global approach**’, the level of alignment remains low. Georgia adopted legislation that is designed to align with the EU *acquis* on cableways, gas appliances, protective systems intended for use in potentially explosive atmospheres, lifts, measuring instruments, civil explosives, recreational craft, eco-design, and medical devices. . The legislation on construction products is now extended to 22 different types of construction products. No progress is reported regarding alignment with the EU *acquis* on electromagnetic compatibility, aerosol dispensers, simple pressure vessels, outdoor equipment noise emissions, pyrotechnic articles, measuring equipment, bottles as measuring containers, or non-automatic weighing devices. In early 2023 Georgia adopted implementing legislation on radio equipment and on electrical equipment intended for use within certain voltage limits designed to ensure alignment with the relevant EU *acquis*.

On ‘**old approach product legislation**’, no progress is reported on alignment with the EU *acquis* on motor vehicles, two or three wheeled vehicles, tractors, non-road mobile machinery, registration, evaluation, authorisation and restriction of chemicals, chemicals classification, packaging and labelling, aerosol dispensers; good laboratory practice, fertilizers, detergents, pre-packaging, or medicinal products pricing.

On **procedural measures**, Georgia has not made any progress on aligning to the EU *acquis* on firearms, crystal glass, defence products, defence procurement, footwear, textile labelling and mixtures, the return of **cultural objects** unlawfully removed from the territory of an EU country, or on **drug precursors** (although some procedures were reported on this).

Georgian market surveillance does not foresee measures related to anti-corruption.

Chapter 2 - Freedom of movement for workers

Citizens of one Member State have the right to work in another Member State and must be given the same working and social conditions as other workers.

Georgia is at an **early stage of preparation** in the area of free movement for workers. **Limited progress** was made, through closer cooperation with EU Member States to coordinate circular migration and the amendments to the Law on labour migration. The country needs to align its legislation with the relevant EU *acquis*, including its interpretation in the case law of the Court of Justice of the EU.

In the coming year, Georgia should:

- work on concluding additional agreements on social security coordination, notably with EU Member States;
- take into account the EU *acquis* on the coordination of social security systems when conducting social security system reforms;
- Start work to prepare for joining the European Network of Employment Services (EURES) upon accession.

Regarding **access to the labour market**, the legal framework does not restrict the employment of foreigners and does not require a work permit for citizens of the 99 countries (including all EU Member States) that benefit from visa-free travel, allowing them to stay in the country for a determined period of time without a residence permit. Citizens of countries that require a visa to enter Georgia also need a work residence permit. In 2021 3 897 and in 2022 4 712 work residence permits were issued. No work permit is required for EU citizens and they can stay up to one year without a residence permit with the same labour rights as Georgian citizens. No special regime is in place for family members of EU workers.

Employment in public administration is reserved for Georgian citizens for professional civil servant positions, but no nationality conditions apply to administrative and labour contract employees.

Parliament adopted amendments to the law "on labour migration" on 17 May 2023 some of which entered into force upon publication in the Official Journal, while others will do so on 1 September 2023. The amendments aim to refine existing legal norms and enforcement mechanisms in terms of labour emigration and immigration, although some have the potential to make legal employment of foreigners more difficult. Labour laws prohibit discrimination on several grounds, including nationality.

There is no preparatory work in place for Georgia to access the **European Employment Services** network. Georgia has three websites for job vacancies (for national / international / public positions). The website for national positions is managed by the State Employment Support Agency (SESA) and is a countrywide database for publishing vacancies, job applications and CVs. In June 2023, initial contacts were made with the European Labour Authority (ELA).

As regards the **coordination of social security systems**, Georgia has signed three international bilateral agreements on social security (Germany, Bulgaria and France), and has therefore some experience in applying the principles of social security coordination. Death grants, unemployment benefits and pre-retirement benefits are not covered by legislation, although sickness benefits in kind and family benefits are provided. EU rules related to supplementary pension rights of mobile workers are not incorporated into legislation.

Georgia has not implemented a national health insurance card, so the implementation of the **European Health Insurance Card** (EHIC) might therefore be challenging.

Chapter 3 - Right of establishment and freedom to provide services

EU natural and legal persons have the right to establish themselves in any Member State and to provide cross-border services. For certain regulated professions, there are rules on the mutual recognition of qualifications. EU rules on postal services focus on improving the quality of universal service, gradual market opening to competition, and the establishment of an independent regulator.

Georgia is **moderately prepared** regarding the right of establishment and freedom to provide services. There was **no progress** made. Its legal framework provides equal treatment of the rights of foreign natural and legal persons to establish companies and branches of foreign legal persons in Georgia. Efforts are needed to align with the EU *acquis*, notably on postal services and mutual recognition of foreign qualifications for regulated professionals.

In the coming year, Georgia should:

→ align with the EU Services *acquis* (Directive 2006/123/EC);

→ align with the EU postal *acquis* and update the AA/DCFTA annex on rules applicable to

postal and courier services;

→ align with the Directive 2005/36/EC on the recognition of professional qualifications, including Directive 2005/36/EC on recognition of professional qualifications and Directive 2018/958 on a proportionality test before adoption of new regulation of professions.

Overall, regarding the freedom of establishment and the freedom to provide services, Georgia's **legal framework** does not contain differences or discriminatory provisions in respect of the rights of foreign natural and legal persons to establish companies and branches of foreign legal persons in Georgia. There was no progress in aligning with the Services Directive, with which the Georgian legal framework is partially aligned.

Georgia has a well-structured and advanced institutional and regulatory framework for SME policy. New businesses can be established within one day.

As regards **postal services**, Georgia still needs to align its legislation with the three Postal Services Directives and the Regulation on cross-border parcel delivery services. Preparations are ongoing in the framework of the EU-Georgia AA/DCFTA process to update the Annex XV-C of the Association Agreement on rules applicable to postal and courier services with the EU Regulation on cross-border parcel delivery services. Georgia should continue preparing the amendments to its postal law to align with the commitments in the updated Annex by the end of 2024.

Regarding **mutual recognition of foreign qualifications for regulated professions**, the legislation in Georgia is not aligned with the applicable EU *acquis*. The professions of midwife, nurse responsible for general care, veterinary surgeon and architect are not regulated in Georgia.

Chapter 4 - Free movement of capital

In the EU, capital and investments must be able to move without restrictions, with common rules for cross-border payments. Banks and other economic operators apply certain rules to support the fight against money laundering and terrorist financing.

Georgia is **moderately prepared** in terms of free movement of capital. There was **limited progress** in the reporting period, including the adoption of the anti-money laundering/countering financing of terrorism strategy and action plan. Georgia needs to continue alignment with the EU *acquis* in anti-money laundering and payment systems.

In the coming year, Georgia should:

- further align its legal framework with the EU Payment Services Directive 2 and in the area of money laundering and combatting terrorist financing;
- follow up on outstanding recommendations from Moneyval, in particular on transparency and beneficial ownership of legal persons and legal arrangements;
- implement the national money laundering and terrorist financing risk assessment.

On **capital movements and payments**, existing legislation does not impose capital controls or any other restrictions on capital movements. Certain capital transactions are monitored for anti-money laundering purposes only. There are no restrictions in place for foreign exchange operations.

Except for agricultural land, which can only be owned in exceptional situations, foreigners may acquire and own real estate in Georgia.

As regards **payment systems**, Georgia is partially aligned with the EU *acquis*, administrative

capacity and enforcement. The government has enacted amendments to the Law on payment systems and payment services in September 2022 to align with the EU Payment Services Directive 2. This includes removing restrictions on using electronic money for merchant accounts; ensuring non-discriminatory access to the payment systems; and enabling payment initiation services and account information access services. According to central bank data, there are 32 registered payment service providers, including e-money providers.

The alignment of the legislative and institutional framework for **anti-money laundering** is incomplete. Fully effective coordination and cooperation between supervisory, law enforcement and prosecutorial authorities requires more efforts. According to the Law on anti-money laundering, the national risk assessment of money laundering and terrorist financing, first adopted in 2019, should be updated at least once every 3 years. The Government adopted the Report on Money Laundering and Terrorism Financing Assessment Risks in Georgia on 3 October 2023. The anti-money laundering/countering financing of terrorism strategy and action plan were adopted on 4 April 2023. Georgia's anti-money laundering legislation partly addresses recommendations of the Financial Action Task Force and relevant international legislation. Outstanding recommendations from Moneyval remain unaddressed, as Georgia had only progressed in the field of development of interagency cooperation capacities of the Financial Monitoring Service.

The Financial Monitoring Service of Georgia (the national FIU) continued to strengthen its analytical capacity for data processing and financial analysis. No beneficial ownership register has been created yet. According to the activity report of the Prosecutor General, in the first 9 months of 2022, 81 million GEL (around 29 million EUR) worth of assets were seized/frozen (out of which 49% in immovable properties, 47% in money, and 3% in cars, down from 132 million GEL (around 47 million EUR) in 2021).

Chapter 6 - Company law

The EU has common rules on the formation, registration and disclosure requirements of a company, with complementary rules for accounting and financial reporting, and statutory audit.

Georgia has **some level of preparation** in the area of company law. There was **limited progress** in the reporting period related to increasing the reliability and quality of auditing. Georgia needs to align with the EU *acquis* on cross border operations and company reporting.

In the coming year, Georgia should:

- amend existing national legislation to align with the EU *acquis* on takeovers, shareholder rights, including the encouragement of long-term shareholder engagement, and on disclosure of information on foreign branches;
- align national legislation with the *acquis* on cross-border conversions, mergers and divisions and on the use of digital tools and processes in company law
- align with the EU *acquis* on financial reporting standards relating to small entities;
- provide the appropriate level of financial and human resources for effective oversight, investigations and sanctions tasks.

Georgia is partially aligned with EU *acquis* in terms of **company law**. The National Agency of Public Registry is the authority responsible for registering companies and disclosing company information. There are no rules on disclosing information on foreign branches, as required by the EU *acquis*. Financial information in the business register needs to be disclosed. The National Agency of Public Registry (NAPR) was established to create a more unified,

modern, transparent and efficient public registry. The administrative capacity of the NAPR requires further strengthening. The National Bank of Georgia's corporate governance code for public issuers approved on December of 2021 reflects EU and international standards. Georgia is carrying out a gap assessment on takeover bids to further align with the EU *acquis* in this area. Georgia also has to align shareholder rights, including the encouragement of long-term shareholder engagement (Shareholder Rights Directives) and gender equality on boards of directors (2022 Directive). Further alignment is needed with the 2019 Directive on digital tools and processes and the 2019 Directive on cross-border operations (mergers, divisions, conversions).

On **company reporting**, there is partial alignment of the main legal requirements with the EU *acquis*, including the transparency requirements for listed companies. Further alignment is needed on the financial reporting principles relating to small entities; the criteria to define company size categories; and country by country reporting by very large multinational companies. Georgia will also need to align with the most recent EU *acquis* on corporate sustainability reporting.

On **statutory audit**, national legislation is partially aligned with the main legal requirements of the EU *acquis* in this area. Georgia's Service for Accounting, Reporting and Auditing Supervision (SARAS) is the competent authority for audit oversight, including monitoring the quality control system of an auditor/audit firm. In January 2023, a rule – approved by SARAS – for conducting investigations of auditors/audit firms came into effect, and was aimed at increasing the reliability and quality of the statutory audit process. In December 2022, amendments to the Law on accounting, reporting and auditing supervision and to the Law on facilitating the prevention of money laundering and terrorism financing were adopted. The scope of obliged entities under SARAS' supervision was expanded as a result, Georgia should nevertheless pay attention to improving the administrative and financial capacity of SARAS for a more effective audit oversight system.

Chapter 7 - Intellectual property law

The EU has harmonised rules for the legal protection of intellectual property rights (IPR), copyright and related rights. Rules for the legal protection of IPR cover, for instance, patents and trademarks, designs, biotechnological inventions and pharmaceuticals. Rules for the legal protection of copyright and related rights cover, for instance, books, films, software and broadcasting.

Georgia has **some level of preparation** in the area of intellectual property law. **Limited progress** was made with the adoption of the Law on patent.

Legislation on copyright and industrial property rights is partially aligned with the EU *acquis*, but a substantial amount of work remains to be done. Georgia should continue to strengthen the capacity of law enforcement authorities in intellectual property matters.

In the coming year, Georgia should in particular:

- align with the most recent EU *acquis* in the area of copyright and related rights, including on the digital single market;
- align with the Directive on trade marks, the Directive on the legal protection of designs and the Directive on trade secrets;
- continue strengthening collaboration with European Union Intellectual Property Office to further advance and consolidate the objectives achieved so far.

The Law on copyright and related rights regulates the area of **copyright and related rights** in

Georgia. This law is partially aligned with the copyright *acquis*. It does not cover the more recent EU *acquis*, most notably the Directive on copyright in the digital single market. The National Intellectual Property Centre (Sakpatenti) is responsible for intellectual property policy. It oversees both the development of the intellectual property system in the country and the grant of industrial property rights.

On **industrial property rights**, Georgia is partially aligned with the Regulation on compulsory licensing of patents relating to the manufacture of pharmaceutical products for exports to countries with public health problems. It is also partially aligned with the *acquis* on supplementary protection certificates for medicinal products. The amendments to the Law on patents were adopted in May 2023 to ensure compliance with the European Patent Convention. Further work is needed to align with the Directive on trademarks and the Directive on the legal protection of designs. No progress is registered to align with the Directive on trade secrets.

In the area of **enforcement**, stronger border, criminal, civil and administrative enforcement is needed. The Ministry of Finance and the Prosecution Service are the main institutions competent for enforcing industrial property rights, with both the Ministry of Economic and the Communication Commission having a limited role. Georgia drafted the administrative offences code, the criminal code, the civil procedure code, and the Law on border measures related to intellectual property. In 2022, around EUR 1.2 million worth of counterfeit goods were seized by both the Investigation Service of the Ministry of Finance and the Revenue Service.

Georgia is a member of the World Trade Organization. It subscribes to the minimum intellectual property rights protection standards set in trade-related aspects of the intellectual property rights agreement. Georgia is not a member of the European Patent Convention. A validation agreement between Georgia and the European Patent Organisation was signed on 31 October 2019. The agreement was ratified by the Parliament in May 2023.

EU-Georgian Intellectual Property Project (EUGIPP), run by the EUIPO to support Sakpatenti advanced the trademark, design and copyright framework and helped to harmonise it with EU legislation and practices. However, a substantial amount of work remains to be done thus should be continued.

Chapter 8 - Competition policy

EU rules protect free competition. They include antitrust rules on restrictive agreements between companies and abuse of a dominant position, and also include rules on concentrations between companies which would significantly impede effective competition. EU rules also set out a system of State aid control. Governments are only allowed to grant State aid if restrictive conditions are met, with a view to preventing distortion of competition.

Georgia is at an **early stage of preparation** in the area of competition policy. There was **no progress** in the reporting period. The country should continue to align its legislative framework, in particular on abuse of dominant position and cartels, as well as State aid. The Georgian National Competition Agency needs to build a solid track record of enforced decisions. Georgia should significantly strengthen the institution's administrative capacity and raise awareness about State aid rules among aid grantors.

In the coming year, Georgia should in particular:

- align the legal framework on antitrust, mergers and State aid with the EU *acquis*;
- grant enforcement powers to the State aid authority, in particular to recover unlawful/incompatible State aid and ensure its decisions cannot be overturned by the government;

→ strengthen the institutional administrative capacity.

Antitrust and mergers

EU provisions on restrictive agreements and on abuse of dominant positions are to a large extent mirrored in the 2014 Law on competition. The Law also provides *ex ante* control of the effects on competition of mergers above certain turnover thresholds, in line with the principles of the EU Regulation on mergers.

On the **institutional framework**, the Georgian National Competition Agency (GNCA) is responsible for enforcing competition rules. The agency is an operationally independent body.

On **enforcement capacity**, the GNCA currently has 60 staff. Its administrative capacity needs to be further strengthened, in particular through relevant training programmes.

On **implementation**, From 15 June 2022 to 15 June 2023 the GNCA completed 5 investigations and approved 7 concentrations (total amount of decisions -12), which took place in hospital services, fuel and construction markets. As of 15 June 2023, GNCA had 6 ongoing investigations.

The GNCA actively participated in three investigations during the reporting period conducted by sector regulators and is reviewing the admissibility of seven complaints made by undertakings from various industries.

The GNCA monitored two markets: glass waste collection/recycling and fuel (gasoline and diesel). Monitoring of three other markets is ongoing: the motor fuel market (compressed natural gas and liquefied petroleum gas), the nut market and insurance services offered by banks when granting credit.

