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**Implementation of the European Neighbourhood Policy in Georgia
Progress in 2014 and recommendations for actions**

Accompanying the document

**JOINT COMMUNICATION TO THE EUROPEAN PARLIAMENT, THE COUNCIL,
THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE
COMMITTEE OF THE REGIONS**

Implementation of the European Neighbourhood Policy in 2014

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1. OVERALL ASSESSMENT AND RECOMMENDATIONS FOR ACTION

This document reports on progress made between 1 January and 31 December 2014 in the implementation of the EU-Georgia Association Agenda. The Association Agenda replaced the 2006 European Neighbourhood Policy (ENP) Action Plan. Developments outside this period are considered where relevant. This is not a general assessment of the political and economic situation in Georgia. Information on regional and multilateral sector issues is contained in the Eastern Partnership Implementation Report.

Georgia and the EU signed the Association Agreement including the Deep and Comprehensive Free Trade Area (AA/DCFTA) on 27 June 2014. Georgia ratified the AA on 18 July 2014. The AA/DCFTA has been provisionally applied since 1 September 2014. In June 2014 the EU and Georgia agreed jointly on the Association Agenda. It provides a set of priorities for implementing the AA/DCFTA. Political dialogue between the EU and Georgia further intensified in 2014. An unprecedented meeting between the Georgian Government and the College of Commissioners took place in May 2014. In November 2014 the first meeting of the EU-Georgia Association Council took place and Georgia was the host of the Eastern Partnership Civil Society Forum in Batumi.

The EU's Special Adviser on Constitutional and Legal Reform and Human Rights in Georgia, Thomas Hammarberg, concluded his mandate in 2014 and issued recommendations for introducing effective checks and balances into the political/constitutional system.

Georgia made some progress on deep and sustainable democracy and human rights and fundamental freedoms: local elections in June and July 2014 are considered to have generally complied with international standards. Constitutional reform was initiated with the creation of a State Constitutional Commission. The role of parliament was strengthened and the power of the president reduced. The status of the prosecution service is one of the most urgent issues to be decided. Institutional reform of the Prosecutor's Office was also launched in December 2014. Electoral reforms to prepare for the 2016 parliamentary elections have not yet started. Media freedom improved but freedom of association and freedom of assembly were not fully ensured during the electoral campaign. Amendments made to the Law on Common Courts create the basis for judges to be more independent; however, a three-year probation period for judges prior to their life-term appointment remains problematic. In general, judicial independence remained fragile. Georgia made some progress in the fight against corruption.

The National Human Rights Strategy and Action Plan were adopted. The prison system and the protection of children's rights improved. An anti-discrimination law was adopted; the lack of accountability for abuses by law enforcement authorities persisted. In general, the rights of minorities were not substantially improved. Major public administration reforms are pending, including reform of the financing of political parties.

While the civil society dialogue with parliament continued, civil society organisations' room for dialogue with the government narrowed.

Good progress was reached in the visa liberalisation dialogue and the implementation of the Visa Facilitation and Readmission Agreements. The second implementation phase of the visa liberalisation process was launched.

Georgia's economy started to recover at the end of 2013, helped by a large fiscal stimulus in the last quarter of the year. The recovery continued in 2014. After deflation of 0.5% in 2013, the economic recovery led to a resurgence of inflationary pressures. After a significant improvement in 2013, the current account started to worsen again and the deficit is expected to reach about 10% at the end of 2014. Georgia concluded a new Stand-by Arrangement with the IMF of USD 154 million in July 2014. In October 2014 the EU concluded negotiations on a new Macro-Financial Assistance programme amounting to EUR 46 million.

Regarding the breakaway territories of **Abkhazia and South Ossetia**, the announcements by the *de facto* authorities in 2014 of the potential closure of a number of crossing points and more restrictive crossing regimes caused concern in Georgia. These would further increase the separation already caused by the erection of fences and other obstacles on the administrative boundary lines. The signature of the 'Treaty on Alliance and Strategic Partnership' between the Russian Federation and Abkhazia and negotiations of a similar agreement with South Ossetia were severely criticised by the Georgian Government as going against Georgia's territorial integrity. This assessment was shared by the EU and was expressed in statements and the EU's bilateral contacts with the Russian Federation. The EU remained committed to Georgia's territorial integrity and sovereignty and to a peaceful resolution of the conflicts. The government implemented its strategy for engaging with the breakaway territories. In parallel, the bilateral discussions with the Russian Federation continued and led to progress on trade, transport and cultural issues which the EU welcomed.

Overall, Georgia made some progress in implementing the ENP Action Plan and the Association Agenda, with achievements notably in the areas of human rights and fundamental freedoms and substantial progress in the visa liberalisation process. Constitutional reforms have been initiated. Some progress was made in the fight against corruption. Anti-discrimination legislation was adopted. Cooperation with civil society continued.

