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# Association agreement between the EU and Georgia

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European  
Implementation  
Assessment  
(update)

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STUDY

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Editor: Anna Zygierewicz  
Ex-Post Evaluation Unit  
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## European implementation assessment (update)

In November 2019, the European Parliament's Committee on Foreign Affairs (AFET) requested to draw up an own-initiative annual report on the implementation of the association agreement between the EU and Georgia ([2019/2200\(INI\)](#)).

[Sven Mikser](#) (S&D, Estonia) has been appointed rapporteur.

This European implementation assessment (EIA) has been prepared by the Ex-Post Evaluation Unit (EVAL) within the European Parliamentary Research Service (EPRS) to accompany the scrutiny work of the Committee on Foreign Affairs.

This EIA is an update of the report on [Association agreements between EU and Moldova, Georgia and Ukraine. European Implementation Assessment](#) prepared by the EPRS in July 2018 to accompany the AFET committee in its work on three implementation reports.

In November 2018, the European Parliament adopted a resolution on the association agreement between the EU and Georgia ([2017/2282\(INI\)](#)).

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Part II: The analysis of the progress in the implementation of **the association agreement between the EU and Georgia** was written by **Mr Michael Emerson** and **Dr Tinatin Akhvlediani** from the Centre for European Policy Studies (CEPS).

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## Executive summary

This European Implementation Assessment (EIA) has been prepared by the Ex-Post Evaluation Unit (EVAL) within the European Parliamentary Research Service (EPRS) to accompany the AFET committee in their scrutiny work undertaken in the form of an own-initiative report on the annual implementation of the EU association agreement with Georgia ([2019/2200\(INI\)](#)).

The present EIA is an update of the report published by EPRS in June 2018: [Association agreements between the EU and Moldova, Georgia and Ukraine. European Implementation Assessment](#). The report aims to present the progress in the implementation of the association agreements from the time covered by the previous report up to now.

This European Implementation Assessment consists of two parts:

- *Part I, in-house opening analysis, written by **Dr Anna Zygierewicz** from the Ex-Post Evaluation Unit (EVAL) of the EPRS;*
- *Part II, externally prepared briefing paper, written by **Michael Emerson** and **Dr Tinatin Akhvlediani** from the Centre for European Policy Studies (CEPS) in Brussels, Belgium.*

Part I presents the main findings and recommendations deriving from the high-level EU meetings and reports on the implementation of the EU-Georgia association agreement and on the situation in Georgia derived from selected reports. The analysis also presents the progress in the perception of the EU in Georgia and Georgia's participation in selected EU programmes and initiatives. The analysis is enriched with information on joint actions undertaken by Georgia, Moldova and Ukraine, and with comparative regional statistics on the three countries.

Part II presents the evaluation of the implementation of the association agreement in the following areas: political development (including rule of law and human rights and fundamental freedoms), justice, freedom and security, economic development (including the Deep and Comprehensive Free Trade Area and sectoral policies) and foreign and security policy. The briefing paper also presents the progress in the inter-institutional proceedings. Finally, the paper provides recommendations to the Georgian government and the European Union concerning the steps that need to be taken to improve the implementation of the association agreement.

### Acknowledgements

- The in-house opening analysis was peer-reviewed internally by colleagues from the Policy Department for External Relations (DG EXPO) and from DG EPRS within the European Parliament.
- The author would like to thank all contributors for all their valuable feedback and recommendations.
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## Table of frequently used abbreviations and acronyms

(EU) AA	(EU) association agreement
Commission	European Commission
CSDP	EU Common Security and Defence Policy
CSP	Civil society platform
DSCA	The European Parliament's Delegation for relations with the South Caucasus
DCFTA	Deep and Comprehensive Free Trade Area
DG	Directorate-General
EEAS	European External Action Service
EaP	Eastern Partnership
ENP	European neighbourhood policy
EP	European Parliament
EU	European Union
EUR	EU euro (currency)
GDP	Gross domestic product
GEL	Georgian lari (currency) (1 GEL ~ €0.33 )
HE	Higher education
HEI	Higher education institution
HR/VP	High Representative of the Union for Foreign Affairs and Security Policy
ICM	International Credit Mobility
IMF	International Monetary Fund
JMD	Jean Monnet Dialogue for Peace and Democracy
MFA	Macro-financial assistance
Moldova	Republic of Moldova
NDI	National Democracy Institute
Q(2019)	Annual quarter (2019)
PAC	Parliamentary Association Committee
Parliament	European Parliament
SME	Small and medium-sized enterprise
TAIEX	Technical Assistance and Information Exchange instrument
TEU	Treaty on European Union
US\$	US dollars (currency)
WHO	World Health Organization

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## PART I. IN-HOUSE OPENING ANALYSIS

### 1. Introduction

*You are a small country, but a great nation. You have achieved impossible things, because you were, despite all the differences, united around a common goal, that was a free, independent and modern state.*

Donald Tusk, former president of the European Council, during his [visit](#) to Georgia in July 2019.

Figure 1 – Map of Georgia



Source: [United Nations](#)

Georgia is [located](#) at the eastern end of the Black Sea on the southern flanks of the main crest of the Greater Caucasus Mountains.

Shortly after the collapse of the Soviet Union, of which it had been a part, Georgia declared independence in 1991. In 2018, Georgia had a population of 3.7 million (a decline from 4.4 million in 2008), and its capital is Tbilisi.

Overall, Georgians have a positive (50 % in 2019) or neutral (45 %) attitude to the EU, according to the latest EU surveys. An NDI survey reveals that 68 % of Georgians would say 'yes' to EU membership if the referendum were organised the next day, 14 % would vote against, 7 % would not vote and 9 % do not know how they would vote. The observers [underlined](#) that 'EU and NATO membership are Georgia's key foreign policy priorities'.

Georgia, together with Moldova and Ukraine in their joint statement on the future of the Eastern Partnership, clearly expressed its 'striving to gain the prospect of the EU membership and they will consider applying for the EU membership in accordance with the article 49 of the Treaty on European Union'.

According to [data](#) produced by the Georgian Statistics Office, Georgia's economy is growing. GDP real growth was 3 % in 2015 and 4.8 % in 2018, and increased to 5.8 % in the third quarter of 2019; GDP per

capita growth was US\$4012.6 in 2015, and increased to US\$4722.0 in 2018. According to the International Monetary Fund (IMF) report on Georgia, 'Georgia's economic performance remains robust with resilient growth, inflation under control, and reduced external vulnerabilities'.<sup>1</sup>

Georgia continues to implement the AA/DCFTA within the time limits agreed with the EU, and with 'extensive commitments in the areas of democracy, human rights and the rule of law', according to the 2019 association implementation report on Georgia by the European Commission and the High Representative of the Union for Foreign Affairs and Security Policy (HR/VP). The report highlights that visa liberalisation has allowed Georgian holders of bio-metric passports to visit Schengen, and Schengen-associated, countries, and 'almost 900 000 visits have been made by Georgian citizens since its entry into force' in March 2017.

According to the 2020 association implementation report on Georgia by the Commission and the HR/VP, 'in the first ten months of 2019, trade turnover between the EU and Georgia amounted to €1.3 billion, down by 4% compared for the same period in 2018. EU exports to Georgia remained stable at €1.7 billion (0.7% lower than in the first ten months of 2018) and EU imports from Georgia fell by 15 % to €475 million'.

Furthermore, Georgia takes an active part in various EU programmes and initiatives, including in the areas of transport, business and education.

Nevertheless, the country is still facing certain obstacles, such as 'the acute polarisation of the political and media landscapes, and (...) the sentencing of several key opposition figures', as pointed out by the Chair of the European Parliament's Delegation for relations with the South Caucasus (DSCA), Marina Kaljurand (S&D, Estonia), and 'an increase of unfounded asylum requests in a number of EU Member States', as underlined by the Commission and the HR/VP in their 2020 report. As for the latter, according to Eurostat [data](#), between Q3 2018 and Q3 2019 alone, there were 21 390 first-time asylum applicants from Georgia in the EU countries, with their main [destinations](#) in Q3 2019 being France, Germany, Greece, Cyprus and Spain.

Georgia's upcoming parliamentary elections will be one more test for democracy and the rule of law in the country. The [political dialogue](#) that took place on 8 March 2020 and led to the signing of a memorandum of understanding on the constitutional amendments related to the electoral system and a joint statement on the need for a free, fair, and transparent electoral process, showed how important the upcoming elections are for Georgia.

Democratic elections would also be an important positive signal for Georgians as, according to the December 2019 NDI [poll](#), 59 % do not believe that there is democracy in their country at present, which marks an increase from 46 % in 2018. Georgians' trust in their institutions and leaders is also declining. In 2019, 64 % of respondents negatively evaluated the effectiveness of the Georgian government, compared to 49 % in 2018.

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<sup>1</sup> The IMF report on the state of Georgia's economy was prepared before the World Health Organization (WHO) declared the [Coronavirus](#) pandemic and before the latter's negative effects of on the world economy.

## 2. Georgia in selected comparative regional statistics

Table 1 – Selected data on Georgia, Moldova and Ukraine

	Georgia	Moldova	Ukraine
Flag			
Capital	Tbilisi	Chisinau	Kyiv
Area (sq. km, rounded)	69 700	33 800	603 000 <sup>3)</sup>
<a href="#">Population:</a>			
1/1/2018 (millions)	3.7	3.5	42.2
1/1/2008 (millions)	4.4	3.6	46.2
<a href="#">GDP growth, 2018 (%)</a>	4.8	3.4	3.3
GDP in current prices:			
– € billion ( <a href="#">2017</a> )	13.4	8.5	99.4*
– €/per capita ( <a href="#">2017</a> )	3 603	2 391	2 340*
<a href="#">Gini coefficient, 2017 (estimate)</a>	41.7	30.8	23.2
<a href="#">Employment rate, ages 15-64, 2017</a>	61.2	44.9	60.3*
<a href="#">Tertiary education attainment, 2017</a>	44.6	37.1	63.0*
<a href="#">Households that have internet at home</a>	71	51	60*
<a href="#">Unemployment rate, 2017 (%):</a>			
– general, ages 15-74	13.9	4.1	9.5
– youth, ages 15-24	28.9	11.8	18.9
<a href="#">Doing business 2019</a> (rank of 190)	6	47	71
<a href="#">Democracy Index 2018</a> (rank of 167)	89	79	84
<a href="#">Democracy Index 2019</a> (rank of 167)	89	83	78
<a href="#">Democracy level 2018</a> (1 – most democratic and 7 – least democratic)	4.68	4.93	4.64
<a href="#">Corruption perception 2018</a> (rank of 180)	41	117	120
<a href="#">Corruption perception 2019</a> (rank of 180)	44	120	126
<a href="#">Global Gender Gap Index 2017</a> (rank of 144)	94	30	61
<a href="#">Global Gender Gap Index 2020</a> (rank of 144)	74	23	59
<a href="#">World Press Freedom Index 2018</a> (rank of 180)	61	81	101
<a href="#">World Press Freedom Index 2019</a> (rank of 180)	60	91	102

Source: EPRS, based on a 2018 EPRS European implementation assessment by A. Zygierewicz, [Association agreements between the EU and Moldova, Georgia and Ukraine](#), and other sources (links to the sources provided in the table).

\* Excluding the territories that are not under the effective control of the Ukrainian government and the illegally annexed Autonomous Republic of Crimea and the City of Sevastopol.

### 3. Monitoring and evaluation of the implementation of the EU-Georgia association agreement

Table 2 – Association agreement between the EU and Georgia

Title	Association agreement between the European Union and the European Atomic Energy Community and their Member States, of the one part, and Georgia, of the other part
Signing	27 June 2014
Publication in the EU Official Journal	<a href="#">OJ L 261 of 30.8.2014</a>
Provisional application (since)	1 September 2014
Entry into force	1 July 2016

Source: EPRS, based on A. Zygierewicz (ibid.)

#### 3.1. Introduction to monitoring and evaluation

The EU monitors and evaluates the application and implementation of the EU-Georgia association agreement (AA) in accordance with the provisions of the AA. The institutional framework chapters of the AA specify the establishment and functioning of four bodies: an association council, an association committee, a parliamentary association committee and a civil-society platform:<sup>2</sup>

- *The association council's main role is to supervise and monitor the application and implementation of the AA and to periodically review the functioning of the AA in light of its objectives. The association council meets at the ministerial level at least once a year. Additionally, the association council examines any major issues arising within the framework of the AA and any other bilateral or international issues of mutual interest.*
- *The association committee's role is to assist the association council in the performance of its duties. In principle, it should be composed of senior civil servants from the EU and Georgia.*
- *The parliamentary association committee (PAC) consists of representatives of the European Parliament and the Georgian parliament. The PAC is a forum for the members of the two parliaments to meet and to exchange views. The PAC establishes its own rules of procedure, according to which it shall be convened twice a year, alternatively at the European Parliament's and at the Georgian parliament's premises.*
- *The civil-society platform (CSP) has been established to promote regular meetings of representatives of the civil societies from both sides of the AA. The CSP consists of civil-society representatives from the EU, including members of the European Economic and Social Committee and representatives of the Georgian civil society. The CSP establishes its own rules of procedure.<sup>3</sup>*

The findings of the EU as a result of monitoring and evaluating the application and implementation of the AA are also reflected a) in the EU Foreign Affairs Council conclusions on EU cooperation with Georgia and Ukraine; and b) in association implementation reports jointly prepared by the Commission and the HR/VP.

<sup>2</sup> Articles 403-413 of the EU-Georgia AA.

<sup>3</sup> Furthermore, the CSP is informed of the decisions and recommendations of the association council and may make recommendations to it. The association committee and the PAC organise regular contact with representatives of the CSP 'in order to obtain their views on the attainment of the objectives of this AA'.



The latest assessments prepared by the above-mentioned bodies (except the association committees) with regard to Georgia are presented below in chronological order (starting from the latest).<sup>4</sup>

## 3.2. Implementation of the EU-Georgia association agreement according to the latest EU reports and expert analyses

The 5th meeting of the [Association Council](#) to review the state of EU-Georgia bilateral relations was held in March 2019. The Association Council took note of the progress in the implementation of the AA/DCFTA and 'acknowledged Georgia's European aspirations, its European choice and the common objective to continue building a democratic, stable and prosperous country'.

The Association Council also took note 'of Georgia's "Roadmap 2EU" aimed at enhancing Georgia's integration with the EU' and 'welcomed the successful implementation of the first European School in Tbilisi as a crucial milestone in the EU's relations with its Eastern partner countries and Georgia's commitment to education reforms'.

The Association Council also welcomed the 'overall competitive environment' of the presidential election. The OSCE/ODIHR-led International Election Observation Mission, in which Members of the European Parliament took part, found that the presidential election held in October-November 2018 was overall competitive and well run, and that candidates were able to campaign freely and voters had a genuine choice. Yet, they also found 'that the process had been undermined by the undue advantage enjoyed by one side, by the negative character of the campaign by both sides and by the partiality of the public broadcaster'.

The Association Council welcomed 'the progress made by Georgia in the implementation of comprehensive reforms in the rule of law', but at the same time 'encouraged Georgia to move ahead with the 4th wave of judiciary reform and to continue strengthening its judicial institutions by upholding, inter alia, transparency and meritocracy in the appointment of judges'.

The Association Council also welcomed Georgia's efforts 'to address violations of the visa-free travel requirement and encouraged Georgia to continue its commitment to counter the increased numbers of unfounded asylum seekers in some Schengen countries'.

The Association Council reiterated Georgia's 'strategic role in the field of energy, transport and connectivity and increasingly as a transportation and logistics hub in the region' and its 'key role as a partner for European energy security'.

Finally, the EU 'reiterated its firm support for the sovereignty and territorial integrity of Georgia within its internationally recognised borders'.

The 2020 [Association implementation report](#) (SWD(2020) 30), published in February 2020, also stressed that 'the EU regards Georgia as a key partner in the region and continues fully to support its sovereignty and territorial integrity within its internationally recognised borders'.

The report underlines, among other things, that 'a visa-free regime is in place for Georgian citizens to visit Schengen and Schengen-associated countries and almost 900.000 visits have been made by Georgian citizens since its entry into force'. Yet, at the same time, 'the number of asylum requests made by Georgians in EU/Schengen countries remained high in 2019, exceeding the overall number of asylum requests in 2018 and 2017, ranking Georgian nationals amongst the top nationalities requesting international protection in the EU'. Nevertheless, the report acknowledges that Georgia 'has continued to proactively address the

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<sup>4</sup> Based on A. Zygierewicz (ibid.).

challenge of increased unfounded asylum applications', even if these efforts have not yet yielded tangible results.

In relation to civil society organisations, the report stresses that 'civil society remained very active in holding public institutions accountable and monitoring the implementation of the AA, including the Deep and Comprehensive Free Trade Agreement (DCFTA). Tensions persisted between certain civil society organisations (CSOs) and state institutions. The use of force against demonstrators in June 2019 is under investigation'.

The 2019 [Association implementation report](#) (SWD(2019) 16), published in January 2019, underlined that the EU and Georgia had further intensified their relations and 'overall, the implementation of the AA/DCFTA continued within agreed timelines'. The report also underlined that 'Georgia actively contributes to the implementation of the revised European Neighbourhood Policy and its regional dimension, the Eastern Partnership (EaP)'. Furthermore, 'collaboration with International Financial Institutions (IFIs) active in Georgia allows for a better support to the reform processes driven by the Government of Georgia'. The report also pointed out the importance of the EU as a trade partner for Georgia and Georgia as 'an important partner for the EU as regards security, the fight against terrorism and transnational organised crime'.

The 3rd [EU-Georgia Strategic Security Dialogue](#) took place in October 2019 (meetings of this forum are held once a year with the aim to discuss issues in the field of foreign and security policy, including CSDP). The participants discussed the situation in the Georgian territories of Abkhazia and Tskhinvali Region/South Ossetia, as well as hybrid threats and energy security. The EU side also informed Georgia about its upcoming security-related assistance (see also the information on the latest Security Council meeting (see chapter 4).

At the same time, the report stresses that 'Georgia has made modest progress in reforming the justice sector and important challenges still remain to consolidate the progress achieved and safeguard the rule of law. Concerns have been raised by civil society on potential political interference on the judiciary and on media pluralism. Effective implementation of human rights and anti-discrimination legislation continues to be a challenge'.