State aid

The **legal framework** on State aid is not in line with the EU *acquis*. The Law on competition foresees that notification and prior approval of the GNCA is required only for aid for economic development of certain regions and aid to promote the preservation of culture and cultural heritage. Other types of aid, such as aid environmental aid; in the case of a disaster; aid granted to fulfil international obligations; and aid for important national projects do not require notification and prior approval of the agency. The agency has conducted an analysis on the current gaps and priorities to be addressed in the area of State aid, including the availability of a State aid registry.

On the **institutional framework**, enforcement of State aid provision of the Law on competition is the responsibility of the GNCA. In certain economic sectors, such as energy, regulatory bodies are responsible for enforcing applicable provisions, on mergers, antitrust and State aid. They are also responsible for enforcing the Law on competition. There is no formal complaint procedure for State aid.

The **enforcement capacity** of the agency needs to be strengthened, notably through relevant training for staff. On **implementation**, no decisions were taken in 2022 on State aid issues, only information on *de minimis* State aid was collected.

Liberalisation

Georgia's competition and State aid legislation is fully applicable to public undertakings and those with special or exclusive rights. The rules on financing services of general economic interest are not aligned with the EU *acquis*.

Chapter 9 - Financial services

EU rules aim to ensure fair competition between, and the stability of, financial institutions, namely banking, insurance, supplementary pensions, investment services and securities markets. They include rules on the authorisation, operation and supervision of these institutions.

In the area of financial services Georgia has **some level of preparation**. Georgia made **limited progress** in the reporting period, by adopting legislation on activity of micro banks covered bonds and sustainable finance. The country should make further efforts to align with the financial services *acquis*, focusing on the priorities identified based on the current state of play.

In the coming year, Georgia should in particular:

- adopt and implement legislation on domestic motor third party liability insurance;
- continue efforts in alignment with the EU *acquis* related to the regulation of banking and insurance sectors (including bank resolution and bank deposits guarantee schemes) and the regulation of securities markets, investment funds and investment services.

As regards **banks and financial conglomerates**, the banking sector appears well capitalised (regulatory capital is above 20%, while the Tier 1 capital amounts to over 17%) and highly liquid. Following a substantial rise following the outbreak of the pandemic, the level of non-performing loans declined steeply in 2021 and 2022. The system of deposit insurance is regulated by the Law on deposit insurance, which established the Deposit Insurance Agency, implementing the system, and the Deposit Insurance Fund. The Law on Deposit Insurance is based on the EU Deposit Guarantee Schemes Directive but requires further alignment with the EU *acquis*. The coverage level in particular is GEL 15 000 (around EUR 5 300), far below the EUR 100 000 level needed to comply with the EU *acquis*.

Georgia has at its disposal early intervention powers and a resolution regime for banks. The National Bank of Georgia is the designated resolution authority. New institutional features have been put in place to support the execution of the new regime. Additional steps are needed to align the Georgian framework with the EU recovery and resolution framework. Georgia had indicated that legislation establishing a resolution fund and implementing the minimum requirements for eligible liabilities would be passed by the end of the reporting period.

The Law on activity micro banks adopted in February 2023, entering into force on 1 July 2023, was designed to increase competitiveness in the market and foster diversification of products offered by the microfinance sector.

As regards **insurance and occupational pensions**, the adoption and implementation of legislation on domestic motor third party liability insurance is still pending. On 28 June, Georgia adopted the Law on voluntary private pension, which will enter into force partially on 1 January 2024, and fully on 1 January 2025.

For both insurers and reinsurance undertakings, the current supervisory regime in Georgia is based on the Solvency I regulatory framework. In December 2022, the NBG developed and approved policy guidance on a corrective action framework for banks, in line with relevant guidelines of the European Banking Authority. These clarify the grounds for the use of supervisory measures, early intervention measures and revocation of banking activity licenses.

Georgia's **financial market infrastructure** legislation is only partly aligned with the EU *acquis* and the alignment with several EU Regulations is still pending.

The legislative framework for **securities markets and investment services** is in place. The

Georgian financial sector is moderately sized. The regulated market in Georgia is presented by the stock exchange. There are no Multilateral Trading Facilities or Organised Trading Facilities on Georgian market. Georgia has requirements regarding the listing on the stock exchange which are similar to the rules set out in the EU Listing Directive.

The Parliament adopted legislation on covered bonds in November 2022 with the objective of diversifying the source of financing for the local commercial banks and helping to develop the mortgage market.

The Parliament is also discussing a draft legislation on the development of the securitisation instrument for fund raising.

As regards sustainable and **digital finance**, in September 2022, the NBG published its working paper on central bank digital currencies. In February 2023 the NBG invited local fintech companies to express interest in participating in a pilot project of the digital lari.

Georgia has made some progress on sustainable finance. In January 2023, the Regulation on Loan Classification and Reporting according to the Sustainable Finance Taxonomy (Taxonomy Regulation) entered into force. The Taxonomy Regulation formally defines green, social and sustainable loans and imposes reporting requirements for commercial banks on taxonomy-aligned loans. In addition, the NBG, in cooperation with various local and international stakeholders, has developed the Sustainable Finance Taxonomy for Georgia. The Taxonomy provides the market with a classification system for identifying activities and/or project categories that deliver on key climate, green, social, or sustainable objectives. It is closely linked to the EU Taxonomy, but it is tailored to the features of the Georgian economy and financial sector and closely follows international practices. Further work could be done in this area, in order to implement a comprehensive sustainable finance framework and a disclosure regime for financial and non-financial companies taking into account sustainability considerations.

Chapter 28 - Consumer and health protection

EU rules protect consumers' economic interests, including in relation to product safety, dangerous imitations and liability for defective products. The EU also ensures high common standards for tobacco control, blood, tissues, cells and organs, and medicines for human and veterinary use. The EU also has rules for upholding patients' rights in cross-border healthcare and in preparing for and responding to cross-border health threats, including communicable diseases.

Georgia has **some level of preparation** in the field of consumer and health protection. There has been **limited progress** in the reporting period on consumer protection capacity and on alignment to the EU *acquis* on blood. Attention should be paid to aligning national legislation on consumer protection and on health with the EU *acquis* and ensuring it is properly enforced.

In the coming year, Georgia should:

- make progress on aligning consumer law with the EU *acquis*;
- ensure that the staffing and capacity of the national competition agency correspond with its increased competencies on consumer protection;
- make progress to align blood, tissues, cells and organs, tobacco control and on medical devices with the EU *acquis*.

Consumer protection

The main consumer enforcement authority is legally the Georgian National Competition

Agency (GNCA). After the Law on the protection of consumer rights entered into force on 1 June 2022, the agency increased its enforcement capacities. For example, it has had a hotline in place since September 2022 on consumer rights and to file complaints. It also performs awareness raising campaigns.

Georgia's national legislation on consumer protection is partly aligned with the EU *acquis*. It is not aligned with the EU *acquis* on: package travel and linked travel arrangements; timeshares; representative actions; digital content rules; the sale of goods and with the latest changes to EU consumer legislation introduced by Directive (EU) 2019/2161.

Since November 2022, GNCA began receiving consumer complaints and actively conducting investigations, including in the pharmaceutical, fuel and tobacco markets. It also began monitoring prices on the food market. In the first 5 months, 194 applications were submitted to GNCA, out of which 118 investigations were launched. Violation of consumer rights was proved in five cases (based on 16 applications). Twenty-eight commitment agreements (based on 49 applications) have been signed, whereby traders took responsibility to restore the rights of affected consumers and to change their policies in line with relevant legislation. 80 % of applications were related to distance trading and 20% to on-site trading. Monthly statistics are produced and published and will be available in the GNCA's annual report.

Georgia's legal framework on **product safety** is partly aligned with the EU *acquis*. Georgia currently relies on a 'pre-notification' system of **market surveillance** before placement on the market. This is not fully aligned with the EU *acquis*. Currently, it is only applied to what are identified as functions for high-risk products. In 2022, the agency implemented 461 market surveillance inspections, on three types of consumer products (toys, devices working on gas fuel and personal protective equipment) and three types of industrial and construction products (construction goods, machinery and pressure equipment). In the reporting period, the agency took seventeen types of toys off the market.

Public health

As regards **public health**, a national health strategy covering the period 2022-2030 is in place. The objectives are to achieve universal health coverage, ensuring equal access to affordable health care and the highest level attainable of health services with financial risk protection for all. On **eHealth**, some elements are in place, such as: a registry of new cases; a hospital discharge registry; data collection on cancer, births and pregnancies. The national strategy for 2017-2030 has been developed to support healthcare for mothers and new-born children. Maternal mortality remains high in Georgia, most deaths resulting from preventable causes. The total health expenditure in Georgia as a % of GDP – 7.4%.

Georgia is partly aligned with the EU *acquis* on **tobacco control**. Georgia adopted implementing legislation on tobacco products and packaging designed to partly align to the EU *acquis* in December 2022. It is a party to the WHO Framework Convention on Tobacco Control but is yet to complete its accession to the protocol to eliminate illicit trade in tobacco products.

Georgia is partly aligned with the EU *acquis* on serious **cross-border threats to health including communicable diseases**. It has established an epidemiological surveillance system; a list of communicable diseases that are subject to surveillance; a central body for disease control and public health; and an early warning system to notify serious cross-border threats to health. Georgia has in place its 2023-2030 strategy for the prevention of non-communicable diseases.

With regards to **blood, tissues, cells and organs** Georgia's legislation on **blood** is designed to be aligned with the relevant EU *acquis*, it is not aligned on tissues, cells and organs. Oversight

functions are not yet fully carried out in line with EU standards.

As regards **patients' rights in cross-border healthcare**, under Georgia's legal base, citizens of EU Member States and other countries can receive medical treatment in Georgia. In addition, reimbursement is foreseen for Georgian citizens under certain conditions for treatment abroad within the framework of a relevant state programme.

On community-based **mental health**, Georgia's 2022-2030 national mental health strategy supports the deinstitutionalisation of mental health services by strengthening community-based care for people with mental health issues. In 2022, 8.4% of beneficiaries were treated in mental health hospitals, while the remaining received needed care at one of the community-based services.

Georgia is implementing **drug abuse** prevention and harm reduction legislation to be aligned with the relevant EU recommendations. Georgia's legislation is partly aligned with the EU *acquis* to protect the workers from adverse health effects arising from **exposure to electromagnetic fields** in working conditions.

As regards **non-communicable diseases**, Georgia has national **cancer** screening programmes. There is also a national programme in place to treat and provide pharmaceutical products to persons with **rare diseases**.

Georgia's national legislation is partly aligned with the EU *acquis* on market authorisation of **medicines all products for human use**. Pharmaceutical reference prices have been approved in early 2023. Issues remain with quality assurance and post-marketing monitoring. As regards **medicinal products for veterinary use**, information was not available on the state of legal alignment to the EU *acquis*, nor was it available on the administrative capacity or enforcement system. Information was also not available on aligning **cosmetics** with the EU *acquis*. Georgia is not aligned with the EU *acquis* on **cosmetics** or on **medical devices**.

As regards **health inequalities**, access to health services for the Roma population is guaranteed under Georgia's laws on healthcare and on the elimination of all forms of discrimination.

The Georgian Law on medicines and pharmaceutical activities is a legal basis for the state to ensure the lawful practice of circulating pharmaceutical products. The pharmaceutical sector in Georgia has a high-level of vertical and horizontal integration and a holding structure. The medications and medical equipment are procured mainly by means of electronic public bidding at specifically designated electronic platform.

CLUSTER 3: COMPETITIVENESS AND INCLUSIVE GROWTH

This cluster covers: digital transformation and media (Chapter 10); taxation (Chapter 16); economic and monetary policy (Chapter 17); social policy and employment (Chapter 19); industrial policy (Chapter 20), science and research (Chapter 25); education and culture (Chapter 26); and the customs union (Chapter 29).

Georgia has reached a moderate level of preparation in economic and monetary policy; enterprise and industrial policy; science and research, education and culture; and the customs union. Georgia has some level of preparation in digital transformation and media, social policy and employment and has some level of preparation/is moderately prepared in taxation. The country has made some progress in digital transformation and media, taxation and science and research and limited progress in enterprise and industrial policy.

Chapter 10 - Digital transformation and media

The EU supports the smooth functioning of the internal market for electronic communications, electronic commerce and audio-visual services. The rules protect consumers and support the

universal availability of modern services.

Georgia has **some level of preparation** in the area of information society and media. **Some progress** was made towards alignment with the Directive on audio-visual media services (2010/13/EU) with amendments addressing the key issues of non-incitement to hatred and protection of minors. Georgia should ensure its digital policy strategies are aligned with the EU strategies ‘Shaping Europe’s Digital Future’ and the ‘Digital Compass’. The lack of a universal service regime prevents universal services being implemented under the EU Electronic Communications Code.

In the coming year, Georgia should:

- ensure high-level as well as inter-institutional coordination on digitalisation reforms;
- swiftly implement the recently adopted Laws (Law on infrastructure sharing and on Electronic-commerce) to align with the EU *acquis*;
- strengthen the effective independence of the media regulator (the Georgian National Communication Commission), and develop a cybersecurity strategy towards alignment with the directive on measures for a high common level of cybersecurity across the union(NIS 2).

Georgia lacks an overarching digital strategy, although the 2021 national broadband development strategy covers the majority of digital related topics and seeks to address the urban rural divide by investing in broadband connectivity. A system to monitor the progress of implementing the strategy should be developed.

Internet is accessible to over 88% of households in the country with the number of mobile internet subscribers rapidly growing. Full coverage with high-speed internet of some rural, remote and high mountainous areas remains a challenge.

On 21 May 2023, parliament adopted the Law on infrastructure sharing, inspired by the Broadband Cost Reduction Directive (2014/61/EU).

On 13 June 2023, the parliament adopted the law on "Electronic Commerce" and related laws, aiming to regulate the rights and obligations of intermediary service providers, and enhance consumer protection through increased transparency and standardisation of information services.

In the field of **information society services**, Georgia’s basic legal framework on the open reuse of public sector information is only partly aligned with the Directive on open data. Georgia has not aligned with the Regulation on geo-blocking or the platform-to-business relations Regulation, the Digital Markets Act and the Digital Services Act. Georgia’s participation in the various areas of digital research and innovation covered by Horizon Europe (artificial intelligence, microelectronics, photonics, quantum, etc.) is limited. The Law on e-commerce was adopted on 13 June 2023.

The 2021-2024 **cybersecurity** strategy would benefit from alignment with the latest EU *acquis* in the field (NIS 2 Directive). Implementing legislation – such as a technical regulation of the network sensor of critical information system entities of first and higher categories – is being prepared.

Georgia has expressed an interest to join the EU’s ‘roam like at home’ regime, which would require approximation of the roaming-related EU *acquis* and its implementation. The Commission has assessed that a long-term roaming arrangement between the EU and Georgia is possible, building on Georgia’s Association Agreement with the EU. As a follow up, Georgia

should start aligning with the relevant EU *acquis*. In addition, a revised regional roaming agreement is under negotiation among the five concerned eastern partnership countries (excluding Belarus).

Regarding **audiovisual policy**, amendments to the broadcasting Law were adopted in October 2023. The issues of protection of minors and non-incitement to hatred were addressed in line with the Audiovisual Media Service Directive. The Law also introduced a self-regulation system with a legal backstop as recommended by the EU. Outstanding issues remain on the effective independence of the national regulator. In particular, further work should be undertaken to increase transparency (i.e publishing of all decisions) and reinforce the grounds for dismissal.

The Georgian National Communication Commission (ComCom) is the national regulatory authority. In addition to the Constitution, the Law on National Regulatory Bodies formally establishes ComCom's independence both financially and politically, although there are problems with the effectiveness of this independence. ComCom is mandated to develop **media literacy**. Both state and non-state actors are working to promote and improve media literacy skills of children and teachers. During the reporting period, the Ministry of Education and the National Communication Commission trained 600 teachers in tackling disinformation and promoting digital literacy.

Chapter 16 - Taxation

EU rules on taxation cover value added tax, excise duties and aspects of corporate taxation. They also cover cooperation between tax administrations, including the exchange of information to prevent tax evasion.

Georgia is in between **some and moderate level of preparation** in terms of taxation. There was **some progress** in the reporting period aligning the legislation with the EU *acquis* on VAT and excise duties. Georgia undertook important legal and administrative steps in order to introduce an automatic exchange of financial account information in line with OECD global standards.

In the coming year, Georgia should:

- further align legislation on direct taxation with the EU *acquis* and international best practices.
- ensure the implementation of the automatic exchange of tax information with EU Member States in line with the OECD Global Standards.
- further align legislation on VAT and excise duties with the EU *acquis*.

