



HIGH REPRESENTATIVE
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Association Implementation Report on Georgia

1. Summary

This report sets out the state of play of Georgia's implementation of its commitments under the EU-Georgia **Association Agreement** (AA). It covers developments since the publication of the last report on 5 February 2021 and ahead of the next Association Council, scheduled for 6 September 2022.

The government's initial intention to submit an **application for EU membership** in 2024 gained momentum in the context of Russia's war of aggression against Ukraine and its security implications. On 3 March 2022, Georgia submitted its application for EU Membership. The European Commission adopted its Opinion on 17 June¹, recommending the European Council to grant a European perspective to Georgia. The Commission also recommended that Georgia be granted candidate status once a number of priorities will have been addressed. On 23 June 2022, the European Council endorsed this recommendation². It recognised the European perspective of Georgia and expressed readiness to grant candidate status once the outstanding priorities are addressed.

The EU-Georgia AA has been a **driver for reforms**. The negotiations of the EU-Georgia Association Agenda for 2021-2027 were finalised in spring 2022, and adoption by the EU-Georgia Association Council is imminent. Overall, the process of aligning national law with EU law as part of the Deep and Comprehensive Free Trade Area (DCFTA) is well on track and progressing, with some delays in the area of services. All core institutions in charge of the DCFTA's implementation in Georgia are in place and operational. The EU remains Georgia's largest trading partner (21.1% of its total trade). Georgia has a track record of sound economic policy. On public procurement, the positive assessment of phase 1 of the public procurement roadmap resulted in mutual access for Georgian and EU operators to public tendering of supplies at the central government authorities' level. Some progress was also made on environment and climate policy, by adopting a law on environmental liability and a legislative package to reduce air pollution and emissions, among other things. Georgia updated its nationally determined contribution (NDC) to the Paris Agreement and adopted the climate change strategy 2030 and action plan 2021-2023. On 7 December 2021, the Commission and Georgia signed on an agreement granting Georgia association status to Horizon Europe, the EU's research and innovation programme (2021-2027). This is expected to help boost Georgia's competitiveness and economic growth.

Nevertheless, in 2021, **challenges** threatened to undermine the country's democratic foundations, including the limitations in the functioning of Parliament following the 2020 parliamentary elections; the shortcomings in the conduct of local elections; the July 2021 violence against journalists and lesbian, gay, bisexual, transgender, intersex and queer (LGBTIQ) persons without meaningful subsequent investigation; and reports of wiretapping of parts of Georgian society and the diplomatic community. Reform of the judiciary has stalled over the past year, and even regressed in key areas. A number of crucial laws were rushed through Parliament without the necessary consultations or analysis of compliance with EU or Council of Europe standards. These laws covered the functioning of the judiciary and key appointment procedures, procedures for covert surveillance, and the disbandment of the State Inspector's Service.

On 19 April 2021, the political parties reached a **political agreement** following unprecedented high-level mediation by the President of the European Council Michel. The agreement aimed to restore the functioning of Georgia's Parliament after the 2020 parliamentary elections and reduce the political polarisation by agreeing on a joint reform agenda. The agreement has only been partially implemented.

¹ https://ec.europa.eu/commission/presscorner/detail/en/IP_22_3790

² <https://www.consilium.europa.eu/en/press/press-releases/2022/06/23/european-council-conclusions-on-ukraine-the-membership-applications-of-ukraine-the-republic-of-moldova-and-georgia-western-balkans-and-external-relations-23-june-2022/>.

The COVID-19 pandemic continued to have a significant **socio-economic impact** on Georgia in 2021 and further exacerbated existing vulnerabilities. The economy started a rapid recovery in April 2021, when the government lifted most of the pandemic-related restrictions. Given the significant dependence of the Georgian economy on the Russian and Ukrainian markets, Russia's war of aggression against Ukraine is expected to have a negative impact on the Georgian economy, and the International Monetary Fund has adjusted its forecasted GDP growth for 2022 from 6% to 3%.

In 2021, the EU continued its **COVID-19-related assistance**, including through the EU civil protection mechanism and by supporting the country's healthcare system and a sustainable recovery. The immediate crisis relief provided in 2020 aimed to help tackle the outbreak of the pandemic. In 2021, it was supplemented by strategic efforts to further boost a strong and sustainable economic recovery and lay the ground for the implementation of the Eastern Partnership economic and investment plan³. In line with the 'building back better' approach, the EU supported the government to shift its policies and COVID-19 response to a cleaner environment and a green economy.

Russia's war of aggression against Ukraine has had severe implications for Georgia in terms of the security situation, exacerbated by the presence of Russian troops in the breakaway regions. It also affected its economy, with Ukraine and Russia being important trade partners for Georgia. The EU further stepped up its support to Georgia's resilience, including through the European Peace Facility. The Georgian government did not impose sanctions on Russia and Belarus but did take measures to implement some EU sanctions in practice and prevent circumvention. The EU remained strongly supportive of Georgia's sovereignty and territorial integrity within its internationally recognised borders.

On 6-7 July 2021, the European Commissioner for Neighbourhood and Enlargement visited Georgia to present the Economic and Investment Plan for the region and its flagship initiatives for Georgia. On 26 June, the Foreign Ministers of Austria, Lithuania and Romania visited Georgia, mandated by the High Representative/Vice-President, as part of a visit to the Southern Caucasus. They conveyed a message of European solidarity and engagement with Georgia, its commitment to the security, stability and prosperity of the region, and underlined the need to continue domestic reforms.

2. Political dialogue, good governance and strengthening institutions

2.1. Democracy, human rights, and good governance

2021 was marked by major political developments and a further deepening of the polarisation of Georgia's politics.

The political fallout from the 2020 parliamentary **elections** continued throughout the first months of 2021. According to the final report of the election observation mission carried out by the Organization for Security and Co-operation in Europe (OSCE) and the Office for Democratic Institutions and Human Rights (ODIHR)⁴, the elections had been competitive and overall, fundamental freedoms had been respected. Nevertheless, pervasive allegations of pressure on voters and blurring of the line between the ruling party and the state had reduced public confidence in some aspects of the process. Opposition parties expressed doubts over the legitimacy of the vote and refused to take up their mandates. The 19 April 2021 cross-party political agreement – the culmination of EU-led facilitation and mediation efforts – ended the opposition boycott and outlined a shared way forward on key reforms. It envisaged electoral and judicial reforms, a power-sharing arrangement, and the possibility for early parliamentary elections in 2022 if the ruling party did not reach 43% of the vote in the 2021 local elections. Almost all political parties and Members of Parliament (MPs) signed the agreement. However, the ruling Georgian Dream party withdrew from the agreement in July 2021 and the largest opposition party, the United National Movement (UNM), joined the

³ swd_2021_186_fl_joint_staff_working_paper_en_v2_p1_1356457_0.pdf (europa.eu)

⁴ <https://www.osce.org/files/f/documents/1/4/480500.pdf>

agreement only after Georgian Dream's withdrawal. Key parts of the agreement – notably on judicial reform and power-sharing in Parliament – remain unfulfilled at the time of writing.