In May 2019, the European Commission published the [EU Annual Report on Human Rights in the World 2018](#) together with the [country updates](#). The document underlined that overall, the human rights situation in Georgia is positive and that Georgia 'continued implementing the AA including its extensive commitments in the areas of democracy, human rights and the rule of law in 2018'. While there is respect for human rights and fundamental freedoms in Georgia, improvements are needed 'especially in the areas of election administration, independence of the judiciary and media, LGTBI rights, and labour rights'. The report also points out that 'there is still no development regarding the investigation on the case of the abduction of an Azerbaijani citizen on Georgian territory in 2017', referring to investigative journalist Afgan Mukhtarli.

The 9th meeting of the EU-Georgia PAC took place on 13 February 2020 in Strasbourg. Contrary to all previous PAC meetings, this one concluded without the adoption of a final statement and recommendations. Instead, the [DSCA](#) Chair, Marina Kaljurand (S&D, Estonia), issued a [statement](#) on the outcome of the meeting. This unprecedented situation can be explained by several circumstances: Georgia's recent backsliding with regard to the rule of law; the outcry caused by the violent police crackdown on peaceful street protesters in June and November 2019; and the Georgian parliament's failure to pass the promised constitutional amendments that would implement the transition to a fully proportional system in the run-up to the 2020 parliamentary elections. Furthermore, recent high-profile cases (e.g., that of [Gigi Ugulava](#)) have raised doubts as to the independence of the judiciary and suspicions about possible political interference in the judicial system.

At the sixth EU-Georgia CSP [meeting](#), held on 26 February 2020, participants assessed the implementation of the EU-Georgia AA and discussed the constitutional reforms in Georgia and the findings of the report on occupational safety and health at the workplace in Georgia ([programme](#)).

The [joint declaration](#), issued after the meeting, welcomed the 'overall positive' 2020 association implementation report and Georgia's ongoing commitment to greater economic and political association with the EU. Nevertheless, the joint declaration pointed out to the need to address a number of challenges, 'in particular, in the area of the judiciary, respect for human rights and media pluralism'.

The joint declaration also called on the EU and its Member States 'to recognise Georgia's European perspective, in accordance with Article 49 of the Treaty on European Union, as stipulated in the European Parliament Resolution of 18 December 2014 on the Association Agreement (AA) between the EU and Georgia'.

In September 2019, the EU-Georgia CSP published a report on [10 years of Eastern Partnership from Georgian perspective - EU side](#), in which the CSP stressed not least the need to develop 'the "more for more" conditionality principle' and to provide 'a reasonable European perspective (...) for countries that make significant progress, such as Georgia'. It was also stressed that 'more effective methods to counter anti-European propaganda need to be developed'. At the same time, the report on [10 years of Eastern Partnership from Georgian perspective - GE side](#), stressed that 'in general Georgia's [sic] is considered as a most active reformer among Eastern partnership states and undoubtedly is recognized as a country with high EU aspirations'.

In its recommendations for cooperation with Georgia, the report stressed that: 'Georgia has made substantial progress towards democracy and the rule of law. Nevertheless, there is still a high level of nepotism and corruption'. The report also pointed out that a 'reform of the justice system, independence and pluralism of the media, public administration reform, development of independent anti-corruption bodies, gender equality and non-discrimination, and transparency in economic and political matters must remain central to the institutional transformation'. It also underlined the need to enhance 'cooperation in the field of security and technical assistance for Georgia's peaceful cooperation with the separatist regions.

The report also stressed that:

*It is important to get rid of the ambiguous definition of the political objective of the association between Georgia and the EU. Open talks are needed on this matter, as is a declaration that the association is a transition phase for full membership. A clear European perspective and a calendar of activities are an important factor in strengthening the implementation of the Association Agreement.*

In early 2020, the Commission launched an evaluation of the EU-Georgia and the EU-Moldova DCFTAs, which is planned to be published in the second quarter of 2021. According to the [roadmap](#), the evaluation will aim to assess 'the impact of the implementation of the DCFTAs with Georgia and Moldova five years after their initial provisional application' and should, among others, 'feed into any future discussions with Moldova and Georgia regarding possible upgrade of the DCFTAs'. The second informal ministerial meeting on trade took place in May 2019. The results of public consultations should be available in Q4 2020, while the full report in Q2 2021.

According to Commission [data](#), the EU is Georgia's main trade partner. In 2017, trade with the EU constituted 27 % of Georgia's overall trade, followed by trade with Turkey (13.6 %) and Russia (11 %). In 2018, EU exports to Georgia amounted to €2.1 billion and imports from Georgia to €653 million. Key EU exports included mineral products, machinery and appliances and chemical products, while the EU imported mainly mineral products, agricultural products, base metals and chemical products.

The latest meeting of the EU-Georgia association committee in its trade configuration took place in December 2019 in Tbilisi. The committee discussed the implementation of the different chapters of the DCFTA. The meeting ended with an adoption of a [joint report](#), which, among others concluded that the

DCFTA did not need to be reviewed for tariff rate quotas and the anti-circumvention mechanism. Furthermore, the joint report voiced the EU's approval of the draft amendments introduced to the Georgian Competition Law as well as the country's new draft postal law. The parties also discussed the possibilities to increase and diversify Georgian exports to the EU.

A 2019 analysis prepared by the Open Society Georgia Foundation (OSGF), [The Eastern Partnership: What's next for Georgia?](#), pointed out that 'EU and NATO membership are Georgia's key foreign policy priorities' and that these priorities are 'broadly supported by the general public', as '77% of the country's population approves the government's stated goal to join the European Union, while 74% support Georgia's membership in the North Atlantic Treaty Organization (NATO)'.

The analysis also underlined the benefits of the EU-Georgia AA, among which the role of the association agreement and visa liberalisation as 'the main driving force for reforms, regulation, and standard-setting' in Georgia. The analysis also noted the increase in bilateral trade and the beneficial effect that cooperation with EU higher education (HE) institutions has had on the Georgian ones. Among the challenges, the analysis mentioned 'longstanding barriers impeding further integration' such as 'problems related to the rule of law, the lack of an independent judiciary, high-level corruption and social hardship'.

As for the Eastern Partnership, the analysis pointed out that:

*Overall, the Eastern Partnership program has reached a point at which it is not as effective as Georgia, Ukraine and Moldova wish. It urgently requires deep and comprehensive reform, internal diversification and a tailor-made approach to respond to the ambitions of EaP front-runner countries. Otherwise, there is a risk that the EaP countries could lose their enthusiasm and the EU's ability to promote the democratisation process within the Eastern Neighbourhood may weaken.*

### 3.3. Macro-financial assistance

In December 2019, the Commission published the [ex-post evaluation](#) of the macro-financial assistance (MFA) operation in Georgia. The evaluation consisted of a Commission internal report and an external [evaluation](#) from April 2019, prepared for the Directorate-General for Economic and Financial Affairs (DG ECFIN). The report evaluates the implementation of the MFA-II, worth €46 million, provided to Georgia in 2015-2017.

Not least, the internal report found that 'the MFA-II was relevant in terms of its objectives, financial envelope and structural conditions' and was 'implemented efficiently, and in close coordination with the Georgian's authorities, the IMF and the World Bank'. Furthermore, 'the areas of MFA policy conditionality covered the most relevant reform challenges in Georgia and were relevant for the macroeconomic stabilisation. The structural effects of the operation largely materialised as planned, as Georgia implemented all relevant policy conditions ...'. The report also pointed out that 'the areas of MFA policy conditionality covered the most relevant reform challenges in Georgia and were relevant for the macroeconomic stabilisation'. What is more, the MFA-II also had 'an overall positive social impact'.

The external report underlined that:

*The EU's second MFA has enabled Georgia to progress with its ambitious structural reform agenda in a period when regional developments put significant pressure on the economy concomitant with the inherent risk of a loss of commitment and the stagnation of reforms. By supporting the structural reforms and providing financing, the operation –together with the ongoing IMF programmes –helped to restore market confidence and thus decreased substantially the debt financing costs the country was facing. The operation thus helped to alleviate external and budgetary financing pressure and improved Georgia's external and public debt trajectory.*

Furthermore, the report found:

*The MFA operation as relevant in terms of its objectives, conditionality and coherent with other EU instruments and international supports. While the conditions have contributed to a significant progress in the area of Public Financial Management and banking regulation, progress has been uneven in the areas of the health care, as well as the trade and competition policy.*

## 4. Situation in Georgia according to selected reports

[Democracy Index 2018: Me too?](#), prepared by the Economist Intelligence Unit (EIU), classified Georgia, as well as Moldova and Ukraine, as 'hybrid regimes'. The report pinpointed that:

*Moldova and Georgia experienced a fall in score in 2018. Georgia's fall (5.50, down from 5.93 in 2017) was the steepest in the entire region. Georgia's billionaire former prime minister, Bidzina Ivanishvili, returned to politics in May, resumed leadership of the ruling party, Georgian Dream-Democratic Georgia, and, despite not holding elected office, redirected government policy. The prime minister, Giorgi Kvirikashvili, resigned in June, citing his disagreements with Mr Ivanishvili, rather than widespread popular discontent with the government, as the key factor in his decision. Under Mr Ivanishvili's influence, the government also intervened in the second-round presidential election, offering a debt write-off to 600,000 citizens two weeks after election day.*

The EIU's [Democracy Index 2019. A year of democratic setbacks and popular protest](#) still classified Georgia, Moldova and Ukraine as 'hybrid regimes'.<sup>5</sup> The level of democracy had decreased in 2019 as compared to 2018 (from 5.42 in 2019 to 5.5 in 2018, on a 0-10 scale with 10 being the highest level). However, looking at this trend from a longer perspective, one sees that there is a slow rise (with several slight hikes in between), as in 2008 the level was 4.9. No further substantial comments on the situation in Georgia were made in the 2019 EIU report.

On 8 August 2019, the [Security Council](#) held an 'any other business' meeting on the situation in Georgia, initiated by the EU members of the Council to mark the 11-year anniversary of the outbreak of conflict in Georgia. The US and the EU members of the Council, including incoming member Estonia, 'regretted the lack of progress in implementing the existing agreements while also reiterating their support for the sovereignty and territorial integrity of Georgia. Furthermore, they emphasised that Russia's recognition of South Ossetia and Abkhazia demonstrates a lack of respect for the rules-based international order and contributes to destabilisation of the region'.

The [World Press Freedom Report 2019](#), prepared by Reporters Without Borders, ranked Georgia 60th out of 180 countries worldwide, up one place from 2018. The report notes that since 2013, when Georgia ranked 100th, it has seen a stable, gradual rise in the ranking. The report also provides a brief analysis of the situation in Georgia:

*Georgia's media landscape is pluralist but still very polarised. The reforms of recent years have brought improvements in media ownership transparency and satellite TV pluralism, but owners often still call the shots on editorial content. The outcome of the continuing dispute over ownership of the main national opposition TV channel, Rustavi 2, will therefore have a big impact. Violence against journalists is less frequent although threats are often reported. The investigation into Azerbaijani dissident journalist Afgan Mukhtarly's abduction in Tbilisi in 2017 has yet to produce any convincing results. Mukhtarly's mysterious abduction and subsequent reappearance in police custody in Azerbaijan were shocking for Georgians, who have traditionally offered a refuge to dissidents from neighbouring countries.*

Transparency International's [Corruption Perception Index 2019](#) ranked Georgia 44th out of 180 countries worldwide, with a score of 56 (on a scale of 0-100, with 0 being 'highly corrupt' and 100 'very clean'). Georgia's score is the highest for eastern Europe and central Asia, and is far above the regional average of 35.

<sup>5</sup> In its [Democracy Index 2019](#), the EIU describes hybrid regimes as having the following traits: 'Elections have substantial irregularities that often prevent them from being both free and fair. Government pressure on opposition parties and candidates may be common. Serious weaknesses are more prevalent than in flawed democracies—in political culture, functioning of government and political participation. Corruption tends to be widespread and the rule of law is weak. Civil society is weak. Typically, there is harassment of and pressure on journalists, and the judiciary is not independent'.



The World Bank Group's [Doing business 2019. Training for Reform](#) underlined that for starting a business, New Zealand and Georgia have the lowest number of procedures required. The report also pointed out that:

- *Georgia made starting a business easier by allowing voluntary value added tax registration at the time of business incorporation.*
- *Georgia made paying taxes easier by levying income tax on distributed profits rather than on taxable profits. At the same time, Georgia made paying taxes more difficult by requiring value added tax to be imposed on advance payments for goods and services.*
- *Georgia made enforcing contracts easier by introducing random and automatic assignment of cases to judges throughout the courts.*

The IMF's June 2019 [Executive Board Fourth Review](#) highlighted that:

- *Georgia's economic performance remains robust with resilient growth, inflation under control, and reduced external vulnerabilities. Although the outlook is favourable, the authorities need to be prepared to address any negative spillovers from external developments and persevere with structural reforms to promote higher and more inclusive growth.*
- *Continued implementation of the authorities' reform agenda remains vital to ensure that growth is sustainable and inclusive. The authorities are advancing education reform to reduce skills mismatches in the labour force.*
- *A comprehensive education reform needs to boost education quality and reduce skills mismatches in the labour force. A new insolvency law, together with making the pension agency fully operational and reforms to promote a transparent and independent judiciary, would help mobilise investment. The authorities' energy market reforms could improve market competition and energy efficiency.*

The World Bank, in a 2019 [analysis](#) of its activities in Georgia pointed that over the past decade, and despite numerous shocks, 'Georgia's economy has grown robustly at an average annual rate of 4.5 percent'. Furthermore, 'poverty declined from 32.5 percent in 2006 to 16.3 percent in 2017', although 'inequality remains high by regional standards'. The analysis also underlined that 'deep reforms in economic management and governance have earned Georgia a reputation of "star reformer"'. The analysts predicted that Georgia's DCFTA with the EU and Free Trade Agreement with China would 'boost [its] trade integration', and that 'energy, tourism, and agribusiness can potentially help to integrate the country further into the regional and global economies'.

## 5. European Parliament resolutions

In its 14 June 2018 [resolution](#) on Georgian occupied territories 10 years after the Russian invasion ([2018/2741\(RSP\)](#)), the European Parliament among other things reaffirmed 'its unequivocal support for the sovereignty and territorial integrity of Georgia ...'. The Parliament demanded that 'the Russian Federation reverse its decision to recognise the so-called independence of the Georgian territories of Abkhazia and Tskhinvali Region/South Ossetia' and at the same time condemned 'the decision by Venezuela, Nicaragua, Syria and Nauru to recognise Abkhazia and South Ossetia' and called for the withdrawal of this recognition. The Parliament also stressed 'the need for the Russian Federation to unconditionally fulfil all the provisions of the ceasefire agreement of 12 August 2008, in particular the commitment to withdrawing all its military forces from the territory of Georgia'.

On 14 November 2018, the Parliament adopted a [resolution](#) on the implementation of the EU Association Agreement with Georgia ([2017/2282\(INI\)](#)), in which it pointed out that it 'warmly welcomes the sustained reform track and progress made in implementing the AA and the DCFTA, which has positioned Georgia as a key partner of the EU in the region ...' and 'called on the Georgian authorities to continue ensuring stability, further democratic reforms and economic and social improvements for Georgians, who are affected by poverty, unemployment and a high level of economic emigration ...'. The resolution welcomed the effective implementation of the visa-free regime ..., but encouraged 'regular monitoring thereof in order to ensure continued compliance'. The resolution encouraged the Commission to provide Georgia with EU assistance that is proportionate to Georgia's absorption capacity and reform efforts. The resolution congratulated Georgia for implementing the anti-corruption strategy and action plan, but stressed that the fight against corruption must go hand in hand with the independence of the judiciary, and that the high-level corruption cases need to be investigated. The Parliament called 'for all necessary measures to be taken to strengthen the judicial system in order to guarantee the full independence of the judiciary and the Prosecutor's Office' as well as 'on the Georgian authorities to take further steps to uphold fundamental freedoms and human rights'.

On 3 March 2019, the Commission submitted its response to the Parliament's resolution of 14 November 2018 ([SP\(2019\)43](#)). The Commission stressed that the resolution 'is in line with the Commission's Association Implementation Report on Georgia of 10 November 2017 and the Commission's assessment since then'. The Commission declared that it would consider linking EU assistance to the reform efforts when defining future yearly bilateral allocations. The Commission was also aware 'that timely and successful fulfilment of Georgia's commitments under the AA/DCFTA requires significant efforts from national authorities in terms of efficiency, accountability and capacity'. The Commission further declared that it would 'continue to provide technical and financial support through bilateral funding, Twinning and TAIEX ... missions and use ex-ante consultation mechanisms for regulatory approximation with the EU acquis as set in the AA'.

On 12 March 2019, the European Parliament adopted a [resolution](#) on the state of EU-Russia political relations ([2018/2158\(INI\)](#)), in which it underlined, among other things, that Russia's '... continuous violation of the territorial integrity of Georgia and Moldova constitutes a deliberate violation of international law, democratic principles and fundamental values'. The resolution furthermore stated that the Parliament 'strongly condemns human rights violations carried out by Russian representatives on the occupied territories'. The Parliament also reaffirmed 'its unequivocal support for the sovereignty and territorial integrity of Georgia' and demanded 'that the Russian Federation cease its occupation of the Georgian territories of Abkhazia and Tskhinvali Region/South Ossetia and fully respect the sovereignty and territorial integrity of Georgia'.



## 6. Eastern Partnership and 20 Deliverables for 2020

### 6.1. Basic information

In 2008, Poland and Sweden, together with some other EU Member States, put forward the concept of a special partnership with six countries: Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine.

During the Prague Summit of May 2009, the concept was translated into a joint initiative of the EU and its Member States – the Eastern Partnership (EaP) – one of the specific dimensions of the European neighbourhood policy (ENP). The initiative was launched with the aim to deepen and strengthen cooperation between the EU and the above-mentioned six countries.

The EaP is based on a [two-track approach](#): bilateral and multilateral. The bilateral track aims to strengthen cooperation between the EU and each of the partner countries. The multilateral track provides a framework for cooperation and exchange of best practices. The approach covers four main priority areas of the EaP:

- strengthening institutions and good governance;
- economic development and market opportunities;
- connectivity, energy efficiency, environment and climate change;
- mobility and people-to-people contacts.

### 6.2. Future of the Eastern Partnership beyond 2020

Ten years after launching the Eastern Partnership and ahead of its summit planned for 18 June 2020 in Brussels, the EU institutions have presented their visions and recommendations for the future of this initiative.