As regards **indirect taxation**, the standard VAT in Georgia is 18%. Tax legislation on VAT is partly aligned with the EU *acquis*. As regards excise duties on tobacco products, there was limited progress in reintroducing duties equally for national and imported products. Excise duties on alcohol and alcoholic beverages are partly aligned. Georgia confirmed that it will reach the EU minimum levels of taxation on tobacco products by the end 2025. Progress is needed, energy products and electricity to reach the EU minimum levels of taxation and to adopt the EU's system of warehousing and duty suspension. The EU excise movement control system has to be put in place.

As regards **direct taxation**, residents of Georgia are taxed on their worldwide income; the income tax rate is 20%. Income from rent is taxed by 5% and from gambling business by 10%. A special tax regime is applied for micro and small businesses. Since 2017, only distributed profit is subject to taxation, retained or reinvested profit is not taxed. Legislation for direct

taxation has to be brought in line with a number of EU Directives (on merger, parent-subsidiarity, interest and royalties).

Georgia has taken no action to lay down rules that would cover the scope of the Directives on parent-subsidiarity, interest and royalties, merger, and anti-tax avoidance.

Regarding **administrative cooperation and mutual assistance**, Georgia is a member of the inclusive framework on base erosion and profit shifting. Georgia has signed the Multilateral Convention to implement tax treaty-related measures to prevent base erosion and profit shifting. The country is also a member of the OECD Global Forum on Transparency and the OECD Exchange of Information for Tax Purposes. Georgia has committed to introducing the international standard on automatic exchange of financial account information by 2023. Double taxation agreements with all EU Member States are in force.

In November 2022, Georgia signed the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information. In December 2022, Georgia then passed primary legislation and signed the Common Transmission System Agreement, which will take effect before their first exchange in 2024. Georgia also joined the Global Revenue Statistics Initiative in December 2022.

Georgia joined and is a full member of the EU Fiscalis programme.

On **operational capacity and computerisation**, the Georgian revenue service under the Ministry of Finance is tasked with collecting all national taxes. It is also tasked with customs control of incoming and outgoing goods. The revenue service employs around 3 700 staff in 15 departments, organised along functional lines. This allows for a separation of policy and planning, as well as operational and support responsibilities. The revenue service adequately performs its functions and is broadly in line with international practice.

Chapter 17 - Economic and monetary policy

EU rules require the independence of central banks and prohibit them from directly financing the public sector. Member States coordinate their economic policies and are subject to fiscal, economic and financial surveillance.

Georgia is **moderately prepared** in the area of economic and monetary policy. **No progress** was made in the reporting period. Any change to the central bank's governance framework should be carefully contemplated not to undermine its independence.

In the coming year, Georgia should:

- maintain the independence of the National Bank of Georgia and ensure an orderly appointment of the next governor of the bank;
- make steps towards strengthening the institutional set up of the independent fiscal institution, its legal mandate and the capacity to undertake qualitative analytical work.

On **monetary policy**, the country's legal framework is partially aligned with the EU *acquis*. The National Bank of Georgia (NBG) oversees monetary policy, and its primary objective is to ensure price stability, which is in line with the EU monetary policy legislative framework.

The NBG intervenes sporadically to offset short-term fluctuations arising from capital flows. Last year's NBG interventions on foreign exchange markets contributed to increased foreign currency reserves.

The institutional independence of the NBG is guaranteed by the constitution and the organic Law on the NBG. The NBG is presided by the governor and the board; the bank's governor is

selected by the bank's board and appointed by the President. The incumbent Governor completed his seven-year term in March 2023. His successor needs to be appointed in an orderly manner to ensure that the independence of the NBG is maintained.

In February 2023, the amendments adopted by the Parliament created a new position of first vice-president of the NBG to assume the role of an acting governor after the expiry of the governor's term for an undetermined period of time. This provision is not in line with EU *acquis*, which requires that the statutes of national central banks should provide clear rules for the appointment of the new governor in order to ensure the institutional independence and avoid any external interference. The amendments were subsequently vetoed by the President of Georgia. Parliament overrode the veto with the adoption of amendments on 13 June 2023. In line with these amendments, the first vice-president of the bank, acting also as its governor, was selected in June. In September, three vice presidents resigned over a decision taken by the acting governor to reverse an initial NBG decision to enforce US sanctions imposed on a Georgian-Russian businessman.

Regarding **economic and fiscal policy**, the system of public finances in Georgia is considered strong and transparent, as confirmed by the Public Expenditure and Financial Accountability Assessment carried out in 2022. However, there are some issues where further alignment with the international standards and EU *acquis* is needed, including on the role of Georgia's independent fiscal institution.

The Parliamentary Budget Office (PBO) provides budget analysis and macro-fiscal projections and is considered by the authorities as the independent fiscal institution. A self-assessment in line with the OECD Principles for Independent Fiscal Institutions carried out by the PBO in 2022 indicated several areas for improvement, including PBO's official mandate, legal guarantees of independence and autonomy, strengthening skills in quantitative analysis, and the necessity to add an advisory council. Therefore, the institutional set up, legal mandate and capacity to undertake analytical work of the independent fiscal institution need to be substantially strengthened to be in line with the OECD and EU requirements.

Georgia implements a medium-term budgetary framework that covers macro-fiscal framework and sectoral expenditures over a four-year period.

Georgia's numerical fiscal rules set ceilings on general government deficit (3% of GDP) and government debt (60% of GDP). These rules were strictly complied with before the pandemic, then suspended and complied with again in 2022.

Chapter 19 - Social policy and employment

EU rules in the social field include minimum standards for labour law, equality, health and safety at work and non-discrimination. They also promote social inclusion, social protection, and social dialogue at EU level.

Georgia has **some level of preparation** in the field of social policy and employment. **Some progress** was made in the reporting period, including the adoption of resolutions on health and safety at work aimed at aligning with the EU *acquis*, and strengthening the capacity of the Labour Inspection Office. On social policy, further steps were taken towards a more comprehensive and sustainable social protection system. Across all policy areas Georgia needs to continue work on aligning with the EU *acquis*.

In the coming year, Georgia should:

→ further align with the EU labour and occupational safety and health *acquis*; specifically with the pending Directives on occupational safety and health;

- adopt a comprehensive and sustainable social protection system, including unemployment and minimum income benefits, promote social dialogue, and engage in a wider discussion on the reform of the minimum wage;
- ratify and implement relevant International Labour Organization conventions, in particular C081 on labour inspection.

Regarding **labour law**, Georgia has legislation concerning all eight Directives where it has an obligation to harmonise with the EU *acquis* under the AA/DCFTA. Legislation concerning the rights of young workers aims at aligning with the relevant EU *acquis*. Georgia demonstrates an overall good understanding of the EU *acquis* in most areas of labour law. However, further alignment efforts are required, including as regards directives applicable in specific sectors, such as transport.

The Labour Code reform of 2020 significantly improved the labour regulations in the country, however, the reform contains major gaps in terms of introducing gender-responsive family policies in particular paternity or carer's leave and flexible working arrangements.

Georgia has not yet ratified some relevant International Labour Organization conventions, including those on labour inspections, occupational safety and health at work, and violence and harassment at work. As regards labour inspections, Georgia is working towards ratification of ILO Convention 81.

On occupational **health and safety at work**, the 2019 Organic Law on Occupational safety is mainly based on the EU Framework Directive. However, it seems not fully aligned with the EU *acquis* on occupational safety and health since it only applies to employers and workers bound by a labour agreement – including child workers, – and limits the possibility to detect/identify instances of exploitation and forced labour. This limits its application and leaves out informal employers and employees outside its application.

Work is also ongoing to align legislation with individual directives on health and safety at work. In this context, between July 2022 and May 2023, Georgia adopted four resolutions aimed at incorporating provisions of 5 EU Directives (90/270/EEC, 89/654/EEC, 89/656/EEC, 92/58/EEC, 90/269/EEC).

The enforcement of labour law and health and safety at work is covered by the mandate of the Labour Inspection Office under the Ministry of Internally Displaced Persons. In the course of 2022, the Labour Inspection Office's capacities – both institutional and human resource – were strengthened. Due to the specific nature of the work, continuous upskilling activities are needed to maintain a high quality of inspection activities.

During 2022, 35 people died – compared to 37 in 2021 – and 253 were injured at work. Although there is a steady decrease in the number of occupational accidents the average incidence of fatal occupational accidents remains higher than in the EU.

Concerning **social dialogue** there is a limited coverage of collective agreements in the country. Collective agreements are mostly signed at company or enterprise level and only one sectoral collective agreement has been concluded. Social partners require capacity-building activities in order to allow for effective social dialogue.

On **employment policy**, there are two main policy documents: the Law on Employment Promotion and the 2019-2023 National Strategy of Labour and Employment policy. Some efforts have been made to adopt legislation in line with the EU *acquis* on guidelines for employment policies and on enhanced cooperation between public employment services.

On **Labour force participation**, the government's new initiative to improve the employability

of the population receiving social allowances, managed by the State Employment Support Agency, benefited 29 323 individuals between March 2022 and March 2023.

The **unemployment rate** in 2022 in Georgia constituted 17.3%, down from 20.6% in 2021, presumably as a result of post-COVID-19 recovery. However, already in the first quarter of 2023, unemployment rate increased to 18%. Unemployment rate among men is higher than that of women (19.3% vs 14.6%). In 2022, women's labour force participation rate (%) remained much lower (41.5%) compared to men's (64%). Women's employment rate (%) is again much lower (35.4%) than that of men (51.7%).

Informal employment remains a challenge, with approximately a third of the population being engaged in it in 2022 (28.4%). Here, again, more men are engaged in informal employment than women (33.4% vs 22.5%).

Share of NEETs (youth aged 15-29 not in employment, education or training) remains high, ranging between 23.4% (15-24) and 30.7% (15-29 years old) and needs to be addressed.

On social protection and inclusion Georgia's social protection system is funded by the general tax revenue, except for statutory funded pensions, which are funded by contributions. In 2022, 5.7% of GDP was spent on social protection programmes – compared to 6.4% in 2021. Universal pension was increased in 2023. In 2021, 17.5% of the population lived below the national poverty line.

In February 2023, the Ministry of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social affairs adopted the 2023-2030 action plan for the strategy on the independent living and de-institutionalising of persons with disabilities. This started the process of shifting from institutional to community-based care for vulnerable people. The legislative framework to enable municipalities to plan social services, as well as their capacities to implement these, need to be strengthened.

Georgia lacks a national strategy on the **de-institutionalisation** of children. However, the government has made steps to deinstitutionalise remaining non-state regulated religious residential institutions. Further measures are needed to address the lack of proper standards in boarding schools.

The Constitution of Georgia includes several articles related to principles and rights at work, including **equality and non-discrimination**. The Law on the elimination of all forms of discrimination forbids all forms of discrimination.

As regards **equality between women and men in employment and social policy**, the basic institution and provisions exist in current legislation.

The government increased the state allowance of maternity/child adoption benefits from GEL 1 000 to 2 000 from 1 January 2023. Secondary school teachers can now receive 100% salary during maternity leave.

Chapter 20 - Enterprise and industrial policy

EU industrial policy strengthens competitiveness, facilitates structural change, and encourages a business-friendly environment that stimulates small and medium-sized enterprises.

Georgia is **moderately prepared** in the area of enterprise and industrial policy. There was **limited progress** in the reporting period. Special attention is needed to diversify inward foreign direct investment to tradable industries and linkages to the domestic industrial tissue.

In the coming year, Georgia should:

- adopt strategies for green growth and on investment promotion;
- develop an industrial strategy and action plan with stakeholder consultations for implementation starting 2025;
- align with EU legislation on late payments;
- strengthen the capacity of the administration and of the private sector to apply regulatory impact assessments.

As regards **industrial and enterprise policy principles**, Georgia bases its development strategy on the driving forces of infrastructure development, domestic and foreign direct investment in industry as well as on SMEs, notably innovative start-ups, digital transformation (*see chapter 10 - Digital transformation and media*). Georgia's government programme expresses the orientation of its industry strategy, yet not its means. Its expiry in 2024 requires the early start of formulating a strategy for economic and industrial development, with sufficient concrete detail to reduce a fragmentation and thorough stakeholder consultations. An update to the "investment promotion strategy and action plan 2020-2022" is overdue and the adoption of a green growth strategy still outstanding. Georgia is piloting the design of a smart specialisation strategy in the Imereti region. The reduction of skill mismatches through re-training of the workforce remains to be seen.

The business environment is overall good with certain important challenges in need of determined improvement (*see the section on Functioning of product markets*). Informal business practices may hinder scale up notably in non-food manufacturing.

The government adopted in December 2022 a new governance code for state-owned enterprises. A strong oversight role of the Ministry of Finance is part of it. Three of the main state-owned enterprises started introducing the new governance in the first quarter of 2023.

The scope of applying regulatory impact assessment remains limited. Capacity within the government and within the private sector needs to be strengthened in this regard.

The **SME policy environment** in Georgia is generally considered to be well-developed and supportive. The strategy for the development of small and medium-sized enterprises for 2021-2025 continues to be implemented. Women entrepreneurship policies were enhanced with the state concept on the economic empowerment of women. The SME definition is in line with the EU definition to the extent that it is based on staff headcount and annual turnover.

As regards **industrial and enterprise instruments**, an alignment is needed with the Late Payment Directive. Notably provisions on payment terms require clarification and the key provision on late payment interests to be introduced.

Enterprise Georgia is launching an export assistance programme to promote the growth of export-oriented small and medium-sized businesses. A technology transfer pilot programme has been successfully implemented by the Georgian Innovation and Technology Agency. The government plans to adopt and expand the programme under the state budget and institutionalise a central technology transfer office at the innovation and technology agency.

No practical steps were taken to implement the cluster development framework.

Negotiations are currently in their early stages regarding Georgia's participation in the new Single Market Programme. In the event of a positive outcome of these negotiations, considerable awareness-raising and capacity building would be needed to support Georgian applicants.

As regards **sectoral policies**, noteworthy is the expected development of a new mining code.

Chapter 25 - Science and research

The EU provides significant support for research and innovation. All Member States can participate in the EU's research and innovation programmes and benefit from them, especially where there is scientific excellence and solid investment in research and innovation.

Georgia is **moderately prepared** in the area of science and research. There was **some progress** in the reporting period, particularly in terms of integration into the European Research Area (ERA) and increasing participation in Horizon Europe. Georgia expressed a commitment to participate in all 20 ERA Actions, launched open science initiatives and opened its Horizon Europe Office.

In the coming year, Georgia should:

- prepare and adopt a national European research area roadmap including a strategic and well-defined approach to open science, researchers' mobility, and implementing European Research Area voluntary actions;
- proactively support cooperation between research and industry and promote innovation in line with the 5 flagships of the new European innovation agenda;
- strengthen the implementation and internationalisation of sector-specific scientific priorities, and implement smart specialisation in the Imereti Region.

Georgia has been taking important steps to modernise its research and innovation policy and to align with EU policies, following the recommendations of the Horizon 2020 Policy Support Facility. The new Unified National Strategy for Education and Science for 2022-2030 and the Sectoral Action Plan for 2022-2024 were adopted in 2022. Both are aligned with the strategic objectives of the European Research Area. The internationalisation strategy approved in March 2023 for the Shota Rustaveli National Scientific Foundation should contribute to further integration into the European Research Area.

Since January 2021, Georgia has been associated to the **framework programme** Horizon Europe with 16 grants awarded to Georgian research and innovation stakeholders, a success rate of 16.54% and an overall EU contribution of EUR 2.2 million. Georgia joined the European Cooperation in Science and Technology (COST) association in 2022. Georgia remains active in Eastern Partnership regional cooperation on research and innovation.

There were 11 860 researchers in Georgia in 2021. State funding for science and research is gradually increasing. In 2023, the total state funding amounts to EUR 27,563,787.20 which is 13.8% higher than in 2022.

Georgia has successfully implemented several measures in the reporting period aiming to increase its participation in Horizon Europe. A Georgian researcher mobility scheme was launched with EU funding. The Georgian Horizon Europe office trained stakeholders in proposal drafting and organised National Contact Points (NCP) information events. Georgia is well connected to all NCP Networks (including the Widera network).

Georgia launched in cooperation with the European Open Science Cloud Association a national open science cloud (GEOSC) and took important steps to establish the GEOSC National Association and to integrate in the European Open Science Cloud.

The Georgian Innovation and Technology Agency (GITA) launched new national funding schemes for public grants and established a centralised Technology Transfer Office (TTO). Georgia should be encouraged to take up the opportunities presented by the European Institution of Innovation and Technology (EIT).