Based on the assessment of its progress in 2014 on implementing the ENP Action Plan and the Association Agenda, Georgia should focus its work in the coming year on:

- ensuring adequate separation of powers and checks and balances between executive, legislative and the judicial powers in the framework of constitutional reform; ensuring that constitutional amendments continue to be subject to comprehensive consultations, including with the EU and the Venice Commission of the Council of Europe;
- improving the political climate by avoiding political retribution, confrontation and polarisation and ensuring space for opposition and cross-party dialogue in the interest of consolidating democracy, focusing on priorities such as economic development and urgent social concerns;
- addressing remaining shortcomings in the legislative framework and administration of elections, as identified by the Organisation for Security and Cooperation in Europe's Office for Democratic Institutions and Human Rights (OSCE/ODIHR), before the start of the cycle leading to the next parliamentary elections in 2016;
- reforming the justice system to ensure the full independence of the judiciary, bringing criminal justice policies and practices into line with Council of Europe standards; developing a judicial reform strategy and action plan with clear benchmarks;

- ensuring that criminal investigations and prosecutions are conducted in a transparent and impartial manner, free of political motivation, and following up on the OSCE/ODIHR recommendations in this regard;
- ensuring that reform of the Prosecutor's Office is completed and that the office is independent from political influence and is publicly accountable;
- ensuring that pre-trial detention is used only as an exceptional measure, in line with the law, to safeguard, inter alia, the principle of the presumption of innocence; revising rules on administrative detention in compliance with fair trial norms;
- increasing the accountability and democratic oversight of law enforcement agencies; establishing an independent and effective complaints mechanism and addressing complaints on property rights violations, torture and ill treatment, and misuse of the plea bargaining system; investigating abuses — particularly by law enforcement officers — and implementing reforms and effective monitoring of the prison system;
- continuing to advance sectoral reforms, completing the accession to the Energy Community Treaty and ensuring a high standard of approximation to the EU *acquis* in order to successfully implement the AA/DCFTA; raising public awareness and visibility of the AA/DCFTA and the merits of political association and economic integration with the EU;
- participating constructively in the Geneva International Discussions; strengthening Georgia's policy of engaging with the breakaway regions and take pragmatic steps to further open channels of communication and encourage trade, education, travel and investment across the administrative boundary line; reviewing the law on occupied territories and other related legislation and administrative acts; continuing close cooperation with the EU Special Representative (EUSR) for the South Caucasus and the Crisis in Georgia and the EU Monitoring Mission in Georgia (EUMM);
- strengthening media pluralism and independence and freedom of expression and opinion; improving and ensuring the protection of privacy rights; tackling illegal surveillance by revising the surveillance legislation in line with international standards and in consultation with the Venice Commission, and investigating abuses;
- implementing anti-discrimination legislation effectively; providing sufficient resources to the Public Defender's Office to exercise its new role as an equality body; ensuring that the rights of people belonging to minorities, including religious minorities, are respected;
- implementing the human rights strategy and action plan effectively, concentrating on the main human rights priorities, and reflecting the recommendations of the Public Defender's Office in policy-making;
- ensuring that civil society and the social partners continue to have sufficient scope to exercise their roles, including under the AA/DCFTA.

2. POLITICAL DIALOGUE AND REFORM

Deep and sustainable democracy

The 2014 municipal elections took place in a more competitive atmosphere than the elections in 2013. Several amendments were adopted to bring the relevant legislation into line with the new code of local self-government. Particularly instrumental was the decision to increase the number of self-governing municipalities to 12, allowing for direct elections of mayors, along with the increase in the election threshold in the first round from 30 to 50%. The Inter-Agency Commission for Free and Fair Elections continued to issue recommendations but these were not always successful in preventing cases of alleged intimidation. The pre-electoral campaign was marked by a number of violent incidents against and pressure on the opposition.

In the absence of the Organisation for Security and Cooperation in Europe's Office for Democratic Institutions and Human Rights (OSCE/ODIHR), the municipal elections were observed by a large number of domestic and other international election observation organisations. The elections were found to be in line with international standards, with only minor procedural violations reported. These were not deemed to have influenced the outcome.

Discussions on electoral reform have not restarted yet. There are a number of issues which remain to be addressed arising both from previous OSCE/ODIHR recommendations, like improving the 'equality of the vote', and from legislative amendments passed recently, such as the provision allowing for a majority of local council members to impeach a directly-elected mayor. If the electoral reform starts without delay, it can apply to the parliamentary elections in October 2016.

