



EUROPEAN
COMMISSION

Brussels, 30.10.2024
SWD(2024) 697 final

COMMISSION STAFF WORKING DOCUMENT

Georgia 2024 Report

Accompanying the document

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

2024 Communication on EU enlargement policy

{COM(2024) 690 final} - {SWD(2024) 690 final} - {SWD(2024) 691 final} -
{SWD(2024) 692 final} - {SWD(2024) 693 final} - {SWD(2024) 694 final} -
{SWD(2024) 695 final} - {SWD(2024) 696 final} - {SWD(2024) 698 final} -
{SWD(2024) 699 final}

Contents

1. INTRODUCTION	3
1.1. Context	3
1.2. Main findings of the reports	4
1.3. Assessment of the implementation of the steps / priorities	22
2. CLUSTER 1: THE FUNDAMENTALS OF THE ACCESSION PROCESS	27
2.1. Functioning of democratic institutions and public administration reform	27
2.1.1 Democracy	27
2.1.2. Public administration reform	30
2.2 Rule of law and fundamental rights	32
2.2.1. Chapter 23: Judiciary and fundamental rights	32
2.2.2 Chapter 24: Justice, freedom and security	47
2.3. Economic criteria	54
2.3.1 The existence of a functioning market economy	54
2.3.2. The capacity to cope with competitive pressure and market forces within the Union ...	59
2.4. Public procurement, statistics, financial control	61
Chapter 5 - Public procurement	61
Chapter 18 - Statistics	62
Chapter 32 - Financial control	64
3. GOOD NEIGHBOURLY RELATIONS AND REGIONAL COOPERATION	65
4. ABILITY TO ASSUME OBLIGATIONS OF MEMBERSHIP	65
Cluster 2: Internal Market	65
Chapter 1 - Free movement of goods	66
Chapter 2 - Freedom of movement for workers	67
Chapter 3 - Right of establishment and freedom to provide services	67
Chapter 4 - Free movement of capital	67
Chapter 6 - Company law	68
Chapter 7 - Intellectual property law	69
Chapter 8 - Competition policy	69
Chapter 9 - Financial services	70
Chapter 28 - Consumer and health protection	71
Cluster 3: Competitiveness and inclusive growth	72
Chapter 10 - Digital transformation and media	73
Chapter 16 - Taxation	74
Chapter 17 - Economic and monetary policy	74
Chapter 19 - Social policy and employment	75
Chapter 20 - Enterprise and industrial policy	77
Chapter 25 - Science and research	78
Chapter 26 - Education and culture	79
Chapter 29 - Customs union	80
Cluster 4: The Green agenda and sustainable connectivity	81
Chapter 14 - Transport policy	81
Chapter 15 - Energy	82

Chapter 21 - Trans-European networks.....	84
Chapter 27 - Environment and climate change	84
Cluster 5: Resources, Agriculture and Cohesion.....	87
Chapter 11 - Agriculture and rural development.....	87
Chapter 12 - Food safety, veterinary and phytosanitary policy	88
Chapter 13 - Fisheries and aquaculture	89
Chapter 22 - Regional policy and coordination of structural instruments	90
Chapter 33 - Financial and budgetary provisions.....	91
Cluster 6: External relations.....	91
Chapter 30 - External relations.....	91
Chapter 31 - Foreign, security and defence policy	93
Annex I – Relations between the EU and Georgia.....	95
Annex 2 – Statistical data.....	97

1. INTRODUCTION¹

1.1. CONTEXT

Georgia applied for EU membership in March 2022. Based on the Commission's Opinion, Georgia was given a European perspective on 23 June 2022 by unanimous agreement between the leaders of all 27 EU Member States. In December 2023, the European Council granted Georgia candidate status on the understanding that the relevant nine steps set out in the Commission recommendation of 8 November 2023 were taken. The nine steps primarily relate to reforms in the area of democracy, rule of law and fundamental rights. On 27 November 2023, the government of Georgia adopted an action plan on the implementation of the nine steps necessary to advance on the EU path. On 26 March 2024, the government adopted the 2024 Action Plan for Georgia's EU Integration. The decision to resuscitate and the subsequent adoption of the Law on transparency of foreign influence on 28 May, were followed by other negative developments that do not reflect the government's stated commitment to the EU path.

These developments were discussed by the European Council on 27 June 2024. In its conclusion, the European Council underlined that, in particular, the adopted Law on transparency of foreign influence represented backsliding on the steps set out in the Commission's recommendation for candidate status. Building on its conclusions in June 2024, on 17 October 2024 the European Council reiterated its serious concerns regarding the course of action taken by the Georgian government, which runs counter to the values and principles upon which the EU is founded. The European Council recalled that such a course of action jeopardises Georgia's European path, and *de facto* halts the accession process.

The rate of alignment with the EU's common foreign and security policy remains considerably low, i.e. at 49%, and Georgia has not participated in EU crisis management missions and operations under the common security and defence policy since June 2023. The number of direct flights to various destinations to/from Russia has significantly increased during the reporting period. Georgia cooperated with the EU to prevent circumvention of sanctions.

The EU supports Georgia's sovereignty and territorial integrity within its internationally recognised borders and has been engaged since 2008 in peaceful conflict resolution efforts, including through the EU Monitoring Mission and the work of the EU Special Representative for the South Caucasus and the crisis in Georgia.

1.2. MAIN FINDINGS OF THE REPORTS²

CLUSTER 1: THE FUNDAMENTALS OF THE ACCESSION PROCESS

¹The 2024 report is presented in a renewed format and structure. Main findings of the report, together with the recommendations (previously grey assessment boxes) are brought together at the beginning of the report. Furthermore, under the fundamentals cluster, for better readability and comparability across all reports, certain data is provided (also) in the form of graphs.

²This report covers the period from 15 June 2023 to 1 September 2024. It is based on inputs from a variety of sources, including contributions from Georgia, EU Member States, European Parliament reports and information from various international and non-governmental organisations. It also includes the results of comparative assessments and indices produced by other stakeholders, in particular in the area of rule of law.

2.1.1 Democracy

The electoral framework is largely in line with relevant international standards, but presents a number of shortcomings. The Election Code was amended in March and May 2024 with limited consultation. The adopted provisions are not in line with European Commission recommendations nor with joint opinions of the Venice Commission and OSCE/ODIHR, including on the appointment procedure for the chairperson of the Central Election Commission (CEC). Recent changes to fundamental aspects of the electoral law mark a step backwards overall. Parliamentary elections were held on 26 October 2024. A Joint international election observation mission led by OSCE/ODIHR was deployed to Georgia as of 10 September 2024. In their preliminary findings and conclusions published on 27 October³, the election observation mission identified several shortcomings that occurred in a tense and highly polarised environment. The reported weaknesses include *i.a.* the recent legislative amendments to the election process, frequent compromises on vote secrecy, procedural inconsistencies, intimidation and pressure on voters that negatively impacted public trust in the process. These preliminary findings confirm the need for a comprehensive electoral reform that was already highlighted in past key recommendations.

Parliament has exercised its powers in an unsatisfactory way. The quality of the legislative processes was adversely affected by the profound political polarisation and limited extent to which the opposition was included in the substance of the reforms. The level of cross-party cooperation on EU-related reforms was very limited. The level of constructive political dialogue was significantly reduced, particularly after the reintroduction of the Law on transparency of foreign influence. Civil society was not given sufficient opportunity to engage meaningfully and constructively. The Georgian National Platform of the Eastern Partnership Civil Society Forum terminated the Memorandum of Cooperation with Parliament. Members of Parliament (MPs) utilised parliamentary oversight tools to scrutinise the government. The quality of oversight of security services remained limited. Investigations into allegations of large-scale illegal wiretapping in 2021 have not yet led to any prosecutions.

The institutions in charge of the **EU integration** process are mostly in place. While EU integration remains a stated policy objective, reforms and some developments over the last year were not in line with this objective and limited political attention was mobilised by the government to progress on the EU agenda. Georgia's authorities should clarify their intentions by reversing this course of action. Stronger cross-party political support in all decision-making state institutions is required to pursue EU-related reforms more effectively. Inter-ministerial coordination and civic participation to implement the EU agenda should be strengthened. Georgia's authorities also need to replace anti-EU narratives with proactive and objective communication about the EU and its support for the country.

There was overall limited progress during the reporting period in strengthening good **governance**. Political polarisation restrains inter-institutional relations as well as policymaking and legislative processes.

Civil society organisations (CSOs) in Georgia operate in an increasingly difficult environment that constrains the vibrant civil society. The enabling environment for civil society has been affected by the persistent negative rhetoric, increasing acts of intimidation, threats and physical assaults directed against critical and watchdog CSOs, and the adoption of stringent disproportionate legislation aimed at stigmatising CSOs and media that receive foreign funding. Both formal and informal frameworks for state-civic cooperation have been severely affected. Georgia still lacks a comprehensive government strategy to support and cooperate with civil society. Dedicated mechanisms for public online consultations, or for contributions to draft laws or policy documents, still need to be created.

The report uses the following assessment scale to describe the state of play: early stage, some level of preparation, moderately prepared, good level of preparation and well advanced. To describe progress made during the reporting period, it uses the following scale: backsliding, no progress, limited progress, some progress, good progress and very good progress. Where appropriate, interim steps have also been used.

³ [579346.pdf \(osce.org\)](https://www.osce.org/files/f/documents/5/7/579346.pdf)

Public administration reform

Georgia is **moderately prepared** in the area of public administration reform (PAR) and made **limited progress** over the reporting period. Georgia's civil service continues to present some fragmentation, with a lack of clarity of the role and scope of legal entities of public law (LEPLs), limited standardisation of procedures and limitations in the effective application of public service legislation. Efforts need to be maintained to ensure a stable, modern, people-centred, effective, accountable and transparent civil service.

The Commission's recommendations from last year were partially implemented and remain valid. In the coming year, Georgia should in particular:

- revise the legislation on public law legal entities to reduce the number of legal entities, classify them by functional criteria, and ensure that those with executing authority are covered by the Law on the civil service;
- strengthen the legal mandate and capacity of the government administration to coordinate the activities of the ministries;
- continue and consolidate the reform to extend the mandate of the Civil Service Bureau for standardisation, monitoring and scrutiny beyond its advisory role; continue to review the legal framework to effectively guarantee people's right of access to public information, and to guarantee consistent and equal enforcement of current legislation.

Chapter 23: Judiciary and fundamental rights

In the area of judiciary and fundamental rights, Georgia has **some level of preparation**. There was **backsliding** during the reporting period.

Functioning of the judiciary

Georgia has **some level of preparation** and there was **backsliding**. Together, the amendments from June 2023 and May 2024 address two key Venice Commission recommendations while some newly introduced provisions go against European Commission and Venice Commission recommendations. Systemic and substantial recommendations of the Venice Commission remain outstanding. In addition, Georgia needs to address most of the recommendations highlighted by the EU's nine steps, in particular regarding the High Council of Justice (HCJ), the Supreme Court and the Prosecutor's Office. Several negative developments have taken place, undermining independence and integrity of the judicial system and implementation of recommendations addressed to Georgia in 2023. These include the appointment of a new Prosecutor-General with simple majority in July 2024, as well as the suspension by the Tbilisi City Court of the decision of the President to appoint a new non-judge member to the HCJ, as well as a prohibition to appoint new members for five months in July 2024. In addition, in 2024, the Parliament appointed four Supreme Court judges, despite the fact that the legal framework concerning the selection process remains not fully in line with European standards. The main recommendations from last year were not addressed and remain valid. In particular, Georgia needs to:

- adopt further amendments to the Law on common courts to bring it fully in line with Venice Commission recommendations on the powers of the HCJ concerning transfers of judges and on the selection process for the Supreme Court (including effective appeal, qualifications of Supreme Court judges and an anti-deadlock mechanism).
- adopt and implement a broader reform of the judiciary, in particular, to reform the HCJ in line with Venice Commission recommendations, including restrictions on the reappointment of its members, notably by fixed non-renewable terms. Moreover, establish a system of extraordinary integrity checks, with the involvement of international experts with a decisive role in the process, for candidates and

persons currently appointed to all leading positions in the judiciary, in particular the HCJ, the Supreme Court and court presidents.

- adopt draft constitutional amendments which include changing the appointment procedure of the Prosecutor General from simple to qualified majority in Parliament; align the Law on the Prosecutor's Office with European standards, following the recommendations of the Venice Commission, OECD and the Technical Assistance and Information Exchange (TAIEX) peer review on the functioning of the justice sector and the fight against organised crime carried out in May 2023.

Fight against corruption

Georgia has **some level of preparation** and has made **limited progress** in the reporting period. Amendments to the Law on the fight against corruption were adopted on 30 May 2024, but do not address substantial European Commission and Venice Commission recommendations, in particular regarding the independence and political neutrality of the Anti-Corruption Bureau (ACB). This has yet to be adequately addressed. More efforts are needed to tackle high-level corruption and, in particular, to address large-scale vested interests and their influence in the political, judicial, and economic spheres. The ACB has not yet developed a new national anti-corruption strategy or an action plan. Targeted risk assessments and dedicated measures are needed to address corruption in the most vulnerable sectors.

The Commission's 2023 recommendations were partly implemented. In the coming year, Georgia needs in particular to:

- continue its efforts to align the legislation on the ACB to the ODIHR/Venice Commission recommendations and ensure that the new Bureau, as well as the relevant enforcement agencies, operate independently and effectively, avoiding any politically selective approach; Georgia should also develop and adopt an anti-corruption strategy and action plan, and ensure that it is comprehensively implemented through realistic timelines, adequate funding and appropriate monitoring mechanisms;
- repeal the decision of February 2023 to withdraw from the OECD/ACN and fully implement recommendations from the previous assessment rounds;
- continue implementing a systemic approach on de-oligarchisation in line with the recommendations by the Venice Commission (Opinions of March 2023 and June 2023).

Fundamental rights

The legislative and institutional framework on fundamental rights is largely in place, but was severely challenged by the adoption of concerning decisions over the reporting period. The adoption of the Law on transparency of foreign influence in May 2024, and the adoption of the legislative package on 'family values and protection of minors' in September 2024 undermine the overall legal framework for upholding fundamental rights. Both initiatives infringe upon human rights and fundamental freedoms, in particular the rights to freedom of association, expression and privacy. The 2024-2026 action plan on the protection of human rights was adopted following a limited consultation process. The Law on personal data protection service was amended in May 2024 without addressing key Venice Commission recommendations. Tbilisi Pride did not take place in 2024 due to fears of reprisals and violence. By abolishing the mandatory electoral gender quotas in Parliament, the Parliament reversed the commitment to extend those quotas until 2032, which was positively assessed by the Commission in 2023 as a reason to consider the priority on gender equality completed.

The Commission's recommendations from last year were not implemented and remain valid. In the coming year, Georgia should in particular:

- repeal the Law on transparency of foreign influence;

- adopt national strategies to fight all forms of hatred and discrimination, and protect ethnic and religious minorities; strengthen the implementation of the anti-discrimination legislation; take more decisive measures to address and prevent hate speech and hate crimes;
- repeal the legislative package on “family values and protection of minors”; investigate and prosecute the organisers of the violence on 5 July 2021 and 8 July 2023 at Tbilisi Pride; amend the national strategy and action plan on human rights to ensure that the rights of lesbian, gay, bisexual, transgender, intersex and queer (LGBTIQ) persons are fully upheld; ensure full respect and protection for freedom of assembly and freedom of expression, in particular by reforming the code on administrative offences, including through a broad participation by stakeholders;
- align the data protection legal framework with the EU *acquis*: Regulation (EU) 2016/679 and Directive (EU) 2016/680.
- Strengthen / resume efforts to achieve gender equality, in particular by aligning the legal framework with the Istanbul Convention, addressing recommendations provided in the GREVIO report of 2022, and promoting women's political participation in Parliament.

Freedom of expression

Backsliding was observed during the reporting period, leading to a situation where Georgia is now **between an early stage of preparation and having some level of preparation** on freedom of expression. Georgia maintained a pluralist and diverse media landscape. Extreme polarisation remains a challenge. The adoption of the Law on the transparency of foreign influence negatively impacts freedom of expression and the ability of the media to operate freely. Increasing acts of intimidation, threats and verbal and physical assault against civil society representatives and journalists took place during the reporting period. Discrediting rhetoric against media professionals by high-level public officials and politicians created an increasingly hostile environment, threatening media freedom, pluralism, and the safety of journalists. The adoption of the legislative package on “Family values and protection of minors” further restricts freedom of expression. These instances run counter to international human rights standards. Instigators of the 5 July 2021 violence against journalists remain free and investigations into the 2024 attacks have not yet been launched. On the positive side, the Law on broadcasting was amended to further align with the Audiovisual Media Services Directive. Closer alignment is still needed to strengthen the independence of the regulatory bodies.

The Commission’s recommendations from last year on the independence of the national media regulator were implemented. Other recommendations need to be followed up, and therefore remain valid. In the coming year, Georgia needs in particular to:

- ensure the safety of journalists and provide prompt, impartial and due legal follow-up to cases of attacks against and intimidation of journalists, including as regards the instigators of the 5 July 2021 violence against over 50 journalists; ensure the media can work unimpeded and ensure an environment that is free of hate speech;
- further align the legislative framework with European and international standards, in particular on hate crimes and hate speech, including the 2008 Council Framework Decision on combating certain forms and expressions of racism and xenophobia;
- ensure the public has timely access to information by creating an effective supervisory mechanism.

Chapter 24: Justice, freedom and security

Georgia has **some level of preparation**. **Limited progress** was made through the continued implementation of the action plan for justice, freedom and security. Criminal justice reform and police reorganisation have gained momentum but so far results are limited. The envisaged key legislation on the

separation of powers between criminal prosecution and investigation bodies is still pending. Reception centres for migration and asylum are now operational and, so far, coping with the inflow of migrants.

The Commission's recommendations from last year were partially implemented and remain valid. In the coming year, Georgia should in particular:

- ensure continuous fulfilment of the visa liberalisation benchmarks and strengthen action to address the issue of increasing number of unfounded asylum applications and irregular stays in EU Member States;
- continue to fulfil the visa liberalisation benchmarks regarding anti-money laundering measures to combat money laundering, prevent/tackle corruption and organised crime, and address asset recovery;
- maintain an effective level of implementation of the Integrated Border Management strategy and its accompanying action plans.

Fight against organised crime

Georgia has **some level of preparation** in fighting organised crime. **Some progress** was made by adopting and implementing a dedicated action plan and, to a lesser extent, strengthening the accountability and oversight of law enforcement agencies.

The Commission's recommendations from last year were partly implemented and remain valid. In the coming year, Georgia should in particular:

- increase the effectiveness of the investigation into criminal networks with progress on the implementation of intelligence-led policing (ILP) and increase investigators' analytical capabilities;
- adopt legislation on the separation of powers between criminal prosecution and investigation bodies; set up asset recovery and asset management offices;
- continue strengthening the independence, accountability and oversight of law enforcement agencies.

ECONOMIC CRITERIA

The existence of a functioning market economy

Georgia is **moderately prepared** and has made **limited progress** in creating a functioning market economy. The authorities continued to implement sound fiscal and monetary policies that are supportive in managing exceptionally high levels of economic growth, while achieving sharp disinflation, despite a challenging external environment and a high level of polarisation in domestic politics. While further steps were taken to strengthen public finance management and to address labour market bottlenecks, little progress was made in dealing with important structural issues including strengthening the independence of the central bank and reforming the governance of state-owned enterprises.

Georgia has advanced on last year's recommendations, which remain valid. In the coming year, Georgia should in particular:

- continue to implement prudent fiscal and monetary policies and ensure that the 2024 budget deficit is within the target set in the budget law, adopt and start to implement the medium-term revenue strategy, improve the analysis of tax expenditures and prepare recommendations to implement its findings, and improve fiscal oversight and governance of state-owned enterprises;
- adopt and start implementing the new Labour Market Strategy addressing the main weaknesses of the labour market, such as the low employment rate, especially among women and young people, and the significant regional differences, as well as take steps to prepare a policy plan to address the significant

size of the informal economy in a holistic manner;

- further develop the non-banking segments of the financial sector, including by implementing the capital market development strategy, in particular by increasing the quantity and types of government securities in local currency, and by developing the insurance market.

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

Georgia has **some level of preparation** and has made **some progress** in coping with competitive pressure and market forces within the EU. There was limited progress on education reform including in vocational education and training (VET), but the level of educational achievement remains limited. Despite public support for the development of the innovation ecosystem, spending on research and innovation remains very low. The level of public investment was high, especially in transport, and the authorities attracted private investors in renewable energy through competitive auctions. The structure of the economy is dominated by low-skilled services, but the IT sector recorded a significant growth recently. Economic integration with the EU remains moderate, with the EU accounting for 20.9% of Georgia's external trade in 2023.

Georgia has advanced on last year's recommendations, which remain valid. In the coming year, Georgia should in particular:

- further develop its ports, railways, roads and the necessary energy infrastructure, as well as improve the quality of assessment of public investment projects;
- stimulate innovation and make efforts to increase exports of higher value-added goods and services, in particular through facilitating certification, compliance with sanitary and phytosanitary standards, export promotion, logistics and the development of the necessary infrastructure for exports;
- further improve the quality and inclusiveness of education and training to ensure that their outcomes align with labour market needs, in particular by accelerating reforms of vocational education and training, revising the secondary education curricula, and improving teachers' professional development.

Chapter 5 - Public procurement

Georgia has **some level of preparation** in the area of public procurement. **Some progress** was made, notably with the adoption of several pieces of legislation to implement the new Law on public procurement, and the adoption of guidelines on green procurement.

The Commission's recommendations from last year were partially implemented and remain valid. In the coming year, Georgia should in particular:

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

Chapter 18 - Statistics

Georgia has **some level of preparation** in the area of statistics. **Limited progress** was made during the

reporting period with the adoption of the new Law on official statistics and the strategy for the development of official statistics 2024-2027.

The Commission's 2023 recommendations were partially implemented and remain valid. In the coming year, Georgia should in particular:

- further strengthen coordination and cooperation between Geostat and the government, as well as between Geostat and line ministries and agencies;
- improve the human resources and technical capacity of the statistical office;
- increase the production and dissemination of timely and high-quality data.

Chapter 32 - Financial control

Georgia has **some level of preparation** in the area of financial control. **No progress** was made during the reporting period as reforms are still in the initial stages.

The Commission's recommendations from last year were not implemented and remain valid. In the coming year, Georgia should in particular:

- implement financial management and control arrangements and strengthen managerial accountability;
- consolidate the capacity of the central harmonisation unit within the Ministry of Finance in terms of human and financial resources;
- set up an official anti-fraud coordination service.

CLUSTER 2: INTERNAL MARKET

Chapter 1 - Free movement of goods

Georgia has **some level of preparation** in the area of free movement of goods. **No progress** was made during the reporting period.