In 2019, in her [mission letter](#) to Commissioner for Neighbourhood and Enlargement, Olivér Várhegyi, European Commission President, Ursula von der Leyen, highlighted that the Commissioner's

Figure 2 – Eastern Partnership



Council of the European Union  
General Secretariat

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Source: [Eastern Partnership](#), Council of the EU, 2017.

mission is to take the EaP to the next level. A more detailed plan of actions with regard to the initiative includes:

- strengthening relations with the six countries of the Eastern Partnership;
- a new set of long-term policy objectives for the EaP by mid-2020, which will reflect, 'the political and economic choices of our partners and build on their current obligations, while fully respecting the Union's own capacities and interests';
- focus on 'the outstanding issues from the current objectives, notably on the rule of law, the fight against corruption and the role of an independent media and civil society';
- acceleration of the implementation of the AAs and DCFTAs with Ukraine, Georgia and Moldova, and looking to deepen sectoral cooperation where appropriate.

In 2019, the Parliament's Committee on Foreign Affairs (AFET) launched an own initiative report on its recommendations with regard to the Eastern Partnership to the Council, the Commission and the Vice-President of the Commission/High Representative of the Union for Foreign Affairs and Security Policy, in the run-up to the June 2020 summit ([2019/2209\(INI\)](#)).

A draft report, prepared in February 2020 by [Petras Auštrevičius](#) (Renew Europe, Lithuania), recommended not least to 'acknowledge that those countries that are undertaking comprehensive reforms and taking action to meet the criteria of Article 49 of the TEU may be eligible for EU membership, through a process of gradual integration' and 'embark on a process to create a common economic space that facilitates deeper political and economic integration with the EU'. The draft report also recommends further cooperation within sectorial policies and programmes. [Amendments](#) to the draft report were proposed in March 2020. On 18 March 2020, the Commission and the High Representative of the Union for Foreign Affairs and Security Policy published a joint communication on EaP policy beyond 2020 ([JOIN\(2020\) 7](#)) and its accompanying document SWD(2020)56 split up into parts [1](#)) and [2](#)). The communication outlines the long-term policy objectives for future cooperation and tackles questions such as how to address common challenges and how the EU will work together with the partner countries in different policy areas in the future.

The communication also stressed the different dynamics of cooperation with different partner countries:

*In terms of differentiation, the partnership has developed according to the interests, ambitions and progress of each partner. There are new, far-reaching political and economic bilateral agreements between the EU and individual partner countries. Relations with Georgia, Moldova and Ukraine are guided by association agreements and deep and comprehensive free trade areas (DCFTAs). To ensure these ambitious agreements are fully implemented, these three countries agreed to set the 'association agendas' around short- and medium-term cooperation priorities. Visa-free arrangements have been put in place between the EU and these countries, to facilitate people's movement across borders. All three countries have fully implemented readmission agreements.*

The communication also underscored the positive effects of the implementation of the EaP policy: 'the current EaP policy framework is robust and delivers tangible results for people'.

### 6.3. Eastern Partnership 20 Deliverables for 2020

In 2017, the EU and the EaP countries launched the [20 Deliverables for 2020](#) (SWD(2017) 300), aimed at delivering tangible results for citizens within four priorities agreed during the 2015 EaP Riga Summit and reflecting a number of cross-cutting issues (see box on the left). Progress in achieving them is [monitored](#) at both EU and partner-country level. According to the European External Action Service (EEAS, Georgia has made [progress](#) in achieving these deliverables. Selected achievements are presented below and in chapter 7.

## Selected achievements

### *European School in Georgia*

In September 2018, the EU launched a pilot scholarship programme of the Eastern Partnership [European School](#) in Tbilisi. It offered 30 students from six EaP countries 'a tailor-made academic programme inspired by the European school system'. The students will graduate in 2020 with an International Baccalaureate (IB) Diploma on European Studies, after completing a two-year study programme.

#### EaP 20 Deliverables in 2020

##### Cross-cutting deliverables

1. Structured engagement with civil society
2. Gender equality and non-discrimination
3. Strategic communication and plurality and independence of the media

##### Economic development and market opportunities

4. Regulatory environment and SMEs' development
5. Gaps in the access to finance and financial infrastructure
6. New job opportunities at local and regional level
7. Harmonisation of digital markets
8. Trade and DCFTA implementation

##### Strengthening institutions and good governance

9. Rule of law and anti-corruption mechanisms
10. Implementation of key judicial reforms
11. Implementation of public administration reform
12. Security

##### Connectivity, energy efficiency, environment

13. Extension of the TEN-T core networks
14. Energy supply
15. Energy efficiency, renewable energy and reduction of greenhouse gas emissions
16. Environment and adaptation to climate change

##### Mobility and people-to-people contacts

17. Visa liberalisation and mobility partnerships
18. Youth, education, skills development and culture
19. Eastern Partnership European School
20. Research and innovation

Source: [Eastern Partnership - 20 Deliverables for 2020](#), European Commission, 2017.

Inspired by the outcome of the pilot programme, in September 2019 the EU and the Georgian government opened the new European School at the Lisi Lake in Tbilisi. The school is expected to open its doors in 2023. It will be the first EU school established outside the EU.

The opening of the European School is one of the 20 deliverables for 2020. Based on the Commission's 2019 [implementing decision](#) on the EaP annual action programme, the EU will support the initiative with €6.4 million. The number of students is planned to increase yearly as new grade classes are enrolled; furthermore, students will be offered to obtain a national diploma or an IB diploma, both in European studies. The [school](#) also constitutes part of the wider €340 million support package for youth, aimed at strengthening support for youth and education in the region.

### *Visa liberalisation*

Since 28 March 2017, Georgians who hold biometric passports may travel to the Schengen area without a visa for short stays of up to 90 days in any 180-day period. According to data held by the Georgian authorities, Georgians have since paid more than 900 000 visa-free visits to the EU.

### *Agriculture*

Georgia has been modernising its agriculture through the European Neighbourhood Programme for Agriculture and Rural Development ([ENPARD](#)). The result, according to the EEAS, includes 'supporting the roll out the agriculture cooperative model and providing 1,600 cooperatives with financial and technical support' as well as support in establishing, '59 information and consultation centres around the country, which have trained over 250,000 farmers to date'.

More examples of the progress toward achieving the deliverables, such as the European School in Tbilisi and Georgia's participation in selected EU programmes and initiatives, are given in chapter 7.

## 7. Georgia's participation in selected EU programmes and initiatives

Georgia's active participation in several EU programmes and initiatives boosts its progress towards achieving the 20 Deliverables for 2020. The EU financial and technical assistance to Georgia amounted to €134 million (committed) in 2018 and €127 million (committed) in 2019.

Georgians' perceptions of the EU programmes operating in their country are quite favourable: according to the 2019 EU annual [survey](#), around 74 % of respondents knew that the EU provides financial support to Georgia and 62 % considered this support effective. The most well-known EU programmes were those related to 'education' (41 %), followed by 'infrastructure development' (40 %) and 'health and medicine' (38 %). Slightly less known were the 'agricultural and rural development programmes' (25 %) and 'economic reforms/business promotion programmes' (21 %). The respondents were not very aware of the EU financial support to 'culture' (10 %), 'justice and policy reforms' (8 %) and 'energy efficiency' (2 %).

### 7.1. EU4Business

[EU4Business](#) is an umbrella initiative covering programmes that are co-funded by the EU and implemented by partner organisations with the aim of supporting small and medium-sized enterprises (SMEs) in six EaP partner countries.

According to the OECD report [Monitoring Georgia's SME Development Strategy 2016-2020](#), '99.7 % of all firms in Georgia in 2017 were SMEs, accounting for 62 % of total employment and 56 % of total business sector turnover; in 2016, SMEs generated 59 % of gross value added'.

The 2019 EU4Business regional [report](#) underlined that, both in 2017 and 2018, Georgia 'remained the leader in terms of the number of ongoing EU4Business projects'. As of June 2019, there were 23 ongoing projects with a total of €98.3 million of EU contributions, and six other projects had already been completed.

The projects implemented in Georgia provide 'improved access to finance and new markets, specific DCFTA adaptation support, training, advisory and consultancy services for SMEs, targeted support for women in business and the development of clusters in specific sectors, as well as support for BSOs and civil society in support of DCFTA objectives'. Among the ongoing projects, 11 are aimed at improving access to finance, 7 at improving the knowledge base and skills, 3 at strengthening the regulatory and policy framework, and 2 at improving access to markets.

There are also a number of ongoing programmes in Georgia, the biggest ones being the EBRD Credit Line – Phase I,<sup>6</sup> with €16.8 million allocated in the country, and the new EU Local Currency Partnership Initiative: the European Fund for Southeast Europe (EFSE), with €13.72 million in EU contributions.

### 7.2. EU4Energy Initiative

The [EU4Energy Initiative](#) 'aims to improve the quality of energy data and statistics, shape regional policy-making discussions, strengthen legislative and regulatory frameworks and improve access to information

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<sup>6</sup> According to the 2019 EU4Business regional [report](#), 'EBRD DCFTA Programme (EU4Business-EBRD Credit Line Phase I and II) combining EBRD credit lines with EU-funded incentive payments and blended risk mitigation (Phase I), and local currency interest rate subsidies, technical assistance and policy dialogue (Phase II) combining EBRD credit lines with EU-funded incentive payments and blended risk mitigation (Phase I), and local currency interest rate subsidies, technical assistance and policy dialogue (Phase II)'.

in the partner countries'. The EU4Energy programme for the 2016-2020 period, with a budget of €21 million (of which €20 million in EU funding), is a key component of the initiative.

Table 3 – Summary of Georgia's implementation performance in the area of energy

Summary indicators	Transposition assessment	Implementation status	Description
Electricity	No	18 %	Implementation in the electricity sector is yet to begin
Gas	No	15 %	Implementation in the gas sector is yet to begin
Oil	Partial	8 %	Implementation in the oil sector is yet to begin
Renewable Energy	No	35 %	Implementation in the renewable energy sector is still at an early stage
Energy Efficiency	Partial	30 %	Implementation in the energy efficiency sector is still at an early stage
Environment	Partial	49 %	Implementation in the environment sector is moderately advanced
Climate	Partial	20 %	Implementation in the climate sector is still at an early stage
Infrastructure	No	17 %	Implementation in the infrastructure sector is yet to begin
Statistics	Yes	93 %	Implementation in the statistics sector is almost completed

Source: [Annual Implementation Report 2018/2019](#), Energy Community Secretariat, November 2019.

The EU4Energy initiative is implemented by the EU in cooperation with three partners: a) the International Energy Agency; b) the Energy Charter Secretariat and c) the [Energy Community Secretariat](#).

The role of the Energy Community is to extend the internal energy market of the EU to its neighbouring countries. According to its [Annual Implementation Report 2018/2019](#) published in November 2019, implementation performance in Georgia is quite moderate. Implementation is almost complete in only one sector (statistics), while in several others including electricity, gas, oil and infrastructure, it is 'yet to begin' (see Table 3).

### 7.3. EaP transport panel and TEN-T indicative action plan

In September 2011, the [Eastern Partnership Transport Panel](#) was established as a framework for exchange of information and best practices between the EU and EaP partner countries as well as between the EaP partner countries themselves. The panel 'addresses reforms underpinning regulatory convergence across transport modes'. At the panel's 12th meeting held in 2017, [projects](#) connecting Georgia, Moldova and Ukraine to the trans-European transport network (TEN-T) were presented. The main project involves building a route (the E60 TEN-T highway, or the [Silk Road](#)) aimed at enhancing transit between China and France via Georgia.

Based on Commission Delegated Regulation (EU) [2019/254](#) of 9 November 2018, Annex III to Regulation (EU) No [1315/2013](#) on guidelines for the development of the trans-European transport network was amended to add EaP projects to the programme. The regulation was accompanied by a [TEN-T indicative investment action plan](#) for the EaP, co-authored by the Commission and the World Bank. The €12.8 billion plan should allow [investing](#) in a total of 4 800 kilometres of road and rail, 6 ports and 11 logistics centres up to 2030 ([maps](#)). The map with priority projects for Georgia is presented at the end of this report (see Annex B).



As envisaged under the [2020 Association implementation report on Georgia](#), the Commission published in January 2019 'an indicative trans-European transport network (TEN-T) investment action plan that identifies 18 priority projects for Georgia for a total value of €3.4 billion. The report also pointed out that implementation of the 2018 bilateral allocation (€134 million) has started'.

## 7.4. Erasmus+ programme for higher education

Georgia's participation in Erasmus+ contributes to achieving the EaP 20 deliverables for 2020, namely the one on 'youth, education, skills development and culture'.

According to Georgian statistical [data](#), there were 19 state (public) higher education institutions (HEIs) and 44 private ones in Georgia. As for the number of students:

- in public HEIs, there were 73 250 bachelor programme students, 20 595 magistracy students and 2 078 students in professional programmes, while
- in private HEIs, there were 37 808 bachelor programme students, 13 345 magistracy students and 638 students in professional programmes.

Georgia's participation in Erasmus+ is ongoing. According to data collected by the Commission and the National Erasmus+ office in Georgia:

- [Staff mobility](#): in 2015-2018, 1 514 projects were implemented, involving the mobility of almost 25 000 students, researchers and academic staff between the EU and EaP countries, out of which 23 % mobilities were organised between the EU and Georgia;
- [Erasmus Mundus scholarships](#): in 2014-2019, 110 Master students from Georgia were awarded scholarships;
- [Erasmus Mundus Joint Master Degrees \(EMJMDs\) scholarships](#): in 2014-2018, 22 institutions from EaP countries were involved in 10 of the 153 selected EMJMDs, with Georgia and Ukraine being the most active. Out of those 22 institutions, 21 took part in the 10 above-mentioned EMJMDs as associated partners and 1 took part in them as a full partner;
- [Jean Monnet \(JM\)](#): in 2015-2019, 15 Jean Monnet grants were awarded to applicants from 10 Georgian institutions (including five HEIs).

Table 4 – Erasmus+ for higher education in Georgia, 20015-2019

	Georgia
Number of Georgian HEIs involved in the Erasmus+ projects	42
International credit mobility (ICM)	7 480 persons involved in mobility, of which: 4 755 students and staff moving to Europe 2 727 students and staff moving to Georgia
Capacity-building for higher education	30 projects financed

Source: [Erasmus+ for higher education in Georgia](#), [Erasmus+ for higher education in Moldova](#), [Erasmus+ for higher education in Ukraine](#), [EU-Eastern Partnership cooperation through Erasmus+](#), data collected by the European Commission and the [National Erasmus+ Office in Georgia](#).

A report on [Erasmus+ Staff Mobility Impact and Challenges at Georgian Higher Education Institutions](#), prepared by the National Erasmus+ Office for Georgia in 2019, examined the results of five years of implementation of staff mobility in Georgia under the International Credit Mobility (ICM) programme. According to the report, all HEIs had declared that their participation in Erasmus+ had made 'a significant contribution to the internationalization of higher education and represents a potentially effective

instrument for organizational and institutional development of their institution'. However, the HEIs also pointed out the need to: better adjust mobility to the HEIs' development goals; ensure a balance between science disciplines involved in mobility; address the need for a more proactive involvement of Georgian HEIs in formulating long-term cooperation goals with their partners; and ensure better monitoring and evaluation of mobility.

### Example of a Jean Monnet project implemented in Georgia

Between 2015 and 2019, 15 Jean Monnet [projects](#) were implemented in Georgia. One of them, [Disseminating Knowledge on EU-Georgian Association Agreement among Academic Communities in Georgia](#), was implemented by the European Union Studies Association (EUSA) from 2016 to 2019 (within the Jean Monnet Support to Institutions and Associations). The project received €49 800 (79.84 % of the project's total budget) in [EU support](#), and its aim was to raise Georgian academic communities' awareness of the AA/DCFTA, 'by sharing knowledge and organising scholarly forums with the involvement of the policy-makers and stakeholders of the European integration processes.

Further examples of projects implemented in Georgia can be found on the [website](#) of the Georgian contact point for the Erasmus+ programme.

## 8. Two joint Georgia, Moldova and Ukraine initiatives

### 8.1. Joint statement by Georgia, Moldova and Ukraine on the future of the Eastern Partnership

On 5 December 2019, Georgia, Moldova and Ukraine signed a [joint statement](#) on the future of the Eastern Partnership and on deeper sectoral integration with the EU.

The three EaP countries suggested that 'it would be beneficial to apply more actively the principle of differentiation within the framework of the Eastern Partnership, based on the interests and ambitions of individual partners'.

The three countries also underlined that they 'are striving to gain the prospect of the EU membership' and that 'a next ambitious but viable target for our countries should be a gradual integration aimed at achieving full access to the EU single market, while setting future European benchmarks'. They furthermore stated that they 'believe that new horizons should be open in implementing the four freedoms between EU and three Associated Partners, which will also lay ground to the creation of a common economic space'.

Furthermore, the countries declared to be ready 'for a deeper sectoral integration with the EU in energy, trade, transport, digital economy, customs and security cooperation' and suggested 'to establish an additional format of cooperation for associate partners within the EaP'. They also called for 'further liberalisation of the EU trade with the relevant associated countries by reviewing of the DCFTA provisions'.

The three countries also declared that 'as the European States respecting the founding values of the European Union, upon implementation of the Association Agreements and taking into consideration the will of our people, we will consider applying for the EU membership in accordance with the article 49 of the Treaty on European Union'.

With regard to the 'violation of the territorial integrity of the sovereign states within the internationally recognised borders', Georgia, Moldova and Ukraine called upon the EU 'to play a more visible role and further increase its engagement in peaceful conflict resolution in the EaP area, inter alia, by strengthening the EU presence in conflict-affected countries'. They furthermore called upon the EU 'to intensify its efforts to encourage withdrawal of all foreign troops and military assets illegally deployed on the territories of our States'.

### 8.2. Georgia, Moldova and Ukraine Inter-Parliamentary Assembly

The [inaugural plenary session](#) of the Georgia, Moldova and Ukraine Inter-Parliamentary Assembly took place on 5-6 October 2018 in Tbilisi. The assembly set itself the aim of enhancing cooperation, dialogue and consideration of the common issues shared by the three countries, and of ensuring the 'joint protection of interests of the countries and better coordination of their positions at the international arena within various multilateral formats'.

