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**JOINT STAFF WORKING DOCUMENT**

**Association Implementation Report on Georgia**

## 1. Summary

In line with the EU's Neighbourhood policy, this report sets out the state of play with Georgia's implementation of its commitments under the EU-Georgia Association Agreement (AA) since the publication of the last report on 6 February 2020 and ahead of the next Association Council scheduled for the first quarter of 2021.

Georgia continued steadily on its European path including in the challenging COVID-19 context.

Parliamentary elections took place on 31 October and 21 November. In the run-up to these elections, the Georgian Parliament adopted constitutional amendments changing the electoral system to a more proportional one, as well as an election reform package. The package partially addressed OSCE/ODIHR recommendations issued after the 2018 presidential elections<sup>1</sup>. The 2020 parliamentary elections were competitive and, overall, fundamental freedoms were respected according to the joint statement of preliminary findings and conclusions of the international observers from the OSCE Office for Democratic Institutions and Human Rights and the Parliamentary Assemblies of the OSCE, Council of Europe and NATO. The international observers noted, however, that the conduct of the elections was impacted by pervasive allegations of pressure on voters and blurring of the line between the ruling party and the state throughout the campaign and on election day, reducing public confidence in some aspects of the process. The opposition questioned the results of the first round and boycotted the second round of the majoritarian elections as well as the opening session and early proceedings of the new Parliament. At the beginning of 2021, no political agreement had been found between the political parties. The new Parliament confirmed the cabinet led by Prime Minister Giorgi Gakharia, consisting of 11 Ministers retaining their posts and a new Justice Minister.

Civil society remained very active in holding public institutions to account and monitoring the implementation of the AA, including the Deep and Comprehensive Free Trade Agreement (DCFTA). Against the backdrop of the COVID-19 pandemic, civil society played a more important role than ever in supporting those in need.

A visa-free regime is in place for Georgian citizens to visit Schengen and Schengen-associated countries. Georgian citizens have made over 1,150,000 visits since its entry into force in March 2017. The third report under the Visa Suspension Mechanism adopted on 10 July 2020 confirmed that visa liberalisation benchmarks continue to be fulfilled. The high number of unfounded asylum applications remains a challenge despite the decrease in 2020, in the context of the introduction of COVID-19 related travel restrictions. Georgia has undertaken a number of actions in this regard, including the adoption of the Law on the Rules and Procedures for Georgian Citizens exiting and entering Georgia by the Parliament in September 2020.

Important challenges remain with regard to the independence and accountability of the judiciary. In particular, public trust in the High Council of Justice remains low. On 30 September, the Parliament adopted further legislative amendments in relation to the nomination process of Supreme Court judges, without awaiting the relevant Venice Commission opinion and not fully addressing the continued shortcomings in this process.

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<sup>1</sup> <https://www.osce.org/odihr/elections/georgia/412724>

The economy has entered a significant recession in 2020, especially in the second to fourth quarters of the year, with the International Monetary Fund (IMF) forecasting a contraction of 5%<sup>2</sup>.

The EU remains Georgia's largest trading partner. In the first eleven months of 2020, trade turnover between the EU and Georgia amounted to EUR 2.1 billion, down by 12% compared to the same period in 2019. From January to November 2020, the EU27 imported goods from Georgia worth EUR 671 million, up by 16% compared to the same period in 2019. In the same period, the EU27 exported goods to Georgia worth EUR 1,443 million (21% lower than in the first eleven months of 2019).

As part of the "Team Europe" approach, the EU has delivered a robust response to support Georgia's efforts in tackling the COVID-19 pandemic and has reprogrammed EUR 183 million of grants to support Georgia. In addition, the EU allocated an exceptional Macro-Financial Assistance programme of EUR 150 million, already partially disbursed in 2020. Part of the 2019 bilateral allocation (EUR 127 million) and of the 2020 bilateral allocation (EUR 102.7 million) have been reprogrammed to better support the country's COVID-19 response in three main areas: health sector, socio-economic recovery and the most vulnerable population. The EU support focuses on the Georgian Government's Anti-crisis Economic Plan to address the challenges of the COVID-19 pandemic, accompanied by flanking measures in the areas of environment, health, socio-economic recovery and migration, as well as the promotion of human rights.

The EU remained strongly supportive of Georgia's sovereignty and territorial integrity within its internationally recognised borders, including by continuing the efforts of the EU Special Representative, its engagement as co-chair in the Geneva International Discussions and the continued presence on the ground of the EU Monitoring Mission for over 12 years now.

Georgia continues to be committed to and participates actively in the Eastern Partnership and the ongoing reflection on its future.

## **2. Political dialogue, good governance and strengthening institutions**

### **2.1. Democracy, human rights and good governance**

2020 was an **election** year and saw major political developments. Following the failure by the parliamentary majority in 2019 to fulfil its promise to introduce a fully proportional election system, the political parties did not agree on the fundamental rules guiding elections in a context of continued polarisation. On 8 March, with the facilitation of the Ambassadors of the EU, Germany, the US and the Council of Europe, a wide spectrum of Georgian political parties agreed on a compromise for the election system for 2020. In June, the Parliament revised the constitution and adopted relevant amendments to the electoral code. This paved the way for the immediate introduction of an electoral system with 120 proportional and 30 majoritarian seats, and a 1% threshold in Parliament (compared to the previous model of 77 proportional and 73 majoritarian seats, and a 5% threshold). The new system puts Georgia on track for the planned introduction of a fully proportional election system in 2024, as foreseen by the constitution.

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<sup>2</sup> International Monetary Fund, World Economic Outlook, October 2020.

The Georgian Parliament also adopted an electoral reform package to address OSCE/ODIHR recommendations issued after the 2018 presidential elections. This package included the regulation of campaigning rights of employees on the public payroll, rules on second rounds, the introduction of a 25% gender quota, the improvement of conflict of interest rules for election commission members and the introduction of a regressive party finance model. Recommendations on addressing voter intimidation, dispute resolution and commission compositions were not fully addressed.

Georgia held the first round of its 2020 Parliamentary elections on 31 October, under a revised electoral system and with high voter turnout, despite the challenging context of the COVID-19 pandemic. According to the joint statement of preliminary findings and conclusions of the international observers from the OSCE Office for Democratic Institutions and Human Rights and the Parliamentary Assemblies of the OSCE, Council of Europe and NATO, the elections were competitive and, overall, fundamental freedoms were respected. The observers noted, however, that the conduct of the elections was impacted by pervasive allegations of pressure on voters and blurring of the line between the ruling party and the state throughout the campaign and on election day, reducing public confidence in some aspects of the process. Georgian civil society organisations noted a number of shortcomings also in the handling of complains and appeals. The opposition parties boycotted the second round of the Parliamentary elections on 21 November and collectively questioned the overall outcome. They also boycotted the opening session of the new Parliament. As of the end of 2020, they had not taken up their mandates in the new Parliament. Efforts to find an agreed way forward among the political parties were ongoing at the end of 2020, facilitated by the EU and US Ambassadors, with the objective of reaching a solution, which would see a fully representative Georgian parliament.