In June 2021, the Georgian Parliament adopted amendments to the election code, extending the time frame for tabulation, prescribing mandatory random recounts, and introducing safeguards on polling stations' result protocols. However, a number of previous ODIHR recommendations remained unaddressed. Constitutional amendments on the electoral threshold and faction (political group) formation in Parliament have been pending in Parliament since September 2021.

In October 2021, local elections took place. According to the final report of the OSCE/ODIHR's election observation mission⁵, they were generally well administered, but continued polarisation, coupled with escalation of negative rhetoric, adversely affected the process. The campaign was competitive and candidates were generally able to campaign freely, but allegations of intimidation and pressure on voters persisted. Sharp imbalances in resources and an undue advantage of incumbency further benefited the ruling party and tilted the playing field.

In the course of 2021, the **State Inspector's Service** continued its work to investigate crimes committed by law-enforcement officials. On 30 December 2021, Parliament adopted a legislative package dismantling the State Inspector's Service without meaningful prior consultations. Its functions were carried over to two separate institutions and the State Inspector was dismissed without following the regular procedure, prompting concerns over the risk to institutional independence. The OSCE/ODIHR *Opinion on the Legislative Amendments on the State Inspector's Service of Georgia of 18 February 2022*⁶ found that the process by which these amendments were carried out risks undermining the rule of law and the functioning of independent institutions in Georgia.

Politically sensitive court cases continued to impact on the political landscape in 2021. The parliamentary immunity of UNM chair Melia was lifted and he was detained in February 2021, following his refusal to post bail related to a previous judgment. His detention led to further polarisation. Under the 19 April 2021 political agreement, his bail was paid by an autonomous organisation based in the EU. The Tbilisi City Court found the TBC Bank's founders and political party Lelo guilty of fraud in January 2022; the charges and the process were contested by the Public Defender's Office and civil society organisations. On 16 May 2022, the Tbilisi City Court delivered its judgment in the case of Mr Gvaramia, the Director of the opposition-leaning TV channel Mtavari, and sentenced him to 3.5 years imprisonment. Former President Saakashvili, who has been convicted twice and is facing three more trials, was detained and arrested following his return to Georgia. In the autumn of 2021, the publication of in-prison video footage of Mr Saakashvili, and the alleged violation of his right to appropriate healthcare and to attend court hearings raised concerns. Pending a judgment in the court case of Mr Saakashvili, the European Court of Human Rights issued interim measures in November 2021. It instructed the government to provide detailed information on the former President's health condition and to ensure appropriate medical care and safety. It also urged Mr Saakashvili to end his hunger strike. Following his relocation to a military hospital, Mr Saakashvili ended his hunger strike and started his medical rehabilitation. The Tbilisi City Court annulled the decision of the State Inspector's Service to fine the country's Justice Ministry and the Special Penitentiary Service for the release of the video footage of Mr Saakashvili.

Georgia's **media** landscape remained diverse but at the same time highly polarised. In the 2022 World Press Freedom Index, Georgia ranked 89th among 180 countries⁷. This represents

⁵ https://www.osce.org/files/f/documents/3/a/515364_0.pdf

⁶ <https://www.osce.org/files/f/documents/d/1/512728.pdf>

⁷ <https://rsf.org/en/index>

a significant worsening of freedom of media in Georgia compared to 2021, with journalists' safety being a particular concern. Its Freedom House rating decreased with an aggregate “freedom score” of 58/100 in 2022⁸ compared to 60/100 in 2021 and 61/100 in 2020. The far-right group Alt Info acquired nationwide TV broadcasting rights.

The **Tbilisi Pride march** planned for 5 July 2021 was cancelled after violent demonstrators stormed LGBTIQ activists' headquarters and attacked journalists and civilians. The government and law enforcement failed to sufficiently protect the right to peaceful assembly and the safety of demonstrators. Legal action against the assailants is ongoing; however, no charges have been brought against the organisers of the coordinated assaults.

Reports of widespread **wiretapping** of the Georgian public and diplomats were published in September 2021. The media received access to large amounts of files based on private telephone conversations. Investigations by the Georgian authorities are pending. On 7 June 2022, the Georgian Parliament adopted amendments to the Criminal Procedure Code of Georgia that extend the scope of crimes for which covert investigations are justified and the duration of these investigations. This has raised concerns over the right to privacy. On 22 June 2022, President Zourabichvili vetoed the law.

On **public administration reform** (PAR), the implementation of government decree No 629 on the policy-planning handbook has progressed. The Georgian ministries increasingly use the supporting handbook on public policymaking as their primary guiding document. It lays the regulatory and procedural foundation for good evidence-based policy development. The government administration is currently able to perform basic checks of newly drafted strategies; all ministries are aware of the new requirements and have progressively started following them. On civil service reform, new guidelines were developed and human resource management officials were trained. The term of the Head of the Civil Service Bureau has expired on 30 June 2022, the appointment of the new Head is pending. The public services development strategy 2022-2025 was adopted on 12 April 2022. It sets guidelines for standards on design, delivery and quality control for public service. The adoption of a new PAR strategy and action plan is pending since beginning of 2021. The PAR Council has met once (online), in the autumn of 2021.

Civil society remained very active and involved in monitoring the implementation of the AA, including the DCFTA, in policy formulation, and in holding the government accountable, including to some extent at local level. Against the backdrop of the pandemic, civil society also played a vital role in supporting those in need.

The **Public Defender** and her office continued to play an important role in providing oversight. The recommendations issued in line with her mandate were only partially followed by the Georgian authorities. The office came under pressure for being vocal on certain politically sensitive issues, including the Tbilisi Pride and the imprisonment conditions of former President Saakashvili, and attempts were made to undermine its independence and to cast doubts over the integrity of the office and its staff.

The adoption of the **human-rights strategy** 2021-2030 and action plan is pending.

Equal rights and treatment, especially for the LGBTIQ community, were under pressure in 2021, as demonstrated by the 5 July 2021 violence. Georgia ranked respectively 49th out of 154 countries on the Global Gender Gap Index for 2021⁹ and 55th out of 146 countries for 2022, and its overall score shows a slight improvement for two years in a row. However, in some fields (e.g. educational attainment, health and survival and political empowerment), its score deteriorated.