Work on developing a regional **smart specialisation** strategy in Imereti was launched following the finalisation of the entrepreneurial discovery process in October 2022. The adoption of the strategy document is planned for the end of 2023.

Chapter 26 - Education and culture

The EU supports cooperation in education and culture through funding programmes and the coordination of Member State policy through the ‘open method of coordination’. The EU and the Member States must also prevent discrimination and ensure quality education for children of migrant workers, including those from disadvantaged backgrounds.

Georgia is **moderately prepared** in the area of education and culture. There was **some progress** in the reporting period in that policies are in place which need to be adopted and implemented. The education system and youth policy, and training and qualifications policy, are broadly aligned with EU objectives. Cultural policy broadly reflects the general priorities of the new European agenda for culture. Georgia enjoys a good level of cooperation with its European partners on sport.

In the coming year, Georgia should:

- implement its education and science strategy, and adopt and start implementation of the 2022-2027 vocational education and training strategy;
- adopt and start to implement the 2022-2027 career guidance strategy;
- enhance public consultation and civil dialogue on culture.

On **education and training**, the constitution ensures the right to education. In August 2022 the government approved a unified strategy of education and science for 2022-2030.

Data collection on education is well-developed, overseen by EMIS – the education management and information system¹². Georgia participates in international surveys, such as PISA – the OECD programme for international student assessment. In the 2018 PISA studies, Georgia’s share of 15-year-old underachievers in reading was 64.4%, compared to an EU average of 22.5%. Georgia participated in PISA 2022 and results will be available in Autumn 2023.

In the field of higher education, Georgia has been a member of the Bologna process since 2005 and has ratified the Lisbon Recognition Convention.

Concerning social inclusion in education, the state ensures universal access to primary, basic and secondary education for every child. The Law on general education and the national curriculum recognise the individual and alternative forms of education. For accessible and quality education, Georgia developed additional services for students with special educational needs in public schools.

In the field of **vocational education training** (VET), Georgia aims to promote private sector involvement in work-based learning and dual education. Creating partnerships with business is a guiding principle in Georgia’s technical and VET reform. The Vocational Skills Agency was established in 2021 by the Ministry of Education and Science and Georgian Chamber of Commerce and Industry to promote interaction and partnership with private sector. Two new strategies: the 2022-2027 VET strategy and career management services strategy for all formal education levels are expected to be approved in 2023. Parliament adopted on 28 June 2023

¹² EMIS collects data on pupils/students and teachers/trainers at the different levels and sectors of the educational system, including: early childhood education and care; school education; vocational education and training; higher education; and adult learning.

amendments to the Law on education quality enhancement regarding teaching of VET programmes.

In 2022, Georgia joined the European Alliance for Apprenticeships.

Georgia has revised its regulations, procedures and tools to align with the EU's 2012 recommendation on validation of non-formal and informal learning.

The development of digital skills is an integral part of Georgia's educational curricula in VET and at each level of higher education.

On green education the new national strategy places emphasis on digital transformation, global citizenship, democratic culture, and the green transition, and sustainable development is required in institutional and program level programmes. Green and digital education and STEM are priority topics of the new national curriculum, and teacher training on environmental education and on sustainable development takes place. In order to promote scarce environmental professions, the "Green Scholarships" programme was introduced.

In the field of **youth** policy, both the 2020-2030 Georgian national youth policy concept and the 2023-2026 state youth strategy prioritise the active involvement of young people in public life and democratic processes. There are no concrete mechanisms for youth participation in policy making at national and local levels. although the local self-government code describes the principles and forms of citizen's participation in local self-government in general.

Georgia cooperates on **sport** with European partners, including through the European Week of Sport Beyond Borders and the Council of Europe's sport partnership.

Overall, Georgia's **cultural policy** documents and programmes, including the 2020-25 culture strategy, reflect the general priorities of the new European agenda for culture, although in the reporting period there were a few cases of limiting cultural freedom. There is limited dialogue on overall cultural policy between the government and civil society in general.

Georgia participates in international actions of the 2021-2027 Erasmus+ programme and in eTwinning, and benefits from international youth actions of Erasmus+ and European Solidarity Corps programmes, participates in the Culture and Cross-Sectoral (and partially in the MEDIA) strands of the Creative Europe programme, and regional actions such as EU4Culture.

Chapter 29 - Customs union

All Member States are part of the EU customs union and follow the same customs rules and procedures. This requires legislative alignment as well as adequate implementing and enforcement capacity, and access to the common computerised customs systems.

Georgia is **moderately prepared** in the area of the customs union. There was **some progress** in the reporting period. Customs legislation is not aligned with the EU *acquis*.

In the coming year, Georgia should:

- further align its 2019 national Law on customs with the Union Customs Code;
- improve administrative and operational capacity and increase resources of the customs service;
- strengthen the administrative capacity in the IT customs sector.

Customs legislation

The new customs code entered into force in 2019 and is partly aligned with the Union Customs Code. The code needs to further align on duty relief; value added tax on imports; transit; and

simplification procedures. In January 2023, Georgia adopted an amendment to its code on duty relief. Namely, Book X, on an exemption from customs debt, which will enter into force on 1 January 2026.

Georgia is a party of the Pan-Euro Mediterranean Convention on the rules of origin. Georgia also benefits from diagonal cumulation of origin between the Pan-Euro Mediterranean Convention member countries. Georgia completed the procedure to apply revised transitional rules of the convention in 2021.

Since August 2022, there is progress with two authorised economic operators now in operation in the country. Nevertheless, the national programme for authorised economic operators needs to mature.

Georgia is in the process of accession to the Convention on the Simplification in Trade in Goods and the Convention on a Common Transit Procedure. Georgia has developed the NCTS IT system and on 3 April 2023, Georgia has started the national application of transit and published national instructions on the possibility of using the new computerised transit system when carrying out customs formalities. For the past year, Georgia regularly attends the EU counter-terrorism coordinator working group meetings as an informal observer.

The risk management system is automated and compares import, export and transit data against active risk profiles.

The legislation on customs enforcement of intellectual property rights is generally in line with the EU *acquis*, despite some divergences. Clarifications are needed on whether Georgia's law on border measures related to intellectual property predicts the destruction of goods suspected of infringing intellectual property rights sent in small consignments. Georgia is aligned on *ex officio* control measures on IPR at the border, although trends for *ex officio* detentions are declining.

Georgia seems to have in place a cash controls system that appears to be aligned with the EU *acquis* despite some differentiations.

The legislation concerning the import and export of cultural goods is in broadly aligned with the EU *acquis*. Cross-border smuggling of tobacco products and other illicit activities in the regions close to breakaway regions is an area where improvements are needed. It is recommended that Georgia joins the WHO Framework Convention on Tobacco Control Protocol to Eliminate Illicit Trade in Tobacco Products.

In October 2022, Georgia expressed interest in deploying the electronic freight transport information (eFTI scheme) within the framework of the EU4Digital project. Georgia's participation in the eFTI network would further strengthen the regulatory convergence in the relevant customs areas.

Administrative and operational capacity

The Georgia Revenue Service is the legal entity established under the Ministry of Finance. It has adequate financial and operational capacity to cope with assigned tasks. The revenue service needs to adapt its structure to the EU customs requirements and attract additional resources. The revenue service also has to upgrade its procedures and customs information and technology systems to make it compatible with those of the EU.

Georgia is a full member of the EU Customs programme.

CLUSTER 4: THE GREEN AGENDA AND SUSTAINABLE CONNECTIVITY

The cluster on Green Agenda and sustainable connectivity covers: transport policy (chapter

14); energy (chapter 15); trans-European networks (chapter 21); and environment and climate change (chapter 27).

Georgia is at an early stage of preparation in environment and climate change. Georgia adopted its long-term low emission development strategy. It has some level of preparation in the areas of energy, transport policy and trans-European networks. A new market-based support scheme for renewable energy production was introduced. Some progress was achieved on trans-European networks and more efforts are needed to improve transport and energy infrastructures. Some progress was recorded with the adoption of the National Transport and Logistics Strategy (2023-2030) in August 2023, the adoption of the new Rail Strategy in February 2023 and the adoption of the Maritime Code in May 2023. More efforts are needed in the transport sector, with notable focus on road safety, rail sector reform and incorporation of the smart and sustainable mobility strategy principles. Georgia continued improving its civil protection system and showcased a clear commitment in strengthening its resilience in the area of disaster risk.

Chapter 14 - Transport policy

The EU has common rules on technical and safety standards, security, social standards, State aid and market liberalisation in road transport, railways, inland waterways, combined transport, aviation and maritime transport.

Georgia has **some level of preparation** in terms of transport policy. **Some** progress was noted in the reporting period with the adoption of the National Transport and Logistics Strategy (2023-2030) and its 2023-2024 action plan in August 2023, the adoption of the new Rail Strategy in February 2023 and the adoption of the Maritime Code in May 2023. Georgia needs to make additional efforts on road safety (e.g align with EU *acquis* concerning the procedures for checks on the transport of dangerous goods by road).

In the coming year, Georgia should:

- align and implement itself with the transport *acquis* in all sectors and at all levels of government;
- enhance the administrative capacity and infrastructure maintenance for road safety, as well as launch and implement awareness-raising campaigns to reduce the high number of road accidents and fatalities.

On **general transport**, since December 2022, Georgia is an observer member of the Transport Community Treaty and is collaborating pro-actively within the treaty's structures. This association will contribute to closer integration of Georgia within the EU transport market. Closer association with the Transport Community can support Georgia on its European path, as the Transport Community plays an important role supporting the enlargement process through the implementation of the relevant EU transport *acquis*. The national transport and logistics strategy was adopted on 15 August 2023 for the period 2023-2030, with a corresponding action plan for 2023-2024. Larger cities should develop sustainable urban mobility plans, which respect of environmental and social standards, following best EU practices.

The main competences in the transport sector are exercised at state level by the Ministry of Economy and Sustainable Development. The other key bodies are: the Land Transport Agency, the Maritime Transport Agency and the Civil Aviation Agency. The gradual integration of Georgia into the EU internal aviation market is governed by the European Common Aviation Area Agreement signed in 2010 and in force since 2 August 2020.

Regarding **road transport and road safety**, the 2022-2025 national Road Safety Strategy was approved in July 2022 and is in line with EU and UN targets to reduce fatal and serious road traffic injuries. Road safety is still a concern with higher levels of casualties than the EU average. Georgia is largely aligned with relevant provisions of the European agreement concerning the work of crews of vehicles engaged in international road transport. Tbilisi will host the Secretariat of the Regional EaP Road Safety Observatory (RSO), due to be established in 2023.

Georgia has not adopted main EU texts related to driving and rest times, such as the Regulation on the harmonisation of certain social legislation relating to road transport; the Directive for posting drivers in the road transport sector; and the Directive on the organisation of the working time of people performing mobile road transport activities. Amendments were made to the Regulation on periodic technical inspection in December 2022, including on noise inspection. Georgia acceded on 19 September 2016 to the UNECE Agreement concerning the International Carriage of Dangerous Goods by Road (ADR) and should now extend the scope of its legislation to the national operations with dangerous goods. Relevant EU *acquis* (e.g. concerning the procedures for checks on the transport of dangerous goods by road) needs to be transposed as well.

Regarding market access, the regulation establishing common rules on conditions to be complied with to pursue the occupation of road transport operators has been fully aligned for domestic transport operators, but only partially for transport operators dealing with international transportation of goods and passengers.

On rail transport, the latest amendments to the Railway Code of May 2023 foresee the establishment of a Railway Transport Agency, under the Ministry of Economy and Sustainable Development, as of 1 July 2023. The Agency will act as an incident and accident investigation body. There is no market and no competition for rail services. Separation between infrastructure management and transport operations is not provided. There is only one integrated railway, the JSC Georgian Railway. Safety responsibilities lay solely with the incumbent rail company JSC Georgian Railway.

There is no independent safety supervision. Technical specifications for interoperability are not implemented.

On maritime transport, the country is a member of the Black Sea Memorandum of Understanding and has implemented the Directive on port state control to some extent. Georgia needs to implement legislation aligning to the Port Services Regulation. The Maritime Code was adopted end May 2023 and improves the labour and social status of the Georgian sailors. The national procedure for the ratification of the International Labour Organisation's Maritime Labour Convention is completed. Georgia also participates in the Black and Caspian Sea (BCSEA II) technical assistance project implemented by the European Maritime Safety Agency (EMSA).

On civil aviation, Georgia has implemented more than half of the aviation *acquis* governing market access, air traffic management, aviation safety, security, environment, and consumer protection which is fully implemented. The EU regulations on social aspects have not been implemented yet. Georgia is signatory of EUROCONTROL, the International Civil Aviation Organization and the European Civil Aviation Conference. It is an observer of the European Union Aviation Safety Agency.

There are some provisions on **EU passenger rights** and clear progress made in terms of passenger rights in the aviation sector. Further efforts are needed to reinforce passenger rights in all modes of transport.

There are no provisions on **multimodal and combined transport**.

Chapter 15 - Energy

EU energy policy covers energy supply, infrastructure, the internal energy market, consumers, renewable energy, energy efficiency, nuclear energy, nuclear safety, radiation protection and nuclear safeguards.

Georgia has **some level of preparation** in the area of energy. There was **limited progress** in the reporting period. The country needs to reinforce interinstitutional cooperation and coordination to improve its fragmented and inconsistent legislative framework. Overall, Georgia needs to step up its efforts towards establishing functional internal markets and integrating into the regional market. Unbundling its energy utilities remains an important priority for Georgia, as does establishing its oil stocks.

In the coming year, Georgia should:

- finalise electricity market opening and the unbundling of the transmission system operators in electricity and gas;
- transpose and implement the Electricity Integration Package adopted by the Energy Community Ministerial Council in December 2022.
- Adopt the National Energy and Climate Plan (NECP) in line with the Energy Community 2030 energy and climate targets, taking due account of recommendations issued by the Energy Community Secretariat and commit the necessary institutional capacity for its implementation.

Georgia developed an adequate regulatory framework and liberalised their energy markets in line within a fixed timeframe and in line with the treaty requirements. Parts of the EU *acquis* are derogated since Georgia currently has no direct connection to energy networks of any EU or Energy Community Treaty country.

There are currently no main **overarching strategic documents** on energy policy in place. The draft National Energy and Climate Plan (NECP) has been submitted to the Energy Community Secretariat on 21 July 2023, slightly beyond the deadline of 30 June. The final NECP will have to be in line with the Energy Community 2030 energy and climate targets and take due account of recommendations issued by the Energy Community Secretariat. Georgia does not have emergency oil stocks to ensure **security of supply**. There is a lack of human resources in the Ministry of Energy, in particular concerning fulfilling security of supply obligations. The country has not aligned with Directive on oil stocks imposing an obligation to maintain minimum stocks of crude oil and/or petroleum products. The adoption of gas security of supply rules is pending. Georgia's main electricity supplier, the Enguri/Vardnili hydropower cascade, is partially located in the breakaway region of Abkhazia.

Concerning the **internal energy market**, Georgia has aligned with the third energy package, mainly through the Law on energy and water supply, as well as with a set of implementing legislation. The transposition and implementation of the newly adopted Electricity Integration Package is still pending (transposition deadline is end of 2023). Georgia has not finalised the unbundling of the transmission system operators in electricity and gas. The Georgian electricity transmission system operator GSE is still not unbundled, despite the Georgian National Energy and Water Supply Regulatory Commission provisionally certified the electricity transmission system operators in 2021. The electricity distribution system operators are legally and functionally unbundled. The gas distribution system operators (including SOCAR owned undertakings) are not unbundled. The Georgian National Energy and Water Supply Regulatory

Commission is responsible for maintaining balance in the energy and water supply sectors between the interests of customers and regulated companies. This ensures the development of the regulatory framework and promotes competition.

In the **electricity** sector, the launch of day-ahead, intra-day, balancing and ancillary services markets was postponed. The deregulation of production and large customers follows the market opening scheme of the electricity market concept design and is expected to be finalised in the upcoming years. Small enterprises and households will remain subject to the historical electricity supplier. A high number of renewable energy producers are under power purchase agreements. A new support mechanism – market-based contracts for differences – has already been introduced. The first auction for 300 MW of renewable energy was successfully completed in April 2023. Joint capacity allocations between Georgia and Türkiye via the allocation platform for the region of Southeast Europe should be discussed following the launch of market opening.

Georgia is not directly interconnected with EU Member States. Its electricity network is synchronised with Russia's and Azerbaijan's electricity grids. Electricity is either exported or imported from its neighbours, including Türkiye, depending on the season.