The run-up to the 2014 municipal elections was marked by polarisation, and most violations of **freedom of assembly and association** occurred in this period. In addition to disruption of some opposition gatherings by ruling party supporters, authorities failed to protect opposition members from occasional violent attacks and/or to adequately investigate assaults on politically active individuals. The Prosecutor's Office received 80 complaints of alleged pressure to withdraw opposition candidacies but started criminal investigations in only four cases.

In contrast with the previous year, when a violent mob assaulted peaceful lesbian, gay, bisexual, transgender and intersex (LGBTI) activists who had to be evacuated by police, in 2014 the LGBTI community decided not to gather outdoors to mark International Day against Homophobia and Transphobia.

In 2014 the **media** environment continued to improve and became more diverse, albeit also more polarised. Media ownership became more transparent. Georgia's ranking in the annual Freedom House survey of global press freedom improved slightly. There were a few cases of interference in journalistic activities. Occasionally, authorities demonstrated a hostile attitude towards critical reporting by the media. Media freedom, in particular for investigative journalism, and impartiality remained precarious.

In August 2014 parliament amended the Law on **Common Courts**, setting criteria of 'good faith' and 'competence' for the three-year probation period all judges must serve before their appointment for life. The law also established a new chamber of the Supreme Court (the

Qualification Chamber), mandated to review appeals against refusals by the High Council of Justice to make lifetime appointments of judges.

In March 2014 the State Commission for **Constitutional Reform** discussed the powers and competences of the judicial branch of the government and the powers of other constitutional actors. The 58-member commission composed of members of the parliamentary majority and opposition, representatives of non-parliamentary parties and civil society and legal experts, was tasked with drafting constitutional amendments and defining the new constitutional status of the Prosecutor's Office. Parliament extended the mandate until March 2015.

Institutional **reform of the Prosecutor's Office**, aimed at increasing its independence and accountability, began in December 2014. Government agencies, parliament, the Public Defender and civil society organisations participated in drafting the reform plan.

In September 2014 parliament delayed the start of jury trials for all criminal offences carrying imprisonment from October 2014 until October 2016.

Investigations and trials of former officials continued. To date, 35 officials of the previous government have been charged with criminal offences; five have fled the country and at least 10 have been convicted, three of whom were pardoned by then-President Saakashvili. In addition, charges have been brought against a considerable number of former civil servants.

The Public Defender and non-governmental organisations (NGOs) denounced procedural violations, including violation of the presumption of innocence and intimidation during questioning, and raised concerns about prolonged pre-trial detentions. Court monitoring is carried out by the OSCE and by domestic NGOs. In December OSCE/ODIHR published the trial monitoring report which makes specific recommendations not only to the judiciary but to all branches of the government. The monitoring of high-profile cases did not reveal grave violations of due process during trials. In general, judges were said to have demonstrated greater diligence in ensuring standards of proof at different levels of proceedings in high-profile cases than in ordinary cases.

In November 2014 political turbulence erupted within the government after several officials of the Ministry of Defence were arrested or questioned by the State Prosecutor in relation to corruption charges. After the dismissal or resignation of several ministers and deputy ministers, the Prime Minister succeeded in stopping a wave of further resignations and maintained a majority in parliament. A new government was formed without the party of Free Democrats.

According to the findings of the OSCE/ODIHR and the Council of Europe, Georgia's **Criminal Procedure Code (CPC)** generally complies with international standards and best practice. Recommendations on increasing judicial supervision of plea bargaining, improving victims' rights and on the right of the defence to request some investigative measures were partially addressed through the amendments to the CPC adopted in 2014.

While pre-trial detention has not been fully abolished, the August 2014 amendment to the Code of Administrative Offences, which reduced the maximum length of administrative detention from 90 to 15 days, is to be seen as an interim step towards strengthening the protection of human rights.

The European Judicial Training Network (EJTN) granted the status of observer to the High School of Justice of Georgia in June 2014.

Progress was made in improving the quality of the **prison system**, in particular in healthcare. Prisons remain a key area for EU support and the government's priority in its criminal justice reform. The presidential pardons and large-scale amnesty granted in early 2013 cut the prison population by half. This reduction, together with a budget increase and changes in staff and control methods, allowed the administration to focus on healthcare reform and initiate work on rehabilitation and re-socialisation. The prison mortality rate has decreased significantly to a level comparable with some EU Member States. However, incidents of alleged ill treatment and violence continued and were noted by the Public Defender's Office. Discussions held by the government since early 2013 on establishing an independent external prison monitoring system by NGOs, in addition to the existing national preventive mechanism under the UN Optional Protocol to the Convention against Torture, are stalled.

On reform of the security and law enforcement sector, structural administrative measures have improved the Ministry of Internal Affairs' internal monitoring mechanism. The **complaints** handling procedure was upgraded and a 24/7 hotline for individual complaints introduced. The Inter-Agency Council on **Combating Torture and Ill treatment** established a working group to reform investigation mechanisms to ensure thorough, transparent and independent investigation of allegations of torture and ill treatment.