Late 2020 the Parliament confirmed the cabinet led by Prime Minister Giorgi Gakharia, consisting of 11 Ministers retaining their posts and a new Justice Minister, and the government programme.

In January 2021, Georgian Dream Chair Bidzina Ivanishvili announced that he was leaving Georgian politics. The party congress elected Irakli Kobakhidze as his successor. United National Movement, also changed leadership in January 2021 after its former Chairman, Grigol Vashadze, resigned. Nikanor Melia was elected as the new Chairman.

Georgia's **media landscape** remained pluralistic and competitive, but also highly polarised. In the 2020 World Press Freedom Index<sup>3</sup> Georgia has maintained its 60<sup>th</sup> rank among 180 countries. Its Freedom House rating decreased slightly, with an aggregate "freedom score" of 61, compared to 63 in 2019<sup>4</sup>.

The election of the Ajara Public Broadcaster's new Director in November 2019 was preceded by a stand-off and the journalists' warnings about attempts to change the TV's editorial policy to a government-leaning one. The confrontation aggravated by January 2020, when part of TV employees established an alternative trade union to defend their rights. In the course of 2020, key journalists and managers were gradually dismissed or left the channel. Several of them filed cases in court.

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<sup>3</sup> <https://rsf.org/en/georgia>

<sup>4</sup> <https://freedomhouse.org/country/georgia/freedom-world/2020>

Amendments to the Law on Broadcasting, setting out amongst others additional obligations to protect minors from harmful influence, were adopted in July 2020. Broadcasters criticised the amendments. They requested a clear definition of its legal terms and criteria on when to consider influence as harmful, and asked for a moratorium on sanctions (which can include the suspension of a broadcaster's licence). The Georgian Democratic Initiative (GDI) challenged the amendments in the Constitutional Court.

Euronews Georgia launched fully-fledged broadcasting in September.

In June 2020, *Reporters without Borders* called upon the Georgian Government to guarantee the safety of journalists, following an alleged plot to murder a TV Mtavari journalist<sup>5</sup>.

**Civil society** remained very active and involved in monitoring the implementation of the AA, including the DCFTA, in policy formulation and in holding the Government accountable, including to some extent at local level. Formal liaison mechanisms with the Government and the Parliament could be further strengthened. During the COVID-19 crisis, civil society played an important role in supporting those in need and complementing state aid.

The number of CSOs that are part of the **Human Rights** Council has doubled from six to twelve. An Advisory Group to the Human Rights Council was established with currently more than 80 participating non-governmental organisations.

The Public Defender's Office continued to play an active oversight role.

The Government took special measures in spring 2020 to support survivors of **domestic violence** during the COVID-19 crisis, by exempting them from movement restrictions and providing information on state support<sup>6</sup>. The number of reports of such cases to the police showed an increase<sup>7</sup>.

As regards **gender equality**, Georgia's 2020 Global Gender Gap score stood at 70.8% (compared to 68% in 2018), which is for the first time above the global average of 68.6%, putting it 74<sup>th</sup> out of 153 countries<sup>8</sup>. According to Georgian statistics, the average monthly earnings of men were 1,473 GEL, whereas for women they amounted to 978 GEL in the third quarter of 2020<sup>9</sup>.

The amendments to the constitution and Electoral Code of Georgia in respectively June and July increased attention to gender sensitivity and introduced gender quotas for local and national elections. For the 2020 parliamentary elections the quota of 25% of the proportional party candidate list (no quotas apply to majoritarian candidates) were met. Out of a total of 150 members of Parliament, 31 female members were elected.

In September, the Parliament adopted substantial amendments to the Labour Code. Important improvements include the introduction of paid maternity leave, provisions protecting pregnant women and women who recently gave birth, including working arrangements in the case of night shifts and time off for medical examinations. The amendments also provide

<sup>5</sup> <https://rsf.org/en/georgia>

<sup>6</sup> For an overview of the measures taken by Georgia during the crisis to mitigate its impact on women's rights, as reported to the Council of Europe: [https://www.coe.int/en/web/genderequality/promoting-and-protecting-women-s-rights#%2263001324%22:\[15\]](https://www.coe.int/en/web/genderequality/promoting-and-protecting-women-s-rights#%2263001324%22:[15])

<sup>7</sup> According to the Adviser to the Prime Minister on Human Rights and Gender issues.

<sup>8</sup> [http://www3.weforum.org/docs/WEF\\_GGGR\\_2020.pdf](http://www3.weforum.org/docs/WEF_GGGR_2020.pdf)

<sup>9</sup> <https://www.geostat.ge/ka>

better protection against **discrimination**, such as the introduction of all basic definitions (e.g. direct and indirect discrimination, harassment) and the prohibition of termination of employment contracts based on discriminatory grounds. Other amendments include safeguards against excessive working time and collective redundancies.

In February, the Government adopted an **Equality** Chapter to the National Human Rights Action Plan, setting out a range of actions to be implemented by Government agencies and addressing the needs of those belonging to the Lesbian, Gay, Bisexual, Transgender, Intersex (LGBTI) community.

In particular, women and persons in vulnerable situations, such as persons belonging to ethnic minorities and to the LGBTI community, were hit especially hard by the pandemic. The Government undertook dedicated efforts to mitigate the severe consequences of COVID-19 on those groups.

The COVID-19 pandemic also brought challenges for **children** and families and required new work and schooling methods. The Child Rights Code entered into force on 1 September 2020. It introduces legal grounds, safeguards and guarantees for all public and private entities taking decisions related to the rights of the child. It focuses on the realisation of all rights and freedoms for the child, with the main focus on the best interests of the child. The Code also introduces the oversight by judges, as neutral and qualified agents, over cases of child separation from families.

Violence against children in a family context, residential care, foster care<sup>10</sup> and educational institutions remains a significant problem, with 70% of children experiencing at least one method of violent discipline<sup>11</sup>. At the same time, the confidence of the public to report cases of violence to competent authorities is on the rise.