The Commission's recommendations from last year were not implemented and remain valid. In the coming year, Georgia should in particular:

- initiate work on the implementation of market surveillance in compliance with the EU *acquis* and phase-out the 'pre-notification' system of market surveillance before the placing on the market;
- adopt a strategy and action plan with a clear timetable to complete Georgia's alignment with the EU *acquis* on standards, conformity assessment, accreditation, metrology and market surveillance;
- further implement legislation to align with the EU *acquis* on energy labelling.

Chapter 2 - Freedom of movement for workers

Georgia is at an **early stage of preparation** in the area of free movement of workers. **No progress** was made during the reporting period.

The Commission's recommendations from last year were not implemented and remain valid. In the coming year, Georgia should in particular:

- engage in further negotiations, and conclude additional bilateral agreements on social security

coordination with EU Member States where no such agreements have been signed;

- take into account the EU *acquis* on the coordination of social security systems when conducting social security system reform;
- initiate preparatory work towards joining the European Network of Employment Services (EURES) upon accession.

Chapter 3 - Right of establishment and freedom to provide services

Georgia is **moderately prepared** in the area of the right of establishment and freedom to provide services. There was **no progress** during the reporting period.

The Commission's recommendations from last year were not implemented and remain valid. In the coming year, Georgia should in particular:

- further align with Directive 2006/123/EC on services in the internal market (Services Directive);
- update the Association Agreement (AA)/ Deep and Comprehensive Free Trade Area (DCFTA) annex on the rules applicable to postal and courier services and continue progress on aligning with the EU postal *acquis*;
- start to align with the EU *acquis* on the recognition of professional qualifications and on a proportionality test before adoption of new regulation of professions.

Chapter 4 - Free movement of capital

Georgia is **moderately prepared** in the area of free movement of capital. There was **limited progress** in the reporting period, including on the implementation of the strategy and action plan for anti-money laundering and countering the financing of terrorism. Georgia must continue to align with the EU *acquis* on anti-money laundering and payment systems.

The Commission's recommendations from last year were mostly not implemented and remain valid. In the coming year, Georgia should in particular:

- further align legislation with the EU Payment Services Directive 2;
- address outstanding Moneyval's recommendations, in particular on beneficial ownership of legal persons and legal arrangements, in line with the EU *acquis*, and take concrete steps to implement the national money laundering and terrorist financing risk assessment;
- align legislation with the EU *acquis* by removing restrictions on the acquisition of agricultural land by EU nationals.

Chapter 6 - Company law

Georgia has **some level of preparation** in the area of company law. There was **limited progress**, notably the adoption of amendments in accordance with Regulation (EU) No. 537/2014 on specific requirements related to mandatory audits of public interest entities.

The Commission's recommendations from last year were partially implemented and remain valid. In the coming year, Georgia should in particular:

- align national legislation with the *acquis* on cross-border conversions, mergers and divisions and on the use of digital tools and processes in company law, and shareholder rights, including the

encouragement of long-term shareholder engagement;

- finalise a gap assessment on takeover bids with a view to further aligning with the EU *acquis* in this area;
- align with the EU *acquis* on financial reporting, country by country reporting, corporate sustainability reporting and transparency, and provide the appropriate level of financial and human resources for effective oversight, investigations and sanctions tasks and strengthen the administrative capacity of National Agency of Public Registry (NAPR);

Chapter 7 - Intellectual property law

Georgia has **some level of preparation** in the area of intellectual property law. **Limited progress** was made, notably with the entry into force of the Validation Agreement.

Legislation on copyright and industrial property rights is partially aligned with the EU *acquis*. Georgia should continue to strengthen the capacity of law enforcement authorities in intellectual property matters.

The Commission's 2023 recommendations were partly implemented and remain valid. In the coming year, Georgia should in particular:

- start negotiations on accession to the European Patent Convention;
- ensure the implementation of amendments to the Law on copyright and related rights and to the Trademark Law;
- align with Directive 98/71/EC on the Legal Protection of Designs and the Directive 2016/943 on Trade Secrets, and continue strengthening collaboration with the European Union Intellectual Property Office to further advance and consolidate the objectives achieved so far.

Chapter 8 - Competition policy

Georgia is between **an early stage of preparation and having some level of preparation** in the area of competition policy. There was **some progress**, with several pieces of primary and implementing legislation enacted.

The Commission's recommendations from last year were partially implemented and remain valid. In the coming year, Georgia should in particular:

- align the legal framework on antitrust, mergers and State aid with the EU *acquis* on competition policy;
- strengthen the enforcement capacities of the Georgian Competition and Consumer Agency, and continue building a solid record of enforcement decisions.

Chapter 9 - Financial services

Georgia has **some level of preparation** in the area of financial services. Georgia made **limited progress** during the reporting period.

The Commission's recommendations from last year were partially implemented and remain valid. In the coming year, Georgia should in particular:

- adopt and implement legislation on domestic motor vehicle third party liability insurance;
- continue efforts to align with the EU *acquis* on the regulation of the banking and insurance sectors

(including bank resolution and bank deposits guarantee schemes) and on the regulation of securities markets, investment funds, investment services and financial market infrastructures.

Chapter 28 - Consumer and health protection

Georgia has **some level of preparation** in the area of consumer and health protection. There was **some progress** on alignment with the EU *acquis* on timeshares, and on blood, tissues, cells and organs.

The Commission's 2023 recommendations were partially implemented. In the coming year, Georgia should in particular:

- further align consumer and health protection laws with the EU *acquis* and ensure their effective enforcement;
- further align and enforce legislation with the EU *acquis* on blood, tissues, cells and organs, and on medical devices;
- further align the tobacco control legislation with the EU *acquis* and with the WHO Framework Convention on Tobacco, while refraining from adopting legislation contradictory to the provisions of the convention.

CLUSTER 3: COMPETITIVENESS AND INCLUSIVE GROWTH

Chapter 10 - Digital transformation and media

Georgia has **some level of preparation** in the area of information society and media. **Limited progress** was made, with the adoption of the by-laws completing the primary legislation on transposing the Broadband Cost Reduction Directive (BCRD) first adopted in May 2023.

The Commission's 2023 recommendations were partially implemented. In the coming year, Georgia should in particular:

- develop an overarching digital strategy, in line with the EU strategies Shaping Europe's Digital Future and the 'Digital Compass';
- make progress in alignment with the EU *acquis* on telecommunications;
- develop a cybersecurity strategy towards achieving legal alignment with the EU Directive on measures for a high common level of cybersecurity across the Union (NIS2) and ensure alignment with the EU 5G Cybersecurity Toolbox.

Chapter 16 - Taxation

Georgia is **between having some level of preparation and a moderate level of preparation** in the area of taxation. There was **limited progress** through aligning legislation with the EU *acquis* on VAT and excise duties.

The Commission's recommendations from last year were partially implemented and therefore remain valid. In the coming year, Georgia should in particular:

- take concrete steps to align legislation on direct taxation with the EU *acquis* and international best practices, in particular in cases of retained or reinvested profits, merger, subsidiaries, interest and royalties;

- make progress in the implementation of the automatic exchange of tax information with EU Member States in line with the OECD Global Standards;
- continue aligning legislation on VAT and excise duties with the EU *acquis*.

Chapter 17 - Economic and monetary policy

Georgia is **moderately prepared** in the area of economic and monetary policy. **Limited progress** was made in the reporting period on some economic and fiscal policy issues such as submission of the first economic reform programme and improving fiscal oversight of state-owned enterprises. The legal amendments necessary to strengthen the central bank's independence have not been adopted.

The Commission's recommendations from last year were partially implemented and remain valid. In the coming year, Georgia should in particular:

- ensure the independence of the National Bank of Georgia, including by adhering to proper appointment procedures and sound central bank governance;
- take steps towards strengthening the institutional set-up of the independent fiscal institution, its legal mandate and the capacity to undertake qualitative analytical work;
- improve consistency and comparability between fiscal reports and further expand their coverage.

Chapter 19 - Social policy and employment

Georgia has **some level of preparation** in the field of social policy and employment. **Limited progress** was made in the reporting period, including by strengthening the capacity of the Labour Inspection Office and launching the implementation of the 'single window' principle for state employment and social support services.

The Commission's recommendations from last year were partly implemented and remain valid. In the coming year, Georgia should in particular:

- further align with the EU labour and occupational safety and health *acquis* and ensure the rules are enforced; specifically as regards the most recent Directives on occupational safety and health;
- adopt a comprehensive and sustainable social protection system, including unemployment and minimum income benefits, promote social dialogue, and engage in a wider discussion on the reform of the minimum wage;
- ratify and implement relevant International Labour Organization conventions, in particular C081 on labour inspection.

Chapter 20 - Enterprise and industrial policy

Georgia is **moderately prepared** in the area of enterprise and industrial policy. There was **limited progress** in the reporting period, with the adoption of a Foreign Investment Strategy providing a framework for investments for 2024-2028.

The Commission's 2023 recommendations were partly implemented and remain valid. In the coming year, Georgia should in particular:

- adopt strategies for green growth and on investment promotion;

- adopt and implement programmes for industry after stakeholder consultations;
- align with EU legislation on late payments by clarifying payment terms for the public administration and introducing the provision on late payment interest;

Chapter 25 - Science and research

Georgia is **moderately prepared** in the area of science and research. There was **some progress** related to the European Research Area and on increasing participation in Horizon Europe.

The Commission's recommendations from last year were partly implemented and remain valid. In the coming year, Georgia should in particular:

- prepare and adopt a national European Research Area roadmap, including a strategic and well-defined approach to open science, researcher mobility, and implementing European Research Area voluntary actions;
- proactively support cooperation between research and industry and promote innovation in line with the five flagships of the new European innovation agenda;
- strengthen the implementation and internationalisation of sector-specific scientific priorities; begin to implement the Smart Specialisation Strategy in the Imereti Region, and begin to design new strategies in other regions.

Chapter 26 - Education and culture

Georgia is **moderately prepared** in the area of education and culture. **Limited progress** was made during the reporting period in fulfilling last year's recommendations related to the adoption of the career development strategy and submission of the VET strategy for adoption. The amendment on the Law on general education, which creates the basis for the implementation of a new system supporting inclusive education, entered into force in June 2024.

The Commission's other 2023 recommendations remain valid. In the coming year, Georgia should in particular:

- adopt and start to implement the 2024-2028 Vocational education and training strategy;
- start to implement the 2024-2030 strategy for professional orientation, counseling, and career guidance;
- improve public consultation and civil dialogue on culture.

Chapter 29 - Customs union

Georgia is **moderately prepared** in the area of the customs union. There was **some progress** during the reporting period. The regulatory and technical framework for the application of the Common Transit procedure and the implementation of the New Computerised Transit System (NCTS) was developed with the objective of joining the Common Transit Convention on 1st December 2024, and a programme for authorised economic operators is in place. No further actions were taken to align customs legislation with the EU *acquis*.

The Commission's 2023 recommendations were partly implemented and remain valid. In the coming year, Georgia should in particular:

- fully align its 2019 national Law on customs with the Union Customs Code, including implementing

EU-equivalent customs procedures and digital tools;

- Further improve administrative and operational capacity, performance and integrity of the customs service to ensure effective control of goods and fight smuggling of illicit goods;
- strengthen the administrative capacity in the IT sector of the customs service and start preparations towards achieving interconnection and interoperability of its national customs IT systems with the EU electronic customs environment.

CLUSTER 4: THE GREEN AGENDA AND SUSTAINABLE CONNECTIVITY

Chapter 14 - Transport policy

Georgia has **some level of preparation** in terms of transport policy. There was **some** progress during the reporting period with the setting-up of the Road Safety Department and the regional Road Safety Observatory in February 2024, and alignment with the international transportation of goods and passengers regulations. Georgia needs to make additional efforts on road safety to reduce the high number of road accidents and fatalities.

The Commission's recommendations from last year were partly implemented. In the coming year, Georgia should in particular:

- further align with the relevant EU *acquis* e.g. on the procedures for checks on the transport of dangerous goods by road or on the social and market rules for road transport;
- improve the safety of its infrastructure (road construction and maintenance), as well as the safety of road users through proper enforcement and education and awareness-raising campaigns to reduce the currently high number of road accidents and fatalities;
- complete the institutional framework (independent regulatory body and national investigation body) for rail transport.

Chapter 15 - Energy

Georgia has **some level of preparation** in the area of energy. There was **some progress** during the reporting period. The 2030 renewables target in the draft National Energy and Climate Plan (NECP) is now in line with Georgia's legal obligations under the Energy Community Treaty. Georgia has amended the energy efficiency and energy efficiency in buildings laws and launched day-ahead and intraday markets, which started on 1 July 2024, with amendments to the design of the electricity market concept. In addition, most of the applicable provisions of the Risk-preparedness Regulation were successfully transposed into the rules on Electricity Security of Supply.

The Commission's recommendations from last year were partly implemented and remain valid. In the coming year, Georgia should in particular:

- ensure the opening of the organised electricity market in line with the requirements of the Energy Community *acquis*, and finalise the adoption of all necessary legislative amendments for transmission system operator (TSO) unbundling and for the unbundling of the distribution system operator (DSO) level in gas;
- accelerate the transposition and implementation of applicable provisions from the Electricity Integration Package;

- adopt amendments to the renewable energy Law to fully transpose and implement the Renewable Energy Directive II (REDII).

Chapter 21 - Trans-European networks

Georgia has **some level of preparation** in the area of trans-European networks. There was **some progress** during the reporting period, notably the implementation of trans-European transport network (TEN-T) projects (e.g the East-West Highway) and the finalisation of the Baku-Tbilisi-Kars railway. The legislative framework needs to be aligned with the regulations on the trans-European networks for transport and trans-European networks for energy to implement transport and energy projects. Georgia's transport and energy infrastructures are insufficiently developed.

The Commission's recommendations from last year were partially implemented and remain valid. In the coming year, Georgia should in particular:

- improve the performance of the rail and road networks in terms of quality, capacity and safety, taking into account the new requirements in the revised TEN-T regulation;
- align with the Regulation on guidelines for trans-European energy infrastructure as adapted and adopted by the Decision of the Energy Community Ministerial Council in December 2023.

Chapter 27 - Environment and climate change

Georgia is at an **early stage of preparation** in the area of environment and climate change. There was **some progress** in the reporting period, notably on the adoption of the new Law on water resources management, on access to environmental information, on air quality monitoring, the broadening of the obligations of Extended Producer Responsibility organisations, and the adoption of the 2024-2025 action plan of the climate change strategy.

The Commission's recommendations from last year were partly implemented and remain valid, including with regard to the adoption and implementation of sectoral strategies and related investments. In the coming year, Georgia should in particular:

- implement structural reforms to improve waste and water management and strengthen administrative and inspection capacities, which all remain critical issues, and ensure that there is there an institutional structure in place to deliver coordinated, strategic planning for environmental investments;
- implement commitments under the Energy Community's Decarbonisation Roadmap and urgently prepare for the introduction of a carbon pricing instrument in line with the Energy Community recommendations, starting with the monitoring, reporting and verification of greenhouse gas emissions;
- adopt a climate law, strengthen climate mainstreaming across all policies and ensure consistent and timely implementation of climate policies.

CLUSTER 5: RESOURCES, AGRICULTURE AND COHESION

Chapter 11 - Agriculture and rural development

Georgia is at an **early stage of preparation** in the area of agriculture and rural development. **Some progress** was made in the reporting period, notably with the adoption of the Law on agriculture and rural development. The Law on water and the Law on tourism were also adopted, offering increased rural

development opportunities.

The Commission's recommendations from last year were partially implemented and remain valid. In the coming year, Georgia should in particular:

- strengthen the administrative capacity, including of the paying agency, and progress on aligning the legal framework with the EU *acquis* in the field of agriculture and rural development;
- continue efforts to set up an integrated administration and control system (IACS) in line with the EU *acquis*, including a land parcel identification system (LPIS) for the entire country;
- start the creation of a farm sustainability data network (FSDN).

Chapter 12 - Food safety, veterinary and phytosanitary policy

Georgia has **some level of preparation** in the area of food safety, veterinary and phytosanitary policy. There was **some progress** made, including certification of the Quality Management System (ISO 9001:2015) for food safety official control and the granting of National Reference Laboratory status to the State Laboratory of Agriculture. The control system in place to prevent aflatoxin contamination of hazelnuts and hazelnuts products intended for export to the EU has been favourably assessed by the Commission. A comprehensive strategy to implement food safety rules is necessary, and a review of policies and necessary institutional reforms needs to be carried out.

The Commission's recommendations from last year were partially implemented and remain valid. In the coming year, Georgia should in particular:

- further align legislation with the EU *acquis*, including with the transposition of the Official Controls Regulation (EU) 2017/625;
- improve the implementation by regional and local services, as well as industries, of the aligned legislation, which is concerned with ensuring producers and food business operators comply with the Hazard Analysis Critical Control Point (HACCP) system;
- strengthen surveillance capacity, diagnostic resources and the delivery of sanitary and phytosanitary (SPS) electronic certification through the EU TRACES online platform.

Chapter 13 - Fisheries and aquaculture

Georgia has **some level of preparation** in the area of fisheries and aquaculture. **Limited progress** was made, notably by submitting a flag state notification, accepted by the EU, authorising the exports of fishery products to the EU from April 2024. Georgia has engaged in the participative development of its fisheries strategy in line with the regional fisheries strategy of the General Fisheries Commission for the Mediterranean and the Black Sea (GFCM).

The Commission's recommendations from last year were partly implemented and remain valid. In the coming year, Georgia should in particular:

- continue aligning its legislation with the EU's common fisheries policy and aquaculture *acquis*; in particular as regards Regulation (EU) No 1379/2013 on the common organisation of the markets in fishery and aquaculture products;
- improve recording and reporting of information and data regarding fishing activities, namely catches and fishing effort;

→ become a contracting party to the GFCM.

Chapter 22 - Regional policy and coordination of structural instruments

Georgia continues to be **in between an early stage of preparation and having some level of preparation** in the area of regional policy. **Some progress** was made, notably with the updating of policy planning documents and by granting more powers to local authorities through implementation of the decentralisation strategy.

The Commission's recommendations from last year were partially implemented. In the coming year, Georgia should in particular:

- strengthen its administrative capacity in terms of programming, implementing, monitoring and evaluating EU funds, while building on the experience from the European Neighbourhood Instrument Cross-Border Cooperation (ENI CBC) and Interreg NEXT programmes;
- use the positive outcomes of the pilot regional development programme (PIRDP 2019-2022) in the new 2024-2027 programme targeting territorial development, increase coverage to the whole country (excluding the large urban centres of Tbilisi and Batumi), and deepen the competitive project selection procedure.

Chapter 33 - Financial and budgetary provisions

In the area of own resources Georgia is **at an early stage of preparation**. There was **no progress** made during the reporting period.

The Commission's recommendations from last year were not implemented and remain valid. In the coming year, Georgia should in particular:

- further align its 2019 Law on customs with the Union Customs Code;
- strengthen the operational capacity of the revenue service;
- align with the accounting standards of the 2010 European System of Accounts.

CLUSTER 6: EXTERNAL RELATIONS

Chapter 30 - External relations

Georgia is **moderately prepared** in the area of external relations. There was **limited progress** made during the reporting period. Some measures were taken to improve the investment climate and the group of trade partners is expanding.

The Commission's recommendations from last year were partially implemented and remain valid. In the coming year, Georgia should in particular:

- align the relevant legislation with the EU *acquis* on trade in certain goods that could be used for capital punishment, torture or other cruel, inhuman or degrading treatment or punishment;
- create a legal framework covering international cooperation and development policy as well as humanitarian aid towards non-EU countries, in line with EU policies and principles.

Chapter 31 - Foreign, security and defence policy

Georgia is **moderately prepared** in this area. **No progress** was made in the reporting period. Georgia's rate of alignment with the EU's common foreign and security policy remains considerably low at 49%. While Georgia cooperated closely with the EU to prevent sanctions circumvention, it has not aligned with the great majority of restrictive measures (sanctions) against Russia, Belarus and Iran. Georgia did not participate in EU crisis management missions and operations under the common security and defence policy during the reporting period.

The recommendations from last year were not implemented and remain valid. In the coming year, Georgia should in particular:

- considerably increase its alignment with the CFSP (statements by the High Representative on behalf of the EU and Council decisions on sanctions) and avoid unilateral statements and actions that run contrary to EU positions on foreign policy;
- continue to ensure that the territory of Georgia and/or legal entities registered in Georgia are not used to circumvent EU sanctions, particularly in relation to Russia and Belarus;
- consider participating in EU crisis management missions and operations under the common security and defence policy.

1.3. ASSESSMENT OF THE IMPLEMENTATION OF THE STEPS / PRIORITIES

Step 1: Fight disinformation and foreign information manipulation and interference against the EU and its values.

In December 2023, the Government adopted a communication strategy for 2024-2027 and a linked action plan in May 2024, focusing on the fight against anti-Western disinformation and propaganda, enhancing media literacy, detecting and monitoring disinformation and upgrading the strategic communication system. The Stratcom and Information Centre on NATO-EU under the Ministry of Foreign Affairs has conducted information campaigns and various awareness-raising activities nationwide. Local think tanks, NGOs, fact-checkers and investigative outlets have expressed readiness to collaborate with State institutions, but there has been no dialogue nor coordination in this area.

During the reporting period, manipulation of EU-related information has been increasing. In particular since the re-introduction of the draft law on transparency of foreign influence in April 2024, harsh anti-EU messages, actively spread by high level ruling party officials and MPs, have become recurrent. In the run-up to Parliamentary elections, disinformation narratives have been disseminated and amplified by i.a. ruling party officials and government-affiliated media.

Step 2: Improve Georgia's alignment with the EU's Common Foreign and Security Policy

In the area of the Common Foreign and Security Policy (CFSP), by the end of the reporting period, Georgia's alignment rate with relevant statements of the High Representative on behalf of the EU and Council decisions was persistently low at 49%. Georgia did not join most restrictive measures relating to Russia, Iran and Belarus and further increased direct flights to various destinations in Russia. It continued to cooperate with the EU on prevention of sanctions circumvention, while passing new legislation allowing the tax-free transfer of offshore funds to Georgia.

During the reporting period, Georgia continued to align itself with international and EU initiatives in support of Ukraine, including on resolutions adopted by the General Assembly of the United Nations, the Human Rights Council, the Council of Europe and the OSCE.

Step 3: Further address the issue of political polarisation, including through more inclusive legislative work with opposition parties in Parliament, notably on legislation related to Georgia's European integration.

The level of political polarisation further deepened, particularly in the run-up to the 2024 parliamentary elections and in the wake of the adoption of the Law on transparency of foreign influence. Cross-party cooperation on EU integration-related reforms was very limited as most of the relevant legislation was adopted and appointments were made without the opposition's involvement. The Parliament did not ensure sufficient involvement of civil society in the legislative processes. Threats from leaders of the parliamentary majority towards opposition members and civil society representatives continued. During the protests around the law on transparency of foreign influence, several key figures of opposition parties and civil society representatives have been verbally intimidated and physically attacked. On 23 August, the ruling party announced its plan to ban most of the opposition parties in case of victory in the October's parliamentary elections. Relations between the President and the Government have further deteriorated over the reporting period, with the President vetoing a series of laws she assessed contradictory to Georgia's EU integration and filing a lawsuit at the Constitutional Court against the foreign influence law.