The lack of accountability for abuses committed by law enforcement authorities remained a problem in 2014; there is still no effective and independent investigation mechanism. The Public Defender and NGOs reported a lack of prompt and proper investigation of ill treatment of prisoners, allegations of which were reported again in 2014 after a halt in 2013. The lack of prompt and effective investigation of attacks on opposition figures risks sending the unfortunate signal that such assaults are tolerated.

The fight against **corruption** remains high on the government's agenda and there was continued success in eradicating petty corruption. The implementation of major reforms of the public administration remained pending, such as the adoption of the revised anti-corruption strategy and action plans, measures to strengthen institutional capacity, the reform of the political party financing legislation and decisions on the mechanisms to tackle and prevent elite corruption. Transparency International ranked Georgia 52nd out of 175 countries in its 2014 Corruption Perception Index, a slight improvement over 2013 when it came 55th out of 177 countries.

Civil society organisations (CSOs) continued to monitor government activities closely. In general, civil society representatives perceive that room for dialogue with the government is narrowing. Civil society dialogue with parliament remains strong.

Other human rights and fundamental freedoms

The EU-Georgia Association Agreement and its related Association Agenda contain provisions to **advance governance and human rights**. In 2014, the Georgian Parliament unanimously adopted a **national human rights strategy**, largely based on recommendations made by EU Special Adviser Thomas Hammarberg in his report 'Georgia in Transition'. The

implementation of selected areas of the strategy and its action plan will be supported by EU funding.

The Public Defender's Office (PDO) continued to monitor the human rights situation independently, increasing its leverage vis-à-vis not only the government but also parliament. The PDO National Preventive Mechanism was renewed. The parliamentary committees on human rights and legal issues played a proactive role in supporting the PDO and adopting laws in sensitive areas like surveillance and anti-discrimination.

In 2014, the number of complaints filed at the **European Court of Human Rights** dropped. There were fewer complaints of ill treatment (mainly linked to poor prison healthcare). The authorities continued seeking to settle cases out of court.

Since 2012, the number of cases of intolerance against religious **minorities** has increased. In several cases Muslims have been prevented from gathering or praying. While senior officials, the PDO and NGOs publicly condemned these incidents, the relevant authorities failed to investigate them properly or prosecute offenders.

Despite controversy and prevailing social prejudices, in May 2014 parliament unanimously adopted the **Anti-Discrimination Law**, which covers all modern grounds for discrimination and provides for embedding an anti-discrimination mechanism in the PDO. The adoption of this law brought Georgia closer to the next level in the visa liberalisation process. The ban on homosexual men donating blood was declared unconstitutional.

A national action plan on gender equality (2014-16) was adopted and all existing gender and **women's rights** action plans were integrated into the human rights action plan (2014-15). In June, Georgia signed the Council of Europe's Istanbul Convention on preventing and combating violence against women and domestic violence. Inter-sectoral coordination and cooperation remained a challenge for the government. There is a continued need to step up efforts to combat violence against women, address the needs of women from different minority groups and introduce special measures to enhance women's participation in politics. In 2014, at least 26 women died as a result of domestic violence. The Ombudsman noted the problem of girls marrying early and dropping out of school.

The Welfare Monitoring Survey conducted by the UN Children's Fund (UNICEF) revealed that **child** poverty in Georgia was on the rise. The level of poverty among children is 50% higher than among the general population. The government, with the support of the EU and UNICEF, developed services and systems to address the needs of the **most vulnerable children**, especially children living and working on the streets. There were a number of positive developments in the protection of children's rights. In 2014, legal changes were initiated to ensure the protection of children's rights and their full access to education, health and social services. The government also drafted a new Juvenile Justice Code which covers all issues related to children in conflict with the law, as well as child victims and child witnesses.

The institutional arrangements to protect **labour rights** remained unchanged. There is a broad consensus between the government and the social partners about inspections of safety at work, but the creation of broader labour inspections (linked to the AA/DCFTA) remained a contentious issue. Changes made in February 2014 to the law on public service were

considered by trade unions as a violation of the labour rights of employees in the public service. Unions also complained that public employers in the education, postal and railway sectors established ‘yellow’ unions backed and organised by the employers’ side.

On **property rights**, in 2012 parliament imposed a moratorium on land acquisition by foreigners and foreign-owned legal entities until the end of 2014. A court decision of June 2014 declared the moratorium unconstitutional. The Ministry of Justice therefore drafted a new package of amendments that were approved by the government on 29 December and submitted to parliament. Complaints about violations of property rights before the change of power in 2012 remained largely unaddressed.