Childcare has not been fully de-institutionalised. Two large state-run institutions continue to operate, housing about 80 children with severe and multiple disabilities. The Government developed specialised family-type service and introduced two such facilities. Mechanisms for specialised foster care service for children with complex disabilities and needs were strengthened. Over 900 children live in 38 unregulated institutions, mainly boarding schools, financed and run by local municipalities, the Georgian Orthodox Church and Muslim communities. The effective functioning of the coordination mechanism dealing with de-institutionalisation was hampered by the pandemic.

In July, the law on the rights of **persons with disabilities** was adopted, aiming at harmonising the national legislation with the UN Convention on the Rights of Persons with Disabilities. Further clarifications are required to ensure effective implementation and a coordinating committee remains to be established.

With regard to **ill treatment**, the new State Inspector Service started its investigative operations in November 2019 and launched a number of criminal investigations into alleged crimes committed by law enforcement officers, which have led to several prosecutions.

<sup>10</sup> "Monitoring of Child Care System – Effectiveness of Alternative Care Special report", report developed by the Public Defender's Office; 2018.

<sup>11</sup> Based on 2018 Georgia MICS (Multiple Indicator Cluster Survey) and secondary analysis published in 2020 (reports available at <https://www.unicef.org/georgia/reports/2018-georgia-mics-multiple-indicator-cluster-survey> and [https://www.unicef.org/georgia/media/5511/file/Discipline\\_Report\\_ENGLISH.pdf](https://www.unicef.org/georgia/media/5511/file/Discipline_Report_ENGLISH.pdf))

With regard to **public administration reform**, a new Government decree<sup>12</sup> and its supporting Handbook on Public Policy Making lays the regulatory and procedural foundation for good evidence-based policy development. It has quickly become the primary guidance document for Ministries. Its implementation requires comprehensive training and support, to ensure better integration between policy and budget planning, and building the right capacities, structures and processes in the relevant ministries. The introduction of a mandatory Regulatory Impact Assessment for specific legislation is also an important milestone, but also requires extensive training for proper implementation. In February, amendments to the Law on Public Service (LPS) provided for internal competitions to fill civil service vacancies, aimed at increasing career development opportunities and staff retention within each public institution.

## 2.2. Foreign and security policy

In 2020, Georgia's alignment rate with CFSP (EU declarations and Council decisions on restrictive measures) was 62%, marking an increase from 55% in 2019. It continued to participate in civil and military crisis management operations under the **Common Security and Defence Policy** (CSDP) and to provide 32 troops to the EU military training mission (EUTM) in the Central African Republic.

The impact of terrorism in Georgia is "very low" according to the Global Terrorism Index (90<sup>th</sup> out of 138 countries). Georgia gives due attention to the fight against terrorism and violent extremism. It is currently updating its chemical, biological, radiological and nuclear (CBRN) National Action Plan, and is implementing relevant regional actions, such as CBRN waste management and an interregional bio-safety project increasing its capabilities to combat the COVID-19 pandemic.

On **peaceful conflict resolution**, the situation on the ground regarding the breakaway regions remained relatively stable throughout 2020. However, 'borderisation' activities continued, in particular along the South Ossetian Administrative Boundary Line (ABL) and tension in the Chorchana-Tsnelisi area persisted. The Incident Prevention and Response Mechanism (IPRM)<sup>13</sup> in the South Ossetian theatre (Ergneti IPRM) resumed its regular meetings in July 2020, but the IPRM in the Abkhaz theatre (Gali IPRM) remained suspended.

The EU continues to firmly support Georgia's sovereignty and territorial integrity within its internationally recognised borders. It also continues to actively support conflict resolution efforts financially and through the work of the EU Special Representative for the South Caucasus and the Crisis in Georgia, and the EU Monitoring Mission (EUMM). The Geneva International Discussions (GID) did not hold in-person meetings until 10-11 December 2020 due to COVID-19. The EU Special Representative for the South Caucasus and the crisis in Georgia maintained, however, regular contacts with all GID participants virtually and undertook six visits to Georgia in the reporting period. The EU Monitoring Mission continued to implement its mandate throughout the COVID-19 pandemic.

<sup>12</sup> The Decree of the Government of Georgia No.629 "On the Approval of the Rules of Procedure for Development, Monitoring and Evaluation of Policy Documents" (adopted on 20 December 2019 and in force from January 1, 2020).

<sup>13</sup> The IPRMs and the EUMM hotline are essential tools for addressing local security issues and promoting continued confidence-building between security actors.

The COVID-19 pandemic presented an opportunity to develop some cooperation across the dividing lines, including on health-related issues. While this did happen to a certain extent in relation to the breakaway region of Abkhazia, including through support from Tbilisi, the ABL with the breakaway region of South Ossetia remained sealed-off, including for humanitarian purposes.

The new Abkhaz *de facto* leadership, which took 'office' in late April 2020, indicated an increased interest in confidence-building measures, including through concrete actions. These signals from the Abkhaz *de facto* leadership may lead to new opportunities for activities under the EU non-recognition and engagement policy and positive steps towards conflict resolution.

The Georgian Government started to implement its "A step to a better future" initiative to promote peace and opportunities for people in the breakaway regions of South Ossetia and of Abkhazia, though the prolonged closure of the crossing points and COVID-19 had a hampering effect on the implementation of the economic component of the initiative.

### **2.3. Justice, freedom and security**

Important challenges remain with regard to the independence and accountability of the judiciary.

On 30 September, the Parliament adopted further legislative amendments in relation to the nomination process of Supreme Court judges. The Parliament did not await the publication of the Venice Commission Opinion on whether the draft amendments met the Venice Commission's earlier recommendations<sup>14</sup>, even though it had itself requested this Opinion after the second reading. The urgent Venice Commission Opinion, which was adopted on 8 October<sup>15</sup>, noted that the amendments go in the right direction, in particular by providing that each vote must be accompanied by public written reasoning. However, the Venice Commission called for the disclosure of the identity of the members of the High Council of Justice (HCoJ) who cast the vote and the reasoning. This would provide the basis for an efficient appeal mechanism and increase public scrutiny of the behaviour of the individual members of the HCoJ. Additionally, the Venice Commission pointed out that the amended legislation does not foresee a second and final appeal against the second decision of the HCoJ and that a mechanism is needed to stall the procedure until the final decision of the Supreme Court is taken. In December, the HCoJ started interviewing candidates for nine vacancies at the Supreme Court under the rules amended on 30 September 2020.

Amendments relating to the fourth wave of judicial reform entered into force in 2020. They cover: disciplinary violations, regulation of the functioning of the HCoJ and HCoJ reform. The obligation on the HCoJ to justify all its decisions remains to be further implemented. The publication of judicial decisions was put on hold following the July ruling of the Constitutional Court. A new legislative framework remains to be adopted by the Georgian Parliament.