Step 4: Ensure a free, fair and competitive electoral process, notably in 2024, and fully address OSCE/ODIHR recommendations. Finalise electoral reforms, including ensuring adequate representation of the electorate, well in advance of election day.

In February 2024, the Government invited a OSCE/ODIHR election observation mission. The Central Election Commission (CEC) led a large-scale information campaign about the use of electronic technologies, which are expected to cover 90% of voters and will be used in around 70% polling stations nationwide. In March, Parliament adopted amendments to the Election Code disregarding long-standing recommendations of the Venice Commission and OSCE/ODIHR. The amendments foresee the appointment of the CEC Chairperson and CEC non-party members by a simple majority of Parliament members and foresee no effective involvement of other institutions, including the President. In April, Parliament appointed the CEC Chair. Previous recommendations from joint Venice Commission and OSCE/ODIHR opinions have still not been fully addressed. These include the delimitation of electoral districts, changes to media campaign regulations and preventive measures against the intimidation of voters. Further amendments to the Electoral Code adopted in May 2024 without prior inclusive consultations with the opposition, abolished the CEC advisory group composed of representatives of the Public Defender and observer organisations. In the same month, Parliament voted to abolish gender quotas on electoral lists, which had been previously extended until 2032. On 16 August, the CEC adopted a resolution which mandates that the drawing of lots to distribute the functions of commission members at all types of polling stations must be conducted no later than the seventh day before voting, instead of on the day of voting. The preliminary findings of the joint international election observation mission led by the OSCE Office for Democratic Institutions and Human Rights identified several shortcomings that occurred in a tense and highly polarised environment. The reported weaknesses include *i.a.* the recent legislative amendments to the election process, frequent compromises on vote secrecy, procedural inconsistencies, intimidation and pressure on voters that negatively impacted public trust in the process. These preliminary findings confirm the need for a comprehensive electoral reform that was already highlighted in past key recommendations. .

Step 5: Further improve the implementation of parliamentary oversight notably of the security services. Ensure institutional independence and impartiality of key institutions, notably the election administration, the National Bank and the Communications Commission.

Parliament initiated the process to fill the vacant opposition seat in the Parliamentary Trust Group in March 2024, but lengthy vetting procedures mean that the chosen person will effectively not be able to take up the position before the end of the legislative period. Another vacancy in the trust group appeared when the Chairman of the Parliament's Defence and Security Committee was appointed as the Head of Intelligence

Service of Georgia. Quality of oversight over security services remained limited. Investigation into allegations of large-scale illegal wiretapping in 2021 has not, so far, led to any prosecutions.

Electoral amendments adopted in March 2024 (see also Step 4) reduce the institutional independence of the Central Election Commission. No actions were undertaken to strengthen the independence of the National Bank and to ensure that all board members are appointed in a transparent and competitive manner. There have been no steps undertaken to appoint a governor since March 2023 and some board positions remain vacant.

The amendments to the Law on broadcasting adopted by Parliament in November 2023, included provisions on selecting and terminating the tenure of Communications Commission (ComCom) members. In June 2024, the ComCom adopted secondary normative acts, including codes of conduct for on-demand audio-visual media services, guidelines on the definition of a small audience and standards for access to media services for persons with disabilities. Guidelines on hate speech are being finalised and selected elements of the audio-visual media services directives, such as on advertising, are not fully covered.

Step 6: Complete and implement a holistic and effective judicial reform, including a comprehensive reform of the High Council of Justice and the Prosecutor's Office, fully implementing Venice Commission recommendations, and following a transparent and inclusive process.

In May 2024, Parliament adopted amendments to the Law on Common Courts, which do not address systemic and substantial recommendations of the 2023 enlargement report and the Venice Commission for a comprehensive reform of the High Council of Justice (HCJ) and the Supreme Court including a system of extraordinary integrity checks. The law addresses one key recommendation of the Venice Commission on judges' disciplinary liability and has several minor positive elements including on transparency and the gradual renewal of the composition of the HCJ. Amendments do not tackle judicial reform in a holistic and effective manner and no preparations were made for introducing a system of extraordinary integrity checks. A new Prosecutor-General was appointed with simple majority in July 2024, and the Tbilisi City Court suspended the decision of the President to appoint a new non-judge member to the HCJ, and prohibited to appoint new members for five months in July 2024. Moreover, in 2024, four Supreme Court judges were appointed by Parliament despite the fact that the legal framework concerning the selection process remains not fully in line with European standards.

In 2023, limited amendments to the Law on the Prosecution Service addressed prosecutorial self-governance in the recruitment of prosecutors and the extension of the scope of the asset declaration regime to all prosecutors. The legal changes do not align the legislative framework with European standards including the appointment procedure of the Prosecutor General and internal independence and disciplinary proceedings of prosecutors.

Step 7: Further address the effectiveness and ensure the institutional independence and impartiality of the Anti-Corruption Bureau, the Special Investigative Service and the Personal Data Protection Service. Address Venice Commission recommendations related to these bodies, in an inclusive process. Establish a strong track record in investigating -corruption and organised crime cases.

Parliament adopted amendments to the Law on the fight against corruption, strengthening the immunity of the Head of the Anti-Corruption Bureau (ACB) and protection of whistle-blowers. However, the current institutional design of the ACB does not provide for a sufficient degree of independence, as the amendments did not address key Venice Commission recommendations related to the institution's independence, its political neutrality and investigative functions on high-level corruption cases. This has yet to be adequately addressed. Further efforts are also needed to tackle high-level corruption and to address large-scale vested interests and their influence in both the political, judicial and economic spheres. No updated anti-corruption risk assessment, strategy and action plan were developed in the reporting period. Georgia has not re-joined the OECD anti-corruption monitoring network for Eastern Europe and Central Asia (OECD/ACN).

Parliament adopted amendments to the Laws on Special Investigation Service (SIS) and protection of personal data which take into account some Venice Commission recommendations including on selection process and investigative jurisdiction. Key concerns regarding the appointment and immunity of the heads of the services, exclusion of high-ranking officials, effectiveness of the investigations of the SIS and expanding the mandate linked to covert wiretapping remain outstanding.

Step 8: Improve the current action plan to implement a multi-sectorial, systemic approach to de-oligarchisation, in line with Venice Commission recommendations and following a transparent and inclusive process involving opposition parties and civil society.

Parliament voted down the draft law on de-oligarchisation envisaging a ‘personal’ approach in September 2023 and the government adopted a de-oligarchisation action plan in November 2023. The action plan builds on prior Venice Commission recommendations to follow a ‘systemic’ approach, with a focus on the fight against corruption, public procurement, competition policy, justice reform, the fight against money laundering, and the financing of political parties and media. The plan does not provide a regular consultation mechanism with all Parliamentary parties and civil society. The distribution of tasks and timelines remain overly broad. During the reporting period, Georgia adopted amendments to the election code on political party financing, on the Law on fight against corruption and enacted several pieces of primary and implementing legislation on competition policy. Amendments to the tax code adopted in April 2024 by Parliament in expedited procedure allowing for the tax-free transfer of offshore funds to Georgia are not in line with international best practice.

Step 9: Improve the protection of human rights, including by implementing an ambitious human rights strategy and ensuring freedom of assembly and expression. Launch impartial, effective and timely investigations in cases of threats against vulnerable groups, media professionals and civil society activists, and bring organisers and perpetrators of violence to justice. Consult and engage with civil society, allowing for their meaningful involvement in legislative and policymaking processes, and ensure they can operate freely.

The strategy on the protection of human rights 2023-2030 has not been amended to incorporate the recommendations from the 2023 enlargement report. The action plan 2024-2026 for the implementation of the human rights strategy was approved in December 2023 with limited consultation and does not include provisions concerning LGBTIQ people and the protection of privacy.

On 17 September 2024, Parliament adopted a legislative package consisting of the Law on family values and protection of minors and eighteen amendments to existing laws without prior public consultations and a thorough analysis of the compliance with European and international standards. On 3 October, the Speaker of the Parliament signed into law the Law on family values and protection of minors, following the President's refusal to either sign it or veto it. A draft Constitutional Law on protecting family values and minors registered in Parliament by the ruling majority in April 2024 remains pending. The Venice Commission had found the draft constitutional law incompatible with relevant European and international standards and recommended not to proceed with its adoption. As a result of the legislative activities and the continued prevalence of homophobic hate speech, LGBTIQ people in Georgia are facing an increasingly hostile and stigmatising atmosphere. Investigations into the organisation of violence of the 2021 and 2023 Pride events have not been concluded.

Georgia continues to implement the national action plan for combating domestic violence and violence against women, but gaps in prevention and response to gender-based violence remain. The legal definition of rape does not fully comply with the standards set in the Istanbul Convention.

The Law on transparency of foreign influence was adopted in May 2024 despite a Venice Commission opinion recommending repealing the law in its entirety. The law undermines the freedom of association and expression, the right to privacy, the right to participate in public affairs as well as the prohibition of discrimination. Cumbersome reporting requirements and extensive powers given to the Ministry of Justice

in controlling civil society and media organisations increase the risk of selective and arbitrary application. There has been an increasing number of acts of intimidation, threats and physical assaults against civil society activists, political leaders and journalists, in particular in the context of the demonstrations against the Law on transparency of foreign influence. Most acts remain to be properly investigated.

The Law on transparency of foreign influence is expected to further limit CSO operations and reduce their involvement in legislative and policymaking processes. In addition, as a consequence of the law, CSOs terminated the October 2023 memorandum of cooperation between Parliament and the National Platform of the Eastern Partnership Civil Society Forum. No progress has been achieved on processes for consultations or contributions for draft laws or policy documents over the reporting period, nor has any progress been achieved on the strategic engagement with civil society.

* * *

2. CLUSTER 1: THE FUNDAMENTALS OF THE ACCESSION PROCESS

2.1. FUNCTIONING OF DEMOCRATIC INSTITUTIONS AND PUBLIC ADMINISTRATION REFORM

2.1.1 Democracy

The functioning of democratic institutions has been affected by the deep political polarisation, a lack of effective cross-party cooperation and limited parliamentary oversight. Additionally, there was very limited participation of civil society organisations (CSOs) in decision-making processes. The adoption of stringent legislation targeting civil society and media organisations that receive foreign funding, as well as persistent hostile rhetoric and increasing acts of intimidation, threats and physical assaults against civil society, opposition politicians and journalists were observed. The ruling party has expressed its intention to ban most opposition parties if it obtains a constitutional majority after the 2024 parliamentary elections.

Elections

Overall, the electoral framework is largely in line with international standards, but presents a number of shortcomings. In March 2024, Parliament passed amendments to the Election Code and the rules of procedure, which: (i) allow Parliament to appoint the CEC chairperson and non-party members by a simple majority for a full 5-year term; (ii) transfer the authority to nominate the CEC chairperson from the President to the Speaker of Parliament; and (iii) abolish the post of deputy chairperson, which was intended for the representative of the opposition. These amendments are not in line with the joint opinions of the Venice Commission and OSCE/ODIHR of December 2023 and June 2024. Parliament did not address several OSCE/ODIHR recommendations from previous elections ahead of the parliamentary elections in 2024. The delimitation of electoral districts, changes to media campaign regulations, limits on donations for election campaigns affecting the level playing field, and preventive measures against the intimidation of voters have still not been addressed.

On 30 April 2024, Parliament appointed the CEC chairperson and three non-party members, which was made possible by the new rules on appointments introduced by the Election Code and the rules of procedure. The selection process was not sufficiently competitive as only one candidate (the acting chairperson who had held the position since 2021) applied for the position of chairperson, while only four candidates (of whom three were acting CEC members) applied for the three vacancies for non-party members.

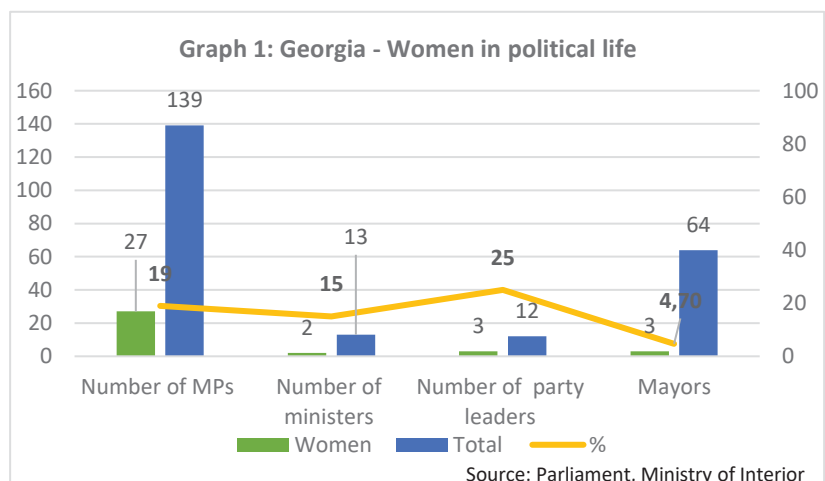
On 27 June 2024, the ruling party overrode the Presidential veto and adopted additional electoral amendments which allow the CEC to make decisions by simple majority (instead of qualified majority) and which abolish the CEC advisory group, composed of the representatives of the Public Defender and observer organisations. In its June 2024 opinion, the Venice Commission underlined that the adopted amendments are insufficient to ensure a consensus-based political process, which is crucial for the independence and impartiality of the CEC and for public trust in the institution. On 16 August, the CEC adopted a resolution which mandates that the drawing of lots to distribute the functions of commission members at all types of polling stations must be conducted no later than the seventh day before voting, instead of on the day of voting.

Georgia held its first ever fully proportional parliamentary elections on 26 October 2024, with a 5% electoral threshold, and for the first time applied electronic voting procedures. A joint international election observation mission led by OSCE/ODIHR was deployed to Georgia as of 10 September 2024. In their preliminary findings and conclusions published on 27 October, the mission identified several shortcomings that occurred in a tense and highly polarised environment. The reported weaknesses include *i.a.* the recent legislative amendments to the election process, frequent compromises on vote secrecy, procedural inconsistencies, intimidation and pressure on voters that negatively impacted public trust in the process. These preliminary findings confirm the need for a comprehensive electoral reform that was already highlighted in past key recommendations.

On 15 May 2024, Parliament adopted amendments which abolish the 40% threshold for municipal elections, which are scheduled in 2025, and allow political parties to designate ‘delegates’ for each electoral district for the upcoming elections in October 2024.

The investigations launched in July 2022 by the Office of the Prosecutor General into past reports of intimidation, vote-buying and pressure on candidates and voters have so far not led to any prosecutions or convictions.

Women remain under-represented in public office. As regards **women’s participation** in elections, on 15 May 2024, Parliament adopted, under an accelerated procedure and with no prior consultation, legislative amendments abolishing mandatory gender quotas. No other special temporary measures have been introduced to increase women’s representation in elected bodies ahead of the parliamentary elections. The extension of gender quotas in Parliament until 2032 had been a positive element in the 2023 Georgia report and as a result the gender equality priority had been assessed as completed. The amendments abolishing the mandatory electoral gender quotas undermine previous efforts to enhance gender equality.



Parliament

Due to significant tensions between the ruling and opposition parties, some parliamentary procedures do not function correctly. Efforts to reduce polarisation and improve Parliament’s oversight and control over the government, including real scrutiny of legislative implementation were insufficient. Most legislative proposals from opposition parties are neither scheduled for debate nor included as part of draft laws.

Political polarisation has increased considerably in the pre-election period, around the topics of the impeachment proceedings against the President, laws required to advance the EU reform agenda, and the adoption of the Law on transparency of foreign influence, the latter leading to verbal and physical confrontations in Parliament. Most opposition parties subsequently decided to boycott parliamentary sessions. There has been an increase in direct and violent threats from leaders of the parliamentary majority towards opposition members. During the protests around the Law on transparency of foreign influence, several key figures in the opposition parties were attacked. In August 2024, the Prime Minister announced plans to ban opposition parties if the ruling party wins the October parliamentary election and secure a Constitutional majority. Substantive cross-party work, including on EU-related reforms, was very limited. Only three working meetings were held to address the nine steps, which were attended by all but one of the opposition parties, amid an overall reduction in inclusivity and transparency.

Parliamentary cooperation and engagement with civil society has declined substantially in the reporting period and has come to a near complete standstill following the reintroduction of the Law on transparency of foreign influence.

The amendments abolishing the mandatory electoral gender quotas in Parliament go against commitments to extend those quotas and further efforts to reach gender equality.

The emergency procedure to pass legislation, including in areas relevant to EU commitments, continued to be used, including for institutionally sensitive matters, for instance to adopt the Law abolishing gender

quotas. A legal framework providing for comprehensive impact assessments of proposed legislation is in place, but it is only partially followed.

Parliamentary oversight of the security services remained limited, including through the ‘trust group’ in Parliament. In March, an opposition MP was nominated to fill the vacant opposition post in the trust group, but due to lengthy vetting procedures, the position will remain vacant until the end of the parliamentary term.

There have been repeated cases of verbal abuse and harassment of women in Parliament. The Public Defender criticised Parliament in June 2024 for its stigmatising rhetoric, particularly towards persons with disabilities.

EU integration

On 27 November 2023, the inter-governmental State Commission on EU integration, chaired by the Prime Minister, approved an action plan to address the steps defined in the European Commission’s Communication of 8 November 2023. Civil society organisations and opposition parties were not consulted during the process to develop the document. On 26 March 2024, the State Commission approved the 2024 Action Plan for Georgia’s EU Integration.

The Ministry of Foreign Affairs has a Directorate-General on European Integration. In Parliament, work on EU integration is coordinated by the Speaker.

Governance

The relationship between the President and the government was further strained since the failed impeachment against the President by the ruling party in October 2023. The President consistently vetoed legislation she assessed as contrary to the EU integration process. The Parliament overruled her veto in all but one instance.

The capacity of local self-government was strengthened, in line with the 2023-2026 strategy on public administration reform. The political culture for multi-party dialogue and coalition governance at local level needs to be improved.

Civil society

The **legal framework** for the activities of CSOs has significantly deteriorated as a result of the adoption of the Law on transparency of foreign influence. The Law creates a new legal framework that labels not-for-profit organisations and media receiving foreign funding above certain thresholds as organisations pursuing the interests of a foreign power regardless of the actual activities performed by such entities. Such labelling of organisations under the Law severely undermines their financial stability, credibility and operations due to burdensome registration and reporting requirements, administrative fines and constant monitoring. The adoption of the law, notwithstanding repeated reassurances from the ruling party that this legislation would not be tabled, has spurred widespread condemnation and protests. In its opinion of June 2024, the Venice Commission strongly recommended to repeal the Law, as the Law’s restrictions on freedoms of expression, association and privacy are incompatible with international and European standards.

Besides the chilling effect of the Law on CSOs, the **enabling environment** has also suffered from sustained incriminatory campaigns and verbal attacks emanating from political leaders and state institutions, aimed at discrediting leading watchdog CSOs, as well as individuals and civil movements. CSO representatives have increasingly been subjected to vandalism, intimidation, and physical assault.

Mechanisms for **policy dialogue and civic participation** in policymaking and law-making, both at central and municipal level, are not operational. Georgia has yet to adopt a comprehensive government strategy for civil society support. Cooperation and the use of existing mechanisms decreased further and many CSOs were *de facto* excluded from meaningful involvement in consultations and decision-making forums, including from deliberations on the implementation of the nine steps. In response to the adoption of the

Law on transparency of foreign influence, a significant number of Georgian CSOs officially suspended cooperation with the government and Parliament. Moreover, in June 2024 the majority of CSOs withdrew from the Open Government Partnership for which an action plan (2024-2025) was adopted in 2023.

The enabling **financial environment** for CSOs is endangered by the new Law on transparency of foreign influence. Most CSOs, in particular at local level, are dependent on funding from foreign donors, and other means for ensuring their financial sustainability. According to the law organisations could face severe financial repercussions. The requirements introduced by the law could cripple in particular smaller CSOs, while discouraging organisations from accepting international funds, including from the EU. A framework for the transparent and objective distribution of public money, including municipal funds, needs to be created.

2.1.2. Public administration reform

Strategic framework for public administration reform

The strategic framework for public administration is in place. The quality and effectiveness of the PAR strategy is satisfactory and the policy objectives that have been set provide clear directions for reform. Georgia continued to implement the 2023-2026 **public administration reform** strategy and its 2023-2024 action plan. The implementation of the strategic framework would benefit from broader reform objectives in some areas, including civil service development, accountability, and service delivery. The reform management role of the PAR Council should be improved.

In December 2023, Georgia adopted an action plan for 2023-2025 to improve the public accessibility of data as part of the Open Government Partnership. The financial sustainability of reforms needs to be ensured.

Policy development and coordination

The institutions and the regulatory framework for central government **policy development and coordination are in place**. There has been some tangible progress in certain areas of policy development and coordination, especially in policy planning. However, the implementation of the system of regulatory impact assessments has not been fully incorporated into the decision-making process to improve the evidence supporting the policies adopted by the government. Increased capacity constraints and high staff turnover have a negative impact on the quality of evidence-based policymaking, including in the central coordination unit within the government administration.

Public financial management (PFM)

Public financial management is broadly in place but needs to be improved. Implementation of the dedicated 2023-2026 strategy, which covers all pillars of public finance, has contributed to the improved management of public finances. The foundation for managing public finances is solid, with greater transparency of public finances and the developing professionalisation of internal audit activities. The 2024 action plan addresses the relevant policy objectives and as a result, monitoring is being carried out effectively. The medium-term fiscal policy aims to sustain macro-fiscal stability by consolidating government revenues and maintaining planned expenditures within pre-defined thresholds. Budgetary demands should be met with an increased efficiency and effectiveness of public finance management (PFM) systems, making it possible to maintain a budget deficit and public debt within the limits set by fiscal rules. Programme budgeting needs to be better aligned with policy and operational planning needs. The transparency of public finances is being maintained.

Key public policy documents, including the state budget, contain information on gender gaps, gender-sensitive objectives and performance indicators.

Despite continued progress on PFM, there are still gaps in the management of state-owned enterprises,

public assets inventory and valuation, internal financial control and auditing.

Public service and human resources management

The public service and human resources management still needs to be improved. The staff of a number of legal entities of public law (LEPLs) that develop and implement government policies, including regulatory functions, are not covered by the public service legislation. These institutions include, among others, the Civil Service Bureau (CSB), the Revenue Service of Georgia, and regulators on energy and water, aviation, transport, communications, and competition.

Accountability of administration

The accountability of administrations still needs to be improved. Overall, the central government is organised in a coherent way. The PAR strategy and its 2023-2024 action plan include measures aimed at improving the accountability of the CSB towards the Public Service Council. As the Council is only an advisory body, political responsibility for the public service has not been clearly attributed. This continues to limit the comprehensive implementation of public service reforms, including the clear attribution of political responsibility for the civil service. The fragmented legal framework needs to be further improved to ensure efficient and effective lines of accountability between supervisory and subordinated bodies. The Law on the LEPLs provides for discretion in the creation of the entities without a clear demarcation of functions with respect to ministries or other public bodies.