At this first session, the three countries underlined that they 'strive to jointly achieve transformation of EUAA into the EU membership perspective' and to this end, they would 'share the experience of reforming on EU integration'. The speaker of the Ukrainian Verkhovna Rada (national parliament), Andriy Parubiy mentioned the occupation of part of Ukraine's territory as a challenge to achieving these goals. The speakers of the three countries' national parliaments also discussed the issue of security in the Black Sea region and that of countering anti-West propaganda and fake news.

The new parliamentary assembly was hailed by the President of the Baltic Parliamentary Assembly, Valerijus Simulik, who underlined that the 'set up of the Assembly is the step forward to create better conditions for economic development and improve cooperation between the countries to the higher



level'. He furthermore observed that the 'Assembly can trigger development of your countries, which shall in its turn facilitate to approximation with European institutions. We have always supported aspiration of your countries and we hail your decision as well'.

Support for the joint assembly was also expressed by [Ana Gomes](#) (S&D, Portugal) who underlined that 'enhancement of relations between three countries requires unification of the political resources you possess. Georgian, Moldovan and Ukrainian Parliaments opted to accelerate the reforms allowing them fulfilling the commitments assumed under DCFTA and EUAA. I believe that these reforms will lead you closer to the European institutions. I, being the Member of European Parliament, will further support your countries and I hail the decision on set-up of the joint Assembly'.

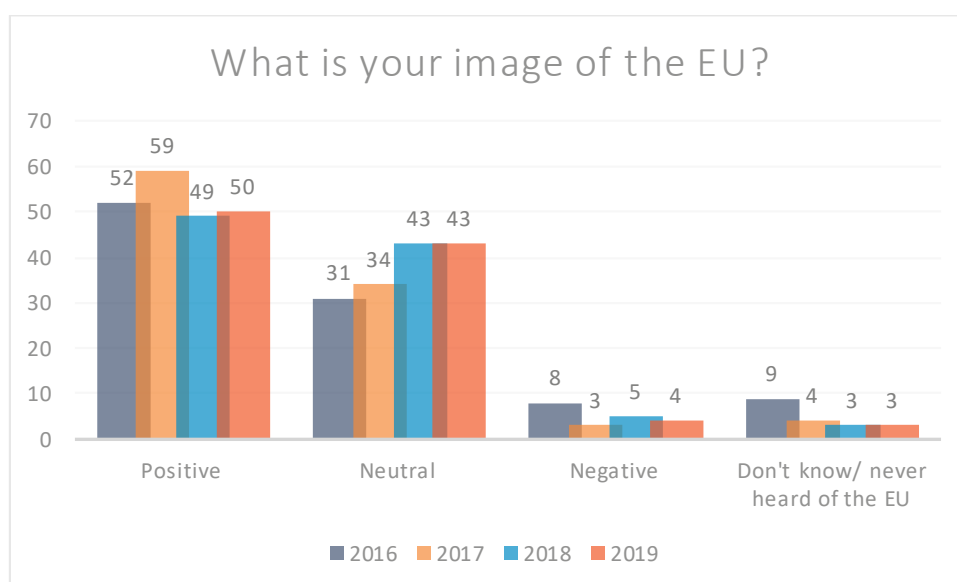
In February 2019, in its [report](#) on building EU capacity on conflict prevention and mediation (2018/2159(INI)), the Parliament welcomed 'the new tripartite initiative of the Speakers of the Parliaments of Ukraine, Moldova and Georgia to establish a regional parliamentary assembly as an important platform for regional dialogue on strategic issues including the implementation of Association Agreements and for responding to key security challenges including hybrid war and disinformation' and considered the Parliament's 'support for this regional parliamentary dialogue to be an important sign of its commitment to the region in the face of common regional security challenges'.

In 2018, as envisaged under its [Democracy Support work programme in the first part of 2019](#), the Parliament 'provided support to a new tripartite initiative of the Speakers of the Parliaments of Ukraine, Moldova and Georgia. An Informal Working Group on Disinformation (IWG-D) was established with the support of the EP and the National Democratic Institute (NDI). The EP will continue its support to the Regional Assembly and the Informal Working Group with the next expected meeting in Moldova'.

## 9. Georgians' perception of the EU

According to the latest regional [survey](#) (2019), Georgians have a generally positive attitude towards the EU. This attitude was shared by 50 % of the survey respondents, while 45 % expressed a neutral and only 4 % a negative one. However, there is a visible fluctuation in the positive attitude towards the EU over time: it was 59 % in 2017 and 49 % in 2018, one percentage point less than in 2019. At the same time, the number of people expressing negative opinions dropped by half from 8 % in 2016 to 4 % in 2019 and the share of those 'not knowing the EU' from 9 % in 2016 to 3 % in 2019 (see Figure 3).

Figure 3 – Evolution of Georgians' attitudes towards the EU, 2016-2019



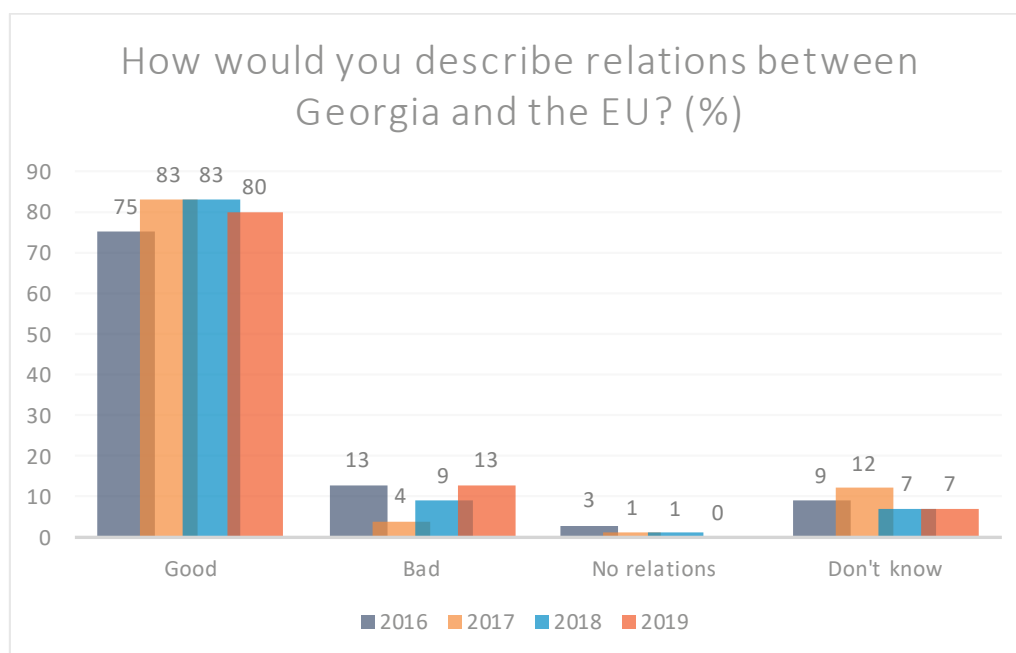
Source: [Opinion Survey 2019: Regional Overview. 4th Wave \(Spring 2019\)](#), [Opinion Survey 2018: Regional Overview \(July 2018\)](#), [Annual Survey Report: Regional Overview. 2nd Wave \(Spring 2017\)](#) and [Annual Survey Report: Regional Overview. 1st Wave \(Spring 2016\)](#), EU Neighbours East.

According to the above-mentioned 2019 regional survey, opinions about Georgia's relationship with the EU remained relatively unchanged over time: 80 % of respondents in 2019 saw this relationship as good, compared to 83 % in 2017 and 2018 and 75 % in 2016. Negative opinions, even if a minor percentage, suffered bigger fluctuations: from 13 % in 2016, 4 % in 2017 and 9 % in 2018, to 13 % in 2019 (see Figure 4).

Respondents were generally aware of the EU financial support to Georgia (74 % in 2019 said they knew about it) and the majority perceived this support as effective (62 %, against 29 % seeing it as not effective and 9 % not knowing about it). More than half of respondents also thought that the EU financial support provided 'tangible benefits to citizens in their everyday life' (55 %, against 26 % who did not share this opinion and 19 % who did not know).

Furthermore, Georgians had the highest trust in the EU (71 %) among the six EaP countries, followed closely by three others: Moldova (65 %), Ukraine (63 %) and Armenia (61 %). Georgian respondents' trust in the EU was much higher than in other international organisations, such as the United Nations – 56 %, NATO – 55 % and the Eurasian Economic Union – 23 %.

Figure 4 – Evolution of Georgians' opinions of EU-Georgia relations, 2016-2019



Source: [Opinion Survey 2019: Regional Overview. 4th Wave \(Spring 2019\)](#), [Opinion Survey 2018: Regional Overview \(July 2018\)](#), [Annual Survey Report: Regional Overview. 2nd Wave \(Spring 2017\)](#) and [Annual Survey Report: Regional Overview. 1st Wave \(Spring 2016\)](#), the EU Neighbours East.

Trust in the EU and other international organisations is relatively high among Georgians as compared to their attitude towards the performance of Georgian institutions. According to National Democratic Institute (NDI) [polls](#) published in March 2018, the performance of the army is seen as 'very good' and 'good' by 52 % of respondents, of the Orthodox Church by 50 %, of the police by 43 %, of the Court by 10 % and of the parliament by 9 %.

According to a [survey carried out](#) by CRRC Georgia for the NDI in April 2019, television remains the main source of information for the Georgian respondents (for 72 % it is the first source of information and for 14 % the second) followed by the internet/Facebook being the first source of information for 21 % of respondent and second for 25 %). Some 84 % of respondents said they watched non-Georgian television. Among the Georgian television channels, the most trusted ones were Imedi (32 % of respondents) and Rustavi 2 (28 % of respondents). Russia was an important source of information for Georgians watching non-Georgian television channels. Among the six most watched non-Georgian television channels, the first four were Russian ones, namely HTB (26 % of respondents), Russia Channel 1 (25 % of respondents), Russia 1 (22 % of respondents) and RTR (18 % of respondents), followed by CNN (12 % of respondents) and Euronews (10 % of respondents).

According the NDI survey, 68 % of Georgians would vote in favour of EU membership if the referendum were to be held the next day, while 14 % would vote against, 7 % would not vote and 9 % do not know. Yet, only 29 % of respondents thought that Georgia was ready for EU membership, as compared to 59 % declaring the opposite and 14 % not knowing. Respondents identified three main obstacles before Georgia's EU membership: 'territorial conflicts in Georgia' (36 %), 'Russia' (20 %) and 'lack of democracy' (15 %).

The NDI Caucasus Barometer, published in November-December 2019, showed that 27 % Georgian respondents to the poll said 'Georgia is definitely going in the wrong direction' and also 27 % said that 'Georgia is mainly going in the wrong direction' ([Public attitudes in Georgia](#)) and only 33 % thought that '[Georgia is a democracy now](#)', against 59 % thinking otherwise.

## 10. Conclusions

The implementation of Georgia's association agreement with the EU, including the Deep and Comprehensive Free Trade Agreement, is moving forward. The country is undertaking political and economic reforms and its participation in EU programmes and initiatives is increasing. There is also progress in the achievement of the closely related Eastern Partnership 20 deliverables for 2020.

Georgia has made substantial progress towards democracy, the rule of law, human rights and fundamental freedoms. Georgia has also made progress in combating corruption. Transparency International ranked Georgia 44th (out of 180 countries worldwide) with a score of 56 (100 being the highest), which is above the average (35) for eastern Europe and central Asia. Yet, Georgia should put in more effort, for instance, in reforming its justice sector, implementing anti-discrimination legislation and labour rights, as well as ensuring the independence of the judiciary, Prosecutor's Office and media.

Efforts should also be made to increase Georgians' trust in their institutions, particularly in the Court and the parliament, which – according to the polls from 2018 – were positively evaluated by only 10 % and 9 % of Georgians respectively.

Civil society is monitoring the implementation of the AA/DCFTA, even though the structures for formal cooperation with public institutions are not well established, and despite certain (including violent) tensions.

The EU supports the sovereignty and territorial integrity of Georgia, and its stance has been affirmed in several documents, including the European Parliament resolution of March 2019 on the state of EU- Russia political relations. On 23 March 2020, the [EEAS](#) announced that the EU did not recognise the so-called presidential elections held the day before in the Georgian breakaway region of Abkhazia, as the EU 'does not recognise the constitutional and legal framework in which this election took place'. At the same time, Georgians identify 'territorial conflicts in Georgia', 'Russia' and 'lack of democracy' as the three main obstacles before their country's EU membership.

Georgia's aspirations for closer integration with the EU and then ultimately EU membership, was clearly expressed both by Georgians in many surveys and polls, and by the Georgian government, e.g. in the joint statement by Georgia, Moldova and Ukraine on the future of the Eastern Partnership. Georgia's aspirations and efforts to meet the criteria of Article 49 of the TEU are acknowledged by the EU and addressed in a number of EU documents, including the latest ones on the future of the Eastern Partnership, the joint communication by the Commission and the HR/VP on EaP policy beyond 2020, and the draft report prepared by the European Parliament ahead of the EaP summit planned for June 2020 in Brussels.

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# Report on the implementation of the association agreement between the EU and Georgia



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## Executive summary

In a comprehensive comparative study of the quality of governance in the three AA/DCFTA states and the Balkan countries that have membership perspectives, published in 2018, Georgia was ranked the highest on both political and economic criteria.<sup>7</sup> Since then the political assessment became less favourable. While Georgia remains a remarkably incorrupt state, its political reputation has been damaged by the lack of democratic accountability of its de facto leader, irregularities in the 2018 election of the president, and controversy over the electoral law for the parliamentary elections due in autumn 2020. However the most recent news is that on March 8, 2020 the ruling party and the opposition reached a consensus over an amended electoral method, which is a highly welcome and significant step back towards restoring Georgia's reputation as a sound democracy.

On the rule of law, the international community was consulted over several amendments to improve the functioning of the High Council of Justice. There have remained serious shortcomings in judicial reform, as exemplified by the non-transparent appointment of judges to the Supreme Court in December 2019, and incomplete reform of the office of Prosecutor.

With regard to the detailed landscape of fundamental freedoms and human rights, there are positive developments to report alongside some continuing problems, notably:

- The media remains highly polarised and politicised and the government is criticised for alleged attempts to create financial difficulties for the critically-disposed outlets.
- Georgia makes some progress in improving the gender balance at political, economic and social dimensions, although problems remain, particularly in pay gap and gender based violence.
- Regarding discrimination, LGBTI+ people remain the least supported minority group in the country.
- Georgia is working to improve implementation of Juvenile Justice Code and to adopt a child-sensitive approach in its implementation.
- Council of Europe's European Committee for the Prevention of Torture reported several shortcomings in treatment of prisoners, but there is a new Action Plan to address these issues.
- Protecting worker's rights remains challenging for Georgia, especially for example with regard to dangerous working conditions in the mining sector.
- Civil society organisations remain active.

Following the introduction of visa-free travel into the Schengen zone, the number of Georgian travellers to the Schengen area has grown substantially, which is positive, but so has the number of asylum applications from 8,700 in 2016 to 19,730 in 2018. Georgia is cooperating with the EU over steps to reduce fake asylum requests.

Macroeconomic growth has been sustained now for three years at rates around 5%, alongside gradual reduction in the level of unemployment. However, Georgia remains very sensitive to external shocks that bring pressure on the national currency and result in alarming acceleration of the rate of inflation.

Trade flows with the EU seemed to be reaching a plateau level, with apparent exhaustion of the impact of earlier liberalisation and the DCFTA. Free trade agreements with China and other Asian states has not yet had a major impact on either trade flows or direct investments. The construction

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<sup>7</sup> M. Emerson and T. Kovziridze, 'The Struggle for Good Governance in Eastern Europe', CEPS and Rowman and Littlefield, 2018, page 266.

of the major Deep Sea Anaklia port on the Black Sea, that was supposed to attract large inflows of FDIs from the European and American investors, remains on hold. There persists a huge structural deficit in trade in goods, but this is financed to a large degree by a booming tourist sector and remittances.

With regard to the detailed implementation of the DCFTA's market regulatory provisions, the overall record is positive, as illustrated in the following important sectors:

- Trade liberalisation has gone ahead more radically than the other DCFTA states, with the scrapping of most tariffs even before the Association Agreement.
- The customs services were radically reformed over a decade ago, and are now considered by stakeholders to be fast, efficient and corruption-free.
- Technical product regulations and standards are being brought in line with EU practice as scheduled, although in the agri-food sector the SPS regulations are very onerous for small farms.
- Compliance with basic banking regulations is proceeding smoothly, and the banking sector is in sound condition. The insurance sector has a lot to catch up on.
- The energy sector is broadly on track with regard to commitments under the Energy Community Treaty, but energy efficiency remains highly problematic in the household sector.
- Regarding environmental policy, on the whole Georgia progresses with its legislative obligations, often quite reasonably with long transition period for implementation.
- In the rapidly developing digital and cyber domains Georgia has made significant advances in public e-services and legislation in line with EU directives. While cyber was not addressed in the AA, Georgia already adopts measures in line with the EU's legislation on 'Network and Information Security'.

The weakest points in Georgia's DCFTA implementation are seen in the environmental, energy efficiency and renewables sectors. Some of the obligations of the agreement are very costly to implement, with relatively little financial support from the EU to make these objectives feasible.

Regarding foreign and security policy, Georgia aligns itself on many EU declarations, and is also an active contributor to the EU's Common Security and Defence Policy (CSDP), and also a remarkably big contribution to the NATO mission in Afghanistan.

The institutional functioning of the agreement is sound, with an interesting innovation in 2018, when the prime minister brought many of his cabinet colleagues to Brussels to meet with the college of Commissioners.

At the end of 2019 Georgia joined in a Joint Statement with Moldova and Ukraine, requesting that the EU cooperates with the three of them together on matters of common interest. The EU side has not so far responded to this initiative. It is recommended that the EU side responds more proactively better to the aspirations of the three associated states in practical ways, and as illustrated in the rich submissions by all three associated states to the Commission's 'Structured Consultations' of the end of 2019.

On the other hand, for positive developments of this kind to become plausible, it is crucial that Georgia keeps on restoring its reputation as a well-functioning democracy later this year, without which the 'more for more' proposition from the EU side will remain empty. But also the EU side needs to make this slogan more credible for it to act as an incentive.