Other governance-related issues

There were widespread reports of allegedly illegal **dismissals** of public servants from municipalities or pressure on them to resign. The employees concerned must be granted legal means to appeal.

Cooperation on foreign and security policy, regional and international issues, conflict prevention and crisis management

In 2014 Georgia aligned itself with 23 out of the 49 EU Common Foreign and Security Policy (CFSP) declarations (47%) that it was invited to support (against 15 out of 32 — also 47% in 2013).

A framework agreement on Georgia’s participation in the CFSP took effect in March 2014. Georgia is currently contributing to the EUFOR RCA operation in the Central African Republic with a light infantry company of 156 military personnel and agreed to prolong its deployment for three months until March 2015. In addition, Georgia offered two officers to the EU Mali training mission and is ready to donate military equipment to the Malian armed forces.

The EU remained committed to supporting Georgia’s territorial integrity and sovereignty. The EU is also actively supporting Georgia’s efforts to resolve conflicts peacefully through the work of the EU Special Representative for the South Caucasus and the Crisis in Georgia and the EU Monitoring Mission. In 2014, Georgia continued to promote the full implementation of the August 2008 Six-Point Agreement and related implementing measures.

Georgia continued in 2014 to show full commitment to the Geneva International Discussions as the only available forum to discuss security and humanitarian issues with all relevant participants. The EU welcomed its commitment and underlined the importance of a pragmatic and results-oriented approach by all participants.

There were no new developments regarding the functioning of the **incident prevention and response mechanisms (IPRM)**. The meetings on South Ossetia continued to take place regularly but the usual positions were kept and hence the meetings often resulted in stalemate. The IPRM meetings in Gali did not resume. Both IPRMs are essential tools to address security issues on the ground and ensure continued confidence-building between the security actors.

The government started to review the law on occupied territories. The draft amendments aimed to relax the regime for sanctioning illegal entry into the breakaway regions. While certainly a step in the right direction, the amendments were still limited in character and not

yet in line with the opinion of the Venice Commission. A more substantial review of this law was needed to increase contacts and economic activities and maximise the benefits of the AA/DCFTA.

Georgia continued to implement its strategy for engagement with the breakaway territories by taking steps, albeit modest ones, to make it more effective. Ongoing efforts yielded positive results in the areas of healthcare provision and, to a lesser extent, educational opportunities. The EU also welcomed a positive change in rhetoric and language towards the breakaway regions. These efforts were widely appreciated. The EU contributed to confidence-building through projects in and with the breakaway regions. Among other things, these strengthened people-to-people-contacts and facilitated academic exchanges with the EU.

The government continued to implement the strategy and action plan on **internally displaced persons (IDPs)**. This was supported by a comprehensive EU programme that includes durable housing solutions, a strong livelihood component and technical support to base assistance more on needs and less on status. A recent change in the management of the ministry responsible helped identify lasting solutions for IDPs. These solutions were more tailored to the individual needs of IDPs and aimed at genuine socioeconomic integration.

3. ECONOMIC REFORM AND SOCIAL REFORM AND DEVELOPMENT

In 2014 **GDP growth** rebounded to 4.7%¹ from 3.3% in 2013 as a result of a fiscal stimulus package that supported household consumption and investment. Fiscal and monetary policy, coupled with a significant depreciation of the local currency, led to a resurgence of inflationary pressures, with the average **CPI inflation** expected to reach 3.1% (following deflation during the previous two years). The general government deficit rose considerably during the year, although from a relatively low level, as a result of a strong increase in social spending. This development was linked to the limited scope for increasing revenues, following the entry into force in January 2014 of the Liberty Act. This act requires tax increases (other than for excise duties) to be approved by referendum.

The external situation remained a major risk for the Georgian economy. Recovering domestic demand and weakening regional exports led to a strong deterioration of the current account deficit to an estimated 8.5% in 2014, from 5.9% in 2013. At the same time, net FDI rose by nearly 20% year-on-year in the first three quarters. Gross international reserves slightly recovered, following a sharp decline in late 2013 and early 2014, due to exchange rate interventions to counter depreciation pressures (related, in turn, to the fiscal stimulus package and the resulting rise in imports).

Unemployment remained high at around 14.1% (14.6% in 2013), with an estimated 30% of 15-24-year-olds remaining outside education, training and employment. A significant share of the population remained dependent on **remittances**, which declined in 2014 as a result of a considerable decrease in money transfers from Russia.

The **draft budget** for 2015, which was presented in October, would slightly increase the allocation to the Ministry of Labour, Health and Social Assistance. Almost half of this would

¹ For sources and detailed figures, see Statistical Annex accompanying the reports; figures without sources are forecasts by Commission services.

be used for the payment of **pensions**, which would represent 17.2% of total budget expenditure in 2015. The health insurance schemes for teachers and people living below the poverty line were merged with the universal healthcare scheme. As of September, state health insurance covered 92% of the population, while the remaining 386 000 people had private or corporate insurance.