The people's right to good administration needs to be further strengthened. The rate of implementation of recommendations made by oversight bodies, including the Public Defender's Office and the State Audit Office, remains low. In 2023, out of 263 recommendations issued by the Public Defender, only 11% were fully implemented by authorities, 19.8% were partially implemented and 52.5% were not implemented. Only 47% of recommendations by the State Audit Office were fully implemented, and 27% were partially implemented. A person's right to seek compensation lacks systematic enforcement, including as regards the length of judicial proceedings in cases of administrative disputes.

The enforcement of the right to access public information is limited as there are still legal gaps and LEPLs are not bound by the existing legislation on access to public information.

Service delivery to people and businesses

The delivery of services to people and business still needs to be improved. The number of digital services provided to people is increasing, but an overarching legal framework for these has not yet been developed. The governance of digital developments is not well organised, with different agencies driving their own initiatives and policy objectives. Georgia's Public Service Development and PAR strategies noted several gaps in public service design and delivery, including in the consistency of the governance of digital development, quality control and costing.

2.2 RULE OF LAW AND FUNDAMENTAL RIGHTS

2.2.1. Chapter 23: Judiciary and fundamental rights

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

Functioning of the judiciary

Strategic documents

Although strategic documents are in place, key challenges in the justice system, in particular the need to strengthen the integrity of the highest judicial bodies, require greater effort. The adopted amendments to the Law on common courts address two key Venice Commission recommendations: the revision of the procedure to suspend judges from office (June 2023), and the restriction of the grounds for a judge's disciplinary liability (based on the violation by a judge of the principle of 'political neutrality') only to manifest violations of this principle. The May 2024 amendments also establish that all final court decisions must be published in an anonymised form on the relevant website and provide for the gradual renewal of members of the High Council of Justice (HCJ). Amendments did not address key recommendations on: (i) the transfer of judges without consent; (ii) restricting the reappointment of HCJ members (including by fixed non-renewable terms); (iii) ensuring an effective appeal in the selection procedure for Supreme Court (SC) judges by clarifying that the SC's decisions are binding; and (iv) ensuring an effective anti-deadlock mechanism. In addition, the May 2024 amendments reversed the previously addressed recommendation to introduce stricter qualification requirements for Supreme Court judges. Amendments also include a new paragraph on the appointment of judges by two thirds of the full composition of the HCJ requiring only one lay member vote. This had previously been criticised by the Venice Commission as regards decisions on the disciplinary liability of judges.

The amendments of November 2023 to the Law on the prosecution service address issues related to prosecutorial self-governance in the recruitment of prosecutors. Further revisions of the legislative framework for the appointment of the Prosecutor General are still outstanding.

Management bodies

The management bodies, the High Council of Justice and the Prosecutorial Council, are in place, however improvements are needed in terms of independence and neutrality. A broader, systemic reform of judicial institutions, with a main focus on the HCJ, the Supreme Court and the Prosecutor's Office, remains to be implemented with a view to ensuring the independence, accountability and impartiality of the justice system, in line with European standards. Outstanding issues regarding the composition, functioning and powers of both management bodies in line with European standards and Venice Commission recommendations, have not yet been addressed. In addition, the establishment of a system of extraordinary integrity checks, with the involvement of international experts with a decisive role in the process, for candidates and persons currently appointed to all leading positions in the judiciary, in particular the HCJ, the SC and court presidents, remains outstanding. In 2024, four SC judges were voted in by Parliament without addressing the recommendations mentioned above. In July 2024, the Tbilisi City Court suspended the decision of the President to appoint a new non-judge member to the HCJ, as well as prohibited the President appoint new members for five months. The decision undermined the independence and the integrity (and the appearance thereof) of the HCJ.

Independence and impartiality

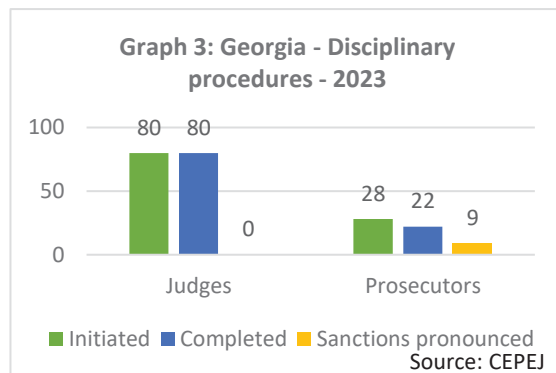
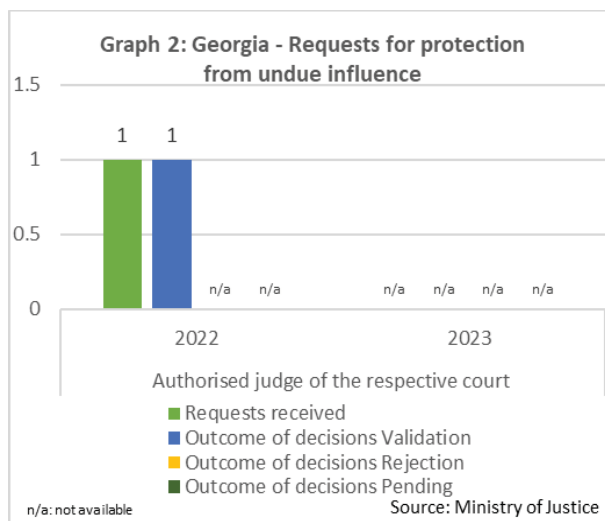
The independence and impartiality of the judiciary are problematic in higher-level courts and need to be improved in the courts of first instance as stated in Venice Commission opinions. A thorough and comprehensive reform of the judiciary is needed, as recommended by the Venice Commission, in particular to ensure integrity in the HCJ and the SC, to improve independence and impartiality and to increase public trust in the judicial system. The HCJ should develop a strategy for how it and the rest of the judiciary functions.

The Prosecution Service needs to strengthen safeguards to protect the independence and autonomy of prosecutors and the Prosecution Service, in line with EU and Venice Commission recommendations, which has so far not been done. On 18 July 2024, the Parliament appointed a new Prosecutor General through simple majority, failing to implement a long-standing recommendation of the EU and the Venice Commission to adopt Constitutional amendments, which would require a qualified majority in the selection process.

Accountability

The accountability of the judiciary needs to be improved. There are still challenges in the effective implementation of the legislative framework and the rules on the accountability of judges and prosecutors.

The Independent Inspector of the HCJ is competent to initiate and conduct a preliminary examination before disciplinary proceedings for judges, while the HCJ conducts disciplinary proceedings, and can suspend and dismiss judges. In 2023, the percentage of HCJ decisions on disciplinary matters that followed the recommendations of the Independent Inspector fell to 69% (from 87% in 2022). In June 2023, the Independent Inspector resigned and was replaced by the HCJ with a former member of the HCJ through a process which lacked transparency.



As regards prosecutors, the concentration of powers in the Office of the Prosecutor General (appointed politically by a simple majority in Parliament) is very high. The Prosecutor General decides on the disciplinary proceedings for prosecutors, while the Prosecutorial Council is only competent to issue recommendations and decide on the disciplinary proceedings of the Deputy Prosecutors General and the members of the Prosecutorial Council.

On 12 January 2024, the independent commission created by the Anti-Corruption Bureau selected 300 officials, including 27 judges, whose asset declarations would be subject to monitoring in 2024. In April 2024, Tbilisi City Court suspended the process of monitoring the asset declarations of four judges.

The transparency of the HCJ is deteriorating with no decisions or minutes published during the reporting period. Public participation and access to court decisions are increasingly limited.

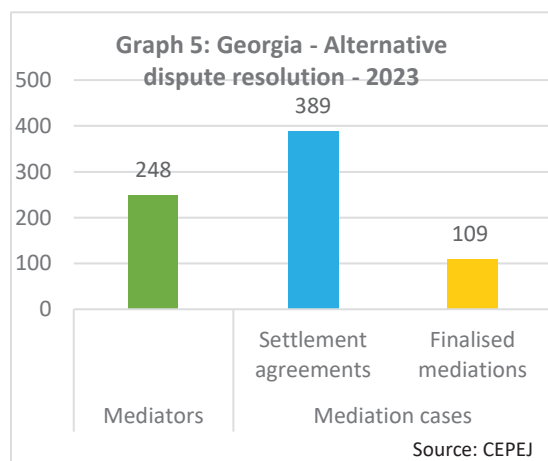
Quality of justice

More effort should be made to improve the quality of justice and to further align with EU standards and best practices on effective and efficient administration of justice, including the use of Council of Europe/CEPEJ tools.

Budgetary allocations for the Constitutional Court, the Supreme Court and the common courts have been increasing since 2022 and the total budget allocated to the judiciary has been steadily increasing over the past years. However, the overall budget of the Georgian judiciary is still below the EU average, and challenges remain regarding the number of judges and prosecutors, vacancies for judges and prosecutors, backlogs, and a need for continued modernisation of court management including

through implementation of new cyber justice tools and full application of the court case management system for automatic case allocation. Only 62% of the cases were allocated by the court case management system.

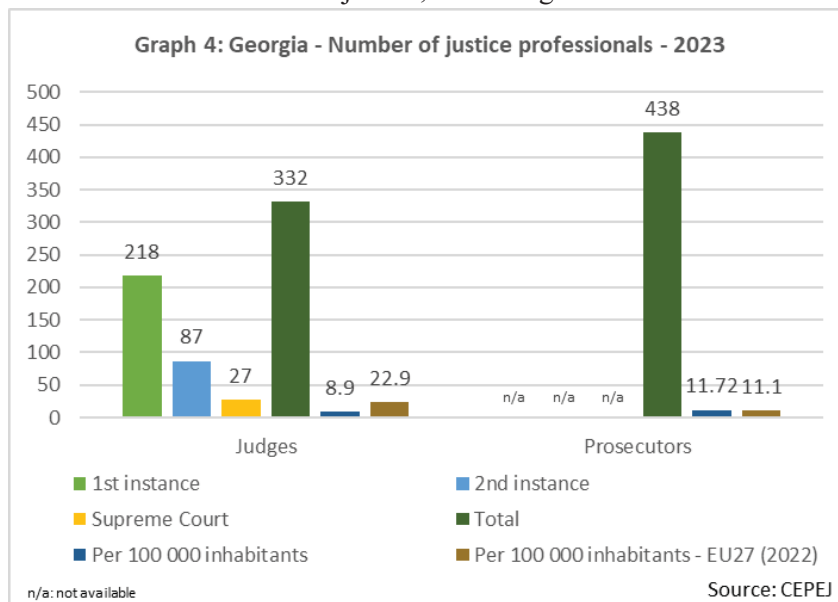
The effective implementation of transparency standards needs to be addressed. Despite a new legal provision that entered into force in January 2024, which requires the judicial authorities to publish a depersonalised version of a judicial act online once the final court decision has taken effect, open access to reasoned court decisions remains a challenge. The Supreme Court ensured proactive access to the anonymised texts of its decisions, but other courts did not publish their decisions on a designated website. Access to court decisions via freedom of information requests was only partially implemented. The May 2024 amendments introduced a requirement that judicial decisions must be made public upon their adoption. However, the transparency of HCJ sessions and decisions further deteriorated during the reporting period.



Court-related mediation procedures are available. The quality of justice is negatively affected by the high caseload, causing delays in cases and ineffective management of backlogs in the common courts system. A structured system for the evaluation of judges is not in place. More generally, more efforts are necessary to digitalise the justice system, especially when it comes to decision support.

Further improvements to the judicial training system remain necessary. Training and the exchange of best practices should be further developed, in particular on the use of indirect evidence, asset recovery and financial investigations.

The high number of vacancies in judicial position remains a challenge.



Efficiency

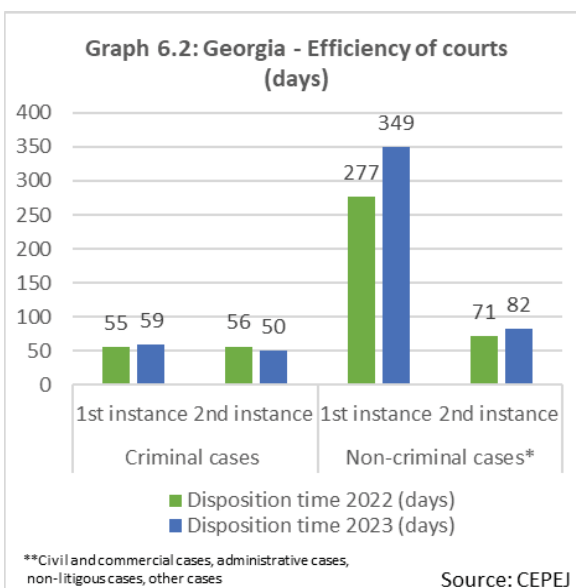
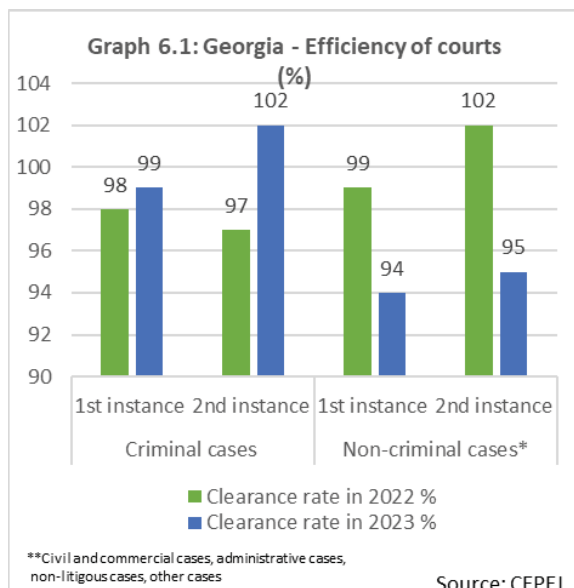
Georgia is taking steps to increase the efficiency of its judicial system.

At the level of courts of first instance, the disposition time (the time a judicial system takes to resolve a case) in civil and commercial cases increased to 325 days compared with 257 days in 2022. For administrative cases, the disposition time increased to 633 days in 2023 against 529 days in 2022. For criminal cases, the disposition time was 144 days in 2023, up from 132 days in 2022.

The clearance rates for civil and commercial cases in all courts remained at a high level in 2023. For civil and commercial cases in 2023 it was 97% in courts of first instance (101% in 2022), 101% in appellate courts and 100% at the Supreme Court.

The backlog of pending criminal cases increased to 7 079 in 2023 (6 536 in 2022) at first instance and was 721 (784 in 2022) at second instance (courts of appeal). For civil and commercial cases, the number of pending cases at first instance was 66 098 in 2023 (63 969 in 2022).

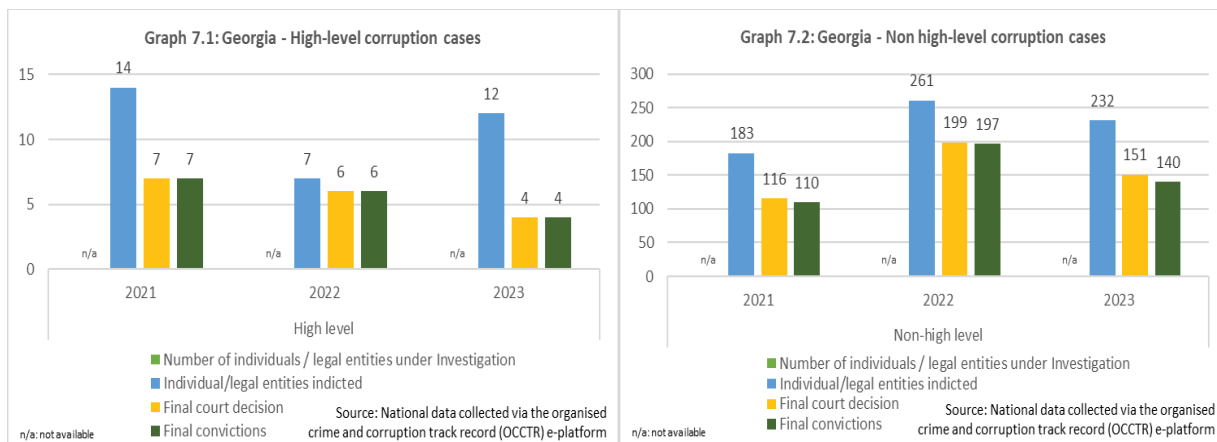
The Constitutional Court had 186 pending constitutional cases as of 13 June 2024 (284 as of 31 December 2022) and its clearance rate in 2023 was 213%, compared with a clearance rate of 84% in 2022 and 50% in 2021. In 2023 there was a total of 44 registered complaints or submissions, out of which only one was submitted by a common court. This confirms the trend registered in 2022 (two complaints).



Fight against corruption

Track record

The track record of the fight against corruption has remained consistent overall but has been weak on high-level corruption.



As regards the investigation, prosecution, and final conviction of corruption cases, notably of **high-level corruption** cases, in 2023 twelve high-level officials were prosecuted (seven in 2022) and four officials were convicted for corruption (six in 2022).

Detailed statistics on the detection, investigation, prosecution and adjudication of corruption cases, especially high-level corruption cases, are not publicly available. Public communication and accountability as regards cases of alleged high-level corruption need to be strengthened.

The recommendations of the Council of Europe Group of States against Corruption (GRECO) on preventing corruption in respect of judges still need to be fully implemented.

Institutional framework

The institutional framework on the fight against corruption is in place, but needs to be improved as regards both preventive measures and law enforcement. The organisational set-up and powers of the Anti-Corruption Bureau (ACB) do not provide for a sufficient degree of independence, as key Venice Commission recommendations related to the institution's independence, its political neutrality and investigative functions on high-level corruption cases have yet to be adequately addressed. The ACB continued to strengthen its operational capacities in terms of specialised training for its staff, its financial resources and by developing guidelines on risk assessment. Since September 2023, the ACB has monitored the asset declarations of 220 officials, of which 23 cases of incompatibility of duties and conflicts of interest were identified. Following a transfer of functions from the State Audit Office, the ACB also started monitoring political party financing in September 2023.

The ACB signed a memorandum with the Legal Aid Service and the Bar Association on whistle-blower protection in November 2023. To date, the ACB has received 37 statements or complaints from whistle-blowers.

Georgia lacks dedicated and autonomous entities in law enforcement, the prosecution services, or specialised courts to fight corruption, and it also does not have a stand-alone specialised body in charge of investigating and prosecuting high-level corruption. The ACB does not perform investigations. The powers / competences to investigate corruption are currently shared by four institutions, namely the Prosecution Service, the State Security Service, the Ministry of Justice, and the Ministry of Finance, resulting in a fragmented structural approach and repercussions on enforcement.

Strategic documents

Strategic documents, such as a strategy to prevent corruption, and policy documents on risk assessment and prevention of conflicts of interest have not been developed and published. Moreover, an anti-corruption strategy for the police and a targeted corruption-risk approach for law enforcement agencies have not yet been produced. Georgia should follow up on all recommendations of GRECO's Fifth Evaluation Round.

There has been some progress on the implementation of the de-oligarchisation action plan adopted by the government in November 2023. The plan lacks ambition and does not provide a regular consultation mechanism with all Parliamentary parties and civil society. The distribution of tasks and timelines remain overly broad.

Legal framework

The current legal framework on the fight against corruption needs to be improved as regards preventive measures and law enforcement. The legal framework of the ACB needs to be revised to provide it with sufficient operational independence. In May 2024, Parliament adopted amendments on strengthening the ACB, addressing several Venice Commission recommendations, including on immunity for the head of the ACB, budgetary independence, provisions on personal data protection, and stronger protection of whistle-blowers. The amendments, however, fail to address key Venice Commission recommendations, in particular those related to the ACB's independence, political neutrality and investigative functions in high-level corruption cases.

The May 2024 amendment to the Law on the fight against corruption, which extends the scope of the asset declaration regime to all prosecutors, is a positive development. Prosecutors, who were previously not subject to the declaration regime, have now submitted asset declarations to the ACB.

In April 2024, the Parliament passed amendments to the tax code, using an expedited procedure, which allow the tax-free transfer of assets from enterprises in tax havens to Georgian entities. The exemption of foreign-sourced income is not aligned with international best practice and poses potential risks of money laundering.

More efforts are needed to increase the efficiency and effectiveness of the relevant law enforcement investigation units, which still lack autonomous powers and safeguards for their independence to prevent risks of undue political influence.

Georgia should follow up on the recommendations of the OECD/ACN Fourth Round of Monitoring of the Istanbul Anti-Corruption Action Plan to remove anti-corruption investigative powers from the State Security Service and the Prosecutor's Office, and to address the concentration of investigation and prosecution functions within the Prosecutor's Office.

Fundamental rights

General framework

The general framework for fundamental rights needs to be improved. Following the adoption of the strategy on the protection of human rights 2023-2030, the action plan 2024-2026 was approved in December 2023. The consultation process was limited and only a few comments from civil society were incorporated. The action plan and the strategy do not mention the rights of LGBTIQ persons.

International human rights instruments

Georgia has ratified all the major European and international human rights instruments. It has not ratified the International Convention for the Protection of All Persons from Enforced Disappearance and the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families.

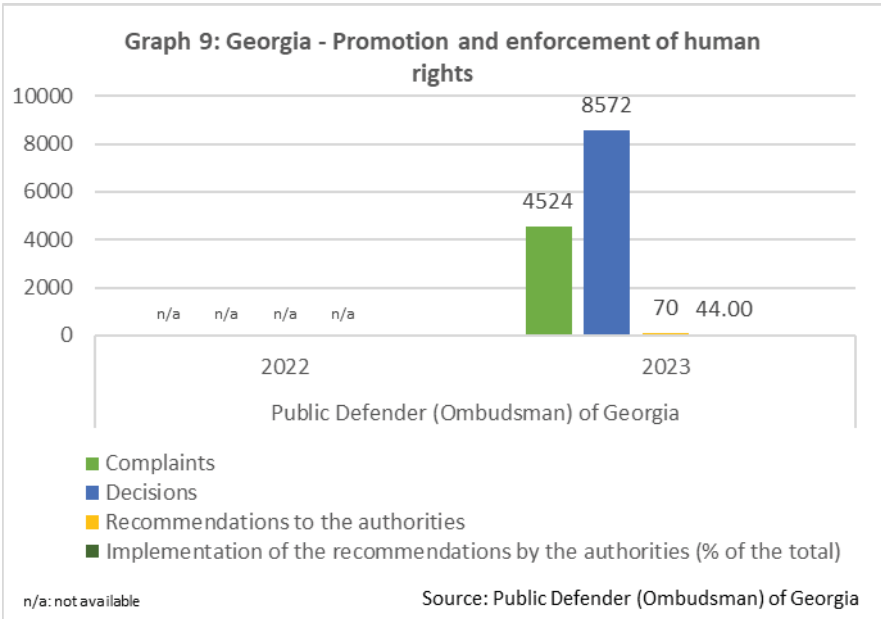
European Court of Human Rights

Georgia continues to ensure good cooperation with the European Court of Human Rights (ECtHR) but faces some delays in implementing its judgments. During the reporting period, the European Court of Human Rights (ECtHR) found Georgia in breach of the European Convention on Human Rights in cases relating mainly to the right to life, the right to a fair trial, the prohibition of torture, the right to respect for private and family life, prohibition of discrimination, as well as freedom of thought, conscience and religion.