## List of abbreviations

<b>AA</b>	Association Agreement
<b>AEO</b>	Authorised Economic Operators
<b>CEFTA</b>	Central European Free Trade Area
<b>CPT</b>	European Committee for the Prevention of Torture
<b>CSDP</b>	Common Security and Defence Policy
<b>CSOs</b>	Civil society organisations
<b>DCFTA</b>	Deep and Comprehensive Free Trade Area
<b>DSM</b>	Digital Single Market
<b>EaP</b>	Eastern Partnership
<b>EaP CSF</b>	Eastern Partnership Civil Society Forum
<b>EEA</b>	European Economic Area
<b>ENISA</b>	European Agency for Network and Information Security
<b>ECHR</b>	European Court of Human Rights
<b>Geostat</b>	National Statistics Office of Georgia
<b>HCoJ</b>	High Council of Justice
<b>IFI</b>	International Financial Institutions
<b>LGBTI+</b>	Lesbian, gay, bisexual, transgender and intersex
<b>MIFID II</b>	Markets in Financial Instruments Directive
<b>MFA</b>	Macro-Financial Assistance
<b>NBG</b>	National Bank of Georgia
<b>OSCE</b>	Organisation for Security and Cooperation in Europe
<b>SEPA</b>	Single European Payments Area
<b>SPS</b>	Sanitary and Phytosanitary Measures
<b>TBT</b>	Technical Barriers to Trade

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# 1. Political developments

## 1.1. Democratic processes

Since the 2012 general election Georgia has been governed by the Georgian Dream party, founded and funded by Mr. Bidzina Ivanishvili, said to be Georgia's richest man. For the first year after the parliamentary elections in 2012 Ivanishvili served as prime minister. However a year after he withdrew from elected office but remained in control of the party and government. This meant in principle already a problem of democratic accountability. In May 2018 he 'officially' returned to politics, but only as the Chairman of the Georgian Dream party, but not as member of parliament or of the government. His return to the party was followed by resignations successively of two prime ministers. In June 2018 Giorgi Kvirikashvili resigned after serving as Prime Minister since 2015, and his successor Mamuka Bakhtadze resigned in 2019, after serving as Prime Minister for only a year.

These developments did not translate into any major problems of implementation of the legally precise commitments to approximate EU law under the AA/DCFTA, as indicated in section 3.3 below.

However a major electoral irregularity did arise in the election of the presidency at the end of 2018. In the first round the two leading candidates were closely matched, with 40% for Salome Zurbashvili, who was backed by Mr Ivanishvili, and 38% for Grigol Vashadze, who was an opposition candidate. In the interval before the second round to the election Mr Ivanishvili promised to pay off the bank debts of under about €700 of around 600,000 citizens through a charity he owns or banks he controls. In the event Ms. Zurbashvili did win and several hundred thousand citizens were relieved of their bank debts. This was vote buying on a large scale. As noted by the Organisation for Security and Co-operation in Europe (OSCE) in its final report on the presidential elections, there were instances of misuse of administrative resources and senior officials from the Georgian Dream party were involved in the campaign. The report also mentions the use of negative and violent rhetoric that significantly overshadowed the campaign, particularly in the second round.<sup>8</sup>

In the course of 2019 opposition parties pressed for a change in the electoral system, to go over to an entirely proportional representation system, eliminating nearly half of the seats that were voted as single member constituencies (73 seats out of 150). The argument is that the single member constituencies were more open to political pressures from the government, or financial bribery as seen in the presidential election.

Of course the system of the single member constituency has a long-established place in the variety of electoral methods employed in some of the world's most respected democracies. The method cannot be described as undemocratic *per se*. The problem arises when the method is combined with a situation in which the incumbent party in power can profit more easily from financial incentives to voters that amount to vote buying.

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<sup>8</sup> Organization for Security and Co-operation in Europe, 'Presidential Election, 28 October and 28 November 2018: Final Report', 28 February, 2019.

The pressures for a change in the electoral method coincided in the summer of 2019 with an incident in the Georgian parliament, when on 20 June a visiting Russian parliamentarian, Sergey Gavrilov, took the Georgian Speaker's seat during a meeting in the Georgian Parliament. In the framework of the Orthodox Inter-Parliamentary Assembly Gavrilov was invited to the Parliament by the members of the Georgian Dream Party. This led to street demonstrations that were dispersed by the order of Giorgi Gakharia, then Minister of Internal Affairs. The dispersal of the rally by the use of tear gas and rubber bullets left 240 injured and 305 detained. Mako Gomuri, a 19-year-old, lost one of her eyes due to a rubber bullet fired by a law enforcer on the day.<sup>9</sup> This rough handling of protestors by the security and police forces intensified criticisms of the government and led to further demonstrations during the following months. The summer protests eventually calmed down after the Speaker of Parliament resigned and Georgian Dream promised to reform the electoral system, and meet the demands of the protestors and opposition parties by ending the single member constituencies.

However three months later, Giorgi Gakharia, whose dismissal was demanded by the demonstrators since June 20, became Prime Minister in September. The movement 'sirtskhvia' (in Georgian 'Shame') that emerged during the summer demonstrations named the nomination of the new Prime Minister as "an insult to the Georgian people". In November, when the time came in the autumn to pass the constitutional amendment to enact this electoral reform, the vote failed due to insufficient support from Georgian Dream members.<sup>10</sup> This was interpreted as Mr. Ivanishvili reneging on his promise of a few months earlier. This led to another wave of demonstrations in November, while the demands of the demonstrators remained unfulfilled.

Subsequently talks were engaged between the political parties to see whether an agreed compromise solution could be found, notably by reducing the number of single member constituencies, rather than ending them. When these talks failed to produce positive results the five opposition parties have agreed amongst themselves to field only one candidate in each of the single member constituencies in the October 2020 general election, thus to reduce the potential bias in favour of the ruling party. In February 2020 the opposition parties ceased electoral reform talks with the Georgian Dream party following the Supreme Court's ruling on the imprisonment of the Gigi Ugulava, leader of the 'European Georgia' opposition party. Ugulava had already spent three years and two months in prison on charges of mispending public money while serving as the mayor of Tbilisi, and was released from the prison in 2017. The new ruling is based on a new case of alleged mispending of funds, and the time he has already served in prison will not count against it. The Supreme Court's sentence was heavily criticized as an unfair and a politically motivated ruling aiming at Ugulava's removal from political life. The EU<sup>11</sup>, US<sup>12</sup>, UK and the NATO Parliamentary

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<sup>9</sup> News Agency, Agenda.ge - <https://agenda.ge/en/news/2019/3049>.

<sup>10</sup> News Agency, Civil.ge - <https://civil.ge/archives/326316>.

<sup>11</sup> EEAS, Statement by the Spokesperson on the case of Gigi Ugulava - [https://eeas.europa.eu/headquarters/headquarters-homepage/74530/georgia-statement-spokesperson-case-gigi-ugulava\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/74530/georgia-statement-spokesperson-case-gigi-ugulava_en)

<sup>12</sup> Radio Free Europe - <https://www.rferl.org/a/u-s-disappointed-ugulava-conviction-sentencing-of-georgian-opposition-leader/30429080.html>.

Assembly<sup>13</sup> all issued statements that referred to this case as Georgia's backsliding on building democratic institutions.

The increased pressure from the international community, particularly the EU Delegation, the US Embassy and the Georgian Office of the Council of Europe, led to the re-launching of talks with the ruling Georgian Dream and opposition parties, and on March 8, 2020 an agreement was reached. This reduced the number of majoritarian seats from 73 to 30 and increased the number of mandates under proportional representation from 77 to 120. The agreement also envisages a 1% threshold for a party to enter parliament, and a cap recognizing that no single party that wins less than 40% of the votes should be entitled to a majority in the next parliament.<sup>14</sup> The Georgian Government as well as the international community endorsed the agreement as a crucial step towards Georgia's democratic path and called on all parties to ensure its adoption and implementation.<sup>15</sup> Despite the March 8 deal, the ruling party and the opposition could not agree on the interpretation of all aspects of the joint statement: the opposition claims that the statement implies a pledge to release from custody four prisoners (Gigi Ugulava, Irakli Okruashvili, Giorgi Rurua, Besik Tamliani), alleged victims of political persecution. The ruling party dismisses these claims of the opposition for their reading between the lines.

In conclusion, Georgia's reputation as a democracy was seriously damaged by developments in 2018 and 2019, and this was also reflected in the Democracy Index 2019, where Georgia saw its position downgraded to 89<sup>th</sup> out of 167 countries, falling behind both Ukraine and Moldova.<sup>16</sup> However, the most recent events show that Georgia could be reverting back to its democratic path. Georgia's reputation could be much restored if all the parties adhere to the March 8 agreement and the October elections come to be correctly managed, with a reasonable political peace established between the governing and opposition parties.

## 1.2. Rule of law

In 2018, Georgia started a so-called 'fourth wave' of judicial reforms covering amendments to the Law on Common Courts, and the Civil and Administrative Procedural Codes. Initially several international organisations criticised the working process on this legislative package, as it was conducted without involving professional groups and civil society organisations.<sup>17</sup> This coincided with a controversial court decision concerning the killing of two school boys in 2017 that led to demonstrations in May 2018 and the resignation of the Chief Prosecutor by 31 May, 2018.

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<sup>13</sup> News Agency, Civil.ge - <https://civil.ge/archives/340015>

<sup>14</sup> News Agency, Civil.ge - <https://civil.ge/archives/341498>

<sup>15</sup> News Agency, Civil.ge - <https://civil.ge/archives/341441>

<sup>16</sup> The twelfth edition of the Democracy Index, <https://www.eiu.com/topic/democracy-index>

<sup>17</sup> Transparency International, 'Opinion of the Coalition for Independent and Transparent Judiciary on the Fourth Wave of Judicial Reform Legislative Package' - <https://transparency.ge/en/post/opinion-coalition-independent-and-transparent-judiciary-fourth-wave-judicial-reform-legislative>

These events led to the inclusion of the international community, the civil society and the judicial sector into the consultation process. The EU Delegation to Georgia and the US Embassy<sup>18</sup> took an active role in this process and together with their participation the draft of the legislation was finalised by June 2019. The Parliament has adopted the legislative package with the third reading in December 2019.<sup>19</sup> The legislative amendments made several improvements with regards to the functioning of the High Council of Justice (HCoJ). In particular, the HCoJ is now obliged to justify all its decisions. The constitutional amendments also increased the number of Supreme Court Judges appointed for life.

However, the major shortcoming of this 'fourth wave' of judicial reforms relate to the appointment of judges. In particular, in December 2019 the Parliament has appointed 14 candidates for life tenures to the Supreme Court through a process that lacked transparency. This resulted in major criticisms from the general public as well as of OSCE/OSCE Office for Democratic Institutions and Human Rights (ODIHR).<sup>20</sup> Another shortcoming concerns the allocation of political cases to certain judges. This is against to the existing rules according to which cases should be distributed electronically in a transparent and unbiased way.

Prosecutorial reforms in 2019 aimed at the separation of the functions of investigators and prosecutors. In March, the Venice Commission issued a number of recommendations on the transfer of powers from prosecutors to investigators. However, these recommendations are only partially followed. According to the leaders of the Georgian opposition parties, the overlap between the investigator and prosecutor powers remains significant and has disturbing implications for detentions and investigations of opposition party members on political grounds.

## 1.3. Human rights and fundamental freedoms

### 1.3.1. Media freedom

In 2019 there were important developments in the Georgian media. In December the European Court of Human Rights (ECHR) ended the legal dispute over the ownership of the TV channel Rustavi 2, and the channel was restored to its initial pro-government owners.<sup>21</sup> The Rustavi 2 case was highly criticised as the alleged attempt of the government to take the ownership away from the existing management through the court.<sup>22</sup> This led to establishment of the new channel, Mtavari Arkhi (in English - Main Channel) by Rustavi 2's former director Nika Gvaramia. Following the verdict of the ECHR, a number of journalists left Rustavi 2 and joined Gvaramia's team at Mtavari Arkhi.

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<sup>18</sup> US Embassy on the 4<sup>th</sup> wave - <https://ge.usembassy.gov/statement-on-the-fourth-wave-of-judicial-reform-june-13/>

<sup>19</sup> The Parliament of Georgia, 'The Parliament adopted the Legislative Package on the 4th Wave of the Judicial Reform' , [http://parliament.ge/en/saparlamento-saqmianoba/plenaruli-sxdomebi/plenaruli-sxdomebi\\_news/parlamentma-sasamartlo-reformis-meotxe-talgis-sakanonmdeblo-paketi-miigo.page](http://parliament.ge/en/saparlamento-saqmianoba/plenaruli-sxdomebi/plenaruli-sxdomebi_news/parlamentma-sasamartlo-reformis-meotxe-talgis-sakanonmdeblo-paketi-miigo.page)

<sup>20</sup> News Agency, Civil.ge - <https://civil.ge/archives/319854>

<sup>21</sup> The ECHR, Judgment Rustavi 2 Broadcasting Company Ltd and Others v. Georgia, <https://hudoc.echr.coe.int/eng-press#%7B%22itemid%22:%5B%22003-6464450-8514363%22%5D%7D>

<sup>22</sup> Transparency International, 'Who Owns Georgia's Media' [https://www.transparency.ge/en/post/who-owns-georgias-media/?custom\\_searched\\_keyword=Rustavi+TV+channel](https://www.transparency.ge/en/post/who-owns-georgias-media/?custom_searched_keyword=Rustavi+TV+channel)

Along with Mtavari Arkhi, the two new broadcasters started operation in 2019 - Euronews Georgia and Formula TV.<sup>23</sup> Increased media pluralism resulted in an improved ranking of Georgia in the World Press Freedom Index by three places in 2018 and by one place in 2019, finally ranking the 60<sup>th</sup> in 2019 (compared to the 64<sup>th</sup> place in 2017).

In March 2020 the OSCE Representative on Freedom of the Media expressed his concerns over developments in Adjara TV and Radio Public Broadcaster, and notably the dismissal of the director of the channel in 2019.<sup>24</sup> The former director claimed that her dismissal was related to the Georgian government's will to take control of the channel. Since then several managers and journalists were either dismissed or resigned due to the management's interference in the editorial policy. Overall, Georgian media remains highly polarised and politicised and management keeps its interference in editorial policies.

### 1.3.2. Civil society

Civil Society remains active in Georgia. During the 11<sup>th</sup> Assembly of the Eastern Partnership Civil Society Forum (EaP, CSF) held in Brussels by the end of 2019, Georgian CSOs signed a declaration together with their counterparts from the EaP. The declaration addresses the heads of states and governments and the EU institutions in preparation of the 6<sup>th</sup> Eastern Partnership Summit. Among other issues, the declaration urges the EU to empower civil society by facilitating their participation in high-level meetings in Brussels as well as in the EaP countries to improve EaP policy implementation and strengthen local ownership of reforms.<sup>25</sup>

### 1.3.3. Gender equality

In 2018 Georgia brought its legislation closer to the Istanbul Convention of the Council of Europe by upgrading its laws on fighting violence against women and domestic violence. However, gender-based violence remains still problematic in Georgia.<sup>26</sup>

Other challenges refer to gender misbalance in political representation. For instance in 2019 women hold only 15% of seats in the Georgian Parliament and there was only one woman among 64 elected mayors. However there have been attempts to improve on this record. In 2018 the women's rights groups together with the support of local and international organizations and the Public Defender of Georgia put forward a petition on mandatory gender quotas (implying that at least 25% of MPs should be female) in parliament. The petition was signed by the wider public and after having collected 37,000 signatures, the bill was submitted to the Parliament. However, it fell short of the

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<sup>23</sup> Association Implementation Report on Georgia, the EEAS, 2020. [https://eeas.europa.eu/headquarters/headquarters-homepage/74221/2020-association-implementation-report-georgia\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/74221/2020-association-implementation-report-georgia_en)

<sup>24</sup> News Agency, Agenda.ge - <https://agenda.ge/en/news/2020/730>

<sup>25</sup> Declaration of the 11th Annual Assembly of the Eastern Partnership Civil Society Forum (EaP CSF), [https://eap-csf.eu/wp-content/uploads/Declaration-of-EaP-CSF-AA\\_final.pdf](https://eap-csf.eu/wp-content/uploads/Declaration-of-EaP-CSF-AA_final.pdf)

<sup>26</sup> Debuysere, L., Devlieger, K. and Emerson, M. 'Comparing gender gaps in Georgia, Moldova and Ukraine', 2019.

required 76 votes, obtaining only 66 votes as 14 members of the ruling party decided to oppose the bill.<sup>27</sup>

In the Global Gender Gap Index, Georgia improved its ranking significantly. While the country ranked 99<sup>th</sup> in 2018, it ranked 74<sup>th</sup> out of 153 countries in 2020.<sup>28</sup> Besides women's political empowerment, Georgia's progress is due to increased female economic participation. The wage gap, however, still remains significant. According to the National Statistics Office of Georgia (Geostat) employment among men was 6% point higher than among women and the female average monthly wage was around 64% of that of men in 2018.<sup>29</sup> The Global Gender Gap Index also highlights that in the areas of health and survival the condition of women seems to worsen since 2006.

Overall, Georgia makes some progress in improving the gender balance at political, economic and social dimensions, although gender based violence and discrimination, women's political representation, pay gap and access to education and health needs to be further improved.<sup>30</sup>

### 1.3.4. Discrimination

In 2019 the Labour Code and a number of other laws were amended with definitions and penalties for sexual harassment. The role of Public Defender is important as the latter has a mandate to examine allegations of sexual harassment in the workplace and refer them to the court if its recommendations are not followed.<sup>31</sup>

The Law on the Elimination of all Forms of Discrimination was also amended in 2019. However, according to ILGA Europe, lesbian, gay, bisexual, transgender and intersex (LGBTI+) people remain the least supported minority group in the country.<sup>32</sup> Although LGBTI activities are subject to hate speech and their access to health remains problematic, the past two years still witnessed growing number of events on LGBTI rights. In May 2018 the demonstration commemorating the International Day Against Homophobia was held, in July 2019 the Pride March took place for the first time in Tbilisi, and later in November a movie 'And Then We Danced' (featuring a relationship between two male Georgian dancers) premiered in Tbilisi. The first event had to be heavily protected by the police, the second one was disturbed by extremists and the third one was

<sup>27</sup> News Agency, Open Caucasus Media, <https://oc-media.org/rights-groups-submit-womens-quota-law-to-parliament/>.