In the **gas** sector, Georgia concludes supply contracts bilaterally for the long term. The natural gas market concept includes the establishment of a natural gas exchange and an over-the-counter auction platform. The Georgian gas exchange was established but is not yet operational. The gas market is characterised by a high level of concentration. Gas-fired thermal power plants operate with gas received from Azerbaijan. Georgia already aligned its legislation with the Regulation on wholesale energy market integrity and transparency.

The country hosts important gas and oil pipelines for the Southern Gas Corridor. It is dependent on gas imports from Azerbaijan and Russia, though at a marginal level from the latter. Georgia needs to implement the security of gas supply regulation. Gas cross-border interconnection points are nearing their maximum physical operating capacities. Georgia does not possess gas storage, which poses some risks during high-demand peak days.

In the area of **renewable energy**, the Law on promotion of generation and consumption of energy from renewable sources needs to be aligned with the Renewable Energy Directive. The revision is in its final stages. A new market-based support scheme for renewable energy production was introduced in December 2022, envisaging auctions for a total installed capacity of up to 1 500 MW. The first auction announced in February 2023 has been completed. Provisions related to the sustainability of biofuels are pending.

On **energy efficiency**, Georgia is aligned with the Directives on energy labelling and the energy performance in buildings. Fifteen energy efficiency bylaws were adopted in 2022 and 2023. The remainder of implementing legislation is still to be adopted. On energy labelling, the adoption of eleven product regulations is pending, in addition to three that are already adopted. An advanced draft of the long-term building renovation strategy has already been developed.

On **nuclear energy, nuclear safety and radiation protection**, Georgia has no nuclear power sites on its territory. Georgia is a party to international conventions concluded under the auspices of the International Atomic Energy Agency, except for the Convention on Nuclear Safety. Georgia has developed a national strategy for radioactive waste management taking into consideration provisions under the Directive on radioactive waste. Georgia has adopted the Law of Georgia on radiation protection, nuclear safety and security on 15 June 2023. Georgia still has to fully align with and implement the Directives on nuclear safety; the management of spent fuel and nuclear waste; basic safety standards and drinking water. Georgia still also has to consider accession to the Convention on Nuclear Safety.

On **nuclear safeguards**, upon accession, the existing systems of accountancy and control of nuclear materials in Georgia would need to be adapted to accommodate for the safeguards provisions (Chapter 7) of the Euratom Treaty. This means that state and operators systems would need to incorporate reporting obligations to the Commission and allow for access to nuclear materials and installations by Commission Inspectors.

Georgia would also have to accede to the existing safeguards agreement (INFCIRC/193 and its Additional Protocol) between the Euratom Non-nuclear Weapon States, the Euratom Community and the International Atomic Energy Agency (IAEA). Georgia's own existing comprehensive safeguards agreement with the IAEA would be suspended.

Chapter 21 - Trans-European networks

The EU promotes trans-European networks (TENs) in the areas of transport, telecommunications and energy to strengthen the internal market and contribute to growth and employment.

Georgia has **some level of preparation** in trans-European networks. There was **some progress** in the reporting period, notably with the adoption of the 2023-2030 National Transport and Logistics Strategy and the actual implementation of TEN-T projects (e.g East-West Highway). The legislative framework needs to be aligned with the trans-European networks for transport and trans-European networks for energy regulations to implement transport and energy projects. Transport and energy infrastructures are insufficiently developed. The implementation of connectivity reform measures in Georgia is slow.

In the coming year, Georgia should:

- improve the performance of the rail and road networks in terms of quality, capacity and safety;
- align with the Regulation on guidelines for trans-European energy infrastructure.

The Trans-European **Transport Networks** (TEN-T) were extended to the Eastern Partnership, including Georgia. The extension to Georgia identifies core and comprehensive networks. An indicative trans-European transport networks investment action plan for the Eastern Partnership was jointly prepared by the World Bank and the European Commission. The action plan supports key investments priorities with EUR 3.4 billion for all modes of transport on the extended core network. Its deadline is in 2030.

Developing transport infrastructure is listed in key strategic documents, such as the 2021-2024 Towards Building a European State programme and the recently adopted 2023-2030 National Transport and Logistics Strategy.

An amendment to the TEN-T map was formalised through the signature of the High-Level Understanding between the EU and Georgia on the adaptation of the indicative TEN-T in March 2023 and added a new core road alignment in Algheti-Sadakhlo. The Georgian indicative network consists of 751 km of railways (out of which 599 km are on the core network), 856 km of motorways (out of which 795 km are on the core network), three ports (one of which is core) and one core airport. Georgia has yet to inform if transport infrastructure meets TEN-T infrastructure requirements.

The limited capacity of existing international state roads are the main bottlenecks reducing the performance of the core motorway network. The road infrastructure is generally of a poor standard, in terms of safety, capacity and quality.

Concerning railways, authorities are addressing bottlenecks that have been identified on

the core network via the railway modernisation project. The works are expected to be finalised by the end of 2023. The rail network infrastructure and rolling stock are often obsolete with respect to quality, capacity and safety standards. The Baku-Tbilisi-Kars railway line is another major railway project, which is 85% completed.

Alignment with the Regulation on guidelines for the **trans-European energy infrastructure** – TEN-E Regulation – as adapted and adopted by the Ministerial Council of the Energy Community is required. The project application was selected in the list of projects to potentially be included in the 2022 European Network of Transmission System Operators ten-year electricity network development plan. Replacing the dead-end gas supply system with a highly secure circular-type system of loops and interconnectors is the objective of the 2021-2030 ten-year natural gas transmission network development plan.

Challenges to the gas transmission network include: the difficulty or even impossibility of the existing transmission system or contractual limitations to balance hourly consumption disparity; non-backed-up cross-border pipelines; and suspended construction of natural gas storage. The non-back up of interconnection lines; the radial/inadequately backed-up network of western Georgia; the dead end (mainly 220 kV) transmission lines both in the western and eastern part of the power transmission system; and exploring alternative solutions to ease the impacts of cross border infrastructure constraints are the main challenges for the electricity transmission network.

A derogation from cross-border cooperation rules applies until Georgia has a physical interconnection with the EU or the Energy Community electricity markets. At this stage, there is only a bilateral cross-border capacity allocation on the interconnectors with Türkiye. Rules for the management of cross-border electricity flows and capacity allocation were drafted as part of the transmission grid code. No agreements with neighbouring transmission system operators and the development of the framework for market-based mechanisms for cross-border exchange are yet signed.

Chapter 27 - Environment and climate change

The EU promotes strong climate action, sustainable development and protection of the environment. EU rules contain provisions addressing climate change, water and air quality, waste management, nature protection, industrial pollution, chemicals, noise and civil protection.

Georgia is at an **early stage of preparation** in the field of environment and climate change. There was **some progress** in the reporting period, notably with the adoption of a long-term low emission development strategy and with the improvement of the capacity of its civil protection and disaster risk management system. The gaps in the level of alignment with policy ambition and legal obligations in sectors covered under this chapter remain wide. Climate neutrality by 2050 was established as a policy target. Moving more vigorously towards a low-emission, resilient, green economy needs increased political attention, as well as a whole-of-government and whole-of-the-economy approach. Georgia continued to strengthen its civil protection and disaster risk management system.

In the coming year, Georgia should:

- strengthen administrative and inspection capacities in the environment and climate sector and implement structural reforms;
- align with the EU water *acquis*;
- implement commitments under the Energy Community's Decarbonisation Roadmap and

urgently prepare for the Emissions Trading System (ETS) in line with the Energy Community recommendation, notably on the Monitoring, Reporting and Verification of emissions;

→ adopt a climate law in order to enhance the level of ambition of Georgia on climate change mitigation and adaptation and ensure consistent, timely implementation.

Environment

Georgia has some level of alignment with EU **horizontal legislation**. The country is party to the Aarhus Convention and follows some of its provisions on access to environmental information and justice. Several IT portals help to ensure a certain degree of public access to environmental information. This remains insufficient, fragmented and cumbersome. Environmental policy **implementation and enforcement** represent a challenge, notably due to limited administrative capacity. Various aspects of Georgia's environmental compliance assurance system must improve to tackle the high level of environmental non-compliance in the country.

Although Georgia's legislation on environmental impact assessments is in place, it still needs to be further developed and effectively implemented. This includes transboundary cooperation given that Georgia is not a party to the Espoo Convention. The country signed but has not ratified the protocol on strategic environmental assessment. Overall, there are significant capacity constraints in implementing, monitoring and enforcing the Environmental Assessment Code.

The Law on environmental liability establishes financial liability for environmental damage and a requirement to remediate environmental damage. While being a step in the right direction, the Law is not fully in line with the EU Environmental Liability Directive as concerns its scope and definitions. Four resolutions necessary for the implementation of the Law were adopted during the reporting period.

On **air quality**, Georgia is partially aligned with the EU *acquis*. Air quality standards were established for all pollutants covered by the Directives on ambient air quality. Exceedances are recorded, notably those concerning particulate matter in major cities. The air quality monitoring system is partially aligned with EU standards and an air quality index website is accessible. The Central Zone Air Quality Plan was approved in July 2023. Since 2021, continuous monitoring of air emissions applies to 94 large stationary facilities but only about a fifth of them report information to an electronic system established to this end. An air quality monitoring plan for Rustavi has been prepared. Significant gaps still exist regarding alignment with the Directive on national emission reduction commitments, but progress is made notably on emission projections and inventories. The technical regulation determining the emission standards for vehicles was approved in June 2023. The regulatory framework was amended in order to ban the export of catalyst converters for three years. Georgia is party to the United Nations Economic Commission for Europe Air Convention but not yet to any of the latest three protocols.

Georgia is at an early stage of alignment with EU **noise** legislation. Preparation of the strategic noise maps and action plans needs to start.

Georgia's alignment with the EU **waste management** and circular economy legislation is at an early stage. Alignment with the revised Waste Framework Directive, and all relevant waste streams legislation needs to be further consolidated. This includes adopting national legislation in line with the EU sewage sludge and ship recycling rules. Significant investments are needed to modernise the waste management system and put in place waste collection and treatment

infrastructure, especially at municipal level. The 2013-2030 national waste management strategy was amended in August 2022, incorporating modified targets and addressing the issues of bio-degradable and hazardous waste. A new structural unit for industrial emissions and waste control services was established in April 2023, as part of the Department for Environmental Supervision.

In the area of **water quality**, the level of alignment is limited. A new water Law has been adopted in June 2023. A Georgian water information system has been developed. Identification of nitrate vulnerable zones and an assessment of the need to upgrade the existing surface and groundwater monitoring networks are currently conducted. The legal framework for the protection of marine environment is included within the fourth national environmental action programme adopted in 2022. The country conducts hydrobiological monitoring of coastal waters of the Black Sea.

There is good alignment on **nature protection**, notably through compliance with some of the obligations under the Bern Convention. Georgia's current emerald network presents a sufficiency rate to achieve the network objectives by only 30% despite the relatively constant progress. Georgia needs to update its national biodiversity strategy and action plan. A dedicated biological diversity Law is being developed. A biodiversity monitoring system and a strategy for invasive alien species need to be developed. Georgia should strengthen administrative capacities and increased dedicated financial resources. A new national forest programme process was approved in April 2023, which will further enhance discussion in the forestry sector.

Regarding the EU *acquis* on **industrial pollution control and risk management**, compliance with the EU's industrial emissions legislation require significant legislative work and investments. Further legislative alignment with the EU industrial accidents *acquis* is also necessary. A single national pollutant release and transfer register that gathers the various information in one place does not yet exist in the country. Public authorities view the existing electronic systems for air emissions reporting and water reporting, as well as the waste reporting system that is under development, as steps towards having a national pollutant release and transfer register. Georgia is a signatory of the Protocol on pollutant release and transfer registers to the Aarhus Convention and plans to eventually ratify it. Work in this area needs to be accelerated and guided by the European Regulation on pollutant release and transfer register.

As for **chemicals management**, to implement the Stockholm Convention on Persistent Organic Pollutants, the polychlorinated biphenyls inventory of equipment in the electricity supply sector was carried out and a database was developed. Rules and safety norms for the management of equipment and oils containing polychlorinated biphenyls and their waste were adopted in December 2022. The level of transposition of the chemicals *acquis* is limited and important provisions are missing. The Parliament ratified the Minamata Convention on Mercury in May 2023. Significant efforts are needed to enforce and implement the chemicals legislation, considering the complex tasks under this sector.

Georgia made progress in building the capacity of its **civil protection and disaster risk management** system at central and local levels. It has a 24/7 operational duty service, which cooperates with the European Commission's Emergency Response Coordination Centre. Roles and responsibilities of different actors involved in disaster risk management are clearly defined and, together with the establishment of the Training Division, the basic training programme has been upgraded. Emergency management plans have been developed at a local level in six municipalities. The overall strategy for the development and modernisation of its civil protection system should be developed focusing on preparedness and prevention measures. In this regard, the early warning systems of Georgia could be further strengthened.

Climate change

Georgia is at an **early stage of preparation** and made **some progress** over the reporting period on the **climate change acquis**, including its obligations under the Energy Community Treaty. A long-term low emission development strategy was adopted on 24 April 2023 with a climate neutrality target in 2050. Georgia submitted an updated Nationally Determined Contribution under the Paris Agreement in May 2021 including an unconditional 35% emission reduction target by 2030 compared to 1990 and a conditional 50-57% target; it adopted a 2030 climate change strategy and a 2021-2023 action plan. Georgia has no climate change law yet.

Georgia has currently only a basic national system for monitoring and reporting of greenhouse gas emissions. Georgia prepares its greenhouse gas inventory biennially. Considerable efforts are needed to align Georgia with relevant EU legislation in that respect, notably in the context of the Energy Community.

Consistently with the Energy Community's Decarbonisation Roadmap, Georgia needs to roll out a robust MRV system for as a preliminary step to carbon pricing. Georgia needs to take the necessary steps to set up a mechanism for emission trading to stimulate industrial and energy decarbonisation and to appropriately prepare for the introduction of the EU Carbon Border Adjustment Mechanism.

Georgia did not align with the Directive establishing a scheme for greenhouse gas emission allowance trading and needs to urgently step up the introduction of an emission trading system.

Regarding emissions from transport Georgia has not implemented CO₂ performance standards for new vehicles, nor has it enacted measures to promote monitoring and availability of consumer information on fuel economy and CO₂ emissions in respect of the marketing of new cars. Concerning fuel quality, legislation is in place and the quality of petrol and diesel meets the Euro 5 standard. The country participates in the European Civil Aviation Conference and volunteered to participate in the global carbon offsetting and reduction scheme for international aviation.

Georgia is a party to the Montreal Protocol on substances that deplete the ozone layer. The parliament ratified the Kigali amendment to the Montreal Protocol in June 2023. Georgia is not fully aligned with the current versions of the Regulation on ozone depleting substances or the Regulation on fluorinated greenhouse gasses. Some efforts have been made to align with the basic elements of previous versions of those regulations.

Georgia has not developed relevant national legislation in line with the Directive on carbon capture and storage.

Georgia established a climate change council at ministerial level to ensure better coordination; However, the country still lacks a consistent whole-of-government approach systematically mainstreaming climate considerations into policy-making. Administrative capacity remains weak in terms of both human and financial resources and needs to be urgently enhanced.

Over the reporting period, major pieces of EU climate legislation were updated in order for the EU to cut emissions by at least 55% by 2030 compared to 1990, starting with the EU ETS Directive. Georgia should take this revision into account and align its own legislation.

CLUSTER 5: RESOURCES, AGRICULTURE AND COHESION

Cluster 5 on resources, agriculture and cohesion covers: agriculture and rural development (chapter 11); food safety, veterinary and phytosanitary policy (chapter 12); fisheries and aquaculture (chapter 13); regional policy and coordination of structural instruments (chapter 22); financial and budgetary provisions (chapter 33).

Georgia is at an early stage of preparation in the chapters agriculture and rural development, financial and budgetary provisions. Georgia is in between an early stage and some level of preparation regarding regional policy and coordination of structural instruments. It has some level of preparation in food safety, veterinary and phytosanitary policy and fisheries and aquaculture. Some progress was made in regional policy and limited progress in agriculture and rural development with the amendment of the Law on agricultural cooperatives. No progress was registered in fisheries and aquaculture and on financial and budgetary provisions. Additional efforts are needed to increase human and administrative capacity in the field of fisheries and aquaculture. It is also important to adopt the new regional development strategy and consider expanding the coverage to the whole country.

Chapter 11 - Agriculture and rural development

The EU's common agricultural policy supports farmers and ensures Europe's food security. It helps tackle climate change and the sustainable management of national resources; maintains rural areas and landscapes across the EU; and keeps the rural economy alive by promoting jobs in farming, agri-food industries and associated sectors. This requires strong management and control systems. There are also common EU rules for marketing standards, quality policy and organic farming.