Currently, there are 36 cases under enhanced supervision by the Committee of Ministers (including many repetitive) related mainly to right to life and protection against torture as well as a lack of protection of LGBTIQ persons and religious minorities. It is essential for Georgia to address systemic or structural issues raised by the Court, notably regarding the justice system, penitentiary and law enforcement systems and the protection from discrimination, and to ensure systematic enforcement of ECtHR judgements.

The legal package of October 2022 aimed at enabling Georgian courts to proactively take into account the judgments and decisions of the ECtHR was partially implemented. Georgia’s Bar Association, the High School of Justice and the Prosecutor’s Office revised access exams and training curricula to support professional development of judges, prosecutors and defence lawyers and to raise the quality of reference to ECtHR decisions in their work. The setting up of new organisational units in the common courts’ system for analysing ECtHR decisions remains to be fully implemented, also through enhanced supervision and quality monitoring.

Promotion and enforcement of human rights



The legal and institutional framework on fundamental rights is largely in place. The implementation of the existing human rights legislation, policies and action plans needs to be improved. The main gaps include the Law on administrative offences allowing for arbitrary law enforcement activities and procedural guarantees for defendants, the wide prerogative to use secret surveillance under the Law on counterintelligence and the Law on criminal procedures, as well as the

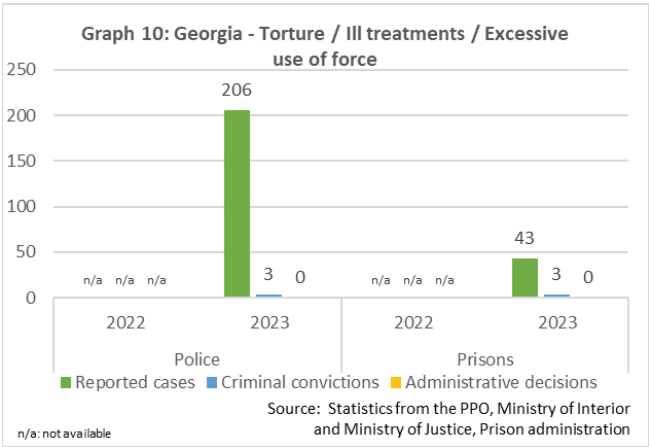
lack of legislation regulating homelessness and the right to adequate housing.

To a certain extent, the 2024-2026 action plan for the strategy on the protection of human rights broadly aligns with Georgia’s international obligations and proposes concrete actions such as developing a new

Code of administrative offenses, refining the Law on public service to advance employment opportunities for persons with disabilities, introducing activities on the right to housing for vulnerable people. Implementation of the action plan has not yet begun, and monitoring of implementation has not been clearly defined.

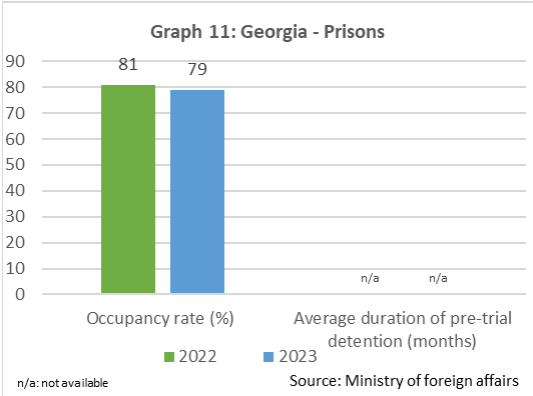
The Public Defender’s Office (PDO) remains a crucial institution to supervise the protection and implementation of Georgia’s human rights obligations. The PDO continues to carry out its mandate satisfactorily, including as regards the national preventive mechanism, the anti-discrimination mechanism and the mechanism to monitor the rights of persons with disabilities. In 2023, the PDO issued 80 recommendations to the authorities, and several reports and communications, but the implementation of its recommendations to state authorities remains limited. The PDO has sufficient financial and staffing resources to perform its duties. In 2024, funding for the PDO increased compared with 2023 (by around EUR 4 million).

Prevention of torture and ill-treatment



Prohibition of torture and ill-treatment is enshrined in the Constitution. Allegations of ill-treatment in detention centres were not sufficiently followed up. The recommendations issued in January 2024 by the European Committee for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment regarding medical treatment, healthcare and living conditions of detainees at the VivaMedic Clinic remain to be fully addressed. The Public Defender visited detainees at the Clinic in June 2024 and reported no cases of dissatisfaction with the methods or quality of treatment from any of the detainees. Violations of detainees’ rights, the

situation in mental health institutions, overcrowding and delays in responding to medical needs of prisoners remain a challenge.



The functioning of the National Preventive Mechanism (NPM) is satisfactory, however the follow-up to its recommendations remains very inadequate. The NPM highlights the fairly high number of applications and complaints about alleged incidents of physical or psychological violence committed against prisoners by officers of the Special Penitentiary Service. Overall, there has been no significant improvement in the treatment of detainees during the reporting period. Patients in psychiatric institutions are not fully protected from violence and inhumane or degrading treatment. The NPM received reports of both physical and psychological violence at the

hands of members of staff.

Issues raised in the previous reporting period regarding protection gaps in the Code of Administrative Offences, including insufficient safeguards, the lack of clarity about standards of proof, and the absence of a meaningful right to appeal detention decisions, have not been addressed during the reporting period. The availability of support and redress mechanism for victims can be hindered in part in cases when a decree is issued by the Prosecutor’s Office that prohibits convicts from contacts, including with defence attorneys.

The PDO has received numerous reports of police officers using disproportionate and excessive force during detentions, as well as allegations of ill-treatment following detentions. In particular, during the public rallies in April and May of 2024, numerous allegations of physical violence and verbal abuse perpetrated by law enforcement officers emerged, as well as images of beaten-up demonstrators and civil society activists. According to the Public Defender, more than half of the people detained at the rallies have received improper treatment by law enforcement officials. The Special Investigation Service has received 138 reports of possible illegal actions by law enforcement. Of these, only ten people were granted victim status by the Prosecutor's Office. The Special Investigation Service has not released information about the findings of the investigations.

Amendments to the Law on the special investigation service, adopted in May 2024, only partially addressed Venice Commission recommendations.

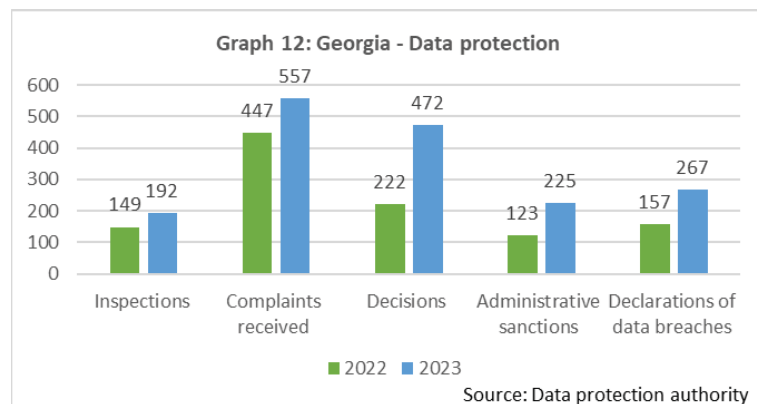
Execution of criminal sanctions

The legal framework on criminal penalties is largely in line with relevant European standards. The system for implementing non-custodial and probation measures functions well. Contrary to international standards, data on the average duration of pre-trial detentions are not collected. A new penitentiary code was adopted in December 2023, introducing some novelties based on recommendations made by the Public Defender. Complaints persist about overcrowding, informal management practices and the quality of medical treatment.

Efforts to reduce the prison population need to progress, as the country remains in the top five European countries as regards the incarceration rate (267 per 100 000), while the occupancy rate stood at around 82% (9 868 inmates) in December 2023.

The use of excessive force and physical and psychological violence by law enforcement officers needs to be addressed.

Protection of personal data



Despite the adoption of the Law on personal data protection of June 2023, amended in May 2024, personal data protection in Georgia is not fully aligned with the EU *acquis* (Regulation (EU) 2016/679 and Directive (EU) 2016/680). Georgia has not yet signed the Council of Europe data protection Convention 108+. The Personal Data Protection Service, created in March 2022, continues to do a generally satisfactory job of monitoring the

lawfulness of data processing and activities carried out at the central database for electronic communication identification data, but it needs to take a more active role, in particular as regards monitoring covert investigations.

Freedom of religion or belief

Freedom of thought, conscience and religion is generally upheld. The discriminatory legal provisions pertaining to various religious associations, alleged hate crimes committed on religious grounds, and the issuing of a construction permit to build a place of worship remain a challenge. The ECtHR judgment of 30 November 2023⁴ found that Georgia had violated the provisions on freedom of religion under the

⁴ Case of Georgian Muslim Relations and Others v. Georgia, application no 24225/19.

European Convention on Human Rights. The government's human rights action plan 2024-2026 partially addresses freedom of religion or belief.

Freedom of expression

Protection of journalists

Cases of threats, intimidation, hate speech and violence against journalists have increased. In the reporting period, particularly following the introduction of the Law on transparency of foreign influence, verbal and physical attacks against journalists and media professionals have increased, smear campaigns have continued, including by high-level politicians. The use of strategic lawsuits against public participation (SLAPPs) has also increased. There are over 40 ongoing defamation cases against CSOs, media outlets and public watchdogs in national courts. Of these, 38 cases are against media outlets or journalists. The use of SLAPPs has slightly increased. Three new SLAPP cases were initiated during the reporting period and the Council of Europe Platform for the Protection of Journalism and Safety of Journalists received 32 alerts of violence and threats of violence against journalists. The protection and safety of journalists and media professionals is not sufficiently ensured and should be improved by aligning with Directive (EU) 2024/1069 on protecting persons who engage in public participation from manifestly unfounded claims or abusive court proceedings ('Strategic lawsuits against public participation') and implementing [Commission recommendation \(EU\) 2021/1534](#) on ensuring the protection, safety and empowerment of journalists and other media professionals.

Legislative environment

The Law on transparency of foreign influence and the legislative package on "Family values and protection of minors" restrict freedom of expression and may jeopardise media freedom.

In October 2023, the Parliament adopted amendments to the Law on broadcasting, enabling the Communication Commission (ComCom) to intervene on hate speech, incitement to terrorism, and obscenity.

Institutions and implementation of legislation

The effective independence and impartiality of ComCom has been improved with the latest legal amendments. Effective implementation of the amendments needs to be guaranteed to restore trustful relations with stakeholders. The stated aims and objectives of the 2022-2030 human rights strategy include freedom of expression, the freedom and pluralism of media, and non-interference in the professional activities of journalists.

Public service broadcaster

The amendments to the Law on broadcasting, adopted in December 2023, introduced changes to how the Georgian public broadcaster is funded that risk jeopardising its independence and impartiality. The budget was reduced in agreement with the broadcaster's board of trustees, and the number of members and their tenures were increased.

Economic factors

There are no economic factors affecting pluralism, market access restrictions, or state advertising rules on private media, however, political affiliations influence media ownership. There are no legal restrictions imposing prohibitive taxes or levies or other forms of economic sanctions or market restrictions. The media market is governed by the Law on competition, which stipulates that the relevant cases should be considered by ComCom, with inputs from the National Competition Agency.

Internet

Internet provision generally functions without undue restrictions.

Professional organisations and working conditions

Georgian journalists and media outlets are represented by several membership-based, professional associations and organisations. There is limited dialogue between the government and media professional bodies. Enforcement of the professional standards set by professional bodies is not mandatory. National and regional TV broadcasters have internal self-regulation mechanisms to review and respond to complaints, but their effectiveness is limited. Downsizing and delays in salary payments are frequent. Staff turnover is high across newsrooms, especially among regional media.

Freedom of assembly and association

There are serious concerns about the exercise of the right to freedom of assembly and association and the right to peaceful protest, as seen during the violent attacks against participants in protests in 2023 and 2024. Amendments to the Law on assemblies of October 2023 impose disproportionate restrictions on freedom of assembly. The Code of Administrative Offences continues to be used to arbitrarily detain and financially punish protesters and organisers. In October 2023, Parliament passed amendments to the Law on assemblies regulating the setting up of temporary constructions during demonstrations. The amended law restricts the right to freedom of peaceful assembly and is not in line with requirements under international law. The adoption of the Law on transparency of foreign influence further limits the freedoms of association and expression.

Labour and trade union rights are covered in *Chapter 19 - Social policy and employment*.

Property rights

Georgia has legislative guarantees on property rights in place. The process of the initial registration of land through the cadastral system has not been completed.

Non-discrimination

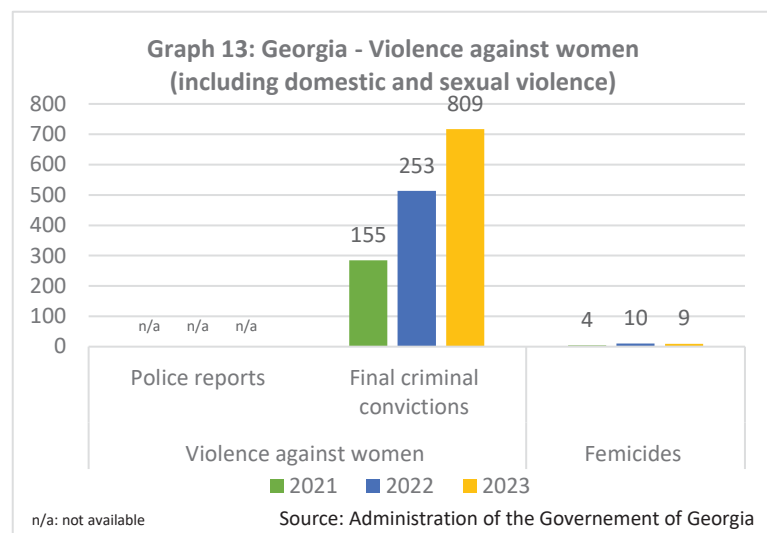
The legal and institutional framework is partly aligned with the EU *acquis* and European standards. Georgian legislation is partially aligned with the Racial Equality Directive 2000/43/EC and legislation partly follows recommendations set out in the EU 2020-2025 anti-racism action plan. There is room for improvement on enforcement of the Georgian Law on the elimination of all forms of discrimination, on tangible actions to improve the situation of vulnerable groups and on the alignment with the 2008/913/JHA Framework Decision on combating racism and xenophobia. Enforcement still needs substantial improvement, in particular with regard to the rights of LGBTIQ persons, and people from, ethnic, national, and religious minorities. Hate speech towards vulnerable groups remains largely unaddressed, and cases of hate crimes and discrimination are not investigated and prosecuted effectively. Hate speech, incitement to discrimination in public discourse and media, including by politicians, remains a serious challenge. In June 2024, the Public Defender criticised discriminatory statements by politicians and high-ranking officials against persons with disabilities and called for the government to take measures against continued stigmatising and discriminatory attitudes.

In October 2023, the Parliament amended the Law on broadcasting and prohibited the broadcast of programmes or advertisements involving incitement to violence or hatred (hate speech) against a person or a group of persons on the grounds of, for instance, his/her or their disability, ethnic or social origin, gender, sex, race, religion or faith, sexual orientation or skin colour. Following the amendments, the legislation is now broadly in line with the main principles enshrined in the Audiovisual Media Services Directive.

The Public Defender reports that incitement to discrimination and use of hate speech remains a significant challenge. It criticised Parliament's Code of Ethics, stating that it does not provide for effective or efficient mechanisms against the use of hate speech. The recommendations made by the Public Defender's Office to counter discrimination and hate speech have not been addressed during the reporting period. There were 1 218 prosecutions related to hate crimes and 756 of these led to convictions during the reporting period.

The challenges related to the investigation and criminal prosecution of alleged hate crimes, highlighted in the Commission’s previous reporting and by the Public Defender’s Office, persisted in 2023 and 2024.

Gender equality



The legal and institutional framework remains partially aligned with the EU *acquis* and European standards. No progress was made to fully align the legal framework with the Istanbul Convention and further efforts are needed to address recommendations made in the 2022 report of the Group of Experts on Action against Violence against Women and Domestic Violence (GREVIO). Implementation of the national action plan on combating violence against women and domestic violence, measures from 2022 to 2024 for the protection of victims / survivors, and the national

action plan for implementing the UN Security Council resolution on Women, Peace and Security (2022-2024) is satisfactory. State support and protection services supporting victims of gender-based violence and domestic violence are in place and were strengthened during the reporting period. In January 2024, the government approved a resolution on increasing inter-institutional coordination to support victims of violence and prevent re-victimisation. Further capacity building, procedural improvements, awareness-raising activities and action to combat gender stereotypes are needed. Weaknesses remain with the effective implementation of gender equality as part of the strategic framework on human rights.

The State concepts on gender equality (2022) and on the economic empowerment of women (2023) lack implementation mechanisms. Mandatory gender impact assessment for all legislative acts was partially implemented with a gender impact assessment of the Law on public service. Gender equality as a cross-cutting issue is not sufficiently integrated in general or sectoral policy documents.

The number of reported cases of gender-based violence and domestic violence, especially sexual violence, has increased. Ethnic minorities, refugees and asylum seekers, and LGBTIQ persons are at greater risk of violence but at the same time face additional barriers to reporting. The rate of femicide cases remains high and prevention and the response to cases need to be improved.

In April 2024, Parliament abolished quotas for women’s participation in elections, which undermines previous efforts to ensure gender equality. There are women mayors in only 3 out of 64 municipalities.

Rights of the child

The legislative framework is largely in place but is not fully aligned with international standards. The 2024-2026 action plan for the protection of human rights includes the key area of the protection of children’s rights, but lacks specific actions, timeframes and budget to create an integrated child protection system. The implementation of the Code of the Rights of the Child remains a challenge, including for child welfare. Implementation of the child-friendly justice reform, in accordance with the Juvenile Justice Code and the Code on the Rights of the Child, is still outstanding.

Violence against children remains a challenge despite some positive signs in 2023 with 1 564 reported cases of child abuse (compared with 4 133 in 2022, and 1 904 in 2021). The main concerns are: (i) insufficient procedures and policy measures to address violence against children in families, residential care, foster care and educational institutions; (ii) gaps in the national legislation to protect child victims of sexual violence

and abuse, including in the definition of rape; (iii) limited reporting; (iv) the lack of timely detection of sexual violence against children; (v) the limited response to reported and detected cases; and (vi) limited rehabilitation services for child victims. In June 2024, the UN Committee on the Rights of the Child concluded that Georgia had violated its child rights obligations by failing to take immediate action to address the frequent physical and psychological abuse of children who lived in an orphanage run by the Georgian Orthodox Church (the *Ninotsminda* case).

Significant progress was made in deinstitutionalisation with the closure of large institutions. Concerns remain around small group homes and the significant number of children residing in non-licensed residential care institutions, including religious ones. New measures are needed to ensure adequate support services, in particular for children with disabilities, and to provide comprehensive support to the families concerned.

The elimination of child marriage remains a challenge. In 2023, the Ministry of Internal Affairs reported 152 cases of child marriage. According to 2023 research, 37.8% of Georgian children are considered to have material and social disadvantages. The number of children registered in the Unified Database of Socially Vulnerable Families increased by 5.2% between 2022 and 2023.

Persons with disabilities

Despite a comprehensive legal framework, the practical realisation of the rights of persons with disabilities has not seen a significant improvement during the reporting period. Georgia needs to ensure full implementation of the provisions of the United Nations Convention on the Rights of Persons with Disabilities (UNCRPD). Persons with disabilities face significant challenges when it comes to health services, education, and institutional care services. The standards set by the National Accessibility Standards are not effectively implemented. Certain positive steps were taken during the reporting period to implement the 2023-2030 strategy for independent living and deinstitutionalisation of persons with disabilities and the 2023-2025 action plan. Challenges remain regarding the effective implementation of the deinstitutionalisation programme. In September 2023, Georgia amended the Law on patient's rights, the Law on healthcare, and the Law on medical practice to improve the privacy of persons with disabilities, prevent discrimination based on disability, ensure confidentiality and guarantee informed consent. In line with the National Strategy on Independent Living and De-institutionalising Persons with Disabilities 2023-2030, new services of home care and personal assistance were provided at municipal level as from 2024.

The Law on general education was amended in November 2023 to consolidate the responsibility for coordination and implementation of inclusive education reform under the Office of the Resource Officers of Educational Institutions. Enrolment in mainstream schools of children with disabilities and special needs increased in the 2023-2024 school year, reaching 12 801 students.

LGBTIQ persons

No progress was made in addressing the rights of lesbian, gay, bisexual, transgender, intersex and queer (LGBTIQ) persons, who continued to experience systemic violence, abuse, intolerance and discrimination. Homophobic rhetoric, including from high-level officials, increased during the reporting period. The authorities fail to recognise and acknowledge the systemic nature of discriminatory patterns and inequalities affecting LGBTIQ persons and there are no concrete measures to support them, or to combat discrimination based on sexual orientation or gender identity.

In September 2024, Parliament adopted a legislative package consisting of the Law on family values and protection of minors and eighteen amendments to existing laws. The legislation directly infringes upon fundamental rights and promotes a hostile environment, stigmatisation and discrimination against sections of the Georgian population. On 3 October, the Speaker of the Parliament signed into law the bill titled 'On the Protection of Family Values and Minors', following the President's refusal to either sign it or veto it. The legislative package was adopted without proper and broad consultations and a thorough analysis of its compliance with European and international standards. Moreover, a draft Constitutional Law on protecting

family values and minors registered in Parliament by the ruling majority in April 2024 remains pending. The Venice Commission issued an opinion in June 2024 recommending the Georgian authorities to entirely reconsider the draft Constitutional amendments on “family values and protection of minors” tabled in April.

The national strategy for the protection of human rights for 2023-2030 and the action plan 2024-2026 do not address the rights of LGBTIQ persons. The government has yet to present a plan on how to implement the European Court of Human Rights ruling of December 2022 to introduce fast, transparent and accessible procedures for changing the gender marker in the identity document.

The investigations of the organisers of violence at the July 2021 Pride and the Pride in 2023 have not been concluded. The 2024 Pride did not take place due to fears of reprisals and violence.

Procedural rights and victims’ rights

Procedural rights are protected by the Constitution and the legal framework is generally in line with the EU *acquis* and international standards.