<sup>28</sup> The World Economic Forum, Global Gender Gap Report 2020, [http://www3.weforum.org/docs/WEF\\_GGGR\\_2020.pdf](http://www3.weforum.org/docs/WEF_GGGR_2020.pdf)

<sup>29</sup> National Statistics Office of Georgia, 'Women and Men In Georgia', Statistical Publication 2019 [https://www.geostat.ge/media/27546/W%26M-ENG\\_2019.pdf](https://www.geostat.ge/media/27546/W%26M-ENG_2019.pdf)

<sup>30</sup> Debuysere, L., et al. op. cit.

<sup>31</sup> Association Implementation Report on Georgia, the EEAS, 2020. [https://eeas.europa.eu/headquarters/headquarters-homepage/74221/2020-association-implementation-report-georgia\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/74221/2020-association-implementation-report-georgia_en).

<sup>32</sup> Annual Review of the human rights situation of lesbian, gay, bisexual, trans and intersex people in Georgia in 2019. ILGA Europe, 2020.



disrupted by the blocking of the entrance to the cinema. Moreover, organizers of the events were cyber-attacked and some of them received death threats.

### 1.3.5. Child's rights

In September 2019, Georgia adopted a Child Rights' Code which will fully enter into force by June 2020. This document establishes legal grounds, safeguards, and guarantees for the rights and freedoms of the child. However child poverty remains at a high level, and access to education remains problematic particularly among children belonging to disadvantaged and marginalised groups. For instance every third child lives in a poor household and every fifth child has no access to basic needs.<sup>33</sup> This is reflected in an increasing number of suicides over the past few years. According to the statistics of the Ministry of Internal Affairs, only in the first six months of 2019, 10 juveniles committed suicide.<sup>34</sup>

Georgia is working to improve implementation of Juvenile Justice Code and to adopt a child-sensitive approach in the implementation. Currently the country is in the process of setting up a cooperation mechanism involving prosecutors, police officers, lawyers, social workers and psychologists at the central and regional level.

### 1.3.6. Ill-treatment

In terms of ill treatment, in 2018 the assessment of the Council of Europe's Prevention of Torture Committee (CPT) reported several shortcomings, including the existence of an informal hierarchy among prisoners, lack of proper health facilities and out-of-cell activities. Positive developments include adoption of a new 2019-2020 Action Plan on fighting torture, inhuman and degrading treatment or punishment and transfer of investigation powers to the State Inspectorate.<sup>35</sup>

### 1.3.7. Worker's rights

Protecting worker's rights remains challenging for Georgia. The country improved its legislation by introducing labour protective measures in 2015, including establishing a labour inspectorate with a limited mandate. However, health and safety at work is still at a very low level. As pointed out by the Human Rights Watch, Georgia does not adequately regulate working hours, rest time, weekly breaks, and night work, and does not provide for government oversight of all labour conditions.<sup>36</sup>

This especially concerns workers in mining sector who are at serious risk of death. As reported by the Human Rights Watch, there was 'no year without deaths' within the past decade.<sup>37</sup> In 2018 and 2019 several demonstrations took place in Georgia to protest against growing number of fatal

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<sup>33</sup> Association Implementation Report on Georgia, the EEAS, 2020.

<sup>34</sup> News Agency, Progressnews.ge, [http://progressnews.ge/1-tselsa-da-6-thveshi-saqarthvelos-596-moqalagem-sitsotskhle-thvithmkvlelobith-daasrula/?fbclid=IwAR1CjntVP5fyvVRxc4oulyp1cFrbqFov5asnVj-8lNZG3Oox9h5L3u\\_ILc0](http://progressnews.ge/1-tselsa-da-6-thveshi-saqarthvelos-596-moqalagem-sitsotskhle-thvithmkvlelobith-daasrula/?fbclid=IwAR1CjntVP5fyvVRxc4oulyp1cFrbqFov5asnVj-8lNZG3Oox9h5L3u_ILc0).

<sup>35</sup> Association Implementation Report on Georgia, the EEAS, 2020.

<sup>36</sup> Human Rights Watch, 'Georgia: Worker Rights, Safety at Risk', <https://www.hrw.org/news/2019/08/22/georgia-worker-rights-safety-risk>.

<sup>37</sup> Human Rights Watch, 'No Year without Deaths', <https://www.hrw.org/report/2019/08/22/no-year-without-deaths/decade-deregulation-puts-georgian-miners-risk>

accidents in Tkibuli's mining sites. Following calls from non-governmental groups, in 2019 the parliament increased the powers of the Labour Inspectorate. However, the revised mandate still remains limited as it does not address the broader impact of long working hours, production pressures, and difficult working conditions.<sup>38</sup>

## 1.4. Corruption

According to the Transparency International corruption perception index, Georgia shares the 44th place with Costa Rica, the Czech Republic and Latvia in 2019 and remains the leading country in the whole EaP region in terms of preventing and fighting against corruption.

However, the index indicates that Georgia's efforts to tackle corruption are slowed down within the past year. In particular, Georgia downgraded its score with two points, from 58 in 2018 to 56 in 2019. As explained by the Transparency International, the change is not statistically significant, however it still hints at the stagnation of anti-corruption reforms compared to other countries in the region, which significantly improved their scores in 2019 (for instance, Armenia and Azerbaijan).<sup>39</sup> The downgrade in the score is mainly related to a lack of accountability of the law enforcement bodies, corrupt political interference in the judiciary, government-sponsored attacks on independent civil society and the absence of an independent anti-corruption investigative agency.

Georgia continues working on the legal prevention of corruption in line with its Association Agenda commitments. For the reporting period, this included adoption and implementation of an anti-corruption strategy and action plan for 2019-2020. To tackle money laundering Georgia amended the Organic Law on the National Bank in January 2018. These amendments increased penalties on the money laundering, made bank licensing stricter and enabled the Central Bank to solely deal with the licensing issues.

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<sup>38</sup> Human Rights Watch, 'Georgia: Worker Rights, Safety at Risk' , <https://www.hrw.org/news/2019/08/22/georgia-worker-rights-safety-risk>

<sup>39</sup> Transparency International, Corruption Perception Index 2019 - <https://transparency.ge/en/post/results-2019-corruption-perceptions-index-point-stagnation-anti-corruption-reforms-georgia>

## 2. Justice, freedom and security

### 2.1. Visa free movement, asylum and re-admission

Georgia continues to strengthen border management and security and surveillance infrastructure by opening new border facilities and renovating existing ones with modern interdiction capabilities.<sup>40</sup> The country is also in the process of implementing its migration strategy and action plan beyond 2019.

Since establishment of the visa-free regime between the EU and Georgia in 2017, the number of asylum applications by Georgian nationals in the Schengen+ area increased greatly from 8,700 in 2016 to 19,730 in 2018.<sup>41</sup> Following the recommendations of the reports of the Visa Suspension Mechanism, Georgia cooperates closely with the EU institutions to decrease irregular migration as well as crime-related activities through the visa-free travel of Georgian citizens in the EU. To this end, Georgia made two legislative amendments. In April 2018 the Georgian Parliament adopted amendments to the Law of Georgia on Civil Act that restricted the terms and conditions of changing the last name.<sup>42</sup> And in April 2019, Georgia adopted amendments to the Criminal Code to foresee the criminalisation of the facilitation of illegal stay of Georgian nationals abroad.<sup>43</sup>

### 2.2. Cooperation over criminality

In 2018 Georgia finalised the negotiations of the Cooperation Agreement with Eurojust and the agreement entered into force in July 2019. In line with the AA commitments, closely cooperates with Europol to strengthen combating serious and organised cross-border criminal activities. It is noteworthy, that the AA does not incorporate the new EU laws – the Police Directive and the Passenger Name Record Directive (PNR) which allow free flow of the personal data for investigations on the criminal matters and fight against terrorism. Adding these two directives to the commitments could enhance the EU-Georgia cooperation over criminality.

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<sup>40</sup> Association Implementation Report on Georgia, the EEAS, 2019.

<sup>41</sup> See the first and the second Visa Suspension Mechanism Reports.

<sup>42</sup> Association Implementation Report on Georgia, the EEAS, 2019.

<sup>43</sup> Association Implementation Report on Georgia, the EEAS, 2020.

### 3. Economic developments

#### 3.1. Macroeconomic developments

In 2014-2019, Georgian economy grew steadily. A slight deceleration was recorded in the growth of the real GDP in 2015-2016, however for the past two years the economic growth was stable at 4.8%. According to the preliminary data, the economic growth in 2019 is estimated to be around 5.2% (Table 1), which confirms a positive trend.

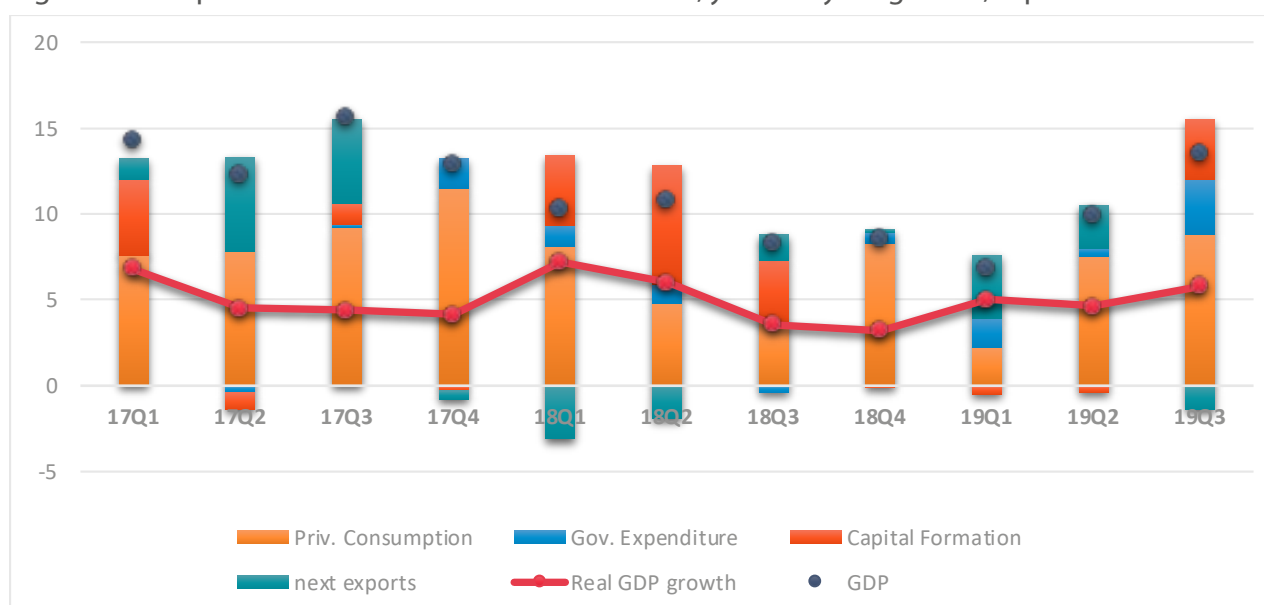
The contribution to GDP growth mainly comes from private consumption followed by capital formation and government expenditures (Figure 1). For the past three years the average growth rate was the highest in exports of goods and services, thanks to a boost in tourism revenues. Remittances also have been growing and contributing significantly towards covering the trade deficit. In the same period, the government expenditures grew fast, partly due to the devaluation of the Georgian Lari, resulting in a sharp rise in external debt service.

Table 1. Main macroeconomic indicators

	2014	2015	2016	2017	2018	2019
GDP real growth, %	4.4	3	2.9	4.8	4.8	5.2
Unemployment, %	14.6	14.1	14	13.9	12.7	11.6
CPI inflation, %	10.3	14.7	17.1	24.2	27.4	33.6

Source: Own calculations based on the data from Geostat and National Bank of Georgia.

Figure 1. Component contributions to nominal GDP, year-on-year growth, %points



Source: Own calculations based on the data from Geostat and National Bank of Georgia.

Despite these promising figures on GDP growth, the Georgian economy remains very sensitive to external shocks that bring pressure on the national currency, and have pass through effects on inflation. In the past three years, inflation was mostly fuelled by the rising prices of imports as the

Georgian Lari has been devaluing.<sup>44</sup> To tackle growing inflation, the National Bank of Georgia (NBG) pursued a contractionary monetary policy by increasing the refinancing rates several times since 2018. Only in 2019 the refinancing rate was increased four times from 6.5% to 9%. However, inflation still remains high. For example the consumer price inflation rate (CPI) tripled compared to 2014 and reached 33.6% in 2019 (Table 1).

Along with the devaluation of the Georgian currency and the high dollarization of the economy (more than half of deposits and loans are denominated in foreign currency) burdens are increased on businesses and households which have credits in foreign currencies. Interest rates on deposits denominated in local currency are quite low, fluctuating slightly around 6% on the stocks of deposits that along with alarmingly increasing inflation do not encourage savings. On the other hand, the high interest rates on loans in the local currency of around 16% hurt the borrowing capacity of businesses, especially of SMEs.<sup>45</sup>

Georgia's current account deficit slightly improved since 2018, thanks to growing exports (including exports of tourism services) and remittances. Despite Russia's ban of direct flights to Tbilisi in the summer of 2019, the number of tourists kept growing in 2019. Remarkably, Georgia welcomed more than 9 million tourists and collected USD 3.3 billion from exporting tourism services in 2019. Since Georgian labour migration is quite high, remittances also make a significant contribution to the economy. In 2019, total remittances to Georgia amounted to USD 1,7 billion, of which USD 572 million was sent from the EU, mainly from Greece, Italy, Spain and France.

In 2015-2018 foreign direct investment (FDI) from the EU to Georgia amounted to USD 2.62 billion, which is an increase of 18.2% compared to 2011-2014, although the EU share in the total Georgian FDI decreased a little from 43.6% to 40%.<sup>46</sup> The UK and the Netherlands are the two main EU countries making FDI in Georgia. These investments were mainly FDIs in the gas pipeline and construction sectors, which are not directly related to the DCFTA.<sup>47</sup> Hence, the DCFTA does not seem to have any apparent effects on FDIs in Georgia.

The construction of the major Deep Sea Anaklia port on the Black Sea, that was supposed to attract large inflows of FDIs from the European and American investors, remains on hold along with the disputes between the Anaklia Development Consortium (ADC) and the Georgian government<sup>48</sup> and the preparation of a new tender for further development of the port.<sup>49</sup>

The unemployment rate has been slowly decreasing over the past years, falling from 17.4% in 2010 to 11.6% in 2019. However, it is still high for Georgia's 3.7 million population. Overall 62.9% of the

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<sup>44</sup> Akhvlediani, T. and Havlik, P. (2019) : Georgia's Economic Performance: Bright Spots and Remaining Challenges, Policy Notes and Reports, No. 29, The Vienna Institute for International Economic Studies (wiiw), Vienna.

<sup>45</sup> Akhvlediani, T. and Havlik, P., op.cit.

<sup>46</sup> Kovziridze, T. (2020), "Overview of FDI Trends in Georgia before and after the DCFTA", <https://3dcftas.eu/ops/eds/overview-of-fdi-trends-in-georgia-before-and-after-the-dcfta>.

<sup>47</sup> Kovziridze, T., op. cit.

<sup>48</sup> News Agency, Agenda.ge - <https://agenda.ge/en/news/2020/451>

<sup>49</sup> News Agency, Agenda.ge - <https://agenda.ge/en/news/2020/494>

Georgian population are economically active out of which only 56% are employed while the other half (around 44%) are self-employed (mostly in small-scale trade and subsistence agriculture). Unemployment among the youth is particularly high (29.6% for the age group 20-24 and 20.8% for the age group 25-29). As a result educated young workers try to migrate to higher income countries, while the less motivated young graduates first join unemployment and after a while stop looking for a job and become marginalised from the labour market. This signals a need of structural reforms to ensure that Georgia does not suffer from brain drain, scarcity of high-skilled workers and large numbers of marginalised and economically inactive youth.<sup>50</sup>

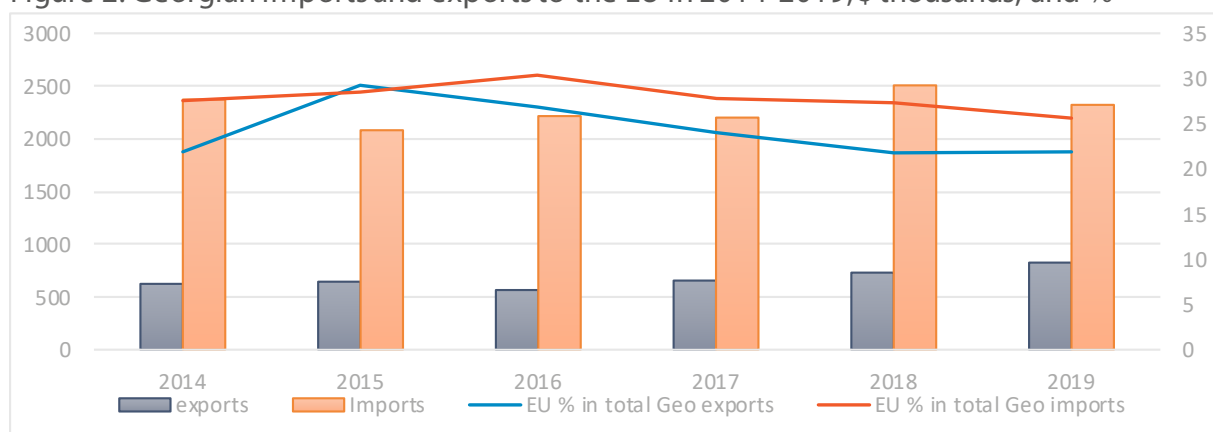
## 3.2. Trade developments

From 2014 to 2019, total trade flows between Georgia and the EU have increased, but only modestly.

Georgia's imports from the EU have basically stagnated in value terms from 2014 to 2019. Trade with other major partners, especially China, have increased. As a result the EU's share in total Georgian imports declined from 27.8% in 2014 to 25.61% in 2019.

Georgia's gross exports (exports including re-exports) to the EU increased by 32% during 2014-2019. However, as Georgian exports to the rest of the world has also been growing in the same period, the EU's share in total Georgian exports in 2019 was basically the same as in 2014 (21.8%). The positive trend is registered in Georgia's direct exports to the EU (exports without re-exports) that nearly doubled in 2019 compared to 2014. As described later on in this section, direct exports have been growing mainly to Bulgaria, Romania and Cyprus, where Georgia can successfully ship copper ores and concentrates via Black Sea.