⁸ <https://freedomhouse.org/country/georgia/freedom-world/2022>

⁹ World Economic Forum, Global Gender Gap 2021: https://www3.weforum.org/docs/WEF_GGGR_2021.pdf.
World Economic Forum, Global Gender Gap 2022: [WEF_GGGR_2022.pdf \(weforum.org\)](https://www3.weforum.org/docs/WEF_GGGR_2022.pdf)

Gender equality remains a challenge, in particular the issues of gender-based and domestic violence. This demonstrates the importance of stepping up support for survivors, rehabilitation programmes for perpetrators, and awareness-raising campaigns, in particular at the local community level. In December 2020, the government submitted its first report on the implementation of the Istanbul Convention to the Group of Experts on Action against Violence against Women and Domestic Violence (GREVIO) of the Council of Europe. This report is currently under assessment. In October 2021, the Georgian Coalition for Equality and other local civil-society organisations published their shadow report to GREVIO.

In October 2021, local elections were held. Gender quotas applied: parties had to ensure that at least 1 out of 4 candidates on their electoral lists for the local councils were women. This resulted in an increase in the share of elected women from 19.6% to 31.4% compared to the 2017 elections. For the first time, Georgia has 3 female mayors (out of 64).

The COVID-19 pandemic continued to be challenging for **children**, with prolonged periods of distance learning. Violence against children in a family context and in residential care, foster care, and educational institutions remained a significant problem. Reports of systemic abuse of children in the Ninotsminda boarding school and the fact that the Public Defender's Office was refused access to the facility raised concerns. Work on the deinstitutionalisation strategy and action plan in line with the requirements of the Code on the Rights of the Child is ongoing.

In December 2021, the government created the Inter-Agency Coordinating Committee for the Implementation of the UN Convention on the Rights of Persons with **Disabilities**, under the responsibility of the Prime Minister.

The EU and Georgia cooperated to further advance EU visibility, promote shared values and increase the public awareness of the positive impacts of EU political association and economic integration. To this end, the EU has provided capacity-building in the field of strategic communication.

2.2. Foreign and security policy

In 2021, Georgia's **alignment rate** with relevant High Representative statements on behalf of the EU and Council Decisions was 53%, marking a decrease from 62% in 2020. During the first half of 2022, the rate further decreased to 42%. Georgia continued to participate in civil and military crisis management operations under the Common Security and Defence Policy (CSDP) and to provide 32 troops to the EU military training mission in the Central African Republic and one officer to the EU Training Mission in Mali. Georgia also engaged in mediation efforts in between Armenia and Azerbaijan, following which Azerbaijan released Armenian detainees on 12 June 2021.

The five-year national **counterterrorism** strategy and action plan 2022-26 were adopted in January 2022.

The EU continues its firm support to **Georgia's sovereignty and territorial integrity within its internationally recognised borders**, including by playing an active role in conflict management and resolution. The work of the EU Special Representative for the South Caucasus and the crisis in Georgia, the work of the European Union Monitoring Mission, and a wide range of project activities across administrative boundary lines (ABLs) remain among the key aspects of this support.

All four sessions of the **Geneva International Discussions** (GID) planned for 2021 took place. Nevertheless, against the background of Russia's war of aggression against Ukraine, the GID co-chairs decided to postpone the 56th GID round, initially scheduled for March 2022. The GID co-chairs remained engaged with all stakeholders by means of shuttle diplomacy. At the ABL with Georgia's breakaway region of South Ossetia, Incident Prevention and Response Mechanism meetings continued, providing opportunities for in-person dialogue and confidence-building. The Incident Prevention and Response Mechanism for the breakaway region of Abkhazia remained suspended.

The security situation along the ABLs with the Georgian breakaway regions of Abkhazia and South Ossetia remains relatively stable and manageable.

People affected by the conflict remain deprived from their **freedom of movement** across the South Ossetian ABL, with a few exceptions, such as for medical transfers or during Orthodox Easter. Detentions remain a key concern along the South Ossetian ABL. Incremental 'borderisation' continues along both ABLs. At the time of reporting, approximately 70% of passable land along the ABL with Abkhazia and over 50% of passable land along the ABL with South Ossetia has been fenced.

The environment for **engagement** in Abkhazia and for the local civil society to operate continues to deteriorate, partially due to increased pressure by Russia.

Cautiously positive signals from the break-away region of Abkhazia starting in spring 2020 to open a direct multi-level dialogue with Tbilisi did not result in tangible action. In the break-away region of South Ossetia, the newly 'elected'¹⁰ de facto President, Alan Gagloev, assumed office on 24 May 2022.

Since June 2021, the Georgian government has been working on a state strategy for de-occupation and peaceful conflict resolution, led by the Ministry of Foreign Affairs. This work included a review of the 2010 *state strategy on occupied territories: engagement through cooperation*, led by the State Ministry for Reconciliation and Civic Equality. The strategy is being finalised.

In July 2022, the EU invited Georgia to join the European Diplomatic Academy.

2.3 Justice, freedom and security

In the 19 April 2021 political agreement and on subsequent occasions, the ruling Georgian Dream party committed to adopting an ambitious **judicial reform** as the first step in a broad, inclusive and cross-party reform process. Nevertheless, the processes of nominations and appointments to the judiciary continued in 2021 without comprehensive reforms.

Reforms in the judiciary stalled over the past year, and even regressed in key areas. The Georgian authorities had on many occasions committed to increase the independence, accountability and quality of the judicial system, including by amending the **selection process for Supreme Court judges** to comply fully with all recommendations made by the Council of Europe's Venice Commission in three consecutive opinions, before proceeding with any appointments. However, on 12 July, 1 December and 29 December 2021, respectively, a total of 11 Supreme Court judges were appointed. Between 2019 and 2021, the Georgian Parliament appointed all 28 newly elected judges for life, with very limited support from the opposition parties. In April 2021, the law on common courts was slightly changed. Nevertheless, several longstanding shortcomings in the nomination process (in particular the lack of a meaningful appeal process) remain unaddressed, contrary to the recommendations of the OSCE/ODIHR and of the Venice Commission. According to the final monitoring report of the OSCE/ODIHR¹¹, the stage of the appointment procedure carried out by Parliament still lacks appropriate safeguards, undermining the integrity of the overall process.

Despite calls from the EU and the Council of Europe to pause further judicial appointments, the Conference of Judges appointed a total of six judge members to the **High Council of Justice** on 26 May and 31 October 2021, respectively. This was done in a hasty manner, without prior announcement and without the required scrutiny. The longstanding vacancies for five non-judge members of the High Council of Justice remained unfilled. These non-judge members are expected to be selected based on wider consensus (a three-fifths majority in Parliament) and to speak for civil society and academia.