A Trilateral Commission for Social Partnership was inaugurated in May 2014 but has not met since then. This effectively meant that there was no functioning tripartite **social dialogue** at the national level.

The 2015-17 **regional development** programme was approved by the government in June. A substantial EU budget operation was launched to support implementation of the programme, building upon previous EU support in this area. Methodology for the development of nine region-specific action plans was approved by the government in September.

4. TRADE-RELATED ISSUES, MARKET AND REGULATORY REFORM

The EU-28 remains Georgia's first **trading partner** with a trade volume of EUR 2.57 billion in 2014. 2014 trade data indicated that the EU's imports from Georgia remained stable as in 2013, at EUR 657 million, whereas EU products exported to Georgia decreased slightly in value (by 5.9%), to EUR 1.9 billion. Since the implementation of the DCFTA on 1 September 2014, Georgia's exports towards the EU have increased by 7% for September-December 2014, compared to the same period in 2013. The exports of petroleum oils, which rose by 52.3% in that period, contributed to a large extent to this increase.

The reformed EU Generalised Scheme of Preferences (GSP) was applied from January 2014, with Georgia qualifying for the Special Incentive Arrangement for Sustainable Development and Good Governance, GSP+.

In February 2014 the government adopted a decree assigning the Ministry of Economy and Sustainable Development a coordinating role in implementing the AA/DCFTA, and in July it approved a multiannual action plan for implementing the AA/DCFTA during the period 2014-17. Georgia removed all import duties on products from the EU. Georgia and the EU started exchanging information on the recent updates to the EU *acquis* covered by the reform process, and prepared the institutional aspects of implementing the AA/DCFTA. In January 2015 the National Action Plan was approved by the government, setting the timeframe for implementing all commitments of Georgia linked to the DCFTA.

As of September, the government assigned to the customs authorities competence for issuing the certificates necessary to apply for AA/DCFTA-based duty-free access to the EU market. Centralising this responsibility, previously shared between four different state institutions and agencies, brought Georgia's arrangements into line with the EU customs policy and AA/DCFTA provisions. The customs authorities also finalised the draft new **Customs Code** in line with AA/DCFTA provisions. A system of prior notification for imported goods which are subject to phytosanitary and veterinary control was introduced, and simplified customs clearance procedures for group consignments came into force.

A law on **competition** broadly in line with EU competition legislation was adopted in March 2014 and an independent Competition Agency was created in April to oversee its

implementation. The agency was given further supervisory responsibilities in October, though the low level of funding allocated to it could limit its capacity for enforcement.

Preparations for EU support to strengthen institutional and administrative capacities of the Technical and Constructions Supervision Agency and its market surveillance responsibilities were finalised. The agency currently focuses on training and staff development as well as procedures and requirements for market surveillance, in particular concerning legislation to implement EU technical regulations. In September the Georgian Accreditation Centre applied for membership of the European Cooperation for Accreditation Multilateral Agreement.

Georgia amended its **Food Safety**, Veterinary and Plant Protection Code to bring it into compliance with EU requirements. The National Food Agency was awarded a second EU grant to help establish an effective food safety and sanitary and phytosanitary management system in line with EU standards and legislation.

In the **services** area, the government prepared a draft law on postal services as a first step towards approximating with the EU postal *acquis*.

A new law on **investment funds** was passed and the National Bank of Georgia issued an order on rules and circumstances of registering investment funds in the bank. The new law imposed new requirements on investment funds which may increase transparency and accountability.

In June Georgia adopted a socioeconomic development strategy for the period until 2020, which reaffirmed the need for a good **business climate** and placed strong emphasis on enhancing the private sector's competitiveness. Significant progress was also made in developing the country's strategy and related action plan on small and medium-sized enterprises (SMEs), which are expected to be adopted by the end of 2015. Both strategies are required for the EU to provide funding of EUR 51 million in support of the DCFTA implementation process. Two agencies, for entrepreneurship development and for innovation and technology, were created to support entrepreneurship, consultancy services and the adaptation of SMEs to EU norms. The government also launched the 'Produce in Georgia Programme' to support local agri-processing and industrial production through concessional loans, infrastructure support and the provision of consulting services.

In October the government created the **Agriculture** Cooperatives Development Agency which, under the EU's European Neighbourhood Programme for Agriculture and Rural Development, conducted information and awareness campaigns on market-oriented cooperatives among small farmers. An agriculture sector strategy for the period 2014-20 was published but not yet adopted by the government.

The State Revenue Service, with support from an EU Twinning project, conducted an assessment of Georgia's **tax** legislation.