Figure 2: Georgian imports and exports to the EU in 2014-2019, \$ thousands, and %



Source: own calculations based on the data from Geostat.<sup>51</sup>

<sup>50</sup> Akhvlediani, T. and Havlik, P., op.cit.

<sup>51</sup> The authors are grateful to Geostat, Mr. Paata Shavishvili and Mr. Irakli Zoidze, for providing the latest detailed trade data of Georgia with the EU.

Table 2: Georgian imports and exports to the EU in 2014-2019

	2014	2015	2016	2017	2018	2019
<b>Total trade (in mln. USD)</b>	2 996	2726	2781	2856	3237	3147
<b>Exports to EU (in mln. USD)</b>	624	645	566	655	731	826
<b>Direct exports to EU (in mln. USD)</b>	424	554	502	569	628	737
<b>Imports from EU (in mln. USD)</b>	2372	2081	2215	2201	2506	2321
<b>EU % in total Georgian exports</b>	21.82	29.25	26.77	23.96	21.77	21.89
<b>EU % in total Georgian direct exports</b>	23.34	34.55	30.99	28.32	28.22	31.31
<b>EU % in total Georgian imports</b>	27.58	28.5	30.37	27.71	27.43	25.61

Source: own calculations based on the data from Geostat.

For the EU trade with Georgia is of course of very small importance. The total EU-Georgia trade in 2018 amounted to €2,765 million, which is roughly 0.07% of the EU's total external trade. The EU's exports to Georgia were worth €2,112 million, representing 0.1% of its total exports and its imports were worth €653 million, only 0.03% of the EU's total imports in 2018.<sup>52</sup> Details of the EU's trade with Georgia by individual member states are set out in Annex A.

On the side of Georgian exports to the EU by far the highest shares in 2019 are recorded as going to Bulgaria (34%) followed by Romania (21%) (Table 5 in Annex A); but these figures should not be taken at face value, since they are probably reflecting that the Bulgarian and Romanian Black Sea ports are the main ports of entry into the EU, rather than their final destination. The next most important recorded destinations are Spain, Romania, Germany, Netherland, Lithuania, France and Italy, all bunched in the range of \$43 to 62 thousand in 2019.

On the side of Georgian imports from the EU the amounts are larger, with Germany clearly the biggest supplier, with \$443 million in 2019, followed by Italy (\$226 million), Romania (\$212 million), Netherlands (\$168 million), Poland (\$164 million), and France (\$164 million). Most of these amounts have remained roughly stable over the five years, and only Poland registered a large increase.

Two main structural changes are observed in the Georgian exports to the EU over the period 2014 to 2019 (Table 3). Export of copper ores and concentrates had in 2019 become by far the largest item, with \$462 million in value, a little over half of all exports to the EU. On the other hand the export of the leading agricultural commodity, namely hazel nuts, fell by 69% because of several factors. First, the invasion of the brown marmorated stink bug in 2018-2019 significantly dropped the quality of hazelnuts and Georgian crops could not compete with cheaper hazelnut supply of Turkey to the EU. As a result the exports of hazelnuts have been redirected from the EU to Russia.<sup>53</sup>

<sup>52</sup> Own calculations based on the data sourced from Eurostat - [https://webgate.ec.europa.eu/isdb\\_results/factsheets/country/details\\_georgia\\_en.pdf](https://webgate.ec.europa.eu/isdb_results/factsheets/country/details_georgia_en.pdf)

<sup>53</sup> Interview with the director of the Association of Georgian Hazelnut Processors and Exporters, Levan Kardava , <https://jam-news.net/russia-replaces-eu-as-main-market-for-georgian-hazelnuts/>.

Other traditional Georgian exports, namely wines, spirits and mineral waters saw some useful increase, especially wines, but the overall volumes are not that big.

Table 3: Georgia's top 10 exported goods to the EU in 2019 (US\$ million)

	2014	2019	growth %
<b>Copper ores and concentrates</b>	180	462	156
<b>Hazelnuts and other nuts</b>	144	44	-69
<b>Mineral or chemical fertilizers, nitrogenous</b>	32	37	15
<b>New pneumatic tires, rubber</b>	10	26	167
<b>Alcohol, spirits, liqueurs</b>	24	21	-12
<b>Wine of fresh grapes</b>	14	21	52
<b>Mineral waters</b>	11	16	39
<b>Motor cars</b>	33	13	-61
<b>Articles of wood</b>	0.1	11	7238
<b>Ferro-alloys</b>	26	11	-59

Source: own calculations based on the data from Geostat.

During the same period there was little change in the structure of Georgia's imports from the EU (Table 4). The top ten import commodities remained the same in 2019 as in 2014. The largest change was the drop in imports of petroleum products. Otherwise the main commodities were a diversified set of industrial goods (medicines, motor vehicles, data processing machines, telephone sets, tractors, etc.), with rough stability in the volumes of trade.

Table 4: Georgia's top 10 imported goods from the EU in 2019 (US\$ million)

	2014	2019	growth %
<b>Petroleum and petroleum oils</b>	523	292	-44
<b>Medicines</b>	181	193	7
<b>Motor cars</b>	152	124	-19
<b>Motor vehicles</b>	48	44	-8
<b>Automatic data processing machines</b>	38	40	5
<b>Telephone sets</b>	27	40	48
<b>Tractors</b>	25	30	23
<b>Other machinery for mining industries</b>	1	27	2135
<b>Ethyl alcohol, spirits, liqueurs</b>	29	26	-9



Instruments and appliances used in medicine	25	25	0
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Source: own calculations based on the data from Geostat.

Georgia's very large trade deficit appears as structural phenomenon, in trade with the EU and globally. Together with the small volume of exports, it is reflecting the fact that the Georgia economy is particularly concentrated in the service sectors, with booming tourism, which partly finances the trade deficit. Its global tourism earnings in 2019 amounted to \$3,3 million, compared to an overall trade deficit of \$5,2 million. Exports of goods is mainly limited due to the small-scale Georgian production that does not meet the EU's demands for large quantities and regular supplies.

There have been hopes and expectations that the DCFTA, combined with Georgia's other free trade agreements, notably with China, would lead to a major growth of inward direct investment producing goods for exports. But there is no sign of this happening so far. However this should not necessarily be viewed negatively. There are many prosperous regions within the EU of Georgia's population size (3.7 million) that have even more specialised economic structures.

From the EU's standpoint trade with Georgia is of minor proportions. There is no important point to be made about which EU country has benefited most or least. The amounts are very small for all. This in turn means that the EU's interest in its deepening relationship with Georgia has to lie mainly in political considerations.

### 3.3. DCFTA sectoral provisions

In this section we review Georgian performance in a selection of the most important chapters of trade and sectoral economic policies. The broad conclusion is that in these areas Georgia has done well, either implementing their approximation requirements on time, or in some cases ahead of the schedules formally required.

Some of the energy and environmental policy commitments are very costly to implement, and these might be more strongly supported financially by the EU and the International Financial Institutions (IFIs), conditionally however on whether Georgia would qualify under other political criteria in line with the 'more for more' principle.

#### 3.3.1. Trade liberalisation

Georgia has gone ahead with trade liberalisation more radically than the other DCFTA states, scrapping most tariffs even before the AA. It has subsequently gone further with making free trade agreements with other countries, notably with Hong Kong and China, and with India in the course of negotiation. The idea here is for Georgia to become a trade processing bridge between the EU and the big Asian markets. This has not yet translated into much expanded trade and foreign direct investment, but the policy pre-requisites for this has been put into place.

#### 3.3.2. Customs services

Georgia's customs services were radically reformed over a decade ago, and are now considered by stakeholders to be fast, efficient and corruption-free. Further reforms are currently underway, for example with introduction a new computerised transit system. Georgia has already brought its customs code into line with the EU's new Union Customs Code ahead of its incorporation in an

updating of the relevant annex to the DCFTA. Progress is also underway in applying the Pan-Euro-Mediterranean system of preferential rules of origin and other trade facilitating measures, such as the Authorised Economic Operators (AEO).

### 3.3.3. Technical product standards and regulations

For industrial products approximation to EU legislation is broadly proceeding on track. Stakeholders express a relatively high level of satisfaction over the capacity and service of conformity assessment bodies. The adoption of European standards on Technical Barriers to Trade (TBT) is considered largely beneficial, at least in the long-run.

For agri-food products the adoption of EU sanitary and phyto-sanitary regulations (SPS) is very burdensome for the large majority of very small family farm holdings, while large enterprises can adapt more easily. In view of the burdens for small farms Georgia has adopted a step-by-step approach with transition delays before implementation stretching until 2017. Georgia is progressively establishing SPS institutional infrastructure.

### 3.3.4. Financial services

Compliance with basic banking regulations is proceeding smoothly. The banking system is sound, and has for example escaped the major bank failures and frauds suffered in both Moldova and Ukraine. With regard to the EU's new Markets in Financial Instruments Directive (MIFID II) regulation, its approximation by Georgia is not yet required, and the Georgian monetary authorities quite reasonably want to see how this extremely ambitious new law is going to be implanted in the EU first.

In the insurance sector compliance with the EU's Solvency I directive, and even more so the Solvency II directive is highly challenging, but here also there are long transition periods ahead. Motor vehicle insurance is lagging behind.

### 3.3.5. Energy policy

Georgia acceded to the Energy Community Treaty in 2018, with some significant exemptions due to its physical separation from EU territory. Still Georgia has obligations to proceed with key unbundling provisions in both electricity and gas markets, and legislative and implementation processes are underway and broadly on track.

The most challenging situation concerns energy efficiency, for which legislation has been prepared but not yet enacted by the parliament. Improvement of the energy efficiency of household apartment blocks is going to be especially difficult, given the number of low income people who do not have the means to pay for improved thermal insulation etc. For this external funding is needed.

Georgia's energy security situation has greatly improved, with gas supplies from Azerbaijan now removing dependence on Russia. In addition there are major hydro supplies of electricity.

### 3.3.6. Environment policy

The commitments to approximate EU environmental law are certainly onerous for Georgia in the areas of industrial emissions, ambient air quality, and water and waste management. However on the whole Georgia progresses with its legislative obligations, often quite reasonably with long

transition period for implementation (for example 3 to 10 years for river management programmes in compliance with the Water Framework Directive, and 8 years for developing a marine water strategy). Regarding air quality eight air monitoring stations are now operational, and there is increasing use of hybrid vehicles, encouraged by public policy.

On climate policy Georgia is preparing to update in 2020 its 'National Determined Contribution', but implementation is much dependent on external IFI funding.

### 3.3.7. Digital sector

Georgia has achieved significant success in developing a wide range of public e-services. The country has already approximated most of the EU laws outlined in the AA and went beyond its commitments by adopting legislation on Electronic Document and Electronic Trust Services and drafting the laws on e-commerce and electronic communication in line with the relevant EU directives.<sup>54</sup>

The ICT sector and the number of Internet users is growing fast, although the digital divide between rural and urban areas remains problematic. With this in mind Georgia has developed the 2020 socio-economic development strategy that prioritizes development of telecommunications infrastructure throughout the country. Georgia has the EU's support in this process via several EU funded projects, including EU4Digital, a new EU programme launched in 2019 with the budget of 11 million Euros.<sup>55</sup>

The evolution of the EU's digital policy after the establishment of the Digital Single Market (DSM) in 2015 made Georgia's AA commitments outdated. That is why the country has already adopted several EU laws beyond its obligations outlined in the AA.

### 3.3.8. Cyber security

The cooperation in cyber security and defence is not at all covered in the AA. Without having any binding commitments, Georgia has already approximated some basic pillars of the Network and Information Security (NIS) Directive, which together with the EU Cybersecurity Act presents the major EU legislation on cyber matters.<sup>56</sup> This indicates Georgia's readiness and motivation to seek for the EU's 'specific engagement' and support for capacity building.<sup>57</sup>

Georgia is the member of the Committee of the Council of Europe responsible for the Budapest Convention on Cybercrime and the Cybercrime Convention, although it is not fully in line with the Convention. Besides the full implementation of Budapest Convention Georgia is committed to enact its agreement with the EU on "the security procedures for exchanging and protecting classified

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<sup>54</sup> Akhvlediani, T., (2019), 'Digital and Cyber Dimensions of the EU Association Agreements with Georgia, Moldova and Ukraine', <https://3dcftas.eu/publications/digital-and-cyber-dimensions-of-the-eu-association-agreements-with-georgia-moldova-and-ukraine>.

<sup>55</sup> EU4Digital - <https://eufordigital.eu/countries/georgia/>

<sup>56</sup> Akhvlediani, T., op. cit.

<sup>57</sup> News agency, Agenda.ge - <https://agenda.ge/en/news/2019/1877>.

information.”<sup>58</sup> Currently the two parties are about to finalise the Implementing Arrangements, that will set up the standards for security procedures in practice.

After completing this final step, Georgia will be ready to deepen cooperation with the EU. This is of crucial importance for both Georgia and the EU, given the geo-political concerns that they share. The most recent cyberattacks on Georgia have hit the banking sector in 2018, and as many as 2,000 websites including that of the President of Georgia, courts, NGOs, local self-governments and private organisations in October 2019.<sup>59</sup> These attacks indicate that if the EU and Georgia do not establish common cyber safeguards, the country could become the backdoor for the cyberattacks against the EU.

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<sup>58</sup> Akhvlediani, T., op. cit.

<sup>59</sup> News agency, Agenda.ge - <https://agenda.ge/en/news/2019/2898>.

## 4. Foreign and security policy

The 2019 'Association Implementation Report' of the EEAS<sup>60</sup> tells that Georgia aligned itself on 37 Council Declarations and Decisions out of a total of 55 such cases for which such invitations had been issued. It has continued to participate in Common Security and Defence Policy (CSDP) civil and military missions, notably providing 32 personnel to the EU's training mission in the Central African Republic. On 25 October 2019, Georgia and the EU held their third high-level informal strategic security dialogue meeting. Georgia also continues to send a relatively very high number of military personnel to NATO's missions, especially Afghanistan. By February 2020, out of 37 contributing nations, Georgia was the fifth largest contributor to the NATO's Resolute Support Mission in Afghanistan, having sent 871 uniformed personnel. This number exceeds the number of military personnel of all the other EU countries except Germany, Italy and the UK.<sup>61</sup>

The EU has since the August 2008 war maintained an unarmed civilian monitoring mission (EUMM) of around 200 personnel in Georgia, under a mandate from the EU brokered Six-Point Agreement signed by both Georgia and Russia. Its main role is to monitor the boundary lines with Abkhazia and South Ossetia, in order to prevent any renewal of armed conflict and to make adjacent districts safe and secure for local residents. While the prime objective of the mission, namely to help prevent a renewal of outright war, has been met, there have been recurrent incidents especially in 2019 on the boundary line with South Ossetia with frequent border closures and incremental movement of the boundary line further to the south by Russian border guards. Life is made extremely difficult for Georgian villagers living close to the boundary line.

In August 2019 the Georgian government constructed a police checkpoint at the edge of the border line with South Ossetia, which led to protests of Tskinali representatives. The Geneva International Discussions (GID) co-chaired by the representatives of the EU, OSCE and the United Nations continue to hold discussions between Tbilisi, Tskinali and Moscow on checkpoints and other security and humanitarian issues in South Ossetia but so far there is no agreement reached between the parties.<sup>62</sup>

Detentions continue for 'illegally' crossing the boundary line with South Ossetia. In 2019, a case that attracted the major attention from Georgian public as well as international community was the detention of a Georgian doctor Vazha Gaprindashvili for crossing the administrative boundary line with South Ossetia, and sentenced to almost two years in Tskinali prison. Gaprindashvili was

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<sup>60</sup> Association Implementation Report on Georgia, the EEAS, 2020.

<sup>61</sup> Cordesman, A. (2020), 'Afghanistan at Peace or Afghanistan in Pieces', Center for Strategic and International Studies, [https://csis-prod.s3.amazonaws.com/s3fs-public/publication/200303.Bukre\\_Chair.Afghanistan.GHV3\\_.pdf?L9wzCn70L\\_oXYWGSgUlXmvnnP3MoEjhO](https://csis-prod.s3.amazonaws.com/s3fs-public/publication/200303.Bukre_Chair.Afghanistan.GHV3_.pdf?L9wzCn70L_oXYWGSgUlXmvnnP3MoEjhO)

<sup>62</sup> News Agency, Civil.ge - <https://civil.ge/archives/338600>

released after 49 days in jail, following public demonstrations in Tbilisi<sup>63</sup> and calls for his release by the EU<sup>64</sup>, US<sup>65</sup>, OSCE and Amnesty International.

Georgia continues to host one of the EU's eight chemical, biological, radiological and nuclear (CBRN) risk-mitigation centres of excellence.

In 2018 the government of Georgia announced fresh initiative to try and improve relations with the peoples Abkhazia and South Ossetia under a programme entitled 'A Step towards a Better Future'. This aims at facilitating students from Abkhazia especially to study in Georgian universities and to facilitate cross-border trade. While this has made limited progress in practice, due to a lack of interest by the public authorities in Sukhumi and Tskinali, the move is to be welcomed in principle. It fits well with the EU's formal policy of 'Non-Recognition and Engagement'.

Overall this cooperation in matters of foreign and security policy proceeds positively. While the EU's policy of 'Non-Recognition and Engagement' with Abkhazia especially could be upgraded with a higher level of activity.

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<sup>63</sup> News Agency, Agenda.ge - <https://agenda.ge/en/news/2019/3516>.

<sup>64</sup> EEAS, Statement by the Spokesperson on the case of Georgian citizen Vazha Gaprindashvili [https://eeas.europa.eu/topics/climate-environment-energy/72521/statement-spokesperson-case-georgian-citizen-vazha-gaprindashvili\\_en](https://eeas.europa.eu/topics/climate-environment-energy/72521/statement-spokesperson-case-georgian-citizen-vazha-gaprindashvili_en).

<sup>65</sup> US Embassy in Georgia on the sentencing of Dr. Vazha Gaprindashvili, <https://ge.usembassy.gov/u-s-embassy-statement-on-the-sentencing-of-dr-vazha-gaprindashvili-december-20/#.Xf0kcfuyN3U.twitter>

## 5. Institutional and strategic developments

### 5.1. Functioning of the Association Council

The European Union and Georgia held the 5<sup>th</sup> meeting of the Association Council on 5 March 2019. These top-level meetings are supported by a subordinate structure of committees and sub-committees. The overall institutional set up functions in a correct and positive manner.