¹⁰ https://www.eeas.europa.eu/delegations/georgia/remarks-ambassador-hartzell-so-called-presidential-elections-georgian-breakaway_en?s=221

¹¹ <https://www.osce.org/odihr/496270>

On 30 December 2021, Parliament adopted amendments to the organic law on common courts. No consultations were held during the drafting process and no justification was provided for following the expedited procedure. The amendments strengthened the position of the High Council of Justice, created the possibility to transfer judges against their will without the limitations required under European standards and created new grounds for disciplinary proceedings. The Venice Commission, in its opinion requested by the Parliamentary Assembly of the Council of Europe¹², expressed concerns regarding the excessive haste, lack of inclusive and effective consultations and lack of transparency on the motives of these amendments, which may have negatively impacted on internal judicial independence.

To implement the Constitutional Court's ruling of June 2019, draft legislation setting rules for the publication of judicial decisions was submitted to Parliament in July 2021. No decision has been taken so far.

For the election of future **Prosecutors-General**, draft constitutional amendments tabled on 29 June 2021 envisaged a qualified-majority vote in Parliament. However, this provision did not survive the first vote in Parliament, contrary to the existing Venice Commission recommendations and the 19 April political agreement.

On **cooperation in criminal matters**, Georgia continued to strengthen its international law-enforcement cooperation with Europol and the EU Agency for Law Enforcement Training (CEPOL), including in regional initiatives aimed to fight organised crime. On 22 June 2022, CEPOL and Georgia signed a working arrangement, replacing the previous cooperation agreement. There were no developments on cooperation in civil matters, notably the signature/ratification of the Hague Conventions.

On 30 September 2021, the government adopted the national **cybersecurity** strategy and action plan 2021-2024. In June 2021, the law on information security was amended, giving the State Security Service a mandate to coordinate and supervise information and cybersecurity aspects of critical information infrastructure in the public sector. The Speaker of Parliament publicly committed to drafting a new law to harmonise the law on information security with the EU Directive¹³ on security of network and information systems. The commitment was later reflected in the EU-Georgia Association Agenda 2021-2027.

On preventing and combating **organised crime**, the national strategy on combating organised crime 2021–2024 and its action plan 2021-2022 were approved on 14 September 2021. The intelligence-led policing strategy for 2021-2025 was adopted on 11 July 2021. Capacity building of law-enforcement agencies to fight organised crime continued, with an emphasis on intelligence-led policing and special investigative techniques to fight organised (including transborder) crime.

Police reform continued, with a focus on: (i) separating the roles of prosecutors and investigators; (ii) separating the operational and investigative roles of police officers; (iii) expanding community-based and intelligence-led policing; (iv) strengthening centralised analytical work; (v) stepping up the fight against cybercrime and organised crime; and (vi) achieving closer international cooperation.

On preventing and fighting **corruption**, the Anti-Corruption Council Secretariat was transferred from the Analytical Department of the Ministry of Justice to the Administration of the Government on 16 March 2021¹⁴. This transfer has not been fully implemented in practice yet, with only three staff members recruited by late July 2022. Consequently, the preparation

¹² [https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD\(2022\)010-e&fs=e&s=cl&fbclid=IwAR2_mCxhO4261HKLy5Y1hotA2I3-bh4v9cy1hHSixS5ZglaTnDF9SZ70Fz4](https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD(2022)010-e&fs=e&s=cl&fbclid=IwAR2_mCxhO4261HKLy5Y1hotA2I3-bh4v9cy1hHSixS5ZglaTnDF9SZ70Fz4)

¹³ <https://parliament.ge/en/media/news/parlamentma-informatsiuli-usaftrkheobis-shesakheb-kanonshi-dagegmil-tsவில்bebi-mesame-mosmenit-miigho>

¹⁴ Amendments to Article 121(5) of the law of Georgia on conflict of interest and corruption in public institutions.

and adoption of the new national anti-corruption strategy and the implementation of the anti-corruption risk-assessment methodology have been delayed.

On the 2021 Transparency International Corruption Perception Index¹⁵, Georgia ranked 45th out of 180 countries, as in 2020, but its score (55/100) decreased by one point. The report indicates that Georgia's anti-corruption reforms are stalling amid the political crisis and allegations of state capture. On the 2020 World Bank Control of Corruption indicators¹⁶, Georgia had percentile rank of 71.63, compared to 75 in 2019, pointing to a downward trend.

The Council of Europe's Group of States against Corruption adopted the *Second Compliance Report – Georgia*¹⁷ at its 87th plenary meeting (22-25 March 2021) and an addendum¹⁸ to this report at its 91st plenary meeting (13-17 June 2022). The report assesses corruption-prevention measures applicable to MPs, judges and prosecutors. It concluded that out of the 16 recommendations included in the *Fourth Round Evaluation Report (2017)*¹⁹, 8 were satisfactorily implemented, 6 were partially implemented and 2 were not implemented.

Building on the legislation and risk-assessment report adopted in 2019 and 2020²⁰, Georgia further updated the national legal framework on **anti-money laundering and combating the financing of terrorism** in 2021. It developed several instruments and procedures to operationalise the legal requirements and to ensure the consistency of the legislation and the practical application of a risk-based approach by the relevant entities and authorities²¹.

On 5 February 2021, the Inter-Agency Coordinating Council on Combating **Drug Abuse**, adopted the first national strategy on drug abuse prevention 2021-2026. On the same day, the Council also approved the action plan for the implementation of the national anti-drug strategy for 2021-2022.

Georgian citizens have made around 1.5 million visits since the entry into force of the **visa-free regime** to Schengen and Schengen-associated countries in March 2017. The fourth report under the Visa Suspension Mechanism was adopted on 4 August 2021²². The report concluded that overall, Georgia continues to fulfil the visa-liberalisation benchmarks and has taken action to address the Commission recommendations in the previous report. However,

¹⁵ The index has been published annually by the non-governmental organisation Transparency International since 1995. The 2021 index, published in January 2022, ranks 180 countries on a scale from 100 (very clean) to 0 (highly corrupt) based on the situation between May 2020 and May 2021.

¹⁶ Control of corruption captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as 'capture' of the state by elites and private interests (<https://info.worldbank.org/governance/wgi/Home/Reports>).