Georgia is at an **early stage of preparation** in the area of agriculture and rural development. **Limited progress** was made in the reporting period, such as on the amendment of the Law on agricultural cooperatives. Georgia will need to fully align with the EU's *acquis* in the area of agriculture and rural development, and establish the structures, systems and the administrative capacity to be able to implement and enforce it effectively.

In the coming year, Georgia should:

- progress on aligning the legal framework with the EU *acquis* in the field of agriculture and rural development;
- continue efforts towards a full-scale land parcel identification system layer for the entire country and create a plan;
- the setting-up of an integrated administration and control system in line with the EU *acquis*;
- start the creation of a farm accountancy data network (FADN) or similar system monitoring farm income activities;
- review the resolution on organic production to align it with the EU's new regulation on organic production, in force since January 2022.

On **horizontal issues**, Georgia's policy in this area is governed by the 2021-2027 strategy for agriculture and rural development and an action plan for its implementation. The Ministry of Environmental Protection and Agriculture (MEPA) is responsible for agriculture and rural development policy formulation. Within the food and rural development department of MEPA, two sectoral departments were created in 2023.

An integrated administration and control system (IACS) in line with the EU *acquis* will need to be established. A land parcel identification system (LPIS) software is in place at the National Wine Agency, but progress is needed towards a full-scale LPIS for the entire country. Amendments to the Law on wine were adopted in June 2023 envisaging the production of a single cadastre of vineyards by the National Wine Agency.

A National Pasturelands Management Policy document was adopted focusing on the prevention of land degradation, biodiversity conservation of pasture lands, improvement of

their productivity and promotion of sustainable development of livestock production. There is no farm accountancy data network (FADN) or similar system monitoring farm income activities. A farm advisory system operates under the Rural Development Agency (RDA) providing information at centres across the country on RDA programmes and projects.

On Common market organisation (CMO), alignment with the EU *acquis* remains limited mostly related to certain marketing standards where Georgia should make efforts to fully align with EU *acquis*. The Law on agricultural cooperatives was amended in December 2022 with the ambition to modernise and align it with the EU *acquis*. A vineyard register is in place with more than 80% of the vineyards registered based on orthophoto maps design by global positioning system (GPS) technology and the declaration of grape growers.

On rural development, the 2021-2027 agriculture and rural development strategy with its 2021-2023 action plan constitutes Georgia's policy framework. An inter-agency coordination council, including relevant stakeholders, coordinate and closely monitor the strategy's implementation. Funding is provided through the agriculture budget. No progress on approximation was registered.

As regards **quality policy**, Georgia has legislation regulating the registration, protection and use of protected designations of origin and geographical indications.

Legislation in the area of **organic farming**, needs to be further aligned with the EU's *acquis*.

Chapter 12 - Food safety, veterinary and phytosanitary policy

EU hygiene rules for foodstuff production ensure a high level of food safety. Animal health and welfare and the safety of food of animal origin are safeguarded together with the quality of seeds, plant protection material, the protection against harmful organisms and animal nutrition.

Georgia has **some level of preparation** in the area of food safety, veterinary and phytosanitary policy. There was **some progress** made over the reporting period, by signing an amendment to Annex XI-B of the Association and Deep and Comprehensive Free Trade agreement. There is a risk of a widening gap between legal approximation and effective implementation. A comprehensive food safety implementing strategy, review of policy and institutional reforms needs to be carried out. There are significant delays in effective implementation of new legislation, weakening some of them and leading to reduction in controls.

In the coming year, Georgia should in particular:

- further align legislation with the EU *acquis*;
- enhance implementation of aligned legislation by regional and local services as well as industries concerned;
- strengthen surveillance capacity and diagnostic resources.

In the area of **general food safety, food safety rules and specific rules for feed**, Georgian producers have not obtained yet authorisation for the export to the EU of queen bees and fishery products from aquaculture. Budgetary allocations have not increased since 2020. They are insufficient to effectively implement some elements of the new legislative framework or to provide the required support to food business operators. Meeting the EU requirements for hazelnuts remains difficult for Georgia. The EU maintains a high level of regulated imports controls to detect contaminations with aflatoxins.

In March 2023, Georgia and the EU signed an amendment to Annex XI-B of the Association and Deep and Comprehensive Free Trade agreements, according to the Council Decision (EU)

2023/187 of 23 January 2023.

Legislation and organisation of the Georgian control system is partially in line with EU *acquis*. National legislation and implementing rules for export to the EU are generally in line with EU requirements. Due to ineffectiveness of the surveillance system and lack of diagnostic resources, the competent authorities cannot yet deliver the full necessary level of assurances.

Alignment on **veterinary policy** has not yet been achieved on animal welfare, notably during transport and slaughter. Georgia continued to carry out activities to control, prevent and eradicate communicable animal diseases in line with the ‘One Health’ approach. National legislation to align with the *acquis* on crisis management has not yet been achieved. Georgia’s state laboratory of agriculture oversees food safety, veterinary and phytosanitary inspection activities. Its main responsibilities are laboratory testing. The laboratory has been accredited according to ISO IEC 17025. The laboratory network operates countrywide. Residue monitoring is being carried out. Georgia has established the rapid alert system for food and feed and has a national contact point of communication with the relevant team in the EU.

As regards **placing on the market of food, feed and animal by-products**, the National Food Agency continued to carry official checks. Business operators producing, processing and distributing food of animal origin are not yet registered in the registry of economic activities. Laboratory testing of samples taken within the scope of official controls is performed at laboratories accredited in accordance with the ISO 17025 standard. Georgia’s in-country laboratory testing capacity does not yet correspond to the EU *acquis* on either sanitary and phytosanitary or food safety. Some operational issues persist as regards EU’s trade control and export system, notably on issuing electronic certificates. Georgia is now able to add new establishments, as well as apply for amendments through the system.

On **phytosanitary policy**, considerable implementing legislation to align with the EU *acquis* is in place. Economic operators with relevance in the field of plant health are not yet registered in the register of economic activities. National legislation on maximum residue levels of pesticides in or on food and feed of plant and animal origin is not yet aligned with the EU *acquis*.

As regards **genetically modified organisms**, legislation is in place to regulate their use in closed systems; cross-border movement; traceability; labelling; marketing; safety and packaging.

Chapter 13 - Fisheries and aquaculture

The common fisheries policy lays down rules on fisheries management, protects living resources of the sea and limits the environmental impact of fisheries. This includes setting catch quotas, managing fleet capacity, rules on control and inspection, rules on markets and aquaculture and support for fisheries and coastal communities. Further, it promotes a sustainable aquaculture.

Georgia has some level of preparation in this chapter. There was **no progress** made in the reporting period. Georgia lacks a standardised fisheries policy and effective implementation across the country in line with the EU *acquis*. Focus should be on improving administrative structures, including the establishment of a managing authority.

In the coming year, Georgia should particularly:

- continue aligning its legislation with the EU’s common fisheries policy and fisheries and aquaculture *acquis*;
- increase its human and administrative capacity in the field of fisheries and aquaculture;

→ become a fully-fledged member of the General Fisheries Commission for the Mediterranean.

Georgia has adopted legislation to manage fisheries and aquaculture in line with the principles of the common fisheries policy. Georgian legislation effectively defines the basic requirements such as the obligation of the flag state, coastal state, port state and market state. The number of marine fishing vessels was indicated by Georgia as 32 in 2022. These vessels are only active in national waters.

Sea fishing production was 53 53 500 tonnes in 2022 (declined from 89 600 tonnes in 2019). Aquaculture production in 2019 reached almost 2 500 tonnes, exceeding the production in 2017 by 20 percent.

Georgia manages the **fisheries resources** based on scientific advice and on the collection of data. The data collection framework needs to be strengthened. Georgia should invest efforts in reducing by-catch of sensitive species and promote the use of selective gear. There is active and constructive cooperation in the framework of the bilateral EU-Georgia dialogue in the fight against illegal, unreported and unregulated fishing. A proper level of implementation has yet to be achieved. A **fleet management system** is in place. A fishing vessel register and regime are lacking.

Some limited elements of an **inspection and control** system have been developed but an overall approach to checks and inspection is needed. Georgia has no specific **structural actions for fisheries**. A limited number of **state aid** measures exist applicable to fishing, including a specific credit programme with low interest rates.

Concerning **market policy**, general standards on hygiene for food and products of animal origin are in place. Product information is provided to consumers, such as ingredients, weight, and shelf life. Georgia needs to align specific provisions on fishery and aquaculture products put on the market with the EU Common Market Organisation Regulation. Legal Framework of recognition of professional organisations, such as producer or inter-branch organisations are not in place.

Regarding **international agreements**, Georgia cooperates on marine fisheries with the General Fisheries Commission for the Mediterranean as the relevant regional fishery management organisation. It is strongly encouraged that Georgia becomes a full member. The country has to invest efforts in reducing by catch of sensitive species and promote the use of selective gear. Georgia has a bilateral agreement on fish farming with Ukraine.

Georgia participates in the Common Maritime Agenda, the EU sea-basin strategy for the development of a sustainable blue economy in the Black Sea. It is quite active in the implementation of its priorities, with a positive commitment both at the national and grassroots level. Georgia is encouraged to continue its positive regional cooperation under the Common Maritime Agenda with the other participating countries and to lead work on areas that are considered important for the country.

Chapter 22 - Regional policy and coordination of structural instruments

Regional policy is the EU's main tool for reducing regional disparities and investing in sustainable and inclusive socio-economic growth. It is operating through "shared management" between the Commission and EU Member States. The implementation of cohesion policy programmes requires appropriate administrative capacity on programme and project level, the establishment of systems of sound financial management and control and also the fulfilment of other EU acquis elements such as environmental or public procurement legislation.

Georgia is in between an **early stage and some level of preparation** in the area of regional policy and **some progress** was made with the adoption of the intermediate harmonisation plan to align with the EU statistical system. The legislative framework on regional policy should be further aligned with the EU *acquis* to implement this policy effectively. The country needs to strengthen its administrative capacity in programming, implementing, monitoring and evaluating EU funds, while building on the experience from the European Neighbourhood Instrument (ENI) cross-border cooperation (CBC) and Interreg NEXT programmes. Regional development and cohesion remain important challenges. Efficient coordination is needed among the levels of government on preparing and implementing relevant sector strategic and planning documents. Strengthened capacity is needed to identify and target regional disparities and plan interventions (in terms of programmes and projects) in line with the EU practice (programming cohesion funds).

In the coming year, Georgia should in particular:

- build on its experience with EU shared management through involvement in ENI CBC and Interreg NEXT programmes;
- use positive outcomes of the pilot regional development programme (PIRDP 2019-2022) in the new state programme targeting territorial development and increase coverage to potentially the whole country (excluding large urban centres Tbilisi and Batumi) and deepening the competitive project selection procedure.

The **legislative framework** remained broadly unchanged. A number of initiatives related to transferring certain types of property to local authorities and fostering inter-municipal cooperation were adopted during the reporting period. Those changes cleared administrative bottlenecks and facilitated the successful implementation of regional policy programmes.

On the **institutional framework**, at national level, the Ministry of Regional Development and Infrastructure oversees regional development policy planning and coordination. In 2022, municipalities were equipped with six new devolved powers in the fields of education; child protection; social protection; natural resources management; and environmental protection to increase the role of municipalities in managing a substantial share of public affairs. As of 2023, a minimum guaranteed amount under VAT has been introduced for municipalities with smaller revenues to further strengthen their financial independence and complement the equalisation concept.

Georgia has number of regional policy strategies and programmes that aim to align with EU cohesion policy principles, including the 2019-2022 pilot regional development programme and 2019-2023 strategy for development of Georgia's mountain settlements. The first phase of the programme covered four regions¹³ and was implemented according to the participatory model of multilevel governance used under the EU cohesion policy.

The regulation regarding the distribution of funds for projects to be implemented in the regions of Georgia – which is one of the tools to tackle disparities within the country – was amended in 2022. The regulation introduces competition between municipalities based on their performance.

Georgia has gained experience with EU shared management through its participation in the 2014-2020 European neighbourhood instrument cross-border cooperation programme for the Black Sea basin. It also actively participates in its successor the Interreg NEXT 2021-2027 Black Sea programme that is fully in line with EU cohesion policy principles.

¹³ Kakheti, Imereti, Guria, Racha-Lechkhumi and Kvemo Svaneti

Georgia started piloting smart specialisation in the Imereti region with the support of the European Commission's Joint Research Centre. The entrepreneurial discovery process was implemented in 2022, which followed a framework methodology agreed with the Commission's Joint Research Centre.

Monitoring data is collected according to the methodology approved by the government commission on regional development. The annual monitoring reports present financial and physical progress and the achievement of outputs. The annual budget allocations, as well as actual expenditures are included in the monitoring data that is collected.

Evaluations of the programmes are performed on an *ad hoc* basis and are mostly conducted by external experts, with support from international partners.

The nomenclature of territorial units for statistics methodology is not yet applied in Georgia. The intermediate harmonisation plan that aims to align Georgia's statistical system with the European system was consolidated and adopted in early 2023, paving the way for further integration in the EU system and practices.

On **financial management, control and audit**, the financial framework doesn't allow budget flexibility in terms of carryover to the next year's budget. There are good examples of EU-funded programmes that involve co-funding from the State. These include the pilot integrated regional development programme, as well as EU direct grants provided to municipalities under 'Mayors for Economic Growth', 'Covenants of Mayors' and 'Civil Society Organisations and Local Authorities' instruments.

The financial management and control system for EU funds in place is entrusted to the authorities. The internal financial control system (as described in chapter 32) remains weak.

Internal audits are established in (i) line ministries and autonomous republics, (ii) legal entities of public law and state-owned enterprises, (iii) local administrations. External audit is performed by the State Audit Office which is part of the group of auditors for the ENI CBC and Interreg programmes. The office has a commitment to audit each municipality every three years. There were no developments in the reporting period.

Chapter 33 - Financial and budgetary provisions

This chapter covers the rules governing the funding of the EU budget ('own resources'). These resources mainly consist of: (i) contributions based on the gross national income of each Member State; (ii) customs duties; (iii) the non-recycled plastic resource and (iv) a resource based on value-added tax. EU Member States must have the appropriate administrative capacity to adequately coordinate and ensure the correct calculation, collection, payment and control of own resources.

In the area of own resources Georgia is **at an early stage of preparation**. There was **no progress** made. The basic principles and institutions for the underlying policy areas are in place and functioning but need further alignment with the EU *acquis*. The country should focus on aligning with the accounting standards of the 2010 European System of Accounts. It should also focus on setting up a coordinating body to implement the own resources' administrative conditions.

In the coming year, Georgia should:

- further align its 2019 Law on customs with the Union Customs Code;
- strengthen the operational capacity of the revenue service;
- align with the accounting standards of the 2010 European System of Accounts.

As regards **traditional own resources**, Georgia has structures in place to levy customs duties at the point of import. It operates a national VAT system. VAT legislation is partially aligned with the EU *acquis*. Some provisions still need to be standardised. Georgia needs to further align its 2019 Law on customs with the Union Customs Code.

The mid-term revenue strategy 2021-2024 sets out three strategic priorities: improved tax and customs legislation; institutional development; and international cooperation.

Georgia will need to continue to work on establishing the relevant institutions involved in the own resources system, an own resource coordination body and implementing rules.

As regards **administrative infrastructure**, the Ministry of Finance has the overall responsibility for financial and budgetary issues. The revenue service, in charge of tax and customs issues, is a legal entity of public law under the Ministry of Finance. The revenue service needs to strengthen its operational capacity and computerise its key business processes.

National accounts and gross national income are computed but they are based on the definitions and accounting rules of the 2008 United Nations System of National Accounts and not on the 2010 European System of Accounts standards. There has been no work to switch to the European system or to collect national data.

CLUSTER 6: EXTERNAL RELATIONS

There are two chapters in this cluster: external relations (Chapter 30); foreign, security & defence policy (Chapter 31). Georgia is moderately prepared and made limited progress in both.

Chapter 30 - External relations

The EU has a common commercial policy towards third countries, based on multilateral and bilateral agreements and autonomous measures. There are also EU rules in the field of humanitarian aid and development policy.

Georgia **is moderately prepared** in the area of external relations. There was **limited progress** made. Some measures were taken to improve the investment climate Georgia has good administrative capacity to manage commitments in external commercial relations, and as a World Trade Organization member, is already following a large part of the main multilateral trade agreements that the EU also follows.