<sup>14</sup> Urgent opinion on the selection and appointment of SC judges issued on 16. April 2019 and endorsed at the Plenary 21/22. June ([https://www.venice.coe.int/webforms/documents/?pdf=CDL-AD\(2019\)009-e](https://www.venice.coe.int/webforms/documents/?pdf=CDL-AD(2019)009-e))

<sup>15</sup> Opinion on the draft organic law from 08 October 2020 ([https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD\(2020\)021-e](https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD(2020)021-e))



The main focus of **prosecutorial reforms** in 2020 continued to be the separation of functions between investigators and prosecutors. A legislative package was prepared.

On **cooperation in criminal matters**, the 2019 EUROJUST-Georgia cooperation agreement enabled the swift and safe exchange of information. Georgia has strengthened international law enforcement cooperation with Europol and CEPOL. There were no developments on cooperation in civil matters, notably the signature/ratification of the Hague Conventions.

On **preventing and fighting corruption**, the Secretariat of the Anti-Corruption Council has drafted a handbook on the risk assessment methodology for ministries and Legal Entities of Public Law (LEPLs). The Civil Service Bureau has published an Asset Declaration Handbook to improve the quality of the Declarations. No decision has been taken on the establishment of an Anti-Corruption Agency<sup>16</sup>. The responsibility for the freedom of information legislation has been moved from the Ministry of Justice to the Administration of the Government, creating an additional delay in the reform of the legislation. Political donations in the run-up to the parliamentary elections raised concerns in terms of alleged conflicts of interest<sup>17</sup>.

In the 2020 Transparency International corruption perception index<sup>18</sup>, Georgia scored 56/100 (stable since 2019, but down from 58/100 in 2018), pointing to a stagnation of anti-corruption measures. The report indicates that undue partisan influence over the law enforcement agencies has rendered them effectively incapable of investigating cases of possible high-level corruption. In the 2019 World Bank control of corruption indicator<sup>19</sup>, Georgia has scored 74.04 (77/100 in 2017).

Following the adoption of the law on “facilitating the suppression of **money laundering and terrorism financing**” on 30 October 2019<sup>20</sup>, aiming to align with the 4<sup>th</sup> AML/CFT Directive, two by-laws were adopted in June 2020 by the Financial Monitoring Service<sup>21</sup>.

In January, the National **Drug** Monitoring Centre was established under the Inter-Agency Coordinating Council on Drug Abuse and it has gradually become operational. A legislative package for the liberalisation of drug policies is pending in Parliament for further deliberation. Georgia continued its close cooperation with the European Monitoring Centre for Drugs and Drug Addiction.

Georgia continued to implement its **Migration** Strategy and Action Plan and in December the Government adopted the new Georgia Migration Strategy for 2021-2030. The **visa-free** regime has been in place since March 2017. The third report under the Visa Suspension Mechanism, adopted on 10 July 2020, confirmed that Georgia has taken actions identified in the second report and the visa liberalisation benchmarks continue to be fulfilled. Despite the decrease in the return rate, the cooperation on readmission is good. Georgia has put in place concrete measures to address irregular migration and crime related challenges, notably the Law on the Rules and Procedures for Georgian Citizens exiting and entering Georgia in September 2020, which entered into force in January 2021. Further immediate actions are

<sup>16</sup> <https://www.transparency.org/en/blog/cpi-2020-georgia-anti-corruption-reforms-stall-political-crisis-state-capture>

<sup>17</sup> <https://idfi.ge/en/idfis-research-political-donations>

<sup>18</sup> <https://www.transparency.org/en/cpi/2019/results>

<sup>19</sup> <https://info.worldbank.org/governance/wgi/Home/Reports>

<sup>20</sup> <https://fms.gov.ge/eng/page/laws>

<sup>21</sup> <https://www.fms.gov.ge/eng/page/regulations>

needed to address visa-free related challenges, in particular the high number of unfounded asylum applications.

The Commission, the Justice and Home Affairs Agencies, the EU Member States and the Georgian authorities have worked together on a set of operational measures to decrease irregular migration and crime-related challenges linked to visa-free travel of Georgian citizens to the EU, in line with the recommendations of the visa suspension mechanism report. These include information campaigns on the rights and obligations of visa-free travel and strengthening cross-border law enforcement cooperation to fight against Georgian organised crime groups.

Georgia continued its efforts to strengthen **border management**, stepping up cooperation with the European Border and Coast Guard Agency (Frontex). In June 2020, a new working arrangement between Frontex and Georgia was approved. It aims to counter irregular migration and cross-border crime and to exchange information and best practices in the field of border management including return, also through joint risk analysis. The security and surveillance infrastructure of the Border Police was further expanded and capacities of border management institutions strengthened.

**Police** reform continued in line with priorities set by the Ministry of Internal Affairs in 2019. These include separating the roles between prosecutors and investigators, as well as between operational and investigative functions of different police officers, expansion of community-based and intelligence-led policing, enhancing centralised analytical work, stepping up the fight against cybercrime and organised crime and closer international cooperation.

A rise in complaints to the data protection authority shows greater public awareness of **data protection** issues, with the vast majority concerning private sector entities. The number of covert investigative activities was stable and they were mostly carried out on the basis of a court ruling. A **new data protection law** was initiated by Parliament but discussions have not led to an agreed draft so far. Close alignment of this new draft with the European General Data Protection Regulation (GDPR) will be key.

The Georgian National Cybersecurity Strategy and Action Plan 2020-2022 was drafted in 2019 and is still pending approval by the Government.

### 3. Economic development and market opportunities

#### 3.1. Economic development

The economy entered a significant recession in 2020, caused by the COVID-19 pandemic. In the second quarter the gross domestic product (GDP) declined by 12.3% year-on-year. Recent forecasts<sup>22</sup> suggest an economic contraction of around 5%, primarily due to COVID-19-related restrictions on economic activity, disruption of tourism and collapse in consumption and external demand<sup>23</sup>. Furthermore, the contribution of net exports of goods and services is also likely to be negative.

<sup>22</sup> International Monetary Fund; Government of Georgia

<sup>23</sup> [https://openknowledge.worldbank.org/bitstream/handle/10986/34518/9781464816437.pdf?cid=eca\\_tt\\_eca\\_en\\_ext&fbclid=IwAR1VwQFONGELZ3ke\\_FPRAnQQMW\\_2tD5y4XiwAt7XWg8CpDiLoJw3ViS8mBA](https://openknowledge.worldbank.org/bitstream/handle/10986/34518/9781464816437.pdf?cid=eca_tt_eca_en_ext&fbclid=IwAR1VwQFONGELZ3ke_FPRAnQQMW_2tD5y4XiwAt7XWg8CpDiLoJw3ViS8mBA)

Inflation decreased to 3.8% year-on-year in September 2020 from 7% in December 2019 and is expected to remain above the target of 3% at the end of 2020. Due to the cost of measures to mitigate the impact of the crisis, increased healthcare spending and lower revenues, the fiscal deficit in 2020 is expected to increase to some 8.5% of GDP, in line with a budget revision adopted in June. The debt to GDP ratio is estimated to reach 59.9% by the end of 2020<sup>24</sup>, i.e. close to the 60% ceiling of Georgia's Economic Liberty Act (which can be justified given the state of emergency).