Georgia launched a review of its statistical law to bring it in line with European standards, and the National **Statistics** Office introduced modern methods of disseminating statistics. A population census was conducted in November and will provide information for future planning.

An EU twinning project for the **State Audit** Office, aimed at strengthening institutional capacities in line with international standards, started in November.

A **procurement** training centre was set up and began providing training on procurement legislation.

5. COOPERATION ON JUSTICE, FREEDOM AND SECURITY

The 2014-18 state **border management** strategy and a corresponding action plan were adopted in 2014. A border migration administration and reporting system was introduced. In June a Joint Maritime Operations Command Centre was created. Georgia participated in four joint operations in cooperation with Frontex².

Implementation of the EU-Georgia **Mobility Partnership** continued. Georgia and Germany elaborated a tailored ‘circular’ migration scheme. Thirty Georgians (75% of them women) were selected for employment in Germany and 23 members of the Georgian diaspora in Germany were employed in development-relevant positions in the public and private sectors in Georgia.

In the field of **migration, including visa and asylum issues**, a new organic law on citizenship and a new law on the legal status of aliens and stateless persons came into force in June and September respectively. A temporary identification card and the rules for its issuance were approved for **asylum-seekers** and stateless persons in Georgia. Since September a new Migration Department has been operational within the Ministry of Internal Affairs. An ‘overstayers alert system’ was launched in September and a temporary accommodation centre for irregular migrants opened. The government approved the ‘procedure for removing irregular aliens’. Georgia has yet to establish a ‘unified migration analytical system’ to strengthen the analytical capacities of migration management agencies and institutionalise reintegration mechanisms for Georgian citizens. To accelerate its development, a working group was created in February. It is expected that the system will become operational by mid-2016.

Regarding the **visa liberalisation action plan**, Georgia successfully met the first-phase requirements of the visa dialogue related to the legislative and policy framework. The second phase, where the effective implementation of this framework is scrutinised by the European Commission, was launched in October. Implementation of the **visa facilitation and readmission** agreements has continued in a satisfactory way, with an overall positive impact.

Implementation of the national strategy and action plan for combating **organised crime** continued. Georgia concluded agreements with Romania and Armenia on the exchange and mutual protection of classified information and with Germany on cooperation in combating organised crime, terrorism and other serious criminal offences.

The amount of **drugs** entering Georgia and the consumption of ‘traditional’ drugs declined. However, a sharp increase in imports of codeine-containing preparations was noted.

² European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union (Frontex)

The government continued to consolidate the legislative and policy framework in the area of preventing drug use following the adoption of the 2014-15 national drug strategy and action plan. New provisions on the misuse of legal pharmaceutical products for the production of homemade stimulants came into force in March 2014. The Law on New Psychoactive Substances, criminalising the possession and use of a number of new psychoactive substances, came into force in May 2014. A standing monitoring commission was established in May. Two programmes were launched to improve professional competences based on EU best practices.

On **data protection**, Georgia brought its legal and institutional framework further into line with European standards. In August parliament adopted a number of amendments to the Law on Personal Data Protection and other related laws, extending the mandate of the Personal Data Protection Inspector (PDPI) to data processing in the police sector and submitting private companies to PDPI supervision from November on. New regulations concerning covert surveillance and the access of security agencies to telecommunications service providers were also adopted in November. The possibility of directly accessing telecommunication data falls in the remit of the Ministry of Interior and, following a Court order, is only possible with the agreement and technical release of data by the PDPI. The Georgian Public Defender and civil society have challenged the provisions of the surveillance legislation that enables the Interior Ministry to retain direct access to telecommunication operators' networks, thus violating citizen's constitutional right to privacy, and a lawsuit at the Constitutional Court was filed by the Public Defender's Office. An assessment of the new surveillance law by the Venice Commission of the Council of Europe would be necessary.

Legal provisions criminalising the participation in international **terrorist** activities and membership in terrorist organisations were added to the criminal code. In February 2014 the government adopted the national strategy to reduce chemical, biological, radiological and nuclear (CBRN) threats. A threat reduction strategy and an Inter-agency Coordination Council on Combating CBRN Threats were established.

6. TRANSPORT, ENERGY, ENVIRONMENT, CLIMATE CHANGE, INFORMATION SOCIETY, RESEARCH AND DEVELOPMENT AND INNOVATION

Regarding **transport** policy, Georgia became the 40th member of EUROCONTROL.