¹⁷ <https://rm.coe.int/fourth-evaluation-round-corruption-prevention-in-respect-of-members-of/1680a21666>

¹⁸ <https://rm.coe.int/fourth-evaluation-round-corruption-prevention-in-respect-of-members-of/1680a7398c?fbclid=IwAR0NTWRzvZ9CT5EUU4JMRNe49HZ-hLuOyNfffUc3mfkN6lvoleOvTWYwBrI>

¹⁹ Council of Europe: Group of States Against Corruption (GRECO), Corruption Prevention in Respect of Members of Parliament, Judges and Prosecutors: Fourth Evaluation Report, Georgia, 17 January 2017, GrecoEval4Rep(2016)3, available at: <https://www.refworld.org/docid/587f7a9f4.html>

²⁰ Rules of recording and storing of information on transactions by a reporting entity and submission of such information to the Financial Monitoring Service (FMS) of Georgia (Order №1 of 5 June 2020 of the Head of the FMS); Procedure of identification and verification of a client by reporting entities (Order №2 of 5 June 2020 of the Head of the FMS); <https://fms.gov.ge/eng/page/other-normative-acts>.

²¹ For example: (i) Guidance on Establishing the Beneficial Owner (Order #74/04 of 15 June 2021 of the President of the National Bank of Georgia); (ii) Recommendation on Assessing the AML/CFT risks by the reporting entity supervised by the Insurance State Supervision Service of Georgia (Methodological Recommendation #2 of 22 July 2021 of the Insurance State Supervision Service of Georgia); and (iii) Rules on Registration, Identification and Verification of a player by a holder of the permit for organizing games of chance and/or other prize games in a system based and electronic form (Order #343 of 26 February 2021 of the Ministry of Finance).

²² COM(2021) 602 final

further work is needed to address, in particular the issue of unfounded asylum applications in Member States and in the areas of anti-money laundering and the prevention and fight against corruption and organised crime.

Implementation of the law regulating entry to and exit from the territory of Georgia continued, including by providing the necessary procedures, training and staff.

In February 2021, Georgia renewed its working arrangements with **Frontex** for operational cooperation including information exchange, risk analyses and capacity building. Throughout 2021 and the first half of 2022, Georgia continued its cooperation with the European Monitoring Centre for Drugs and Drug Addiction, Europol and CEPOL, also under the European Multidisciplinary Platform Against Criminal Threats. In 2021, Georgia joined the European Migration Network as an observer.

Georgia's **migration** strategy for 2021-2030 is in place and is being implemented. The border management strategy for the period after 2019 has not yet been approved.

The Georgian authorities need to pay continued attention to access to the territory and procedures for individuals wishing to apply for **asylum**, including the principle of non-refoulement. Some asylum requests were rejected on the grounds of state security in a non-transparent manner.

In August 2021, a new action plan to reduce statelessness was presented.

The 11th meeting of the EU-Georgia Joint Readmission Committee on 9 November 2021 confirmed the very good cooperation between Member States and Georgia on return and readmission and the satisfactory implementation of the Readmission Agreement. The positive response rate to readmission requests submitted by Member States remained high from the first until the third quarter of 2021. The number of return decisions issued by Member States further decreased to 10,660, compared to 12,120 in 2020.

The draft law on **data protection** submitted to Parliament has not yet been discussed and processed. The State Inspector continued to monitor the lawfulness of personal-data processing. Following the dismantlement of the State Inspector's Service at the end of 2021, a data-protection agency was created.

3. Economic development and market opportunities

3.1 Economic development

Georgia's formal **economy** recorded a strong year-on-year growth of 10.4% in 2021, following a year of pandemic-related contraction. In the first quarter of 2022, GDP growth reached 14.4%. On the demand side, the recovery was driven by household consumption and net exports. The unemployment rate in Georgia decreased to 19% in the fourth quarter of 2021, down by 1.4 percentage points compared to the same period in 2020.

Consumer-price **inflation** accelerated to 13.9% in December 2021, the highest monthly figure since 2011. It then eased to 13.3% in May 2022. The high inflation is largely driven by rising global and domestic commodity prices (especially food) and increased utility costs after the removal of subsidies. The central bank increased the policy rate by 300 basis points to 11.0% between March 2021 and March 2022. In the course of 2021, the Georgian currency, the lari, appreciated against the euro by 14%. Following Russia's war of aggression against Ukraine in February 2022, the lari strongly depreciated before starting to strengthen again.

With stronger-than-projected tax revenues, the general government **deficit** was 6.3% of GDP in 2021, as against the 7% envisaged in the revised budget law. Public debt decreased to 52% of GDP at the end of 2021 from 62% a year earlier.

Georgia's current account remained strongly negative in 2021, equivalent to 9.8% of GDP. Merchandise trade recovered from the declines recorded in 2020; exports and imports increased by 27% and 24%, respectively, compared to the previous year. The trade deficit was partially counterbalanced by a record-high inflow of remittances. Georgia's international reserves further increased in 2021, mainly due to an inflow of official loans.

2021 marked the first year of implementation of the new **agriculture and rural-development** strategy for Georgia (2021-2027). It is the first time the country has a comprehensive and complete strategic framework for socio-economic development in rural areas. This strategy's first action plan builds on the government's COVID-19 anti-crisis plan for agriculture. Increasing productivity, improving access to finance, addressing severe shortages in human capital, stabilising basic foodstuff import prices, diversifying export/import markets, and greening the sector remain the priorities. The government is also working on the institutionalisation of the EU's community-led local development approach (LEADER).

On 18 May 2021, a Memorandum of Understanding was signed between the Inter-Agency Coordinating Council and 29 civil-society organisations on setting up a civil committee. This platform should support the effective implementation of the rural-development strategy and related programmes.

The agricultural primary production sector has proven to be one of the most resilient to the COVID-19 crisis: there was a significant increase in exports in 2021 compared to 2020 and 2019. However, further down the value chain, this resilience is significantly decreasing: small traders, processors, service providers, retailers, and the hospitality sector were more affected, with several businesses reporting financial and human-resources difficulties.

The 2021 budget provided a sizeable increase of agri-production investment programmes compared to the previous year. The transition from COVID-19 response to regular programmes has started. In addition, the Ministry of Environment Protection and Agriculture approved a three-year institutional-reform action plan for 2021-2024 that aims to progressively transform the Rural Development Agency into a paying agency similar to those in the EU.

The government continued to implement the pilot integrated **regional development** programme targeting the focal regions jointly identified with the EU (Kakheti, Imereti, Guria, Racha-Lechkhumi and Kvemo Svaneti). Through an open and competitive call for proposals, 25 municipalities received financing for integrated territorial development measures, amounting to GEL 29 million in total. Georgia's Innovation and Technology Agency supported innovation hubs *inter alia* in the focal regions Kakheti and Guria. Due to COVID-19, Georgia made only limited progress in implementing the decentralisation strategy for 2019-2025, which envisages a series of stakeholder consultations and research activities. As a part of the decentralisation process, Georgia is progressing with the draft smart specialisation strategy for the pilot region of Imereti.