Similarly, Georgia's balance of payments has come under pressure due to multiple shocks. The current-account deficit, which narrowed to 5.1% of GDP in 2019, is expected to increase to above 10% for 2020 due to a sharp deterioration of the services balance (mainly tourism). The increased current account deficit will be financed by continuing (albeit slower) inflow of foreign direct investment and, most importantly, by increased volumes of grants and concessional loans already committed by international partners, including the EU.

In May 2020, IMF approved support to Georgia to address the COVID-19 pandemic. The disbursement of budget support (about USD 200 million) helped the authorities meet urgent medical and socio-economic needs. Georgia also received additional support from the Asian Development Bank, the Asian Infrastructure Investment Bank, the European Bank for Reconstruction and Development, the European Investment Bank, Germany through KfW, France through the Agence française de Développement and the World Bank Group.

Georgia's structural reform agenda is reflected in the new EU Macro-Financial Assistance programme (EUR 150 million), with attached conditions which focus on improving governance, including justice reform; public finance management; labour market; and energy efficiency. The Georgian Parliament adopted this programme in September. The first instalment of this programme (EUR 75 million), as well as the second tranche of the previous EU Macro-Financial Assistance programme (EU 25 million) were disbursed on 25 November 2020.

Georgia continued to do well in international rankings on the **business environment**. For example, in the World Bank's "Doing Business" index it now ranks 7<sup>th</sup> out of 190 countries and is in the world's top 10 countries as regards starting a business (2<sup>nd</sup>), registering property (5<sup>th</sup>) and protecting minority investors (7<sup>th</sup>). On the other hand, it is ranked lower on resolving insolvency (64<sup>th</sup>) and trading across borders (45<sup>th</sup>). The Law on Rehabilitation and Collective Satisfaction of Creditors, as well as other legal reforms (Enforcement Law and Mandatory Third Party Liability Insurance) experienced delays. Moreover, challenges remain with regard to the independence of the judiciary, legal certainty and ongoing investigations of certain major businesses, which have an impact on the business environment.

The Government's COVID-19 Anti-Crisis Plan for **Agriculture** required an update of the Action Plan 2020 of the Rural Development Strategy of Georgia 2017-2020 and will require a further update of the Action Plan 2021-2023 of the 2021-2027 Agricultural and Rural Development Strategy. These plans include measures aimed at increasing primary production and boosting resilience in the sector, stabilising basic foodstuff import prices and diversifying import markets. The agricultural sector has proven to be one of the most resilient sectors to the COVID-19 crisis.

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<sup>24</sup>2021 State Budget data

The Government started implementing the **Pilot Integrated Regional Development Programme** targeting the EU focal regions (i.e. Kakheti, Imereti, Guria, Racha-Lechkhumi and Kvemo Svaneti). Through an open and competitive call for proposals, 11 municipalities received financing for integrated territorial development measures amounting to GEL 5 million. Progress in the implementation of the 2019-2025 **Decentralisation Strategy**, which envisages a series of stakeholder consultations and research, was limited due to the COVID-19 outbreak.

The reform of **public internal financial control** did not make significant progress in 2020.

Draft amendments to the **State Audit** Law, extending the mandate of the State Audit Office to the revenue side of the budget, were submitted to the Parliament but not yet voted as of end 2020.

On **taxation**, the work on legislative approximation in the area of indirect taxation, namely value-added tax (VAT) and excise duties has continued.

Strengthening of the national **statistical** system (NSS) to help it comply with European and international norms and standards in a number of statistical domains, including External Sector Statistics, National Accounts, Business Statistics and Social Statistics, continued.

As regards **industrial and enterprise policy**, the Government continued to implement the Small and Medium-sized Enterprises (SME) Strategy. The SME Policy Index 2020<sup>25</sup> concludes that Georgia has made further progress and considerably improved the operational environment for SMEs. The report especially welcomes progress in entrepreneurial learning and women's entrepreneurship, the continued simplification of business registration, and the increase in e-government services.

To tackle the economic challenges caused by COVID-19, the SME support agency Enterprise Georgia adapted its programmes. The agency extended the scope of its programmes and diversified its priority sectors, e.g. by adding a focus on hospitality and tourism industries development. The micro and small business support programme increased to GEL 40 million.

Currently, there is no consolidated framework for **consumer protection** in Georgia. The regulatory bodies covering financial, communication and energy implement consumer protection measures in their respective sectors. The Market Surveillance Agency enforces the technical regulations on safety of consumer products. Georgia has drafted a consumer rights protection law, which is pending adoption as of end 2020.

As regards **fisheries**, Georgia continues to cooperate under the Sofia Ministerial Declaration<sup>26</sup> and to implement the new fisheries governance. The level of monitoring, control and surveillance of fisheries in its waters remains not entirely adequate. Georgia has been working closely with the EU on regional management measures for iconic Black Sea fish stocks.

In May 2020, Georgia passed the **Aquaculture** Law. This Law defines aquaculture zones allocations in the coastal areas and in inland waters; establishes conditions for issuance of permits; and regulates aquaculture facilities across the country. The Government placed

<sup>25</sup> <https://www.oecd.org/science/sme-policy-index-eastern-partner-countries-2020-8b45614b-en.htm>

<sup>26</sup> <http://www.fao.org/gfcm/meetings/blackseaconference2018/sofiadeclaration/en/>

aquaculture products on the priority list of products for which to pursue authorisation to the EU market.

Georgia has continued to engage actively with the European Commission on addressing the shortcomings identified in relation to the fight against **illegal, unreported and unregulated** (IUU) fishing. Progress was made with regard to the deregistration of vessels from the State Ship Registry. The process of adopting a legal framework covering fishing and fishing related activities of the Georgian long distance fleet operating outside the Black Sea Area is ongoing.

In the **maritime** sector, Georgia has implemented 16 out of 22 of the directives and regulations referred to in the AA. The Maritime Transport Agency is currently working on the transposition of the remaining directives.

Georgia plays an active part in the Steering Group meetings of the Common Maritime Agenda for the Black Sea<sup>27</sup>, contributing to the discussion on the impact of COVID-19 on blue economy sectors, future flagship projects and related investment perspectives.