Negotiations of the terms of Georgia's accession to the **Energy Community Treaty** were launched in February 2014, but the process was not completed in 2014 and the relevant actions were not prioritised in Georgia's Action Plan on the implementation of its AA/DCFTA. Nevertheless, at high-level meetings towards the end of the year, Georgia confirmed its readiness to resume negotiations in 2015. There was no tangible development with regard to the adoption of legislation on energy efficiency and renewable energy. A new project to interconnect electricity grids with Armenia was approved for support through the Neighbourhood Investment Facility. The new electricity interconnection between Georgia and Turkey became technically operational, with the first exports recorded in July 2014. However, these stopped the following month due to an increase in domestic demand.

There is still no comprehensive policy to prevent and mitigate **climate change** in Georgia. EU expert support in this area is provided through the regional Clima East project, in particular to strengthen the capacity of policy makers and develops mitigation policies.

There was only limited progress on **environment** policy. The draft Law on Biodiversity was finalised and the framework Law on Waste Management was adopted in parliament in January 2015. An EU twinning project to strengthen the capacities of the Ministry of Environment Protection and Natural Resources (MENRP) in waste management, which ended in June 2014 helped to prepare the new waste management code. The modernisation of water sector infrastructure is supported through the EU Neighbourhood Investment Facility.

Regarding **information society and audiovisual** policies, the Georgian National Communications Commission (GNCC) was authorised to give away licences for free to regional and local analogue broadcasters. The digital switchover was scheduled for June 2015. In July 2014, the GNCC issued licences to build three multiplexes for terrestrial digital TV broadcasting. The GNCC planned to reform the use of licences in accordance with EU regulations and use the EU's recommended approach of spectrum valuation to calculate the reserve price of spectrum and the licence fees. As part of its work on a comprehensive e-government strategy, the Data Exchange Agency published the consultation paper 'A Digital Georgia' on its website for public comments.

A 'science screening' to identify the most promising 'research clusters' was launched. In February 2014 an Innovation and Technology Agency was established by the Ministry of Economy and Sustainable Development to coordinate efforts to encourage **innovation and technology development**. In October Georgia formally requested association to the EU Horizon 2020 programme and negotiations are due to begin during 2015.

7. PEOPLE-TO-PEOPLE CONTACTS, EDUCATION AND HEALTH

The Ministry of Education and Science started an overall assessment of the education sector with a view to elaborating a new, holistic strategy to improve the quality of education. The implementation of the action plan for the 2014-20 national **vocational education and training** (VET) strategy continued. The development of new VET programmes using a modular approach and the evaluation of the National Qualification Framework continued. The National VET Council was not approved yet. The Ministry of Sports and **Youth** elaborated a youth strategy and action plan.

Georgia participated in the **Tempus** programme with 35 ongoing projects out of which 5 are coordinated by a Georgian higher education institution. 491 students and staff were selected in 2014 for mobility within partnerships supported by Erasmus Mundus and two students were selected for joint master's degree. 19 researchers and 132 staff members benefited from **Marie Curie actions** and two applications were selected for funding under the Marie Skłodowska-Curie actions (MSCA) under 'Horizon 2020'. Georgia also participated in the eTwinning plus action with 68 schools. **Young people** and youth organisations benefited from **Erasmus+**, with 2 111 participants in mobility projects and 145 taking part in the action for young people and decision-makers in the field of youth.

Georgia was involved in 12 regional projects within the Eastern Partnership **Culture** programme as leader or partner. The Programme also supported the Ministry's efforts to elaborate an inclusive cultural policy. The Ministry of Culture and Heritage Protection expressed interest in Georgia participating in the Creative Europe Programme.

Over 250 participants from the Eastern Partnership countries and the EU took part in the 6th Annual Assembly of the Eastern Partnership **Civil Society Forum** in Batumi in November. Civil society representatives, officials and experts discussed ‘EU Integration and Common Security: Making it Happen’.

The work concept for the new **health** strategy for 2014-20 was completed and submitted to the government, but not adopted in 2014. Primary healthcare infrastructure in the regions was strengthened, with 82 new clinics established. Almost all of the country’s rural population has free access to primary healthcare, including visits to village doctors and free provision of some basic medicines. The monthly salaries of village medics were increased, to GEL 600 for doctors and GEL 455 for nurses (some EUR 270 and EUR 210 respectively). Amendments to Georgia’s legislation on tobacco control, on advertising and broadcasting, and on the tax and administrative codes were submitted to parliament but not yet adopted. The main national coordination body for HIV, AIDS and tuberculosis was restructured and its action plan adopted.

Georgia continued its technical cooperation with the European Centre for Disease Prevention and Control (ECDC) in the framework of an EU-funded regional project on preparatory measures to support the participation of ENP countries in ECDC activities. Georgia nominated a national correspondent for relations with the ECDC and participated in the first national ECDC correspondent meeting organised by the ECDC in May 2014. It also attended technical workshops on food- and water-borne diseases and vaccine-preventable diseases as well as the annual European Scientific Conference on Applied Intervention Epidemiology.