In the coming year, Georgia should, in particular:

- align the relevant legislation with the EU *acquis* on trade in certain goods that could be used for capital punishment, torture or other cruel, inhuman or degrading treatment or punishment;
- establish a legal framework covering international cooperation and development policy as well as humanitarian aid towards non-EU countries in line with EU policies and principles.

On the **common commercial policy**, Georgia officially became a member of the joint initiative on the Services Domestic Regulation at the 12th WTO Ministerial Conference in June 2022, based on EU recommendations. Georgia also became a party to the joint initiatives on the investment facilitation for development and on micro, small and medium enterprises. Georgia participated in the Ukraine solidarity meeting in the WTO and aligned with the meeting press statement on 12 June 2022.

For Georgia, it remains important to focus on removing regulatory constraints to improve the investment climate – including the wider legal framework, investment promotion strategy and

institutions, policies to promote responsible business conduct, and impediments to growth of priority sectors. This will help Georgia attract FDI that can have a positive impact on productivity and inclusive, sustainable growth.

Concerning **dual-use items**, export controls on dual-use goods are applied in accordance with its 2013 Law on the control of military and dual-use goods. Georgia is not a member of multilateral export control regimes such as the Wassenaar 53 arrangement, the Nuclear Suppliers Group, and the Missile Technology Control Regime. Additionally, Georgia is neither a participant nor an adherent to the Australia Group. There are certain trade restrictions in place, particularly regarding some goods from the Russian Federation and Belarus. Regarding the transit of goods through Georgia, customs controls on the movement of military and dual designation goods (as well as other sanctioned products) are particularly tightened.

Regarding trade defence instruments, Georgia has a law in place on anti-dumping measures. No legislation on the application of countervailing and safeguard measures is in place. Until now, there have been no cases recorded. The Georgian Competition Agency is equipped with the necessary personnel and is encouraged to share European experience on awareness raising among the industry.

No specific legislation regarding **export controls** on goods that could be used for capital punishment, torture or other cruel, inhumane or degrading treatment is in place. Georgia is a member of the Alliance for Torture-Free Trade. Georgia is not a member of the Kimberley Process and as such does not control trade in rough diamonds. There is no national framework in place to control foreign direct investment in strategically sensitive sectors, infrastructure, technologies or inputs.

In terms of **administrative capacity**, Georgia has shown good capacity in managing its commitments in external commercial relations in implementing the Deep and Comprehensive Free Trade Agreement Area and in its function as a member of the WTO. Regarding enforcement, the institutional capacity has been reinforced and modified in line with the country's regulatory approximation commitments under the Deep and Comprehensive Free Trade Agreement.

As regards **bilateral agreements with third countries**, Georgia is a party to 16 free trade agreements, including with the European Free Trade Association, China, Türkiye, and the United Kingdom. Preferential agreements are in place with some countries with whom the EU does not have preferential agreements: Armenia, Azerbaijan, the Russian Federation, Turkmenistan and Uzbekistan. In March 2023, the United Arab Emirates and Georgia concluded negotiations on the Comprehensive Economic Partnership Agreement.

Georgia has 34 Bilateral Investment Treaties in force with other countries, including with 16 Member States, the United Kingdom and Belarus. In February 2023, the fifth round of negotiations on the Foreign Investment Promotion and Protection Agreement with Canada was completed. The sixth round is expected by the end of 2023.

As regards **development policy and humanitarian aid**, Georgia is a recipient of aid programmes rather than a humanitarian aid donor. Only limited support to other countries was provided. There is no legislation in place on humanitarian aid and no dedicated budget line. Dedicated administrative structures are not in place. Georgia has no legislation on development policy nor an administrative structure for it.

Chapter 31 - Foreign, security and defence policy

Member States must be able to conduct political dialogue under the EU foreign, security and defence policy, align with EU statements, take part in EU action, and apply agreed sanctions

and restrictive measures.

Georgia is **moderately prepared** in this area. **Limited progress** was made in the reporting period. Following Russia's war of aggression against Ukraine, Georgia aligned with EU positions in international fora, including in the UN General Assembly (UNGA). Georgia has not aligned with restrictive measures (sanctions) against the Russian Federation and Belarus and with the High Representative (HR) declarations on this matter. However, Georgia cooperated very closely and proactively with the EU on prevention of sanctions circumvention. Georgia's alignment rate with declarations by the High Representative on behalf of the EU and Council decisions on restrictive measures remained largely at the same level. Georgia continued to participate in EU crisis management missions and operations under the common security and defence policy.

Considerable additional efforts are needed to increase the convergence in the area of foreign and security policy, in particular the alignment with declarations by the High Representative on behalf of the EU and Council decisions as well as the application of restrictive measures.

In the coming year, Georgia should, in particular:

- considerably increase its alignment rate with EU CFSP statements and decisions; avoid actions and statements that go against EU positions on foreign policy; continue efforts to increase hybrid/cyber resilience, through the adoption of a whole of society approach.
- continue to ensure that the territory of Georgia and/or legal entities registered in Georgia are not used to circumvent EU sanctions, notably in relation to Russia and Belarus.

The **political dialogue** between the EU and Georgia on common foreign and security policy (CFSP) continued. The EU and Georgia engaged in a policy dialogue on CFSP in the framework of the EU-Georgia Association Council in September 2022. In addition, the annual High-Level Political and Security Dialogue was held in January 2023, complementing regular exchanges and further promoting gradual convergence. Annual consultations on security and defence also took place in January 2023 with representatives of the Ministry of Defence.

In the area of the CSFP, in 2022, Georgia's alignment rate with relevant statements of the High Representative on behalf of the EU and Council decision was 44%. The rate has remained largely at the same level (decreased to 43%) in 2023.

In line with its long-standing policy, Georgia did not align with the EU's **restrictive measures** regarding Russia, including airspace closure. Georgia aligned with the special "Donetsk and Luhansk" sanctions. Georgia also did not align with any of the Belarus sanctions, the statements by the High Representative on behalf of the EU and Council Decisions on Iran, Türkiye and several African countries, nor with sanctions under the EU Global Human Rights sanctions regime.

Despite the lack of alignment, Georgia has pro-actively engaged in ensuring that the territory of Georgia and/or legal entities registered in Georgia are not used to circumvent these sanctions, including financial sector sanctions. Georgia introduced control for sanctioned goods at its borders. Georgia also controls transit of goods destined not only to Russia and Belarus, but also to Central Asia, Armenia and Iran. Georgia is reporting cases of controlled/stopped goods where circumvention of EU sanctions is suspected with relevant EU authorities.

More widely, Georgia has aligned itself with international and EU initiatives in support of Ukraine, including on resolutions adopted by the General Assembly of the United Nations, the Human Rights Council, the Council of Europe.

Georgia cooperates constructively with the EU in international fora and is a member of various **international organisations**, including the United Nations, the Council of Europe, the Organisation for Security and Cooperation in Europe and the Organisation of the Black Sea Economic Cooperation. Georgia is a member of the Human Rights Council until 2025. Georgia ratified the Rome Statute of the **International Criminal Court** in 2003. Georgia aspires to North Atlantic Treaty Organisation membership (enshrined also in its Constitution) and has been contributing to NATO-led operations.

Georgia is actively engaged in supporting **disarmament and non-proliferation** at international, regional and bilateral levels. Georgia is fulfilling all its commitments to the International Atomic Energy Agency, the Organisation for the Prohibition of Chemical Weapons and the Biological Weapons Convention.

On **security measures**, Georgia and the EU signed an agreement on security procedures for the exchange and protection of classified information in 2016, but the agreement is not yet implemented as the finalisation of relevant procedures is still ongoing on both sides.

Security and defence cooperation strengthened over the reporting period, including in the framework of the European Peace Facility. Georgia continued to actively participate in EU crisis management missions and operations under the Common Security and Defence Policy (CSDP), notably the EU Training Mission in the Central African Republic. Georgia discontinued its contribution in June 2023.

Georgia continued to cooperate with the EU to address its vulnerabilities to **hybrid threats**, identified through the hybrid risk survey process.

ANNEX I – RELATIONS BETWEEN THE EU AND GEORGIA

On 3 March 2022, Georgia presented its application for membership of the European Union. The European Council granted **European perspective** to Georgia in June 2022, with 12 priorities to be addressed in order to be granted candidate status.

The EU and Georgia signed an **Association Agreement, including a Deep and Comprehensive Free Trade Area** in 2014, which fully entered into force on 1 July 2016. The AA/DCFTA is the legal instrument serving as the basis for political association and economic integration between the EU and Georgia. Overall, Georgia continued to broadly implement its obligations under the Association Agreement. Regular political and economic dialogue between the EU and Georgia has continued through the AA/DCFTA structures. The Association Council met in September 2022, the Association Committee in Trade Configuration in December 2022 and the Association Committee in July 2023 and the Regular subcommittee meetings were held throughout the period. The Parliamentary Association Committee met in June 2023.

In addition to the AA/DCFTA structures, a Human Rights Dialogue with Georgia is in place since 2009 and convenes annually. The High-Level Strategic and Security Dialogue, taking forward cooperation on foreign and security policy, was held in January 2023.

The Georgian government does not exercise effective control over the breakaway regions of Abkhazia and South Ossetia. The EU supports Georgia's sovereignty and territorial integrity within its internationally recognised borders and has been engaged since 2008 in peaceful conflict resolution efforts, including through the **EU Monitoring Mission** and the work of the **EU Special Representative** for the South Caucasus and the crisis in Georgia. The EU Monitoring Mission is the only international presence on the ground, counting more than 300 personnel.

Citizens of Georgia enjoy **visa free travel** to the Schengen since March 2017. As part of the visa liberalisation monitoring mechanism, the Commission has been regularly assessing the progress made by the country in implementing reforms introduced under the visa roadmap. The Commission's sixth Report under the Visa Suspension Mechanism published in October 2023 concluded that Georgia continues to fulfil the visa liberalisation benchmarks and has taken action to address the Commission's previous recommendations, however, further efforts are needed. A readmission agreement between the European Union and Georgia is in place since 2011.

Regarding **bilateral financial assistance**, the indicative bilateral allocation for Georgia for the period 2021-2024 amounts to EUR 340 million under the Neighbourhood, Development and International Cooperation instrument – Global Europe 2021-2027 (**NDICI-GE**). The 2022 annual action programme was adopted in December 2022 with an envelope of EUR 85 million, with two action documents focusing on support Georgians SMEs, the implementation of the DCFTA as well as supporting the new public finance management reform strategy. In addition, EUR 25 million are allocated for the Neighbourhood Investment Plan (NIP) and EUR 6 million for the Civil Society Facility. The bilateral annual programmes are complemented by a package of multi-country and regional programmes supporting, among others, the environmental sector, dealing with migration, education, culture, as well as TAIEX and competitiveness programmes together with IFIs and international organisations. Georgia also actively participates in the Interreg NEXT 2021-2027 Black Sea programme. To facilitate progress on sustainable development in the country, Georgia is participating as observer in a pilot project under the Technical Support Instrument.

Since its launch in 2009, Georgia has participated in the Eastern Partnership (EaP). This overarching framework has further boosted bilateral and regional relations with the EU. Under the Eastern Partnership **Economic and Investment Plan (EIP)**, in cooperation with European financial institutions, the EU aims to mobilise for Georgia around EUR 3.9 billion in public and private investments. The EIP accompanies the recovery, resilience and reform: post 2020 Eastern Partnership priorities as agreed during the Eastern Partnership Summit in 2021. The core of these investments is the six flagships identified with the Georgian government, including Black Sea connectivity (electricity and digital cables) and transport, SME development, digital connectivity, air quality and energy efficiency). Implementation under the flagships is generally progressing well. So far EUR 1.7 billion has been leveraged in key sectors of the Plan.

The new activities are built on and added to the closed and the few on-going regional programmes under **European Neighbourhood Instrument 2014-2020** which are providing significant support through EU Technical Cooperation Facility, budget support, the Civil Society Facility and projects aiming at the social and economic development of the country, as well as improving the reform process of the Rule of Law sector, Fundamental Rights, Public Administration Reform, and other critical sectors.

Since 2014 Georgia has progressively extended its **participation in EU programmes**. It currently takes part in Horizon Europe, Creative Europe, EU4Youth, and the Black Sea Interreg programme and has recently joined the Customs programme. Organisations and individuals from Georgia can also benefit from certain actions of the Erasmus+ and European Solidarity Corps Programme.

STATISTICAL DATA (as of 31/08/2023)
Georgia

Basic data	Note	2010	2017	2018	2019	2020	2021
Population (thousand)		4 436 s	3 726 s	3 730 s	3 723 s	3 717 s	3 729 s
Total area of the country (km ²)		69 700 w	69 700 w	69 700 w	69 700 w	69 700 w	69 700 w

National accounts	Note	2010	2017	2018	2019	2020	2021
Gross domestic product (GDP) (million national currency)	1)	21 822 w	40 762 w	44 599 w	49 253 w	49 267 w	60 003 w
Gross domestic product (GDP) (million euro)	1)	9 229 w	14 392 w	14 910 w	15 609 w	13 871 w	15 732 w
GDP (euro per capita)	1)	2 437 w	3 861 w	4 001 w	4 196 w	3 726 w	4 242 w
GDP per capita (in purchasing power standards (PPS))		:	:	:	:	:	:
GDP per capita (in PPS), relative to the EU average (EU-27 = 100)		:	:	:	:	:	:
Real GDP growth rate: change on previous year of GDP volume (%)	2) 1)	6.2 w	4.8 w	4.8 w	5.0 w	- 6.8 w	10.5 w
Employment growth (national accounts data), relative to the previous year (%)		- 28 bsw	- 1 sw	1 sw	0 sw	- 4 sw	- 2 sw
Labour productivity growth: growth in GDP (in volume) per person employed, relative to the previous year (%)	1)	:	5 w	4 w	5 w	- 3 w	13 w
Unit labour cost growth, relative to the previous year (%)	1)	:	- 3 w	- 1 w	2 w	- 2 w	- 7 w
**3 year change (T/T-3) in the nominal unit labour cost growth index (2015 = 100)		:	133.8 sw	128.3 sw	123.2 sw	118.7 sw	114.6 sw
Labour productivity per person employed: GDP (in PPS) per person employed relative to EU average (EU-27 = 100)		:	:	:	:	:	:
Gross value added by main sectors							
Agriculture, forestry and fisheries (%)	1) 3)	9.6 w	7.2 w	7.8 w	7.4 w	8.3 w	7.4 w
Industry (%)	1) 3)	14.9 w	14.2 w	14.6 w	14.7 w	15.5 w	17.0 w
Construction (%)	1) 3)	4.2 w	9.1 w	8.3 w	8.5 w	8.7 w	7.5 w
Services (%)	1) 3)	71.4 w	69.5 w	69.3 w	69.4 w	67.5 w	68.1 w
Final consumption expenditure, as a share of GDP (%)	1)	96.5 w	83.7 w	82.5 w	83.7 w	95.4 w	97.5 w
Gross fixed capital formation, as a share of GDP (%)	1)	18.9 w	25.5 w	25.1 w	24.0 w	22.4 w	20.9 w
Changes in inventories, as a share of GDP (%)	1)	1.6 w	1.8 w	3.0 w	1.3 w	1.5 w	- 2.0 w
Exports of goods and services, relative to GDP (%)	1)	33.0 w	46.5 w	50.6 w	54.8 w	37.3 w	43.2 w
Imports of goods and services, relative to GDP (%)	1)	49.9 w	57.5 w	61.2 w	63.8 w	56.6 w	59.6 w
Gross fixed capital formation by the general government sector, as a percentage of GDP (%)		:	:	:	:	:	:

Business	Note	2010	2017	2018	2019	2020	2021
Industrial production volume index (2015 = 100)		:	:	:	:	:	:
Number of active enterprises (number)	4)	42 524 w	124 982 w	127 153 w	128 623 w	129 659 w	139 741 w
Birth rate: number of enterprise births in the reference period (t) divided by the number of enterprises active in t (%)	5)	:	18.2 w	18.5 w	23.0 w	17.5 w	21.2 w

Death rate: number of enterprise deaths in the reference period (t) divided by the number of enterprises active in t (%)	5)	:	15.4 w	19.2 w	19.7 w	17.4 w	17.5 w
People employed in SMEs as a share of all persons employed (within the non-financial business economy) (%)	4)	67.3 sw	67.7 sw	67.7 sw	66.1 sw	63.7 sw	63.4 sw
Value added by SMEs (in the non-financial business economy) (EUR million)	4)	1 528 sw	4 454 sw	4 553 sw	4 856 sw	4 205 sw	4 647 sw
Total value added (in the non-financial business economy) (EUR million)	4)	2 835 w	6 721 w	6 929 w	7 383 w	6 268 w	7 300 w