Free legal aid to victims of crime, suspects and accused is provided by the Legal Aid Service and is generally delivered effectively by legal aid bureaux and consultation centres with a wide geographical coverage.

Protection of minorities

Ethnic minorities continue to face issues as regards access to quality education and public services, civic participation and employment in the civil service. Political representation of ethnic minorities remains a significant challenge in terms of both participation and the absence of regular consultative bodies at both national and local level. The national strategy for the protection of human rights 2022-2030, the state strategy for civic equality and integration (2021-2030) and the 2023-2024 action plan address civic equality and the inclusion of ethnic minorities. There are significant gaps in the human rights action plan 2024-2026 and the strategic framework as regards the protection of minority rights including representation of minorities.

Roma

There is no specific legislative framework to address Roma⁵ issues due to the small number of Roma, Lom and Dom residing in Georgia. The Roma communities continue to be one of the most discriminated ethnic groups and suffer from more limited access to housing and government services and experience literacy problems that impact children’s education.

2.2.2 Chapter 24: Justice, freedom and security

The EU has common rules for border control, visas, external migration and asylum. Schengen cooperation entails the lifting of border controls inside the EU. There is also cooperation in the fight against organised crime and terrorism, and judicial, police and customs cooperation.

Fight against organised crime

Georgia has continued to work on aligning its legal framework on organised crime with the EU *acquis*.

Institutional set-up and legal alignment

The relevant legal framework is partially aligned with the EU *acquis*. Further alignment is needed in the areas of fighting trafficking in human beings and smuggling of migrants, confiscation of criminal assets,

⁵ In line with the terminology of the European institutions the umbrella term ‘Roma’ is used here to refer to a number of different groups, without denying the specificities of these groups.

legislation on the interception of communications and legislation on the fight against financial crime and money laundering, including by introducing a register of ultimate beneficial owners.

Georgia needs to establish a proper and dedicated asset recovery office in line with European standards and an assets management office. Georgia's Financial Monitoring Service (serving as financial intelligence unit) needs continued strengthening of its analytical and IT capacity for data processing and financial analysis, to face increasing challenges such as the circulation of cryptocurrencies. Georgia remains only partly compliant with the Financial Action Task Force recommendation on independent financial investigation units/financial intelligence units.

Georgia should endeavour to develop a comprehensive and intelligence-led approach to combatting organised and serious crime, through a better intelligence picture on high-risk criminal networks, in line with the Council Conclusions on mapping the most threatening criminal networks of June 2024.

Implementation and enforcement capacity

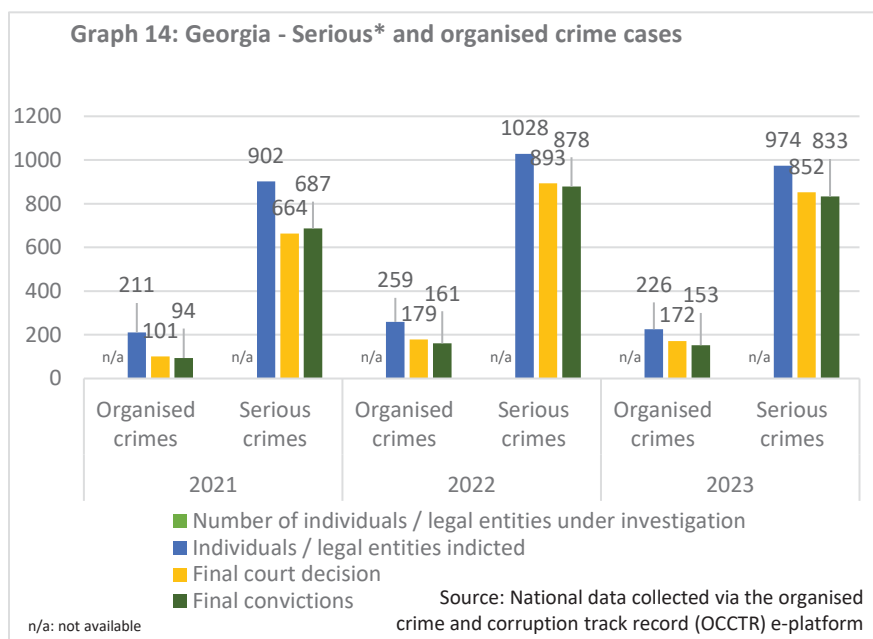
Despite an overall increase in the number of criminal investigations, the number of convictions for organised crime remains relatively low and has slightly declined.

Close cooperation between Georgian and EU Member States' law enforcement bodies resulted in the arrest of 52 citizens of Georgia and 2 'thieves-in-law' in the context of 8 joint operations in 2023.

In Georgia, 25% of police officers are women. Further efforts are needed towards a higher gender balance for law enforcement agencies.

There is constructive cooperation between the Ministry of Internal Affairs (MIA) and the Prosecutor's Office. Georgia needs to adopt legislation on the separation of powers between criminal prosecution and investigation bodies. The possibilities for law enforcement agencies to conduct independent investigations without prior authorisation of the Prosecutor's Office for the initial investigative steps should be increased. Greater collaboration between prosecutors and investigators at operational level is also required. The Interagency Coordinating Council for Combating Organised Crime needs to play a more active role in the fight against multi-faceted organised crime.

On **international police cooperation**, Georgia signed five international agreements or memoranda in 2023. Between June 2023 and March 2024, the MIA exchanged 1 124 pieces of operative information on more than 13 161 people with Europol members and partner countries through the Secure Information Exchange Network Application (SIENA). Georgia increased its participation in Europol analytical projects. Since 2024, Georgia has been participating in an international operation on cultural heritage crime alongside five EU Member States, Switzerland and Europol. As a member of Interpol, Georgia was actively involved in seven working groups and the MIA cooperated with Interpol.



*Data on serious crime cases stem from the aggregation of cases of money laundering, cybercrime, production and trafficking of drugs, firearms related offenses, terrorism, trafficking in human beings and smuggling of persons. Corruption cases are showcased in Chapter 23.

Currently, the MIA deploys police attachés to 18 partner states, covering 37 countries (including 12 EU Member States, covering 27 EU/Schengen Associated States).

Georgia increased its participation in the European Multidisciplinary Platform against Criminal Threats (EMPACT). In 2023, the MIA participated in 6 operational action plans and 77 operational actions. Cooperation within the EMPACT scheme also resulted in the implementation of the 'low-value grant' project focusing on the fight against Georgian organised crime groups in the

EU.

On **domestic operational capacity**, the modernisation of police forces continued with the further development of **intelligence-led policing (ILP)** in accordance with Georgia's ILP development strategy 2021-2025 and action plan for 2023-2025. Effective implementation of ILP practices is still hampered by a lack of technical, as well as by cultural and institutional barriers.

On **cybercrime**, a total of 999 cybercrime cases were registered in 2023, of which 505 cases (50.55%) were resolved. Georgia needs to continue strengthening the professional development through training of the employees of the agencies involved in fighting cybercrime, including cybercrime on the 'dark net'. In June 2024, Georgia signed the Second Additional Protocol to the Council of Europe Convention on Cybercrime.

In 2023, there was a small increase in the number of registered investigations into **money laundering** crimes (113 were registered, compared with 96 in 2022), while the number of solved cases remained virtually unchanged (18 compared to 19 in 2022). The quantity of seized and finally confiscated assets still remains low, with a minimal increase, especially in money laundering.

The government adopted a report assessing money laundering and terrorism financing risks in October 2023. The second follow-up MONEYVAL report of December 2023 concluded that Georgia has improved its compliance with the Financial Action Task Force's recommendation on politically exposed persons, and re-rated Georgia on this recommendation from 'partially compliant' to 'compliant'.

On **trafficking in human beings**, 17 investigations were started in 2023. On **arms control**, 1 003 crimes were registered in 2023, of which 849 (84.65%) were solved.

Cooperation in the field of drugs

Cooperation in the field of drugs needs to be improved.

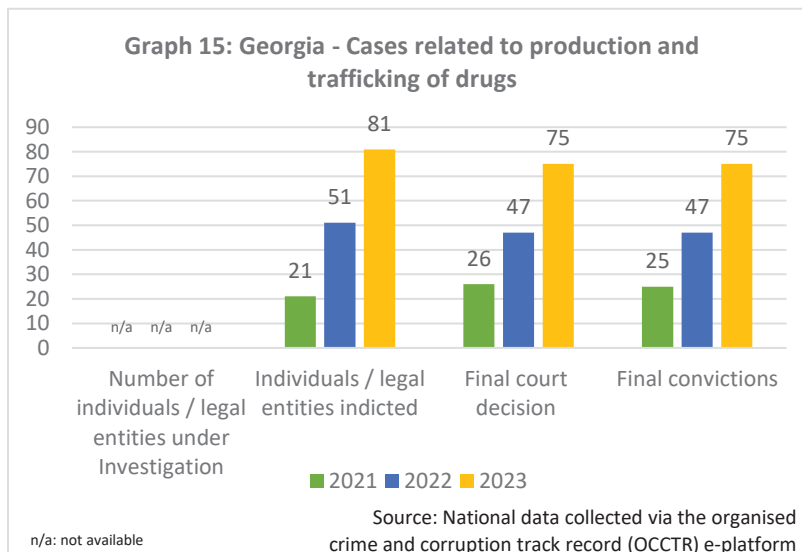
Institutional set-up and legal alignment

The legal framework is largely in line with the EU *acquis*. The rules on minimum sentences and penalties for drug-related criminal offences need to be more closely aligned. Georgia is party to the relevant

international narcotic drug control conventions and a National Drugs Observatory has been in place since 2020. Georgia's national drug strategy for 2023-2030, along with its accompanying action plan for 2023-2024 and the 2022-2026 national action plan for the drug information system, are largely in line with the 2021-2025 EU strategy and action plan.

Implementation and enforcement capacity

Georgia is a transit country along the Caucasus drugs route, which is used, among other things, for smuggling heroin from Iran to Türkiye and onwards into the EU. The early warning system on new psychoactive substances has not yet become operational pending the final adoption of the concept of the National Early Warning System. The number of detected drug crimes is gradually increasing, along with the volumes of confiscated drugs destroyed. Both the law enforcement system and the National Drugs Observatory need further capacity building.



Fight against terrorism

The fight against terrorism is being carried out in a satisfactory way.

Institutional set-up and legal alignment

Anti-terrorism legislation is largely aligned with the EU *acquis* and relevant international law, including UN Security Council Resolutions. Georgia has a legislative framework on protecting critical information infrastructure, though the overall critical infrastructure protection framework is lacking. Georgia has a comprehensive legal framework in place to criminalise terrorism financing and has adopted a law on facilitating measures to counter money laundering and terrorism financing. Georgia continues to be only partly compliant with the Financial Action Task Force recommendation relating to an independent financial investigation unit/financial intelligence units. A permanent inter-agency commission is in place, composed of high-level representatives from all the agencies responsible for preventing and combating terrorism, and chaired by the State Security Service of Georgia (SSSG). The SSSG is responsible for preventing and investigating terrorism-related incidents, including cases of terrorism financing and cyber-terrorism. The national counterterrorism strategy for 2022-2026 and the corresponding action plan are in place. The 2021-2030 national strategy on reducing chemical, biological, radiological and nuclear threats also covers arms control in each of these domains.

Georgia is part of Europol's Counter Terrorism Joint Liaison Team. The arrangement on the exchange and protection of classified information between Georgia and Europol was signed on 15 February 2024.

Implementation and enforcement capacity

No terrorist incidents took place in Georgia during the reporting period. Since early 2024, the SSSG has been investigating several incidents of anonymous reporting and internet threats of alleged terrorist attacks in Batumi and Tbilisi. The government has reported several counterterrorism measures, arrests and convictions. Georgia cooperated on counterterrorism activities with Europol and INTERPOL and

participated in preventive counterterrorism activities with international organisations including NATO and the UN.

Judicial cooperation in civil and criminal matters

Judicial cooperation in civil and criminal matters is satisfactory.

The Office of the Prosecutor General, the central authority for international judicial cooperation in criminal matters, received 1 264 requests for mutual legal assistance in 2023 (1 617 in 2022).

Cooperation with Eurojust continued. In 2023, Georgia was involved in 45 new cases, mostly related to money laundering and participated in four coordination meetings at Eurojust and three joint investigation teams (JITs) (two in 2022). Cooperation with the European Public Prosecution Office (the EPPO) has been established, although with limited effects to date. In 2023, the Prosecution Service carried out one EPPO request.

Additionally, on 14 May 2024 Georgia has ratified the Convention of 23 November 2007 on the International Recovery of Child Support and Other Forms of Family Maintenance.

Legal and irregular migration

The management of legal and irregular migration needs to be improved.

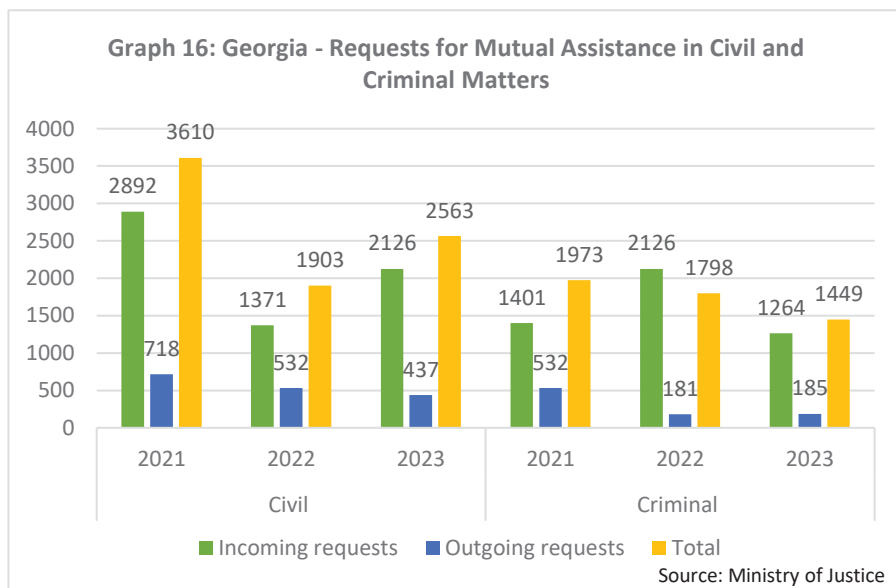
Institutional set-up and legal alignment

The legal framework on migration is partially aligned with the EU *acquis* and needs updating in line with the latest EU developments. The Migration Strategy 2021-2030 and Integrated Border Management Strategy 2023-2027 are being implemented. The annual action plan for 2024 was adopted in December 2023, complementing the 2021-2030 migration strategy. Further efforts are needed to achieve the set targets and to improve data collection, analyses and evidence-based policymaking. Amendments to the Law on labour migration, concerning the management of labour migration and the creation of a coordination mechanism between state agencies entered into force in September 2023. An electronic system was introduced to exchange information on the registration of labour migrants.

The institutional framework for migration and border management is well established and inter-institutional coordination is organised by the State Commission on Migration Issues. Inter-agency cooperation should be strengthened. Moreover, there is need for further capacity strengthening and support to fulfil the visa liberalisation benchmarks, including addressing the root causes of unfounded asylum requests. Gaps remain in the management of migration, in particular irregular migration.

The budget allocated to the state reintegration programme remains inadequate and fails to produce a meaningful impact in terms of the sustainable reintegration of Georgian nationals upon their return.

Georgia has **readmission agreements** with the EU, and bilaterally with Denmark, as well as with the UK (signed in December 2023), Iceland, Norway, Switzerland, Montenegro, the Republic of Moldova, Belarus



and Ukraine. It also has implementing protocols with 13 EU Member States. In December 2023, an agreement on migration and mobility was signed with Germany.

In July 2023, Belgium removed Georgia from its list of safe countries of origin. In December 2023, Germany classified Georgia as a safe country of origin.

Implementation and enforcement capacity

The implementation of the readmission agreement with the EU is very good. In 2023, 10 345 Georgians returned to a third country following an order to leave. In the first quarter of 2024, 1 930 persons returned to Georgia. Frontex operated its first return flight to Georgia in September 2023.

From June 2023 to April 2024, 246 return decisions were issued by the MIA, with citizens of Azerbaijan, Iran and Türkiye constituting the majority, 152 among those left the country.

The number of investigations into and prosecutions of trafficking in human beings and of recognised statutory victims are gradually increasing. During the period from June 2023 to April 2024 there were 16 cases investigated, 8 cases prosecuted, 6 court decisions, 10 people convicted and 8 statutory victims recognised.

Georgia cooperates with international organisations and with partner countries in the framework of police and international cooperation to combat cross-border crime. Georgian law enforcement fails to unravel the criminal networks that are behind smuggling operations, but rather focuses on the act of illegal border crossing.

During 2023, the government put additional efforts into granting more powers to local authorities for the management of internally displaced persons and returning migrants. There are still insufficient legal grounds for municipalities to allocate resources to migration management. In 2023, 88% of returnees from Georgia did not receive any reintegration support (80% in 2022).

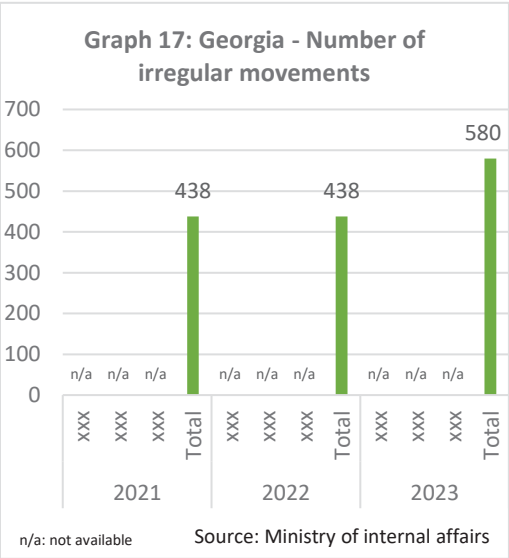
Health-driven migration is still on the rise. A temporary accommodation centre, operated by the Migration Department of the MIA, can accommodate up to 60 people. In 2023, 88 foreigners were placed in this centre. In 2023, an additional shelter for victims of trafficking in human beings was opened in Tbilisi (bringing the total to three) and one crisis centre was opened in Telavi, in the Kakheti region (a total of six), increasing the capacities of state support. In August 2023, the rules on the accommodation of asylum seekers were amended to improve reception services, notably for asylum seekers with special needs.

The Agency of Internally Displaced Persons, Eco-migrants and Livelihood Provision received additional funding to deal with the challenges of returning and reintegrating Georgian migrants.

Asylum

The management of asylum needs to be improved.

Institutional set-up and legal alignment



Legislation on asylum is broadly in line with the EU *acquis*. The institutional framework and asylum system is in place, while further legal and procedural improvements are needed and administrative capacity should be strengthened. Georgian legislation provides for the *non-refoulement* principle, and for a maximum detention time for irregular migrants in detention centres. There is no mechanism in place to detect and prove cases of *refoulement*.

Implementation and enforcement capacity

In 2023, 990 individuals applied for asylum in Georgia, the majority from Ukraine. 472 applications for asylum were rejected, 16 persons were granted refugee status and 166 persons humanitarian status. There are currently an estimated 24 000 Ukrainian citizens in Georgia who were granted an extension of legal resident status to 3 years in May 2024. Georgia has put in place various measures to allow Ukrainian citizens to access public services and has provided some Ukrainians with financial support for accommodation.

There remains insufficient space in the state reception centre to meet the accommodation needs of asylum seekers. No progress was made in creating an official mechanism that would allow the MIA to refer asylum seekers and refugees in need of medical assistance to the Ministry of Health.

The capacities of the State Legal Aid Service have improved during the reporting period. Since January 2024, two specialist judges in the Tbilisi City Court have been assigned to asylum-related cases.

Visa policy

The national visa regime is partially aligned with that of the EU. Georgia made no progress towards further alignment with EU visa policy in the reporting period.

Visa legislation is broadly in line with the EU *acquis*, but the list of third countries with which Georgia maintains visa-free regimes is still not fully aligned with the list of third countries whose nationals are subject to a visa for short stays in the EU. Georgia has a visa-free regime with 25 countries that are on the EU list of visa-required countries including, since April 2024, with China. There was no progress on revising Georgia's visa code to seek greater alignment with the EU Visa Code.

Further efforts are needed to address unfounded asylum applications in EU Member States. In 2023, the number of Georgians applying to EU Member States for asylum declined by 13%, from 28 797 to 25 209, but still remains high.

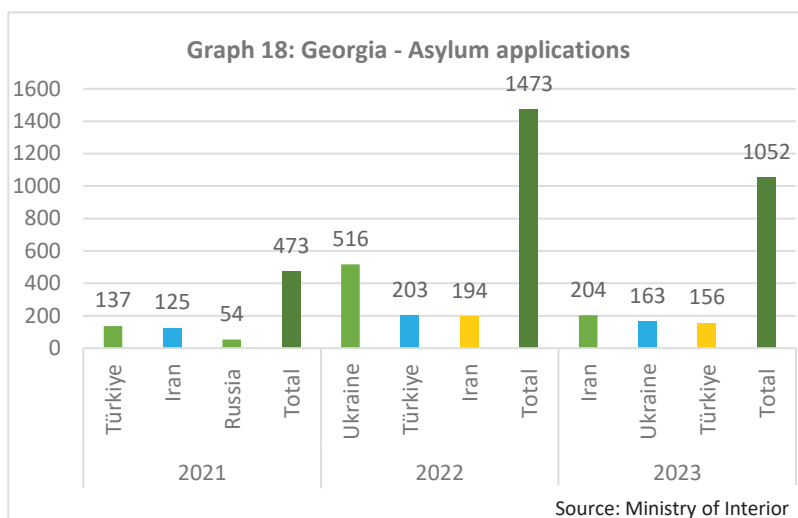
Schengen and external borders

Institutional set-up and legal alignment

The legislative framework for the management of external borders is largely aligned with the EU *acquis*.

The 5-year action plan for the integrated border management (IBM) strategy 2023-2027 was approved by the government in August 2023. The strategy and its action plan are broadly based on the EU concept of IBM.

Overall planning, coordination, and decision-making in the field of IBM remain somewhat fragmented. Additional efforts are necessary to adjust strategic decision-making mechanisms and establish the



systematic exchange of information within and between the agencies and departments responsible for border security and management. Significant resources are needed to support the Border Police in improving border infrastructure and border surveillance, as current capacities are very limited and do not cover vast sections of borders. In parallel, steps must be taken to modernise command, control and planning practices to improve the management of border sections and increase the efficiency of border security operations to prevent and counter cross-border crime. Georgia's border management information system is connected to relevant Interpol databases and national watch lists.

Implementation and enforcement capacity

Cross-border cooperation with neighbouring states remains satisfactory and is based on cooperation agreements. In November 2023, the MIA adopted the border risk analysis methodology, based on FRONTEX's Common Integrated Risk Analysis Model, and started to implement unified risk analysis approaches within the structural units of the MIA at different levels of analysis. The revenue service is strengthening its customs risk analysis capacities by integrating new technologies and setting up efficient operational arrangements, in line with European best practices.