**Tourism** had been steadily growing in previous years and the industry had reached an 8.1% share of GDP<sup>28</sup> in 2019, but was severely hit by the crisis caused by the COVID-19 pandemic. January to September saw 1,369,086 international visitor trips, which was 77.1% less as compared to the same period in 2019<sup>29</sup>.

The draft Law on **Entrepreneurship** ("Company Law") was submitted to the Parliament in September 2020. The objective is on the one hand to regulate in more detail corporate relations and thus enhance legal certainty in case of judicial disputes, and on the other hand to approximate the legal framework with relevant EU directives. As of January 2021, the Law is still pending adoption.

As regards **financial services**, the National Bank of Georgia is strengthening the regulatory and supervisory frameworks for banking, non-banking, payments, and capital and securities markets. The Insurance State Supervision Service of Georgia has been taking measures to increase the solvency and profitability of the **insurance** sector, and to diversify insurance products.

With the aim of improving the investment climate, competitiveness and access to finance of local businesses, Georgia has aligned its Law on Accounting, Reporting and Auditing, with EU and international practice, notably to International Financial Reporting Standards. In addition to financial reporting, non-financial reporting including on **corporate governance** is being encouraged.

As regards **employment**, the slow trend of decreasing unemployment has been negatively impacted by the COVID-19 crisis. As of 2020, a new methodology on the calculation of self-employed people has been applied, no longer including people in subsistence farming. As a result, the unemployment rate at national level for 2019 was recalculated to 17.6%, instead of 11.6%. It reached 18.3% in the first two quarters of 2020, and dropped down to 17% in the third quarter.

The Employment Service Agency, separating social services from employment services, has been operational since the beginning of 2020. Currently the Headquarter office and ten

<sup>27</sup> [https://ec.europa.eu/maritimeaffairs/press/black-sea-ministers-endorse-common-maritime-agenda\\_en](https://ec.europa.eu/maritimeaffairs/press/black-sea-ministers-endorse-common-maritime-agenda_en)

<sup>28</sup> Preliminary information of Georgian National Tourism Administration

<sup>29</sup> Source: Georgian National Tourism Administration

regional offices, out of which five are in Tbilisi, are fully operational; two regional offices are partly operational and three are expected to be operationalised in the first half of 2021. In July, Parliament approved the Law on Employment Services, which addressed some legislative gaps and defined public employment service provision in Georgia.

In addition to important amendments to the Labour Code, the Law on the Labour Inspection Services was approved in September 2020, extending the Labour Inspectorate's mandate to include labour rights and conditions (in addition to health and safety issues) and changing its status to a more independent agency under the Ministry.

During the COVID-19 pandemic, the **Targeted Social Assistance (TSA)** programme was scaled up to provide temporary cash transfers to households in extreme poverty, workers who lost jobs due to the pandemic, and families in vulnerable situations. The pension fund was also slightly increased. The Parliament adopted the **pension indexation** amendment, introducing a rules-based mechanism for indexing public pensions and leading to an increase in pensions as of January 2021.

The development of an overarching national **Public Health** Strategy was delayed due to the COVID-19 outbreak. Work progressed on the electronic healthcare system, improving the quality of care and reducing inequalities in the health system. The maternal mortality ratio was 28.9 per 1,000 births in 2019. As of end December, the total number of COVID cases was 227,420 out of which 2,505 cases had a fatal outcome, and 211,727 patients recovered. Georgia continued to work on aligning its legislation on blood safety, tissue transplantation, tracking of environmental health, and tobacco control with EU directives.

### 3.2. Trade and trade-related matters

In the first eleven months of 2020, the trade turnover between the EU and Georgia amounted to EUR 2.1 billion, down by 12% compared to the same period in 2019. From January to November 2020, the EU27 imported goods from Georgia worth EUR 671million, up by 16% compared to the same period in 2019. In the same period the EU27 exported goods to Georgia worth EUR 1,443 million (21% lower than in the first eleven months of 2019)<sup>30</sup>.

On **technical barriers to trade**, Georgia has shown continuous improvements of its national quality infrastructure. Georgia has adopted 16,000 standards, out of which 8,000 represent European ones, and synchronised the database of standards with the European Union one. With regard to metrology, laboratory equipment and staff capacity have been upgraded. The Georgian Accreditation Centre has been preparing for membership in the International Laboratory Accreditation Cooperation (ILAC). The newly created Market Surveillance Agency has been actively working on enforcement of technical regulations approximated with the relevant EU *acquis*.

On **food safety and sanitary and phytosanitary (SPS) standards**, Georgia has approximated 169 veterinary, phytosanitary and food safety regulations out of 272 EU agri-food legal instruments envisaged to be approximated by 2027.

The Food Safety Strategic Implementation Plan of the Agricultural and Rural Development Strategy of Georgia 2021-2027 was finalised by September 2020, but as of January 2021 the approval is pending.

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<sup>30</sup>Eurostat COMEXT, EU27.

Regarding the authorisation of Georgian products to the EU market, some progress has been registered during 2020. Most recently, in November 2020, the European Commission granted the authorisation of animal by-products for pet food<sup>31</sup>. As of early 2021, the Ministry of Environmental Protection and Agriculture is in the process of reviewing and addressing the EU's comments on the Georgia Aquaculture Residue Monitoring Plan.

The new **Customs Code**, representing the primary legislative framework for customs activities, entered the implementation phase.

The Georgian Revenue Service (GRS) made progress in joining the Common Transit Convention (CTC) and launching the new computerised transit system. GRS developed a set of transit procedures, set the requirements of the future IT system and worked on the design and implementation of training programmes and modules.

Georgia continues to implement the DCFTA provisions on **competition** and amended the Law of Georgia on Competition<sup>32</sup>. These amendments modify the procedural norms and mechanisms for controlling concentrations, as well as the structural arrangement of the Competition Agency. They also define the competences of the Agency and the regulatory bodies, such as the National Bank of Georgia, Georgian National Communications Commission and the Georgian National Energy and Water Supply Regulatory Commission<sup>33</sup>.

Regarding **postal and courier services**, Georgia is continuing to formulate a postal policy and relevant reforms.

As regards the **transparency** of DCFTA implementation, a number of roundtables were held for local entrepreneurs and media representatives in the format of a trade advisory group. The participants identified relevant activities on labour protection, environment and climate action.

Georgia continues to approximate its **public procurement** legislation to the EU *acquis* and has fulfilled the main requirements for Phase I of the Public Procurement Roadmap. In July, the Parliament approved amendments based on which a new independent and impartial body – in charge of appeals in connection with tendering procedures – is in the process of being established as required by the DCFTA.