Inflation rate and house prices	Note	2010	2017	2018	2019	2020	2021
Consumer price index (CPI), change relative to the previous year (%)	6)	7.1 w	6.0 w	2.6 w	4.9 w	5.2 w	9.6 w
**Annual change in the deflated house price index (2015 = 100)		:	:	:	:	:	:

Balance of payments	Note	2010	2017	2018	2019	2020	2021
Balance of payments: current account total (million euro)		- 905.2 w	- 1 163.0 w	- 1 004.9 w	- 917.2 w	- 1 728.8 w	- 1 641.0 w
Balance of payments current account: trade balance (million euro)		- 1 983.6 w	- 3 361.5 w	- 3 489.5 w	- 3 390.4 w	- 2 771.0 w	- 3 211.4 w
Balance of payments current account: net services (million euro)		415.1 w	1 779.7 w	1 905.4 w	1 945.4 w	120.4 w	615.9 w
Balance of payments current account: net balance for primary income (million euro)		- 162.8 w	- 709.6 w	- 576.1 w	- 700.6 w	- 653.2 w	- 997.5 w
Balance of payments current account: net balance for secondary income (million euro)		826.2 w	1 128.4 w	1 155.2 w	1 228.4 w	1 575.0 w	1 952.0 w
Net balance for primary and secondary income: of which government transfers (million euro)		:	:	:	:	:	:
**3 year backward moving average of the current account balance relative to GDP (%)		:	:	:	:	:	:
**Five year change in share of world exports of goods and services (%)		:	:	:	:	:	:
Net balance (inward - outward) of foreign direct investment (FDI) (million euro)		552.1 w	1 515.7 w	854.5 w	956.6 w	498.7 w	783.6 w
Foreign direct investment (FDI) abroad (million euro)		101.7 w	237.7 w	286.5 w	252.3 w	30.1 w	271.7 w
of which FDI of the reporting economy in the EU-27 countries (million euro)		56.8 w	92.8 w	124.3 w	90.3 w	120.8 w	110.1 w
Foreign direct investment (FDI) in the reporting economy (million euro)		653.8 w	1 753.5 w	1 141.0 w	1 208.9 w	528.8 w	1 055.4 w
of which FDI of the EU-27 countries in the reporting economy (million euro)		139.8 w	493.3 w	355.8 w	388.0 w	299.7 w	299.8 w
**Net international investment position, relative to GDP (%)		- 97.8 w	- 139.2 w	- 131.4 w	- 138.0 w	- 158.6 w	- 142.3 w
Year on year rate of change in gross inflow of remittances (in national currency) from migrant workers (%)	1)	3.4 sw	4.6 sw	4.9 sw	5.3 sw	7.4 sw	8.6 sw

Public finance	Note	2010	2017	2018	2019	2020	2021
General government deficit / surplus, relative to GDP (%)	1)	- 4.3 w	- 0.8 w	- 0.7 w	- 2.7 w	- 9.3 w	- 6.3 w
General government gross debt relative to GDP (%)	1)	35.0 w	41.0 w	40.4 w	41.8 w	60.1 w	49.6 w
Total government revenues, as a percentage of GDP (%)	1)	26.9 w	26.8 w	26.5 w	26.2 w	25.2 w	25.2 w
Total government expenditure, as a percentage of GDP (%)	1)	25.1 w	23.7 w	21.5 w	22.0 w	27.2 w	25.6 w

Financial indicators	Note	2010	2017	2018	2019	2020	2021
Gross external debt of the whole economy, relative to GDP (%)	1)	83.7 sw	100.6 sw	104.5 sw	107.8 sw	135.5 sw	124.0 sw
Gross external debt of the whole economy, relative to total exports (%)		253.9 w	217.1 w	206.2 w	197.2 w	361.6 w	284.6 w
Money supply: M1 (banknotes, coins, overnight deposits, million euro)		1 068.1 w	3 069.2 w	2 621.5 w	2 900.6 w	2 825.9 w	2 970.3 w

Money supply: M2 (M1 plus deposits with maturity up to two years, million euro)		1 259.7 w	3 694.7 w	3 234.2 w	3 644.3 w	3 845.8 w	4 223.3 w
Money supply: M3 (M2 plus marketable instruments, million euro)		2 637.9 w	8 054.7 w	6 932.0 w	7 729.1 w	8 553.1 w	8 874.2 w
Total credit by monetary financial institutions to residents (consolidated) (million euro)		2 638.4 w	:	:	:	:	:
**Annual change in financial sector liabilities (%)		:	:	:	:	:	:
**Private credit flow, consolidated, relative to GDP (%)		:	:	:	:	:	:
**Private debt, consolidated, relative to GDP (%)	1)	30 w	54 w	59 w	64 w	79 w	72 w
Interest rates: day-to-day money rate, per annum (%)	7)	8.49 w	7.97 w	8.12 w	7.05 w	8.45 w	9.50 w
Lending interest rate (one year), per annum (%)	8)	6.50 w	6.97 w	7.00 w	6.98 w	8.52 w	9.46 w
Deposit interest rate (one year), per annum (%)	9)	7.64 w	7.06 w	7.22 w	7.22 w	8.46 w	9.13 w
Euro exchange rates: average of period (1 euro = ... national currency)		2.364 w	2.832 w	2.991 w	3.155 w	3.552 w	3.814 w
Trade-weighted effective exchange rate index, 42 countries (2015 = 100)		85.8 w	103.8 w	107.6 w	102.1 w	97.8 w	97.3 w
**3 year change (T/T-3) in the trade-weighted effective exchange rate index, 42 countries (2015 = 100)		0.1 sw	0.2 sw	0.1 sw	- 0.0 sw	- 0.1 sw	- 0.1 sw
Value of reserve assets (including gold) (million euro)		1 707.9 w	2 537.8 w	2 867.3 w	3 132.6 w	3 532.4 w	3 787.3 w

External trade in goods	Note	2010	2017	2018	2019	2020	2021
Value of imports: all goods, all partners (million euro)	10) 11)	3 919 sw	6 718 sw	8 176 sw	8 474 sw	6 563 sw	8 917 sw
Value of exports: all goods, all partners (million euro)	10) 11)	1 255 sw	2 289 sw	2 952 sw	3 381 sw	2 726 sw	3 746 sw
Trade balance: all goods, all partners (million euro)	10) 11)	- 2 663 sw	- 4 429 sw	- 5 224 sw	- 5 093 sw	- 3 838 sw	- 5 171 sw
Terms of trade (export price index / import price index * 100) (number)		:	:	:	:	:	:
Share of exports to EU-27 countries in value of total exports (%)	10) 11)	17.4 sw	23.4 sw	21.1 sw	21.2 sw	20.9 sw	16.9 sw
Share of imports from EU-27 countries in value of total imports (%)	10) 11)	26.8 sw	26.4 sw	26.2 sw	24.2 sw	23.0 sw	22.9 sw

Demography	Note	2010	2017	2018	2019	2020	2021
Crude rate of natural change of population (natural growth rate): number of births minus deaths (per thousand inhabitants)		3.3	1.5	1.2	0.4	- 1.1	- 3.8
Infant mortality rate deaths of children under one year of age (per thousand live births)		11.2	9.6	8.1	7.9	7.9	:
Life expectancy at birth: male (years)		70.0	69.2	69.7	69.8	:	:
Life expectancy at birth: female (years)		78.8	77.8	78.2	78.4	:	:

Labour market	Note	2010	2017	2018	2019	2020	2021
Economic activity rate for persons aged 20–64: proportion of the population aged 20–64 that is economically active (%)		76.3 w	76.7 w	75.2 w	74.5 w	63.2 bw	64.5 w
*Employment rate for persons aged 20–64: proportion of the population aged 20–64 that are in employment (%)		61.7 w	65.3 w	64.9 w	65.1 w	51.1 bw	50.6 w
Male employment rate for persons aged 20–64 (%)		68.7 w	71.4 w	72.2 w	72.3 w	58.7 bw	58.1 w
Female employment rate for persons aged 20–64 (%)		55.4 w	59.5 w	58.2 w	58.3 w	43.9 bw	43.5 w
Employment rate for persons aged 55–64: proportion of the population aged 55–64 that are in employment (%)		64.4 w	66.8 w	67.2 w	65.8 w	47.0 bw	47.3 w
Employment by main sectors							

Agriculture, forestry and fisheries (%)	12)	48.0 w	43.2 w	38.9 w	38.2 w	19.8 bw	18.9 w
Industry (%)	12)	7.2 w	8.1 w	8.3 w	7.8 w	11.4 bw	11.3 w
Construction (%)	12)	:	:	:	:	6.9 bw	7.8 w
Services (%)	13) 12)	44.8 w	48.8 w	52.8 w	54.0 w	61.9 bw	62.1 w
People employed in the public sector as a share of total employment, persons aged 20–64 (%)		20.6 w	17.7 w	18.6 w	18.3 w	23.5 bw	24.3 w
People employed in the private sector as a share of total employment, persons aged 20–64 (%)		79.4 w	82.3 w	81.4 w	81.7 w	76.5 bw	75.7 w
Unemployment rate: proportion of the labour force that is unemployed (%)	14)	17.4 w	13.9 w	12.7 w	11.6 w	18.5 bw	20.6 w
Male unemployment rate (%)	14)	19.1 w	15.0 w	13.9 w	12.8 w	20.2 bw	22.7 w
Female unemployment rate (%)	14)	15.5 w	12.7 w	11.2 w	10.1 w	16.2 bw	17.8 w
Youth unemployment rate: proportion of the labour force aged 15–24 that is unemployed (%)		37.9 w	28.9 w	29.9 w	30.4 w	39.4 bw	42.9 w
Long-term unemployment rate: proportion of the labour force that has been unemployed for 12 months or more (%)	14)	8.1 w	5.8 w	5.1 w	4.3 w	5.8 bw	7.2 w
Unemployment rate for persons (aged 25–64) having completed at most lower secondary education (ISCED levels 0-2) (%)	15)	10.2 w	9.3 w	10.5 w	10.8 w	25.0 bw	32.1 w
Unemployment rate for persons (aged 25–64) having completed tertiary education (ISCED levels 5-8) (%)		21.0 w	15.7 w	12.6 w	11.3 w	14.5 bw	15.3 w

Social cohesion	Note	2010	2017	2018	2019	2020	2021
Average nominal monthly wages and salaries (national currency)		598 w	999 w	1 068 w	1 129 w	1 191 w	1 305 w
Index of real wages and salaries (index of nominal wages and salaries divided by the inflation index) (2016 = 100)		:	100 w	104 w	105 w	106 w	106 w
GINI coefficient		47 w	42 w	40 w	39 w	37 w	36 w
Poverty gap	16)	7.4 w	6.7 w	5.9 w	5.7 w	5.5 w	5.5 w
*Early leavers from education and training: proportion of the population aged 18–24 with at most lower secondary education who are not in further education or training (%)		:	8.9 w	9.6 w	9.3 w	8.2 w	7.3 w

Standard of living	Note	2010	2017	2018	2019	2020	2021
Number of passenger cars relative to population size (number per thousand population)		130.1 sw	277.2 sw	291.1 sw	303.7 sw	320.2 sw	339.5 sw
Number of mobile phone subscriptions relative to population size (number per thousand population)		984.7 w	1 399.1 w	1 392.9 w	1 314.1 w	1 273.7 w	1 343.6 w
Mobile broadband penetration (per 100 inhabitants)		:	:	:	:	:	:
Fixed broadband penetration (per 100 inhabitants)		:	:	:	:	:	:

Infrastructure	Note	2010	2017	2018	2019	2020	2021
Density of railway network (lines in operation per thousand km ²)		22.5 sw	22.6 sw	22.6 sw	22.6 sw	22.6 sw	22.2 sw
Length of motorways (kilometres)		69 w	158 w	208 w	208 w	208 w	263 w

Innovation and research	Note	2010	2017	2018	2019	2020	2021
--------------------------------	------	------	------	------	------	------	------

Public expenditure on education relative to GDP (%)	17) 1)	2.8 sw	3.6 sw	3.5 sw	3.9 psw	3.8 psw	3.6 sw
*Gross domestic expenditure on R&D relative to GDP (%)	1)	0.28 sw	:	:	:	:	:
Government budget appropriations or outlays on R&D (GBAORD), as a percentage of GDP (%)	1)	0.19 w	0.23 w	0.23 w	0.23 w	0.23 w	0.21 w
Percentage of households who have internet access at home (%)	18)	18.6 w	70.7 w	75.8 w	79.3 w	83.8 w	86.1 w

Environment	Note	2010	2017	2018	2019	2020	2021
*Index of greenhouse gas emissions, CO ₂ equivalent (1990 = 100)		:	:	:	:	:	:
Energy intensity of the economy (kg of oil equivalent per 1 000 euro GDP at 2015 constant prices)		:	:	:	:	:	:
Electricity generated from renewable sources relative to gross electricity consumption (%)		107.1 w	75.3 w	76.8 w	68.1 w	66.1 w	73.0
Road share of inland freight transport (based on tonne-km) (%)	19)	9.1 ew	18.7 ew	21.0 ew	19.3 ew	19.6 ew	17.8 ew

Energy	Note	2010	2017	2018	2019	2020	2021
Primary production of all energy products (thousand TOE)		1 105 w	1 334	1 251	1 092	1 043	1 248
Primary production of crude oil (thousand TOE)		:	32	31	36	32	36
Primary production of solid fuels (thousand TOE)		:	109	56	6	40	60
Primary production of gas (thousand TOE)		:	7	9	8	8	14
Net imports of all energy products (thousand TOE)		:	3 642 s	3 752 s	4 118 s	3 984 s	4 133 s
Gross inland energy consumption (thousand TOE)		:	4 992	4 957	5 205	4 998	5 385
Gross electricity generation (GWh)		10 058 w	11 531	12 149	11 857	11 160	12 645

Agriculture	Note	2010	2017	2018	2019	2020	2021
Agricultural production volume index of goods and services (at producer prices) (2010 = 100)		:	:	:	:	:	:
Utilised agricultural area (thousand hectares)		:	:	:	:	:	:
Livestock numbers: live bovine animals (thousand heads, end of period)		1 049.4 w	909.7 w	878.9 w	869.5 w	925.8 w	928.6 w
Livestock numbers: live swine (thousand heads, end of period)		110.1 w	150.7 w	163.2 w	155.5 w	165.7 w	152.9 w
Livestock numbers: live sheep and live goats (thousand heads, end of period)		653.9 sw	907.0 sw	869.4 sw	891.6 sw	946.5 sw	956.8 sw
Raw milk available on farms (thousand tonnes)		587.7 w	528.4 w	555.3 w	561.8 w	569.0 w	587.9 w
Harvested crop production: cereals (including rice) (thousand tonnes)		:	:	:	:	:	:
Harvested crop production: sugar beet (thousand tonnes)		:	:	:	:	:	:
Harvested crop production: vegetables (thousand tonnes)	20)	216.6 w	206.0 w	212.4 w	241.0 w	259.7 w	226.9 w

Source: Eurostat and/or the statistical authorities in Georgia

: = not available
b = break in series
e = estimated value
p = provisional
s = Eurostat estimate

w= data supplied by and under the responsibility of the national statistical authority and published on an "as is" basis and without any assurance as regards their quality and adherence to EU statistical methodology

* = Europe 2020 indicator

** = Macroeconomic Imbalance Procedure (MIP) indicator

Footnotes:

- 1) Based on 2008 SNA.
- 2) Based on 1993 SNA.
- 3) Calculations are made according to NACE Rev. 2.
- 4) The value given is the size of the survey frame for business statistics. This excludes NACE Rev. 2 Sections K, O, T and U and Group 47.8.
- 5) Includes: limited liability companies, joint stock companies, joint liability companies, cooperatives, limited partnerships, individual enterprises, foreign enterprise branches. Excludes: NACE Rev. 2 Sections K, O, T and U.
- 6) Consumer price inflation
- 7) TIBR 1 Day
- 8) Refinancing credits auctions.
- 9) CD auctions.
- 10) Data converted in EUR by Eurostat for 2005-2014
- 11) Data converted in EUR by Eurostat
- 12) Since 2020 - NACE Rev.2, before 2020 - NACE Rev.1.1.
- 13) Including construction.
- 14) Persons aged 15 years and older.
- 15) Persons without education are excluded.
- 16) Consumption based relative poverty.
- 17) GDP is calculated according to 2008 SNA. Based on 2008 SNA.
- 18) Percentage of households having fixed internet connections at home (therefore excluding mobile phone network).
- 19) Does not follow the 'territorial principle'; including the performance of all resident carriers on the national territory and abroad.
- 20) Including kitchen gardens.