As for the reform of **public internal financial control**, the government approved a new strategy in June 2021. The strategy builds on progress achieved and remaining challenges. It outlines three strategic directions: (i) implementing a managerial control system across line ministries (second stage of the financial management and control reform); (ii) improving the quality of internal audits; and (iii) strengthening the competence and the internal capacity of the central harmonisation unit. The strategy is accompanied by a three-year action plan and results matrix.

Draft amendments to the State Audit Law extending the mandate of the State Audit Office to cover the revenue side of the budget, were submitted to Parliament. As of July 2022, adoption is pending.

Work on aligning national law on **taxation** with EU law has continued. An automatic value added tax refund system is in place and operating. So far, the amount returned under the new system exceeded GEL 930 million, which is GEL 100 million more than the total amount returned in the last 11 years before the reform. Some work remains to be done on aligning excise duties.

The government is preparing a **digital-economy and information-society** strategy. This strategy aims to achieve the digital transformation of Georgia's society and economy. It is a single document setting out the future direction of the development of electronic communications, information, and modern technologies and services in the country.

Implementation of the national broadband-development strategy is ongoing. The law on infrastructure sharing is pending adoption, which hinders the adoption of by-laws aimed to support the implementation of the broadband-development strategy.

The draft law on audiovisual media services and radio, which will replace the current law on broadcasting, was submitted to Parliament in 2018, but its adoption has been pending since. The regional spectrum agreement for 5G frequencies has been prepared, but is pending adoption.

The Ministry of Economy and Sustainable Development is preparing updates to the draft amendments to the law of Georgia on **electronic communications** to align it with EU law. The Ministry is also preparing a draft law on e-commerce.

Georgia is implementing the national strategy for the development of official **statistics** of Georgia 2020-2023, which aims to assure reliability, objectivity and impartiality in the production of official statistics. Adoption of the law on official statistics is pending.

As regards **industrial and enterprise policy**, on 15 July 2021 a new strategy for the development of small and medium-sized enterprises in 2021-2025 entered into force. The strategy's priority directions are in line with EU priorities and include important topics such as women entrepreneurship, digitalisation, and green growth.

On 19 March 2021, the Georgian government adopted an Ordinance on Approval of the Rule Governing Transfer of Technologies. It updated the options for the transfer of technologies from the public to the private sector to make patented inventions available and make spin-offs by inventors easier. In November 2021, Georgia's Innovation and Technology Agency set up a venture capital fund.

The **law on entrepreneurs** was adopted in August 2021 and entered fully into force on 1 January 2022. It aims to further improve the business and investment environment, providing an appropriate legal framework, increasing transparency, and supporting an effective regulatory framework for internal corporate relations and dispute resolution, as envisaged by the AA.

In respectively April and September 2021, Georgia agreed a strategy and adopted a governance code for state-owned enterprises.

The law on rehabilitation and collective satisfaction of creditors entered into force on 1 April 2021. This marks an important step in enabling the efficient restructuring of viable insolvent enterprises while offering reasonable satisfaction of creditors in bankruptcy and liquidation proceedings.

On 29 March, 2022 the Parliament of Georgia adopted the law on the protection of **consumer rights**, with the aim to align with EU legislation in line with the AA. The law entered into force on 1 June 2022. However, enforcement and processing applications or complaints on alleged infringements will start from 1 November 2022.

As regards **fisheries**, Georgia continues to cooperate under the 2018 Sofia Ministerial Declaration²³ and to implement the new fisheries governance. Monitoring, control and surveillance of fisheries in Georgia's waters remain only partially appropriate and the country is heavily dependent on foreign expertise for these tasks. Georgia has been working closely with the EU on regional management measures in the General Fisheries Commission for the Mediterranean.

Georgia has continued work to address shortcomings identified in the **fight against illegal, unreported and unregulated fishing**. The adoption of a legal framework covering fishing and fishing-related activities of the Georgian long-distance fleet operating outside the Black Sea area is ongoing.

As part of the **Common Maritime Agenda for the Black Sea (CMA)**, Georgia continued to actively work on the identification of national priorities and projects, with the support of the CMA National Hub, and on activities at regional level. Georgia also took over the coordination of the CMA in 2022.

The implementation of the 2014-2020 European Neighbourhood Instrument transnational cooperation programme for the Black Sea basin continued. The preparations for the new 2021-2027 Interreg NEXT transnational cooperation programme for the Black Sea basin entered their final stages.

Georgia has initiated the development of a **long-term aquaculture-development strategy**. Aquaculture products remain priority products for which to pursue authorisation to place them on the EU market. However, the residue-monitoring plan for aquaculture revealed remaining challenges in reaching the EU food-safety standards.

Support to the **tourism sector** remained a priority for post-pandemic economic recovery. During the reporting period, the country reopened for international visitors. According to the Georgian National Tourism Administration, the country hosted 1,721,242 international visitors in 2021, which is 13.7% more than in 2020, but 77.7% less than the same period in 2019. In the first six months of 2022, the Georgian National Tourism Administration reported 1,439,517 international visitors, which is 210.2% more than during the same period in 2020, but 55.4% less than 2019.

Georgia has made progress in aligning its law on **accounting, reporting and auditing** with EU and international practice, and notably to International Financial Reporting Standards, with the aim of improving the investment climate, competitiveness, and access to finance for local businesses. Less progress has been made on non-financial reporting, including on corporate governance and transparency.

The State Employment Service Agency does not cover all regions. It has set up 5 offices in Tbilisi and 6 out of the planned 14 regional offices. Due to COVID-19-related restrictions, there were limitations to its **employment services**.

Programmes for **targeted social assistance** were scaled up to address of the economic and social impact of the COVID-19 pandemic. In 2021, temporary cash transfers to households in extreme poverty, workers who lost their jobs due to the pandemic, and families in vulnerable situations were maintained.

The government has committed to taking an integrated and holistic approach to the social protection system, entailing improvements to the regulatory framework for social, health and insurance sectors, working towards to adoption of a social code.

In January 2021, the amended **Labour Code** entered into force, introducing improvements on labour rights, occupational health and safety, collective redundancies, anti-discrimination, and gender equality. Also in 2021, the Labour Inspectorate became an agency under the Ministry of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs, with additional staffing and an expanded mandate.

In May 2022, Georgia developed an overarching national strategy on **public health** for 2022-2030 and an accompanying action plan. Georgia also developed a new mental-health strategy

²³ <http://www.fao.org/gfcm/meetings/blackseaconference2018/sofiadeclaration/en/>

for 2022-2030 and an accompanying action plan. Neither of these has been adopted yet. Georgia continued its work on aligning its laws on blood safety with EU law. Draft legislation on tissue transplantation has not yet been submitted to the government for adoption. Georgia faces challenges in implementing Article 5(3) of the World Health Organization's Framework Convention on Tobacco Control, to become a party to the Protocol to Eliminate Illicit Trade in Tobacco Products, and to develop an extensive tobacco-cessation network.