With regard to **intellectual property rights (IPR)** protection and the enforcement system, Georgia has advanced its reforms in order to bring Georgian IP laws into line with the AA. The national exhaustion regime concerning trademarks currently does not comply with the provisions of the DCFTA. The National Intellectual Property Centre of Georgia Sakpatenti continued its Geographical Indications registration activity. The revision of the legal framework on the protection and quality control system of Geographical Indications in compliance with EU legislation has been delayed.

#### 4. Connectivity, energy, climate action, environment and civil protection

<sup>31</sup> COMMISSION REGULATION (EU) 2020/1720, <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R1720&from=EN>.

<sup>32</sup> <https://competition.ge/media/press-releases/139?fbclid=IwAR0QyMErGWfbuW93h6-L5r9ILggibyB5iQQScRppbR5ZQWb8kZK6efsqWWg>;  
<https://matsne.gov.ge/ka/document/view/4990278?publication=0>

<sup>33</sup> <https://competition.ge/media/press-releases/139?fbclid=IwAR0QyMErGWfbuW93h6-L5r9ILggibyB5iQQScRppbR5ZQWb8kZK6efsqWWg>

On **transport**, the EU-Georgia Common Aviation Area Agreement entered into force on 2 August, ten years after its signature and provisional application. The reassessment of Georgia's seafarers' education system by the European Maritime Safety Agency due to take place in 2020 has been postponed until 2021. It remains important to continue strengthening road safety. The construction of the Anaklia deep-sea port, which is part of the Indicative TEN-T Investment Action Plan, was delayed following the termination of the contract with the Anaklia Development Consortium (ADC).

As regards **environmental protection**, the Government approved the draft Law on Environmental Liability in July and submitted it to the Parliament for adoption. The Parliament adopted the Law on Ambient Quality Protection in May, which aims at aligning Georgian legislation with the EU *acquis* on air quality. The Government is gradually implementing the concept of Extended Producer Responsibility. Four technical regulations for specific waste streams were adopted and are enforced since September. The construction of EU-compliant sanitary landfills was delayed. In May, the new Forest Code of Georgia was adopted, providing for a legal framework for sustainable forestry management.

With regard to **climate action**, Georgia is yet to adopt its long-term Low Greenhouse Gas Emission Development Strategy (LEDS) and its updated nationally determined contribution (NDC) as required under the Paris Agreement. Georgia's institutional set up has been enhanced with the creation of the Climate Change Council. Legislation on fluorinated gasses was adopted but the Kigali Amendment to the Montreal Protocol is yet to be ratified.

In the area of **energy**, Georgia laid the basis for implementation of energy efficiency policies with the adoption of the Energy Efficiency and the Energy Performance of Buildings Laws in May. Following the adoption of the new Energy and Water Supply Law in 2019, the Ministry of Economy and Sustainable Development continued to draft secondary energy sector legislation necessary for the liberalisation of the market in line with the EU Third Energy Package. In November 2020, the Energy Community Secretariat had estimated Georgia's overall level of implementation of the energy *acquis* at 36 %. This represents an increase of 11% when compared with 2019 data. The Government remained focused on promoting the construction of new hydropower plants and expanding the electricity transmission network, including across the Black Sea, to improve security of supply and facilitate the development of wholesale power exchange and export.

Regarding **civil protection**, Georgia continues its efforts to cooperate more closely with the Union Civil Protection Mechanism. On 14 August 2020, the host nation support activities in the field of civil protection were approved by Governmental Decree.

## **5. Mobility and 'people to people'**

The Government is implementing a new **education** programme, but steps towards the stated aim to increase state funding to 6% of GDP gradually by 2022 were hampered due to the COVID-19 outbreak.

Georgia continues vocational education and training (**VET**) reform following adoption of the VET law and progressive adoption of its by-laws. The gradual extension of VET in general education is planned to continue countrywide during 2021. Introduction of short cycle educational programmes by higher education institutions made good progress. Several universities started to provide technical education and training programmes which are part of the VET system.



2020 was a successful **Erasmus+** year for Georgia with seven Capacity Building for Higher Education (CBHE) projects, eleven Jean Monnet projects, 28 Erasmus Mundus Joint Master Degree scholarships. In 2020, 2,888 International Credit Mobility scholarships were awarded (1,193 for students and 1,695 for staff). With these numbers Georgia maintained its place in the top 10 partner countries.

Georgia continued its active participation in the establishment of the **Eastern Partnership European School**, which has seen the graduation of its first student cohort. In total 105 students have benefitted from EU scholarships so far. The Government has continued working on the establishment of a fully-fledged secondary school for the second phase of the European School project in Tbilisi.

In the field of **culture**, Georgia made progress in improving funding mechanisms and methodology for cultural projects and activities. Georgia still lacked effective implementation and monitoring of the Cultural Strategy as well as integrating cultural industries in the overall economic portfolio.

In the field of **sport**, Georgia is involved in one of the successful Erasmus+ sport projects selected. In addition, Georgia was involved for the third time in the European Week of Sport Beyond Borders' initiative.

Georgia continued approximating its legislation with the EU *acquis* on **audio-visual media services**. In July, Georgia amended the legislation on Broadcasting and Electronic Communications, which needs to be implemented in line with media pluralism, freedom of speech and self-regulating principles of the media outlets. The Georgian National Communications Commission was tasked with promoting, developing and monitoring media literacy. The National Broadband Development Strategy, adopted in January, focuses on connectivity, digital infrastructure and digital literacy and skills.

The Youth Agency is leading the development, implementation and coordination of Youth Policy, as well as the reform of the overall youth sector in Georgia. It presented a 3-year reform plan at the end of 2019 with the aim of creating a well-performing youth sector. The **National Youth Strategy 2025** is being drafted with extensive public and regional consultation.

Still in the field of **youth**, 2020 was a successful Erasmus+ and European Solidarity Corps year, with 30 participants from Georgia in support for policy reform, 1,875 participants in mobility activities and 2 strategic partnerships projects involving organisations from Georgia. Under the European Solidarity Corps, opportunities for 459 young people from Georgia have been funded to take part in volunteering activities.

In the area of cooperation in **research and innovation**, Georgia continued the gradual implementation of the recommendation of the Horizon 2020 policy support facility. These focused on simplifying and unifying the grant scheme, restructuring and revitalising its Research and Innovation Council, setting up a research and innovation system database, prioritising/identifying promising research fields and encouraging collaborative research and development.

The participation rate of Georgia in Horizon 2020 remained high. Up to 25 September 2020, Georgian entities have participated 53 times in grants under Horizon 2020, receiving EUR 6.5 million of direct EU contributions.