Georgia has joined the UN Countering Terrorist Travel Programme and started using a system provided by the UN to analyse Advanced Passenger Information / Passenger Name Records to combat terrorism and other forms of serious crime. The creation of a joint inter-agency Passenger Information Unit (PIU), the development of information sharing schemes between different entities, and the development of PIU analytical capacities are still outstanding.

Cooperation on the use of repatriation flights for return purposes is working well. Frontex operated the first joint EU-Member States repatriation flight to Georgia in September 2023.

Euro counterfeiting (criminal law aspect)

The relevant legislation is broadly in line with the EU *acquis* on the suppression of counterfeit currency. The appropriate authorities and procedures are in place to deal with counterfeit money. In 2000, Georgia acceded to the 1929 International (Geneva) Convention for the Suppression of Counterfeiting Currency but has not yet ratified it.

All aspects of customs cooperation are covered in Chapter 29 – Customs Union.

2.3. ECONOMIC CRITERIA

<i>Table 1:</i> Georgia - Key economic figures	2015-20 average	2021	2022	2023
GDP per capita (% of EU-27 in PPS)	33	36	39	41
Real GDP growth	2.9	10.6	11.0	7.5
Economic activity rate of the population aged 15-64 (%) , total	61.7	59.9	61.2	63.6
Unemployment rate of the population aged 15-64 (%) , total	21.1	22.0	18.6	17.6
Employment of the population aged 15-64 (annual growth %)	0.3	-3.8	6.6	5.1
Nominal wages (annual growth %)	6.5	9.5	18.3	20.4
Consumer price index (annual growth %)	4.1	9.6	11.9	2.5
Exchange rate against EUR	2.9	3.8	3.1	2.8
Current account balance (% of GDP)	-9.5	-10.3	-4.5	-4.3
Net foreign direct investment, FDI (% of GDP)	7.2	4.9	7.1	4.3
General government balance (% of GDP)	-2.3	-6.3	-2.2	-2.2
General government debt (% of GDP)	43.4	49.0	39.1	39.2

Sources: National sources; IMF.

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

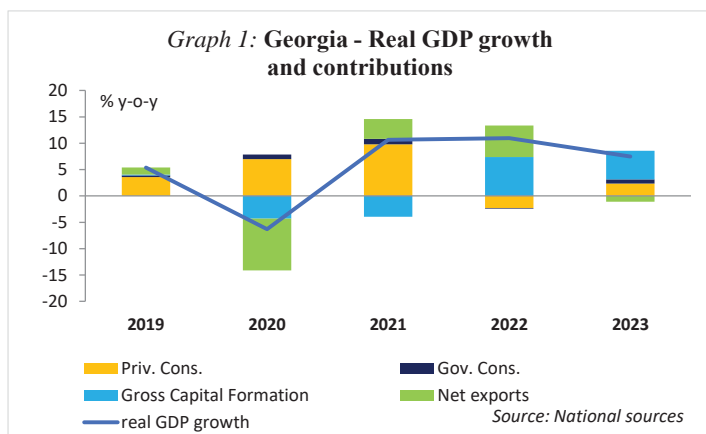
2.3.1 The existence of a functioning market economy

Economic governance

The authorities remain committed to pursuing macroeconomic stability but made limited progress on key economic reforms and on ensuring the independence of the central bank. As part of the public finance management (PFM) reform, the authorities introduced a new methodology for public investment management in line with international standards as well as indexation rules for public sector salaries and started analysing the economic impact of existing tax expenditures. The capacities of the state employment agency have also been strengthened. Little progress was made, however, in addressing important structural issues such as strengthening the independence of the central bank, which has been without a permanent governor since March 2023, and reforming state-owned enterprises to improve their efficiency and to limit contingent fiscal risks for the state. As a result, the 3-year stand-by arrangement with the International Monetary Fund (IMF) has in practice been suspended since mid-2023. In April 2024, Parliament approved controversial changes to the tax code that offer a wide range of tax benefits to companies and individuals who decide to transfer their assets from tax havens to Georgia. This possibility will be available for an exceptionally long period of time (until 2028 and for some until 2030).

Georgia participated for the first time in the Economic and Financial Dialogue with the EU in May 2024, having submitted its first Economic Reform Programme to the Commission in January 2024. Georgia's authorities committed to maintaining prudent fiscal and monetary policies while advancing on PFM, institution building, and reforms in key economic sectors such as energy, transport, digital, agriculture and water management, healthcare, education and training, and capital markets.

Macroeconomic stability

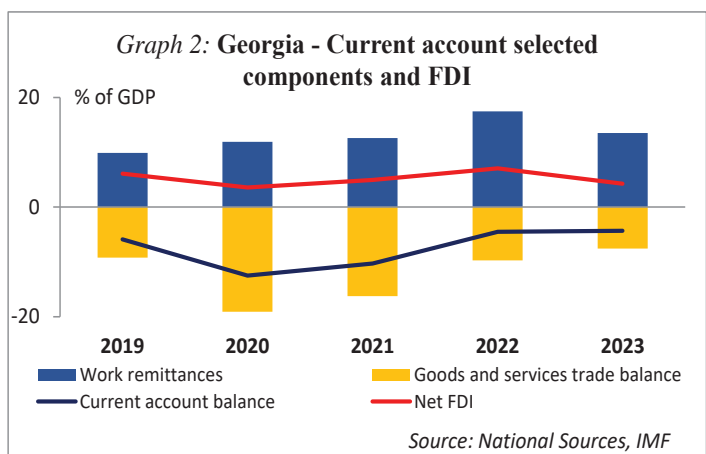


In 2023, Georgia's GDP growth remained high at 7.5%, although it slowed from the two-digit expansion seen in 2021 and 2022. This growth was supported by both the post COVID-19 recovery and the impact of Russia's war of aggression against Ukraine (where a sizeable inflow of funds and Russian migrants boosted growth, in contrast to most other countries in the EU neighbourhood). Thus, the country continued its economic convergence with the EU as the GDP per capita in terms of purchasing power parity rose to 41% of the

EU average, up from 33% in 2020. Investment and consumption (both private and government) became the main growth drivers in 2023. They were stimulated by improved business confidence, rising wages and moderating inflation, as well as by the spending and creation of new businesses by migrants from Russia. The contribution of net exports turned negative in 2023 as, despite growing revenues from tourism, lower external demand (amid weak global growth) led to a decrease in domestic exports, while imports increased. Economic activity remained strong in early 2024. According to preliminary figures, real GDP growth reached 9.7% year-on-year in the first 7 months of 2024, supported by IT and real estate services, construction, transport, as well as education and other government services.

The current account deficit continued inching down to 4.3% of GDP in 2023, its lowest level since the central bank started releasing balance-of-payments statistics. However, the external position remains vulnerable due to the structurally elevated merchandise trade deficit (around 20% of GDP), a reflection of the narrow and low value-added export base. In 2023, domestic exports (i.e. excluding re-exports) of goods fell by 24.4% year-on-year due to the stronger local currency as well as reduced external demand and lower global prices for commodities such as metals and fertilisers, which constitute a substantial share of Georgia's exports. In contrast, exports of services, especially tourism and IT, grew dynamically, leading to a surplus in the services balance of 11.4% of GDP. While remaining sizeable, the surplus on the secondary income account, which largely reflects remittances inflows, decreased considerably in 2023 to 10.9% of GDP due to the reduction in money transfers from Russia.

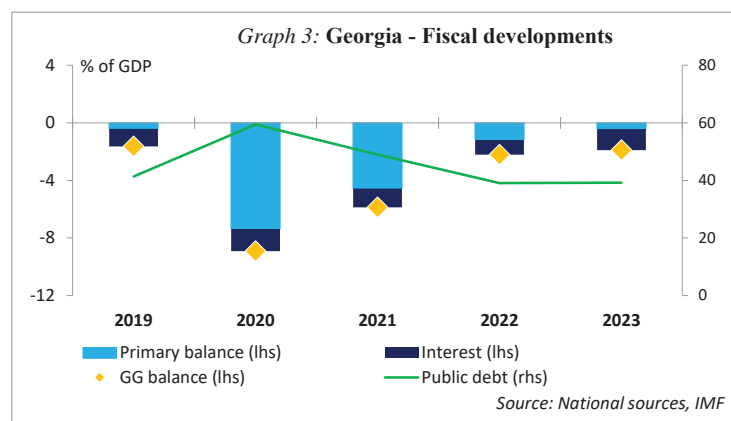
While the inflow of foreign direct investment (FDI) inflows declined considerably in 2023, they



remain high in regional comparison and still fully cover the current account deficit. On the positive side, equity FDI rose sharply in 2023. Despite the still large financial inflows to Georgia, foreign reserves started declining as of August 2023 and dropped to around 95% of the IMF's Assessment Reserve Adequacy metric at the end of 2023. This weakening reflected, among other factors, interventions by the central bank to stabilise the currency in because of pressures possibly relating to the regulatory uncertainty over the application of

international sanctions and large-scale protests against the introduction of a controversial legislation on civil society and media organisations (see below).

Consumer price inflation moderated sharply in 2023 and remained low in early 2024, while exchange rate volatility reemerged as a risk factor. Inflation slowed to 0.4% year-on-year in December 2023 from 9.8% a year earlier and rebounded only mildly to 1.0% in August 2024, well below the 3% inflation target. The sharp slowdown in inflation can be attributed to the tight monetary policy of the National Bank of Georgia (NBG), easing global commodity prices (especially for energy and food) and the pass-through from the 2022 appreciation of the lari. The NBG started to gradually loosen its tight monetary policy stance in mid-2023, lowering the policy rate six times by cumulative 300 basis points in total, to 8% at the end of August 2024. Overall, the central bank was successful in managing huge financial inflows and preventing a credit boom. However, the excess demand resulted in high wage growth that emerged as a significant risk factor for the country's external competitiveness and for a future re-emergence of inflation. The domestic political turmoil in spring 2024 led to a temporary depreciation of the local currency that prompted considerable foreign exchange interventions by the central bank.



At 2.2% of GDP⁶, the 2023 general government deficit came in well below the 3% planned in the budget law. This reflected a strong tax revenue increase thanks to higher-than-projected economic growth, and one-off factors linked to hikes in fees charged by general government entities. Expenditure also grew significantly as a result of a rise in current spending and strong growth in capital outlays and is set to increase further in 2024, reflecting higher interest payments,

and planned increases in wages and social benefits. In a medium-term perspective, Georgia faces the challenge of ensuring sufficient financing for priority outlays to underpin productivity growth and reduce the significant regional disparities. Due to constitutional constraints on increasing the main taxes, the main options are to broaden the tax base, including by streamlining tax expenditures, and strengthening tax compliance. In this context, the decision of the Georgian government to write off tax debts of individuals incurred by the end of 2020 could have negative implications on tax discipline. At the end of 2023, general government debt remained at around 40% of GDP, well below the of 60% of GDP ceiling set by the country's fiscal rule.

The macroeconomic policy mix has been appropriate in terms of coping with external shocks and avoiding a build-up of significant imbalances thus far, while helping to support economic growth and disinflation. The fiscal policy stance was broadly neutral in 2023 and is expected to remain so in 2024 despite the still sizeable capital expenditures and rising interest payments. The authorities appropriately continued rebuilding fiscal buffers. In view of the high growth rates, monetary policy has room to remain sufficiently tight to anchor inflation expectations. The key risks for macroeconomic stability include, among others, geopolitical tensions that could affect the large tourism sector, further reversal in capital that flew into Georgia since the beginning of Russia's war of aggression against Ukraine as well as of foreign direct

⁶ General government deficit as defined by the national fiscal rule, including non-market SOEs, calculated by the Ministry of Finance.

investment inflows, and the weak export base amidst slowing economic growth in some of the country's main trading partners. Additional risks stem from the high domestic political polarisation.

Functioning of product markets

Georgia's regulatory environment for business is overall liberalised, while some challenges persist. Registering a company requires just a single procedure and is completed within a day at a very low cost. Georgia has one of the highest firm birth rates but also one of the lowest company survival rates in Europe. This results from the fact that many entrepreneurs are driven into self-employment by limited job opportunities and relatively high tax burden on labour, leading to many small enterprises with poor corporate governance and financing prospects, but also from persistent barriers to business operations and growth. Georgia scores very well on regulatory quality (above the EU average) and government effectiveness, as measured by the 2023 World Bank Worldwide Governance Indicators. While competitive pressures have increased in the recent years and there have been improvements to the competition legal framework to align it to international best practices, there are issues relating to the capacity of the competition, agencies and regulators to effectively enforce it. There is evidence of weak productivity growth in individual companies and the continued reliance on low- sophisticated markets, while companies face high cost to enter the EU market (including lack of standardisation and the associated infrastructure). The broader challenges for the business environment include deep political polarisation, vested interests, political control over many public institutions and stalled judicial reform. Georgia was ranked 49th out of 180 countries in Transparency International's 2023 corruption perception index (deteriorating from 41st position in 2022). The authorities continued and expanded business support measures, aimed in particular at small and medium-sized enterprises (SMEs), including through the creation from 2023 of regional growth hubs to provide local SMEs with advisory and training services, as well as by expanding the Business Universal Programme supporting activities such as better access to finance (interest rates subsidies) and export promotion.

The share of the informal economy remains considerable. Although estimates vary greatly⁷, around one third of workers are employed informally, many of them in agriculture, or in seasonal jobs. Informality in Georgia is closely linked to the country's economic structure dominated by agriculture, construction and tourism, a large share of self-employed, a lack of unemployment benefits and a high share of cash payments. In recent years, the authorities have taken relevant steps to tackle informality through the re-established labour inspectorate, revenue measures, and strengthened links between social and employment services. However, there is no government-wide approach addressing this issue, encompassing tax, labour, social and financial policies.

The state footprint in the economy remains modest overall but the state remains an important player among larger corporations, while the progress on the reform of the governance of state-owned enterprises (SOEs) has stalled. SOEs account for 1.3% of the total number of active Georgian enterprises, 3.2% of their value added and 8.1% of employment in 2023. They represent 23% of large and medium-sized firms, and they are concentrated in energy, water, transport and real estate. The authorities have so far only started implementing the SOE reform strategy on a pilot basis for three SOEs. The authorities also took steps to improve financial reporting of the major SOEs to better monitor contingent fiscal risks. However, the approval of a framework law on SOE governance has been delayed amid lack of consensus over the SOE ownership model. The scope of privatisation was very limited, with the revenues from

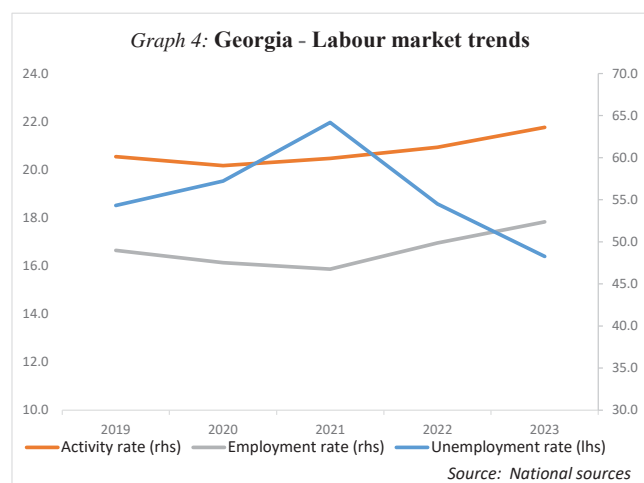
⁷ According to World Economics (2023), which uses an average of the latest estimates from economists around the world, Georgia's informal economy represents about 46% of GDP, the same as in 2022. Any estimates must be made with caution given the variety of methodological approaches.

privatisation and sales of state property amounting to GEL 280 million (0.35% of GDP) in 2023. The total amount of state aid issued by public bodies in Georgia has been very low, but reporting on this diverges from the EU *acquis* requirements. The extent of price regulation remains very limited in Georgia.

Functioning of the financial market

The Georgian banking sector remains sound. The banking system's capital adequacy ratio stood at a comfortable 22.1% at the end of 2023 and most lenders remained very profitable (reaching an aggregate 26.5% return on equity). The asset quality of the sector as a whole remains strong, with the ratio of non-performing loans to total loans broadly unchanged at a low 1.5%. The high dollarisation of both assets and liabilities remains a structural weakness of the banking system. In 2023, the share of foreign-currency-denominated deposits liabilities has decreased, while the share of loans in foreign currencies has remained broadly unchanged. The size of financial intermediation, measured by the ratio of loans to the private sector to GDP, stood at 64% at the end of 2023, against 90% of GDP in the EU. Credit growth accelerated from 12.1% at the end of 2022 to 17.2% at the end of 2023 (excluding the effect of exchange rate fluctuations) for both corporate and retail loans. Access to finance has continued to improve as a new law on micro banks entered into force in July 2023 to stimulate lending to very small companies, but still remains a major obstacle for many SMEs. The insurance sector and the capital market are still underdeveloped, although the authorities have started to implement the 2023-2028 capital market development strategy, with two main goals: increasing the quantity and types of securities on the market and deepening the investor base.

Functioning of the labour market



Strong economic activity and a wider use of active labour market policies led to improvements in the labour market, although weaknesses remain. The unemployment rate among the population aged 15-64⁸ decreased from 18.6% in 2022 to 17.6% in 2023, while the employment rate rose from 49.9% in 2022 to 52.4% in 2023. The authorities continue to strengthen the capacities of the State Employment Support Agency, which provided in 2023 a variety of employment and training services to more unemployed people than in 2022. However, some structural labour market weaknesses persist, including the persistent mismatch between labour

skills and business needs, a large share of informal employment, a significant gender disparities partially caused by the low availability of childcare and elderly care services, and regional differences. Following a moderate rise in previous years, the average level of wages increased strongly in 2023 by 17% in real terms.

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

Education and innovation

With ongoing efforts, the country makes progress in improving education framework, while learning

⁸ In the enlargement reports, labour market indicators are calculated for the population aged 15-64, while Geostat uses indicators based on International Labour Organisation definitions covering the population aged 15 years or older. Therefore, according to Geostat definitions, the unemployment rate in Georgia was 16.4% in 2023, and the employment rate 44.5%.

outcomes remain modest. Public spending on education represented 4% of GDP in 2023, below the EU average of 5%. In 2023, the efforts of the authorities for improvements focused especially on the vocational qualification system, including the development of VET methodologies, the development of teachers' qualifications, and the creation of sectoral skills organisations involving private companies in the VET system. In addition, national education goals have been revised, the authorities continued adjusting school curricula and new national standards for early and preschool care and education were adopted in July 2023. Despite ongoing reforms, Georgia was ranked only 68th out of 81 countries in the 2022 PISA assessment that measured reading outcomes in secondary education, although its score slightly improved. While 42% of the population have completed tertiary education, there are also quality issues in higher education, contributing to a large proportion of tertiary graduates taking up medium- and low-skilled jobs. 42% of private firms in Georgia cite an inadequately educated workforce as a key constraint.

Georgia is making appropriate efforts to improve its innovation environment but spending on research and development is still very low, at 0.24% of GDP (EU average: 2.2% of GDP). Georgia ranked 63rd (out of 132 economies) in the 2023 Global Innovation Index, an improvement from the 74th position in 2022. The Georgia Innovation and Technology Agency (GITA) provides training and funding support to develop the innovation ecosystem, with a focus on the IT sector. The IT sector has expanded very fast over the last years thanks to an inflow of (predominantly Russian) IT professionals to Georgia after the outbreak of Russia's war of aggression against Ukraine, the tax incentives introduced in 2020 and GITA programmes.

Physical capital and quality of infrastructure

Public investment has appropriately remained high (close to 9% of GDP in 2023), but significant infrastructure needs remain. Georgia introduced in February 2023 an updated methodology to assess public investment projects, but its implementation hinges on the capacity of ministries to prepare high-quality project appraisals. Public investment in 2023 focused primarily on the construction of the missing parts of the East-West Highway (part of European route E60), expected to be fully completed by 2025, as well as on addressing bottlenecks in the railway sector. Georgia's role in international transit has increased recently as part of the Middle Corridor connecting China and Central Asia with Europe, bypassing Russia. To address port bottlenecks on this route, the authorities have selected a Chinese consortium as a partner to develop a new deep-water port in Anaklia. In the energy sector, Georgia has substantial renewable energy potential, but still relies heavily on imports of fossil fuels. The government is focused on expanding the transmission network and on securing private investment for new wind, solar and hydropower plants. In 2023-2024 the authorities concluded two big auctions for renewable power generation, but in mid-2024 they announced that they would be moving away from auctions back to direct contracting. In the area of information and communications technology, the penetration of fixed broadband internet subscribers among households increased and reached 95.7% , above the EU average. The authorities consider the development of broadband connectivity as a priority and continued investment in fibre networks in more remote regions. However, issues such as the relatively high prices of high-speed fixed broadband, insufficient digital skills and weak international digital connectivity persist.

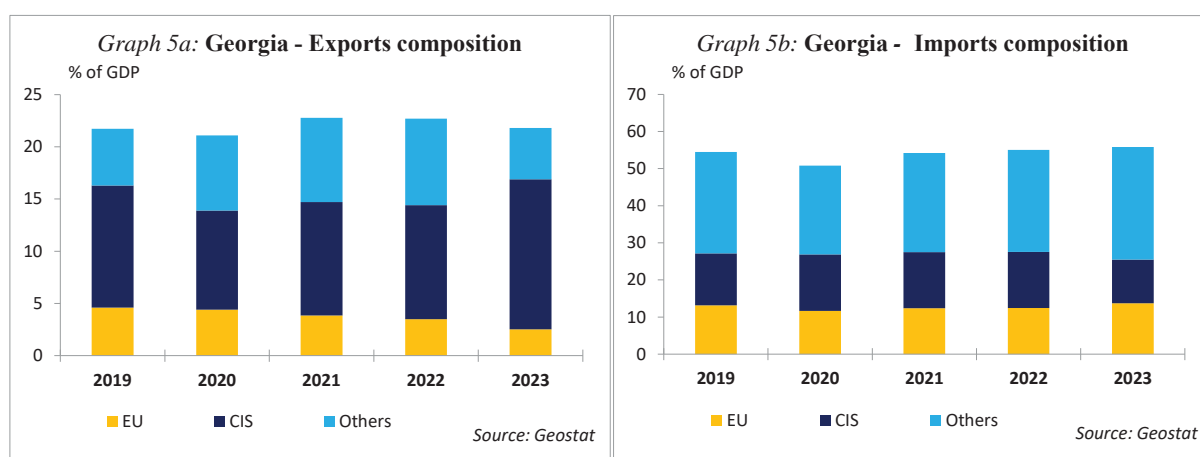
Sectoral and enterprise structure

Georgia continued its structural economic transformation as services further increased their share of the economy. In 2023, the biggest gains were recorded by the highly productive information and communication technology sector, which continues to benefit from inflows of a significant number of high-skilled workers from Russia. The sector accounted for nearly 6% of GDP in 2023, thus doubling its share in the economy in only 3 years. Wholesale and retail trade and real estate, the two leading economic activities in terms of output, witnessed a considerable expansion as well, while the share of manufacturing

and agriculture in the economy, sectors that are characterised by low productivity, declined considerably. Tourism grew and remains key for Georgia's economy, as revenues amounted to 13.5% of GDP in 2023. The number of people occupied in services grew, especially in trade and hospitality. Agriculture, dominated by small-scale farming, remains the biggest employer, but its share of total employment has continued its downward trend to 16.5% in 2023. The share of employment in SMEs also declined, to less than 60% in 2023.