Georgia expressed its interest in association to the Single Market Programme on 26 July 2022.

3.2 Trade and trade-related matters

The EU is the first trading partner of Georgia (21.1% of its total trade) followed by Turkey (15%) and Russia (11.4%). Total **bilateral trade** in 2021 was EUR 2.8 billion, with a positive EU trade balance of EUR 1.2 billion. The main EU export products are chemicals (21%), mineral products (17%), machinery (17%), and transport equipment (12%), whereas 53% of the EU's imports from Georgia are minerals (mainly copper ores). In 2021, EU imports increased by 6.3% and EU exports by 28.4%, reaching the highest levels since the provisional application of the DCFTA in 2014 (except for the 2018 export levels). This represents a 26% increase in EU imports and an 11% increase in EU exports compared to 2014. Total bilateral trade has increased by 15% since the entry into force of the DCFTA²⁴.

Overall, the process of aligning national law with EU law as part of the DCFTA is well on track, with some delays in the area of services. All core institutions in charge of the DCFTA's implementation in Georgia are in place and operational.

On **public procurement**, the positive assessment of phase 1 of the public-procurement roadmap resulted in mutual access for Georgian and EU operators to public tendering of supplies at the central government authorities' level from 8 June 2022. A new draft law on public procurement was submitted to Parliament. Georgia has also identified secondary legislation to aid the process of aligning national law with EU law.

The government continued to reform **competition** legislation and policies, in particular on anti-dumping.

The process of aligning national **sanitary and phytosanitary law** with EU law remains on track, in line with the plan set out in the DCFTA. In 2021, Georgian pet-food products were added to the list of products authorised on the EU market. For snails, approval was given in January 2022. The government prioritises: (i) work to improve food safety; (ii) laboratory certification processes; and (iii) the development of further export opportunities (e.g. for hazelnuts, snails, frog legs and queen bees). Georgia expressed its interest in becoming associated to the farm to fork strategy.

On protecting **intellectual-property rights**, Georgia faces challenges of weak implementation and enforcement in the areas of both piracy and counterfeiting.

On **technical barriers to trade**, Georgia has an independent Market Surveillance Agency since 1 January 2020. Furthermore, Georgia has introduced an online market surveillance database. The platform is integrated in the Revenue Services website. Economic operators are required to upload relevant documentation including their Declaration of Conformity prior to placing their products on the Georgian market.

On **standards and metrology**, most standards (12,500 so far) have been adopted. 150 of these have been translated into Georgian and adopted by the technical committee.

Overall, cooperation with Georgia on **customs** is good. Georgia is working on a new computerised transit system (NCTS P5) that would enable the country to join the Common Transit Convention in 2024. It will facilitate transit of goods to the EU. Georgia is keen to request mutual recognition of authorised economic operators once the country develops a national system.

²⁴ Source: Eurostat COMEXT

In July 2021, Georgia became a full member of the Customs and Fiscalis programs for the period of 2022-2027.

On **services**, Georgia is in the process of aligning its postal and telecommunications legislation with EU law.

On **trade and sustainable development**, good legislative progress has been made. A new law on biodiversity was drafted. On sustainable forest management, a new forest code was adopted on 22 May 2020 and a national forest inventory was made.

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

In May 2021, the government hired a consultancy to update the business model for a deep-sea **port** in Anaklia to prepare a new tender for the project. In May 2022, the government amended the Maritime Code under a fast-tracked procedure. As a result, APM Terminals' plan to expand Poti Port and double its capacities by 2025 is now uncertain.

In July 2022, the government adopted the national **road safety** strategy for 2022-2025.

In August 2021, the government adopted a revised ordinance phasing out the use of helicopters that are not certified by the EU Aviation Safety Agency by the end of 2021.

The Ministry of Economy and Sustainable Development and the Georgian National Energy and Water Supply Regulatory Commission continued to prepare secondary legislation on the **energy** sector that is necessary for the liberalisation of the market, in line with the EU's Third Energy Package. The government adopted key implementing legislation for energy efficiency of buildings in the third quarter of 2021. However, enforcement of this legislation and the launch of the organised power market were postponed to July and March 2022, respectively. The draft national energy and climate plan is undergoing extended stakeholder consultations triggered by the mediation process on the Namakhvani hydropower project led by the Energy Community Secretariat (EnCS). According to the EnCS's estimate, Georgia's overall implementation score of EU energy law increased to 44.5 % in 2021, up from 36% in 2020.

In March 2021, Parliament adopted the law on **environmental** liability and a legislative package that aims to reduce air pollution and emissions from industrial facilities in the country. In December 2021, technical regulations were adopted to set ambient-air monitoring criteria. They provide the framework for the installation of new air-quality monitoring stations in all zones by the end of 2022. Progress was also made on aspects of the circular economy: in 2021, the National Plastic Prevention Program for 2022-2026 was adopted.

In April 2021, the government updated its NDC. The updated NDC sets an unconditional target of reducing the total domestic greenhouse-gas emissions by 35% by 2030 compared to 1990 levels, and a target of reducing the total greenhouse-gas emissions by 50-57% by 2030 compared to 1990, conditional on international support. Georgia also adopted its **climate-change** strategy for 2030 and an accompanying action plan. Georgia also joined the Global Methane Pledge, an initiative aiming to collectively reduce global methane emissions by at least 30% by 2030 compared to 2020 levels. The water resources management law, which aims to transpose the EU Water Framework Directive, was approved by the government in November 2021 but still needs to be adopted by Parliament.

The EU and Georgia cooperated to strengthen the institutional capacity of **civil protection** authorities, including their analytical, technical and emergency management capabilities, to foster cooperation with civil society and increase coordination with the EU Civil Protection Mechanism. In 2021, the Georgian civil protection system was assessed by the EU-funded regional programme PPRD East 3, focusing on capability gaps in multi-risk assessments, national and transboundary emergency response planning, early warning systems, civil protection volunteerism, inter-institutional coordination, host nation support, public awareness and crisis communication.

5. Mobility and people to people

Georgia continues to pursue its goal to facilitate legal **labour migration** to the EU. It negotiates bilateral agreements on labour migration with interested EU Member States. In 2021, Georgian seasonal workers worked in Germany for the first time under an agreed framework between the employment agencies of both countries.