Exploratory talks between the European Commission and the Georgian authorities on Georgia's association to Horizon Europe have been launched in November. Georgia has completed the National Roadmap for its integration in the European Research Area (ERA-GE), consolidating the steps necessary for reforming the Georgian science system and for improving its competitiveness.

## **6. Financial assistance**

In line with the AA and Government priorities, the 2017–2020 Single Support Framework<sup>34</sup> focused on four main areas: economic development and market opportunities; strengthening institutions and good governance; connectivity, energy, environment and climate change; and mobility and 'people to people' contacts.

Implementation of the 2018 bilateral allocation continued, with a focus on the implementation of the AA, Georgia's increased participation in Erasmus+ and on improving strategic communication. The Economic Governance and Fiscal Accountability Programme is bringing the Georgian economic governance system closer to the EU model, while a holistic programme on security, accountability and the fight against crime is contributing to further strengthening good governance, the rule of law and the security of Georgian citizens.

Assistance under the bilateral allocation for 2019 focuses on the development and implementation of a new human rights strategy, targeting in particular the rights of the child, domestic violence and the inclusion of members of vulnerable groups/minorities. Through the fourth phase of the European Neighbourhood Programme for Agriculture and Rural Development (ENPARD), the EU supports the implementation of food safety regulations and further promote rural development. The EU4 Integrated Territorial Development Programme encourages a more balanced territorial development, establishing new centres of gravity in the regions of Georgia. Additional measures have been included in these programmes to further respond to the pressing needs arising from the COVID-19 pandemic.

As for 2020, the envisaged plans for the bilateral allocation were reviewed during April-May and reprogrammed to respond directly to the COVID-19 crisis. A reprogramming exercise of part of the 2019 envelope and of the 2020 envelope led to a comprehensive package of EUR 183 million of grants to support Georgia in these times of the COVID-19 crisis. The COVID-19 Resilience Contract for Georgia and the accompanying Resilience Facility (amounting to EUR 87.7 million) – which are part of the Team Europe response – contribute to mitigating the health, social and economic impact of the COVID-19 pandemic. EU support will also ensure the continuous implementation of EU related commitments, notably the AA/DCFTA, with a particular focus on environmental protection and reform of the healthcare system, as well as the VLAP (Visa Liberalisation Action Plan) requirements.

Additionally, Georgia benefits from the regional response package under the Team Europe initiative for support to the economy in the Eastern Partnership region. These funds are channelled through the Neighbourhood Investment Platform (NIP) and will provide access to finance in local currency to local SMEs to help them survive the crisis.

Ongoing bilateral programmes are supporting inclusive economic development, justice and public administration reform, VET and skills matching, policy reform in agriculture and rural

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<sup>34</sup> [https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/ssf\\_georgia.pdf](https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/ssf_georgia.pdf)

development, regional development and transport, food safety, energy efficiency and infrastructure development and civil society.

Georgia also continues to benefit from regional programmes in the framework of EU4Business, EU4Energy, EU4Environment, EU4ClimateChange, EU4Innovation, EU4Youth, EU4Culture, EU4Dialogue and EU4Digital and in the area of transport. Georgia is also actively participating in the neighbourhood Cross-border Cooperation Black Sea Programme.

The EU has continued to help finance large infrastructure projects and initiatives in various economic and social sectors in the framework of the Neighbourhood Investment Platform. In this regard, blending operations are supporting energy efficiency in public buildings and projects on hydropower plant rehabilitation, road transport along the TEN-T, solid waste, water and sanitation, and local currency-lending.

Georgia also benefits from EU Macro-Financial Assistance (MFA). The MFA operation launched in 2018 was completed with the disbursement of the last tranche in November 2020. A new emergency COVID MFA has been put in place, as part of a wider package to ten enlargement and neighbourhood partners, to help limit the economic fallout of the COVID-19 pandemic. EUR 150 million from this programme has been allocated to Georgia in the form of loans on highly favourable terms to help cover immediate, urgent financing needs and to support the balance of payment. Out of this amount, the first tranche of EUR 75 million was disbursed in November 2020.

In addition, the payments under the different budget support programmes amounted to EUR 104.5 million in 2020 (out of which EUR 60 million under the COVID-19 Resilience Contract). They contribute to the implementation of the Government actions to mitigate the impact of the sanitary and socio-economic impact of the COVID-19 crisis.

## **7. Concluding remarks and future outlook**

Georgia has remained committed to the implementation, obligations and undertakings of the Association Agreement, despite COVID-19 related challenges. Alignment to the EU *acquis* as well as to European standards in the area of human rights has broadly continued. The EU stood by Georgia and made unprecedented and substantial efforts to support and help Georgia deal with the COVID-19 sanitary and socio-economic crisis.

Looking ahead, a demonstrated reform commitment as regards democracy consolidation and reform of the judiciary will be crucial to further advance on its European path.

Firstly, the revised electoral framework, agreed in an inter-party dialogue during the first half of 2020, provided a sound basis for holding democratic elections and partially addressed previous OSCE/ODIHR and Council of Europe/Venice Commission recommendations. Nevertheless, despite overall competitive elections, a number of shortcomings have undermined the trust in the process and the opposition parties have boycotted the early proceedings of the new Parliament. This demonstrates the need for further democratic consolidation, including by addressing the final recommendations of OSCE/ODIHR, through an inclusive dialogue and ahead of the October 2021 local elections. In the short-term, an inclusive political agreement between the majority and opposition is needed to enable work in Parliament to advance the important reform agenda. More broadly, tackling the polarisation in Georgian politics and media remains a challenge.

Secondly, implementation of the fourth wave of judicial reforms and in general upholding the highest standards of ethics and integrity in the judiciary will remain essential throughout 2021. It will be important that the selection procedure for Supreme Court judges is brought into line with European standards as soon as possible and that no further Supreme Court judges are appointed on the basis of the current legal framework. Further reform of the High Council of Justice will remain a priority. Setting up an ambitious anti-corruption agenda could help regain momentum in the fight against corruption, notably high-level corruption.

It will also be important for Georgia to continue proactively addressing the continued high number of unfounded asylum applications in close cooperation with the Commission and EU Member States. Ensuring the effective and smooth implementation of the Law on the Rules and Procedures for Georgian Citizens exiting and entering Georgia will be essential in this regard.

Finally, it will be crucial to ensure an inclusive, green and sustainable recovery from the COVID-19 crisis and to make further progress on digitalisation and digital literacy. Structural reforms remain crucial as they make Georgia's economy less vulnerable to external developments, notably COVID-19, and enhance the investment climate and trade potential.