In November 2018 there was an interesting innovation in EU-Georgian institutional relations, when the prime minister brought with him on a visit to Brussels a large number of Georgian ministers to meet the college of Commissioners. This enabled meetings to be held both at plenary level, and for ministers with sectoral policy responsibilities to meet with their counterpart Commissioners. Outcomes were announced in the areas of macro-financial assistance, transport projects, energy efficiency measures, educational initiatives, etc.<sup>66</sup>

The next Association Council meeting in 2020 will be based in part at least on the 2020 Implementation Report published in January<sup>67</sup>. The conclusions of this report signal three priority concerns on the EU side:

- i. For the forthcoming parliamentary elections in the autumn of 2020, to find an agreement over the electoral method to be used, acceptable to all parties;
- ii. For the selection of judges to the Supreme Court to be genuinely merit-based and carried out in conformity with the recommendations of the Venice Commission;
- iii. To address the problem of greatly increased asylum requests, following the introduction of visa-free travel.

### 5.2. Inter-Parliamentary cooperation

The last Resolution of the European Parliament on EU-Georgian relations, dating back to November 2018, contained the following positive overall summary assessment<sup>68</sup>:

*"Warmly welcomes the sustained reform track and progress made in implementing the AA and the DCFTA, which has positioned Georgia as a key partner of the EU in the region".*

It did nonetheless regret the delay in introducing a fully proportional electoral system for the parliament, and expressed concern over shortcomings as regards the functioning of the security services, including party-political interference, as for example in the case of the abduction of Azerbaijani journalist Afgan Mukhtarli.

On 11-12 February 2020 there was a meeting of the EU-Georgia Parliamentary Association Committee in Strasbourg, which included both government and opposition parties on the Georgian side. For the first time at this forum the meeting ended without a joint statement.

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<sup>66</sup> European Commission - [https://ec.europa.eu/commission/presscorner/detail/en/IP\\_18\\_6493](https://ec.europa.eu/commission/presscorner/detail/en/IP_18_6493).

<sup>67</sup> 2020 Association Implementation Report on Georgia. [https://eeas.europa.eu/headquarters/headquarters-homepage/74221/2020-association-implementation-report-georgia\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/74221/2020-association-implementation-report-georgia_en)

<sup>68</sup> European Parliament, 'Resolution on the implementation of the EU Association Agreement with Georgia', 14 November 2018 (procedure 2017/2282(INI)).

### 5.3. Structured consultations over the future of the Eastern Partnership

On 31 October 2019 the government of Georgia submitted to the Commission its contribution to the 'structured consultations' on the future of the Eastern Partnership launched by Brussels<sup>69</sup>. In this paper it was argued that

*“the Policy needs a fresh boost, new strategic directions and concrete milestones that would lead the EU and Eastern Partners towards new opportunities for greater integration with the EU”.*

With regards specifically to the AA/DCFTA process, the paper proposed

*“a structured, institutional dialogue of EU and Associated Partners on issues related specifically to implantation of the AA/DCFTAs. There should be regular informal DCFTA Ministerials supported by expert-level meetings. The Associated partners could be invited, when issues of common interests are being debated, to meetings of the EU Sectoral Councils, and the COEST committee of the Council”.*

In addition Georgia took the occasion of this 'structured consultation' to advance many constructive ideas for enhancing and upgrading the AA/DCFTA process, with as many as 30 bulleted action points, of which the following are a sample:

- Gradual and full integration into the Single market
- Possible accession to the Central European Free Trade Area (CEFTA)
- Accession to the Single European Payments Area (SEPA)
- Possible accession to the Transport Community
- Integration with the Digital Single Market
- Black Sea Undersea Electricity Transmission Line
- Strategic partnerships with European universities
- Agreement on mutual recognition of professional qualifications
- Participation in Europol Joint Investigation Teams (JITS)
- Cooperation with European Agency for Network and Information Security (ENISA)

### 5.4. Joint Statement of Georgia, Moldova and Ukraine

The above bilateral submission to the structured consultation was followed on 5 December 2019 by a Joint Statement of the three foreign ministers of Georgia, Moldova and Ukraine on the future of the Eastern Partnership<sup>70</sup>. The content of this statement is fully consistent with and underlines Georgia's bilateral paper. In particular it:

*“calls upon the EU/incoming Commission to engage further in joint discussions on the progress, opportunities and challenges concerning the association-related reforms with the aim of facilitating full implementation of the DCFTAs;*

*“invites the EU to consider establishing the EU+ Three Associated partners dialogue in the areas including, but not limited to transport, energy, justice and the digital economy”.*

*“calls upon the EU to play a more visible role and further increase its engagement in peaceful conflict resolution in the EaP area”.*

<sup>69</sup> 'Future of the Eastern Partnership – contribution of Georgia to the structured consultations', Tbilisi, October 31, 2019.

<sup>70</sup> 'Joint Statement by the Ministers of Foreign Affairs of Georgia, the Republic of Moldova and Ukraine on the Future of the Eastern Partnership', 5 December 2019, Bratislava.



The idea of a degree of trilateralisation of the AA/DCFTA process with the EU has also been subject to proposals in the European Parliament advocated initially by Andrius Kubilius MEP under the heading of a 'Trio Plus Strategy 2030'. This led the EuroNest Parliamentary Assembly on 9 December 2019 to adopt a Resolution, proposing inter alia as follows:

*"Urges [that] the Trio Plus Strategy 2030 will be an ambitious European geopolitical instrument employing a new generation of institutions and policies, sustainable trade and stabilisation agreements and their instruments (EU Support Group for the Trio, Trio Investment Platform, European Green Deal, Digital Europe, Promoting European Way of Life and European Democracy, ACAAs, Connectivity Agenda, TEN, Horizon2020, Conference of the Future of Europe, and other EU initiatives)"<sup>71</sup>.*

## 5.5. Questions over the EU's forward strategy

The foregoing submission and joint statement call for a response for the EU side. It is expected that the EU will publish in March 2020 a policy Communication in preparation of the Eastern Partnership summit planned for mid-2020. There is no information so far what position the EU will take on the above proposals.

There has been some debate in Georgia about whether, as a next strategic step in its forward looking European strategy, it should aim at acceding to the European Economic Area (EEA, like Norway), as preliminary to its ultimate goal of EU membership. While an interesting idea, the proposal encounters two problems (in the view of the present authors). First, EEA membership would mean carrying alignment on the EU's Single Market law to the legally most exacting level, which contrasts with Georgia's preference so far to approximate EU law with considerable selectivity and flexibility. Second, regarding the free movement of labour that the EEA would require, the currently very low level of wages in Georgia compared even to the EU's lowest income member states would risk leading to excessive emigration. Concretely therefore the question should be held over at least until Georgia's wage levels have greatly increased, for example to the level close to that of the EU's lowest wage member states.

There remain however many ways in which Georgia's AA/DCFTA with the EU could be enhanced, as illustrated by Georgia's submission to the structured consultations mentioned above, and a recent paper from CEPS advocating an upgrade of the AA/DCFTA process<sup>72</sup>.

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<sup>71</sup> EuroNest Parliamentary Assembly, 'Resolution on the future of the Trio Plus Strategy 2030: building a future of Eastern Partnership', 9 December 2019.

<sup>72</sup> M. Emerson and S. Blockmans. '100 Ideas for Upgrading the Association Agreements and DCFTAs with Georgia, Moldova and Ukraine', February, 2020. <https://3dcftas.eu/publications/100-ideas-for-upgrading-the-association-agreements-and-dcftas-with-georgia-moldova-and-ukraine>

## 6. Recommendations

### 6.1. Recommendations to the Government of Georgia

Absolute priority has to be given to assuring a correct conduct of the forthcoming parliamentary elections.

The ruling party as well as the opposition should adhere to the March 8 agreement on the new electoral system and should ensure its adoption and implementation during the forthcoming elections.

A successfully conducted general election should be followed by measures to ensure a real independence of the judiciary. Georgia should implement the recommendation of the Venice Commission while implementing its 'fourth wave' of judicial reforms, particularly on the nomination and the appointment of the judges and the transfer of powers from prosecutors to investigators.

Georgia remains the leader in the Eastern Partnership region in preventing corruption. However the most recent developments point to a stagnation in anti-corruption reforms beyond legal prevention mechanisms. Georgia should reinforce its efforts to eradicate corruption particularly in the law enforcement bodies and should root out corrupt political interference in the judiciary.

The freedom of Georgian media could be improved by depolarisation and de-politicization; interferences of management in editorial policies should also be stopped.

Georgia should devote proper attention to labour inspections, worker's rights, gender equality and anti-discrimination measures, including towards LGBTI+.

In general Georgia is proceeding correctly with detailed implementation of economic provisions of the AA/DCFTA. There are however areas of environmental policy, energy efficiency and development of renewable wind and solar energies that should be accelerated.

Georgia should implement structural reforms of the labour market to tackle the high unemployment rate, especially amongst the youth, and to counter the brain-drain that country has experienced in recent years.

In order to reap the benefits of digitalisation, Georgia should develop ICT infrastructure in the regions, and should closely cooperate with the EU to be in line with the newest developments of the Digital Single Market and cyber security and defence of the EU.

### 6.2. Recommendations to the European Union

The EU should continue to support a correct implementation of the newly agreed electoral methodology. The efforts of the EU Head of Delegation in Tbilisi in facilitating consensus between government opposition parties over the conduct of the forthcoming parliamentary elections is to be warmly welcomed.

The EU should open up the prospect of an upgrading of the AA/DCFTAs, considering the many ideas that Georgia submitted to the Commission's 'structured consultation' in late 2019, but this would be conditional on a positive democratic conduct of the forthcoming elections.

The EU needs to make its 'more for more' incentive more explicit and operationally credible. There are several sectors in the AA/DCFTA where the implementation of commitments is extremely

onerous for a country of Georgia's level of income. The EU should set out how it might increase its assistance conditionally on progress by the partner states.

The EU should respond positively to the requests by Georgia and the three Associated states together to establish a joint policy dialogue on matters of common interest, of which there are many.

The EU should intensify its policy of 'engagement without recognition' with Abkhazia and South Ossetia, facilitating educational programmes and entering into dialogue over trading links to Georgia's DCFTA with the EU.

In line with the most recent developments of the Digital Single Market and the EU's cyber security and defence, the EU needs to update and upgrade its cooperation with Georgia on digital and cyber matters.

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## 7. Annexes

### 7.1. Annex A: Trade developments - Georgia-EU exports and imports, in mln USD

	exports in mln USD			imports in mln USD		
	2014	2019	growth %	2014	2019	growth %
<b>Total Exports</b>	2861	3771	32	8602	9063	5
<b>EU countries</b>	624	826	32	2372	2321	-2
<b>Austria</b>	5	2	-62	72	86	18
<b>Belgium</b>	42	14	-67	69	102	48
<b>Bulgaria</b>	167	284	70	210	124	-41
<b>Croatia</b>	0.19	0.29	53	9	9	-3
<b>Cyprus</b>	1	2	364	4	7	88
<b>Czech Republic</b>	14	10	-28	68	90	33
<b>Denmark</b>	1	1	-40	13	17	34
<b>Estonia</b>	3	6	135	5	7	34
<b>Finland</b>	1	0.16	-75	17	18	5
<b>France</b>	27	29	8	131	164	25
<b>Germany</b>	69	54	-21	466	443	-5
<b>Greece</b>	14	4	-72	118	65	-45
<b>Hungary</b>	1	1	51	60	45	-25
<b>Ireland</b>	0.16	1	715	10	11	17
<b>Italy</b>	86	40	-53	222	226	2
<b>Latvia</b>	8	11	33	20	33	61
<b>Lithuania</b>	32	45	42	45	36	-19
<b>Luxembourg</b>	0	0	-	3	3	-8
<b>Malta</b>	0.05	1	1009	2	3	85
<b>Netherlands</b>	31	28	-9	149	168	13
<b>Poland</b>	10	28	175	94	164	74
<b>Portugal</b>	2	0.35	-81	37	14	-63
<b>Romania</b>	4	178	4045	312	212	-32
<b>Slovakia</b>	11	1	-92	22	12	-46
<b>Slovenia</b>	1	3	328	21	29	37
<b>Spain</b>	70	46	-34	90	109	20
<b>Sweden</b>	0.26	1	157	10	17	68
<b>United Kingdom</b>	25	35	42	95	110	16

Source: own calculations based on the data from Geostat.

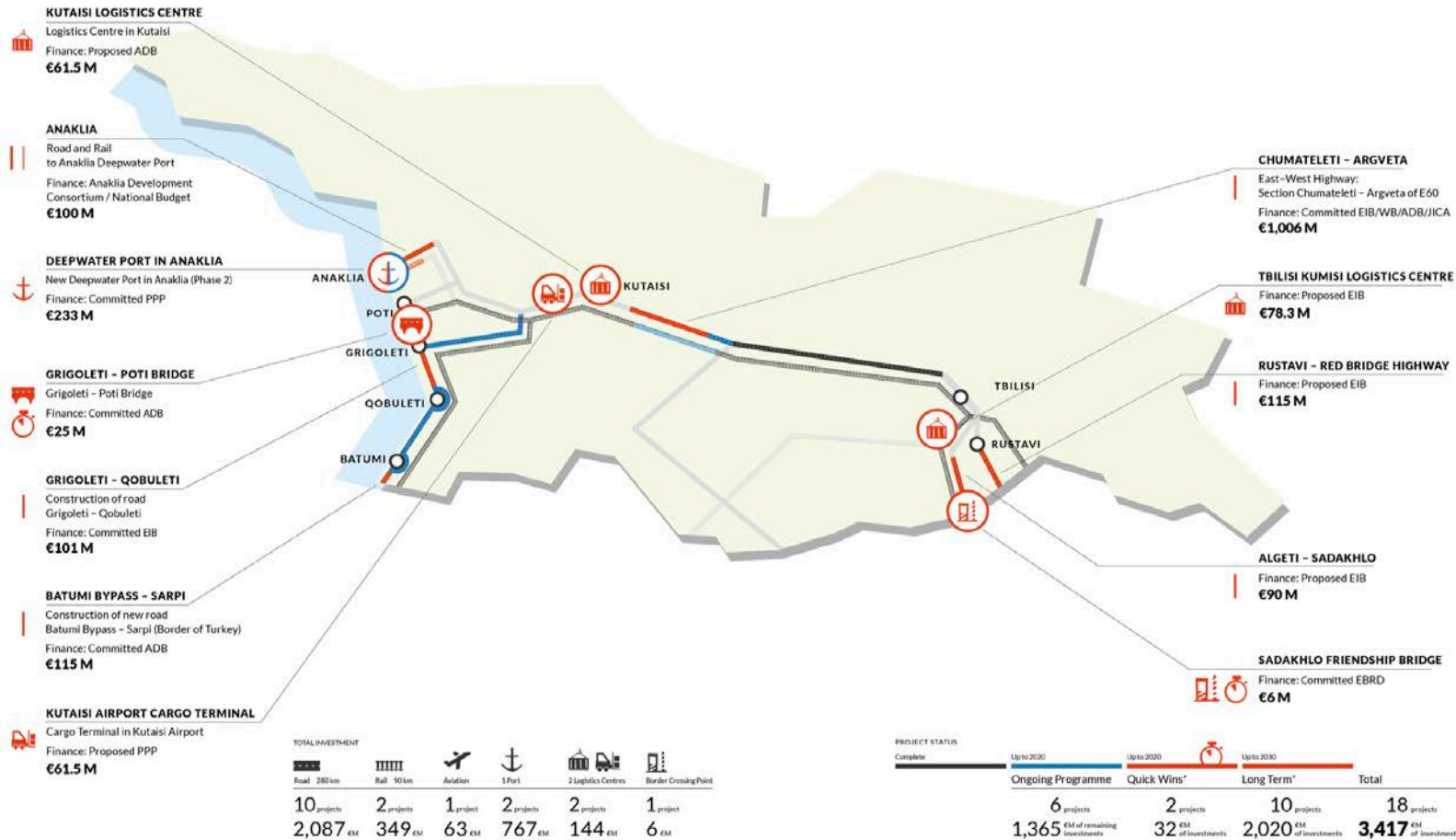
## 7.2. Annex B: List of transport infrastructure projects to be implemented in Georgia in 2020-2030 (total €3.5 billion)

- Kutaisi logistics centre. Finance proposed by Asian Development Bank (ADB). The cost of the project is €61.5 million;
- Road and rail to Anaklia Deepwater Port. Finance: Anaklia Development Consortium/ National Budget. Cost of the project – €100 million;
- New Deepwater Port in Anaklia (phase 2). Finance: committed PPP. Cost of the project - €233 million;
- Grigoleti-Poti bridge. Finance: committed ADB. Cost of the project - €25 million
- Construction of road Grigoleti-Kobuleti. Finance: committed European Investment Bank. Cost of the project - €101 million;
- Construction of new road Batumi Bypass-Sarpi (border of Turkey). Finance: committed ADB. Cost of the project - €115 million;
- Cargo terminal in Kutaisi Airport. Finance: proposed PPP. Cost of the project - €61.5 million;
- Construction of Chumateleti-Argveti section of the East-West Highway. Finance: committed EIB/WB/ADB, JICA – cost of the project 1 billion;
- Tbilisi Kumisi logistic centre. Finance: proposed EIB. Cost of the project - €78.3 million;
- Rustavi - Red Bridge Highway. Finance: proposed EIB. Cost of the project - €115 million;
- Algeti-Sadakhlo. Finance: proposed EIB. Cost of the project - €90 million;
- Sadakhlo Friendship bridge. Finance: committed EBRD. Cost of the project - €6 million.





## GEORGIA PRIORITY PROJECTS



Source: European Commission and World Bank, 'Indicative TEN-T Investment Action Plan', December 2018.





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In November 2019, the European Parliament's Committee on Foreign Affairs (AFET) requested to draw up an own-initiative annual report on the implementation of the association agreement between the EU and Georgia (2019/2200(INI)).

This European implementation assessment (EIA) has been prepared by the European Parliamentary Research Service (EPRS) to accompany the scrutiny work of the Committee on Foreign Affairs, where Sven Mikser (S&D, Estonia) has been appointed rapporteur.

This EIA is an update of the report on Association agreements between EU and Moldova, Georgia and Ukraine. European Implementation Assessment prepared by EPRS in July 2018 to accompany the AFET committee in its work on three implementation reports. Subsequently, in November 2018, the European Parliament adopted a resolution on the association agreement between the EU and Georgia.

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