In March 2021, the Ministry of Education, Culture, Science and Sports was split into the Ministry of Education and Science and the Ministry of Culture, Sports and Youth. Restrictions imposed in the **cultural sector** as well as reorganisations and large-scale changes in the management in the field of culture raised concerns about the independence of cultural institutions and actors.

On 8 December 2021, Georgia signed the agreement to participate in the **Creative Europe** programme during 2021-2027.

The adoption of a youth strategy and its action plan is pending.

The government developed a new overarching strategy for **education and science** for 2022-2030 but has not yet adopted it formally. The COVID-19 pandemic hampered the achievement of the stated aim of gradually increasing state funding for education to 6% of GDP by 2022. A national strategy for career guidance was developed.

Georgia continued its **vocational education and training** (VET) reform despite the COVID-19 pandemic. A new VET strategy for 2022-2027 and an accompanying action plan were developed and became part of the overarching education and science strategy, but their formal adoption is pending. The online authorisation of programmes and teacher-training programmes were adjusted to progressively roll out remote delivery and participation. The Skills Agency, a new agency dealing with VET, separate from the Ministry, was set up, in cooperation with the private sector.

On 24 November 2021, the 2022 **Erasmus+** general call for proposals was published. This was the first call of the new programme that included the full range of opportunities available for Georgia, such as Capacity-Building in the field of Higher Education, International Credit Mobility or new actions such as Capacity-Building in the field of Vocational Education and Training or Virtual Exchanges, as well as actions that were already available in the 2021 call, such as Erasmus Mundus Joint Master Degrees or Jean Monnet projects and networks.

Setting up the **Eastern Partnership European School** continued in 2021. Construction of a new school building and a dormitory is envisaged to start in the second half of 2022. The curriculum is ready to receive final approval from the Ministry of Education and Science.

In the area **research and innovation**, Georgia continued the gradual implementation of the recommendations provided by the Horizon 2020 Policy Support Facility. These focused on simplifying and unifying the grant scheme, restructuring and revitalising the country's Research and Innovation Council, setting up a research and innovation system database, prioritising/identifying promising research fields, and encouraging collaborative research and development. The participation rate of Georgia in Horizon 2020 remained high. Up to December 2021, Georgian entities have participated 58 times in grants funded by Horizon 2020, receiving EUR 8.71 million of direct EU contributions.

On 7 December 2021, the Commission and Georgia signed an agreement granting Georgia the association status to **Horizon Europe**, the EU's research and innovation programme for 2021-2027. The Horizon Europe Association Agreement is provisionally applicable as of the day it was signed. Georgian researchers, innovators and research entities can participate in the

EUR 95.5 billion programme under the same conditions as entities from EU Member States. Georgia's participation in Horizon Europe as an associated country will help boost the country's competitiveness and economic growth.

6. Financial assistance

In 2021, Georgia received **one of the highest levels of EU grant assistance per capita in the world**. This demonstrates the EU's strong solidarity with Georgia at this time of unprecedented crisis. The EU has further promoted the Team Europe approach in its COVID-19 response, including through a close and regular dialogue with Member States to ensure coordination and synergies.

Accordingly, assistance priorities for 2021 focused not only on continuing implementation of the **Resilience Contract** (EUR 75 million of budget support), but also on carrying out the complementary measures under the **Resilience Facility** (EUR 12.7 million). These complementary measures address in particular the following areas: environmental protection, reform of the healthcare system (telemedicine), and social protection (development of the new social code). Furthermore, eight substantial grants were awarded to civil-society organisations in 2021, covering oversight, gender, human rights, and capacity building, but also supporting these organisations in addressing the impact of the COVID-19 pandemic.

Another priority was to contract major projects under the EU 4 Integrated Territorial Development programme and ENPARD IV, which was done as planned. Last but not least, the EU delivered on its commitments in terms of budget support to be disbursed by the end of the year. Under five **budget-support programmes**, EUR 34,750,000 out of EUR 46,500,000 (maximum amount envisaged if all conditions had been fulfilled) was disbursed.

During 2021, the 2021-2027 multiannual indicative programme was developed following consultations with state actors, civil society and partners. It reflects the Team Europe approach and includes the two first-ever Team Europe initiatives for Georgia, which involve Member States and European financial institutions. Progress was also made in specifying action under the main three components of the 2021 annual action programme (i.e. EU 4 Smart Economic Development, the EU Green Connectivity Programme, and the support to the implementation of the AA and to EU-Georgia migration management). The **economic and investment plan for the Eastern Partnership** seeks to unlock EUR 3.9 billion in public and private investments for the economic development of the country. In 2021, a good basis has been laid together with European Financial Institutions and government counterparts to materialise the flagship projects for Georgia under the Plan.

Under the COVID-19-related EU **macro-financial assistance programme**, EUR 150 million was made available for Georgia between 2020 and 2021. The first instalment (EUR 75 million) was disbursed in November 2020. The government of Georgia refrained from requesting the second instalment (EUR 75 million).

7. Concluding remarks and outlook

In the course of 2021 and the first half of 2022, approximation with EU law broadly continued. However concerns remain in the key areas of rule of law (including the judiciary) and governance, and human rights have suffered significant setbacks. The EU continued to stand by Georgia, taking unprecedented and substantial action to assist Georgia in dealing with the COVID-19 sanitary and socio-economic crisis.

On 23 June 2022, the European Council granted Georgia a European perspective, and expressed readiness to grant candidate status once the priorities specified in the Commission's Opinion on Georgia's membership application have been addressed. This is a historic moment in EU-Georgia relations. It is now in the hands of Georgia to do what is necessary to take the next step through inclusive and cross-party cooperation, in order to advance on its European path. The European Union will continue to support Georgia in this endeavour. The European Commission will report on the implementation of the priorities as part of the enlargement

package from 2023 onwards. In addition, by the end of 2022, the Commission will present its assessment on the ability of Georgia to assume the obligations of membership.

A renewed and serious commitment to democratic consolidation, judicial reforms, and action to reduce political polarisation and to strengthen the rule of law, in line with the 2021-2027 Association Agenda, will be key. Further efforts are also needed to ensure enhanced respect of fundamental rights, including the need to guarantee a professional and pluralistic and independent media environment and gender equality. These are essential priorities for Georgia to advance on its European path.

Finally, it will be crucial to ensure inclusive, green and sustainable growth and to make further progress on digitalisation and digital literacy. The additional staffing and expanded mandate of the Labour Inspectorate form an opportunity to strengthen supervision of labour safety and labour rights. Structural reforms remain crucial to making Georgia's economy less vulnerable to external developments and shocks, and to improve the country's investment climate and trade potential. The Eastern Partnership economic and investment plan and the multiannual indicative programme both offer excellent frameworks for making such progress.