Economic integration with the EU and price competitiveness

Economic integration with the EU remains moderate. The share of trade in goods between the EU and Georgia rose by 0.7 percentage points in 2023 to 20.9% of the total. This is the first increase since 2016 that reflects the surge in Georgia's imports of goods from the EU by 25% in 2023, largely related to imports of machinery and transport equipment as well as chemicals. In contrast, exports plummeted to only 11.6% of the total, the lowest share since 2002, reflecting the surge in re-exports, mainly to countries in central Asia (Kyrgyzstan and Kazakhstan). Excluding re-exports, the EU's share of exports of goods by Georgia has been stable in the last 3 years at around 20%. Georgia continues to have strong trade links with most of its neighbours, especially Türkiye and Russia. The EU remained the biggest source of all FDIs (33% of the total in 2023), which were primarily directed to the financial sector (39.5% of the total in 2023), while manufacturing came second (18.3%).



Following 2 years of strong appreciation, the real effective exchange rate remained broadly stable in 2023. It weakened against both the euro and the US dollar, but was offset by a very strong appreciation against the Russian ruble, which could have negative implications considering that Russia remains a major trading partner for Georgia.

2.4. PUBLIC PROCUREMENT, STATISTICS, FINANCIAL CONTROL

Chapter 5 - Public procurement

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

Institutional set-up and legal alignment

The **legislative framework** remains partly aligned with the EU *acquis*. The institutional framework needs further strengthening.

The new Law on public procurement (PPL), which aims to align with the EU Directives on public procurement, on the application of review procedures to the award of public supply and public works contracts and on defence and sensitive security procurement has not yet entered into force.

The EU Directive on procurement by entities operating in the water, energy, transport and postal services sectors and the Directive on award of concession contracts have not been aligned with yet.

The new PPL contains several provisions safeguarding the independence of the Procurement Dispute Resolution Council. The Council is independent, and its members are selected through public competitive procedure and later appointed by the Prime Minister.

Implementation and enforcement capacity

On the **public procurement market**, in 2023, 32 076 tenders were announced in the e-procurement system. The total volume of public procurements carried out in 2023 amounted to GEL 10 493 526 646, which is 13.1% of GDP, an increase by 8% in comparison to 2022.

The State Procurement Agency (SPA) published new guidelines on green and energy efficient public procurement.

The contracting authorities need to continue to build capacity to manage public procurement processes. The SPA continues to provide trainings to line ministries (364 people trained in 2023) and the SPA has advanced in setting up a contracting process monitoring system (through an automated system integrated in the e-procurement system) in contracting authorities.

Efficient remedy system

The legislation on the right to appeal is partially in line with the EU *acquis*. The e-procurement system makes it possible to submit appeals electronically to the Dispute Resolution Council in order to dispute any decision of the contracting authority. In 2023, the Council dealt with 1 006 complaints, compared to 862 complaints in 2022. 63% of complaints were decided in favour of businesses. In 18 cases, decisions of the Council were appealed in first instance, of which one case was considered and decided in favour of the Council.

Chapter 18 - Statistics

European statistics are developed, produced and disseminated by EU Member States, guided by the principles and quality criteria elaborated in Regulation on European statistic, such as professional independence, impartiality, reliability, transparency and confidentiality. Common rules are provided for the methodology, production and dissemination of statistical information, which are further specified in sectoral legislation that constitute the EU acquis on statistics.

The legal framework for **statistical infrastructure** is partially aligned with European standards and principles laid down in the European Statistics Code of Practice. To a large extent, national legal instruments are in place for producing and disseminating required statistical data including sex-disaggregated and to further approximate the produced statistics with EU standards. The institutional framework and coordination within the national statistical system needs further strengthening. The new Law on official statistics entered into force on 30 August 2023. The law clarifies the role of the Geostat (National Statistical Institute of Georgia) Board, executive director appointments and exclusive use of statistical data for statistical purposes. A strategy for the development of official statistics 2024-2027 integrating institutional development with a focus on providing high-quality, user-centred official statistics in order to maximise data value and enable informed decision-making was adopted in June 2024.

As regards **registers and classifications**, the main classifications are in place, with different degrees of compliance with the EU *acquis*. NUTS-equivalent statistical regions have not been agreed, Georgia should start the process leading to a bilateral agreement. Georgia has not transmitted data to Eurostat for the national statistical business register, a self assessment reveals a need to complete enterprise group implementation and coverage of local units and local kind of activity units.

On **macroeconomic statistics**, Georgia needs to start submitting national accounts data, excessive deficit procedure tables and data on government finance statistics to Eurostat. In addition, the institutional arrangements need to be carefully reviewed to assure scientific independence to delineate the general government sector and the recording of its operations. Georgia should gradually increase the production of data compliant with the ESA 2010. The country needs to start submitting regional GDP tables, consistent at statistical NUTS 2 level. Annual financial sector accounts are not transmitted.

The harmonised index of consumer prices has not been validated by Eurostat. Data on housing price statistics are not transmitted to Eurostat. Georgia participates in the International Comparison Programme following the Eurostat work programme but methodological improvements are needed for a number of surveys.

Balance-of-payments statistics are compiled and disseminated by NBG according to methodology of the BPM6, connected with the balance of payments or its components but Georgia has not started sending data to Eurostat.

Business statistics are not transmitted to Eurostat.

On **social statistics**, the next population and housing census is scheduled for November-December 2024. The population register is yet to be created. Demographic and international migration statistical data transmitted to Eurostat increased over the period, but further improvements are needed, including for data on international migration, acquisition of citizenship and deaths by month.

The next agriculture census will be carried out in 2024, together with the general population census. Geostat integrates data from the agriculture census and sample surveys to produce **agricultural statistics**.

Environment statistics data are not transmitted to Eurostat. There are limited waste statistics in the country. On **transport statistics**, Georgia has a medium compliance level for inland transport statistics transmitted to Eurostat, with further data needed on infrastructure and transport equipment. Rail transport statistics, air transport statistics and road freight transport statistics are not transmitted to Eurostat.

On **energy statistics**, Georgia is aligned with the EU statistical *acquis*, in line with the provisions adopted by the Energy Community in agreement with the European Commission. The production of energy efficiency indicators still needs to be carried out.

Chapter 32 - Financial control

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

Public internal financial control and audit

As regards the **strategic framework** for public internal financial control (PIFC), the Law on PIFC is a suitable basis for enabling the development of PIFC in line with international standards and to meet EU PIFC requirements. The institutional framework needs further strengthening.

The **financial management and control system** remains at an early stage of development. The PIFC system strategy 2021-2024 is being gradually implemented. With support of EU-funded expertise provided by OECD SIGMA, the focus remains on the improvement of methodologies and promotion of awareness and accountability in central ministries as well as on implementation of a pilot in three selected ministries. The focus is on managerial accountability as well as on identifying roles and responsibilities of financial management and control in line departments in charge of budgetary programmes. In parallel, regarding internal audit, certification of auditors is being prepared: once certified, auditors will perform internal audit work according to international standards. The **central harmonisation unit**, set up in the Ministry of Finance, remains understaffed and lacks a suitable mandate to support effectively PIFC reform implementation.

As regards internal audit, the new global standard was approved, entering into force on 1 January 2025.

External audit

The State Audit Office (SAO) operates in line with international best practices. The implementation rate of its recommendations by the executive remains low (45%). The SAO created a designated portal where it listed all recommendations issued to the executive.

Remaining weaknesses relate to the legal protection and tenure of the Auditor General and to the unclear mandate for auditing state-owned enterprises and tax revenues.

Protection of the EU's financial interests

Georgia started the legal approximation with EU *acquis* requirements and in particular the Directive on the fight against fraud against the EU's financial interests by means of criminal law. No **anti-fraud coordination service** (AFCOS) has been officially designated, but the Prosecution Service of Georgia acts as focal point for cooperation with the European Anti-Fraud Office (OLAF). Cooperation in investigations between OLAF and relevant national authorities takes place on a case-by-case basis. Georgia should develop a track record of cooperation with the Commission on investigations.

3. GOOD NEIGHBOURLY RELATIONS AND REGIONAL COOPERATION

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

Georgia generally maintains good **bilateral relations** with its neighbours and other enlargement countries in the region. In 2023, Georgia strengthened its engagement and further broadened its range of cooperation with **Albania, Bosnia and Herzegovina, Montenegro, North Macedonia and Serbia**, particularly given their experience and expertise in the EU enlargement process. With these countries, Georgia enjoys an active exchange of visits at various levels and interactions within international forums, which facilitates the further advancement of bilateral relations based on mutual interest. In addition, Georgia has a memorandum of understanding with Serbia on cooperation in the field of European integration. It is currently considering signing similar memoranda with Albania, Bosnia and Herzegovina, Montenegro, and North Macedonia. In October 2023, Deputy Ministers from Georgia and the Western Balkans held joint consultations related to European integration issues. On 5 February 2024, the first Georgia-Western Balkans Inter-Parliamentary

Conference on European Integration was held in Tbilisi. Georgia does not recognise **Kosovo*** as an independent state.

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

Georgia and **Türkiye** enjoy a strategic partnership with high-level contacts, including in the framework of a High-Level Strategic Cooperation Council. Türkiye is Georgia's largest trading partner after the EU, and the two cooperate on major energy projects such as the Baku-Tbilisi-Ceyhan oil pipeline, the Baku-Tbilisi-Erzurum gas pipeline and the Southern Gas Corridor, and in the Middle Corridor international project. In 2024, Türkiye and Georgia signed a cultural cooperation programme for 2024-2028.

Georgia and **Ukraine** have implemented a strategic partnership since 2017. While Georgia supports Ukraine's territorial integrity and sovereignty, Ukraine has expressed concerns about the non-alignment of Georgia with EU sanctions against Russia and the absence of military-technical cooperation. The ill health of the imprisoned former Georgian President Mikheil Saakashvili, a Ukrainian citizen, continues to cause diplomatic tensions.

Georgia and **Moldova**, both 'Association Trio' members, traditionally enjoy good bilateral relations. Relations between the two are based on mutual support for each other's sovereignty and territorial integrity with both promoting similar approaches in regional and international platforms.

4. ABILITY TO ASSUME OBLIGATIONS OF MEMBERSHIP

CLUSTER 2: INTERNAL MARKET

This cluster covers: free movement of goods (Chapter 1); freedom of movement for workers (Chapter 2); right of establishment and freedom to provide services (Chapter 3); free movement of capital (Chapter 4); company law (Chapter 6); intellectual property law (Chapter 7); competition policy (Chapter 8); financial services (Chapter 9); and consumer and health protection (Chapter 28).

Chapter 1 - Free movement of goods

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

General principles

With the partial alignment on the EU *acquis* on standards, conformity assessment, accreditation, metrology and market surveillance, some of the elements of the general principles of the legislative and institutional framework for the free movement of goods are in place. Georgia needs to adopt and implement a roadmap with a clear timeline to complete alignment with the EU *acquis*. Amendments to the energy labelling Law at the end of June 2023 empowered the Market Surveillance Agency to monitor the implementation of labelling regulations.

Non-harmonised area

Georgia will need to review all its legislation, processes, and procedures that could impact the free movement of goods in the non-harmonised area and decide how it will address any aspects that are not

* This designation is without prejudice to positions on status and is line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

compliant with the obligations of **Articles 34-36 Treaty on the Functioning of the European Union**. These non-compliant aspects will need to be repealed, or amended, and/or mutual recognition provisions will need to be introduced. The main entry point on technical barriers to trade is Georgia's national agency for standards and metrology (GEOSTM).

Harmonised area: quality infrastructure

The national legal bases for **standardisation, conformity assessment, accreditation, metrology** and market surveillance are partly aligned with the EU *acquis* and the administrative structures are in place. As of June 2024, the national standardisation body, GEOSTM, adopted 13 268 standards from the European Committee for Standardisation (CEN) and 7 445 standards from the European Committee for Electrotechnical Standardisation (CENELEC). In June 2024, GEOSTM became member of the European Association of National Measurement Institutes (EURAMET). In December 2023, the accreditation centre of Georgia (GAC) obtained full member status of the European Accreditation. The system used for **market surveillance** before the placing on the market is not aligned with the EU *acquis*.

Harmonised area: sectoral legislation

There was no progress on alignment with EU '**new and global approach**' product *acquis*, on which the overall level of alignment remains low.

On EU '**old approach product legislation**' product *acquis*, there was no progress on alignment, including on REACH (registration, evaluation, authorisation and restriction of chemicals), or chemicals classification (CLP).

Georgia has not made any progress on aligning to the EU *acquis* on **procedural measures**.

Chapter 2 - Freedom of movement for workers

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

Georgia's legal framework is not aligned with the EU *acquis*. The institutional framework is partially in place.

On **access to the labour market**, EU workers do not need work permits. The Georgian legal framework does not restrict the employment of foreigners and does not require a work permit for citizens of countries that benefit from visa-free travel (including all EU Member States), allowing them to stay in the country for up to one year without residence permit and to enjoy the same labour rights as Georgian citizens. There are no specific legislative provisions on the family members of EU workers. In 2023, obligatory registration of foreign migrant workers was introduced for their employers, along with the obligation to sign formal employment contracts. Employment in public administration is reserved for Georgian citizens for professional civil servant positions, but no nationality conditions apply to administrative and labour contract employees.

No preparatory work was carried out by Georgia to access the **European Network of Employment Services (EURES)**.

No new agreements for bilateral **coordination of social security systems** were concluded in the reporting period. Georgia has three bilateral agreements with EU Members States in place (with Germany, Bulgaria and France).

Georgia has not implemented a national health insurance card. The implementation of the **European Health Insurance Card** might therefore be challenging.

Chapter 3 - Right of establishment and freedom to provide services

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

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

As regards **postal services**, Georgia is not aligned with the EU postal *acquis*. Georgia should update the AA/DCFTA annex on rules applicable to postal and courier services and continue progress on aligning with the EU postal *acquis*.

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

Chapter 4 - Free movement of capital

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

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

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

As regards **payment systems**, Georgia is partially aligned with the EU *acquis*. In July 2023, the Council of the National Bank adopted a regulation to lay down the rules of activity of the dispute review commission at the National Bank of Georgia.

The alignment of the legislative and institutional framework for **anti-money laundering** remains incomplete. There is still no beneficial ownership register. Fully effective coordination and cooperation between supervisory, law enforcement and prosecutorial authorities requires more efforts. The government adopted the Report on Money Laundering and Terrorism Financing Assessment Risks in Georgia in October 2023. Georgia has been implementing the anti-money laundering/countering financing of terrorism strategy and action plan. Georgia's anti-money laundering legislation partly addresses recommendations of the Financial Action Task Force. Some recommendations from Moneyval remain unaddressed.

There were no developments on the Financial Monitoring Service of Georgia (the national financial intelligence unit).

Chapter 6 - Company law

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

The institutional framework is functional, some of the general elements of the legislative framework are

partially in line with the *acquis*. Georgia is partially aligned with the EU *acquis* in terms of **company law**. The NAPR is the authority responsible for registering companies and disclosing company information. However, financial information in the business register needs to be disclosed and there are no rules on disclosing information on foreign branches, as required by the EU *acquis*. The administrative capacity of the NAPR requires further strengthening. Georgia is carrying out a gap assessment on takeover bids to further align with the EU *acquis* in this area (Directive 2004/25). Georgia also has to align shareholder rights, including the encouragement of long-term shareholder engagement (Directives 2007/36 and 2017/828 – Shareholder Rights Directives I and II). Further alignment is needed with Directive 2019/1151 on digital tools and processes and Directive 2019/2121 on cross-border operations (mergers, divisions, conversions), and on disclosure of information on foreign branches.

On **company reporting**, Georgia should continue aligning with the EU *acquis*, including the transparency requirements for listed companies. Further alignment is particularly needed on: 1) the financial reporting principles relating to small entities; 2) the criteria to define company size categories; 3) and country by country reporting by very large multinational companies. Georgia will also need to align with the most recent EU *acquis* on corporate sustainability reporting.

On **statutory audit**, national legislation is partially aligned with the main legal requirements of the EU *acquis* in this area. Georgia's Service for Accounting, Reporting and Auditing Supervision is the competent authority for audit oversight, including monitoring the quality control system of an auditor / audit firm. The Law on Accounting, Reporting and Auditing was amended in accordance with Regulation (EU) No. 537/2014 on specific requirements related to mandatory audits of public interest entities. The amendment introduces the obligation to submit a transparency report for Public Interest Entity (PIE) audit firms and prohibits non-audit services provided by audit firms to their clients. The consolidated version entered into force in May 2024.

Chapter 7 - Intellectual property law

The EU has to a large extent harmonised rules for the legal protection and enforcement of intellectual property rights (IPR), covering notably patents, trademarks and designs, biotechnological inventions and pharmaceuticals, trade secrets, Geographical Indications, Supplementary Patent Certificates, copyright and related rights.

The Law on **copyright and related rights** regulates the area of **copyright and related rights** and remains partially aligned with the copyright *acquis*. Two amendments were made to the Law on copyright and related rights in July and December 2023, creating in particular new mechanisms to ensure transparency of collective management organisation and principles of fair distribution of royalties and setting tariffs. Georgia has not aligned with the most recent copyright *acquis*, most notably Directive 2019/790/EU on copyright and related rights in the Digital Single Market.

On **industrial property rights**, Georgia remains partially aligned with the EU *acquis*. With an exception of amendment on appointment and qualification of a patent attorney, Georgia has been implementing the June 2023 amendments to the Law on patents, which should ensure compliance with the European Patent Convention.

Georgia became the fifth country with validation status and the 45th country where patent protection will be possible on the basis of a European patent application. The Agreement between the Government of Georgia and the European Patent Organisation (EPO) on Validation of European Patents (Validation Agreement) entered into force on 15 January 2024. It allows to validate European patents on the territory of Georgia, based on a single European patent application. European applications and patents validated in Georgia will have the same legal effect as Georgian applications and patents.

Amendments to the Trademark Law were adopted in February 2024, introducing changes to the grounds of appeal that can be used to appeal in the Chamber of Appeals of Sakpatenti, new types of trademarks and changes to the examination procedure of trademarks.

In the area of **enforcement**, stronger border, criminal, civil and administrative enforcement is needed. The Ministry of Finance and the Prosecution Service are the main institutions competent for enforcing industrial property rights, with both the Ministry of Economy and the Communication Commission having a limited role.

Chapter 8 - Competition policy

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

Antitrust and mergers

The **legislative framework** is partially in line with the EU *acquis*. Following a comprehensive review of primary and implementing legislation, several procedural and material amendments to the competition Law entered into force on 1 January 2024. The definition of annual turnover has been revised, and the timeframe for withdrawing a complaint has been restricted, now set before the draft decision is sent. Provisions on the leniency programme have been amended to align with the ECN+ Directive. Fines have been introduced for obstructing on-site inspections (dawn raids). The amendments have also enabled the possibility of seeking external assistance during on-site inspections (dawn raids). Numerous amendments to implementing legislation were also made, with four legal acts amended, notably on the rule of merger notifications.

As regards the **institutional framework**, an internal restructuring was undertaken in the Georgian Competition and Consumer Agency (GCCA). The Agency Chair now has one deputy, instead of two.

On **implementation**, between 15 June 2023 and 30 August 2024 the GCCA assessed and approved 11 concentrations for different sectors of the economy. It completed two investigations into possible abuse of dominant position, four into potential cases of excessive pricing practices, four investigations into anti-competitive agreements and four into unfair competition.

State aid

The **legal framework** on State aid is not in line with the EU *acquis*. The GCCA finalised an analysis on the gaps and priorities to be addressed in the area of State aid.

The **institutional framework** and enforcement capacity of the GCCA needs to be strengthened. On **implementation**, no decisions were taken in 2023 on State aid issues, only information on *de minimis* State aid was collected.

Liberalisation

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

Chapter 9 - Financial services

EU rules aim to ensure fair competition between, and the stability of, financial institutions, namely banking,

insurance, supplementary pensions, investment services and securities markets. They include rules on the authorisation, operation and supervision of these institutions.

As regards **banks and financial conglomerates**, the banking sector appears well capitalised (regulatory capital is above 20%, while the Tier 1 capital amounts to over 17%) and highly liquid. The Law on deposit insurance requires further alignment with the EU *acquis*, including on the coverage level (currently at GEL 15 000, around EUR 5 300).

On bank resolution, in December 2023, Parliament approved legislative amendments to approximate the provisions related to the resolution fund with the Bank Recovery and Resolution Directive (BRRD) requirements, according to which commercial banks are required to make *ex ante* contributions to the resolution fund (*ex ante* fund) in order to reach the target of 3% of covered deposits by 2033. To further align with BRRD, the NBG approved a new regulation establishing minimum requirements for own funds and eligible liabilities (MREL). Amendments to national rules were made aiming to implement BRRD rules on contractual recognition of bail-in for contracts governed by the laws of foreign countries.

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

For both insurers and reinsurance undertakings, the current supervisory regime in Georgia remains based on the Solvency I regulatory framework. Georgia should work towards aligning with the Solvency II framework.

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

A legislative framework for **securities markets and investment services** is in place. In January 2024, Parliament endorsed legislation on securitisation along with related legislative amendments to other laws aiming to enhance the access to finance in the country for both the financial and non-financial sectors. The law, which came into effect on 1 April 2024, aims to incorporate key principles of the EU Securitisation Regulation.

As regards investment funds, Georgia has not reported further progress and alignment with EU legislation, including recently introduced changes.

As regards **digital finance**, efforts are underway to plan the Digital GEL pilot project execution and gradual rollout plan.

Georgia has made some progress on **sustainable finance** through the implementation of the NBG's Sustainable Finance Roadmap for 2019-2022. The NBG has developed environmental, social, and governance (ESG) guidelines through a double materiality perspective, aiming to help commercial banks meet these requirements and provide main principles for managing risks and opportunities. The NBG started working on climate scenario analysis and developed a Sustainable Finance Taxonomy, which defines green, social, and sustainable loans and sets the reporting requirements for taxonomy-aligned loans for commercial banks. The NBG also worked on a Green/Social/Sustainable/Sustainability-linked (GSS+) bonds framework.

Chapter 28 - Consumer and health protection

EU rules protect consumers' economic interests and also ensure product safety, prevent dangerous imitations and establish liability for defective products. The EU also guarantees a high level of protection of public health and in particular also ensures high common standards for tobacco control, blood, tissues,

cells and organs, and medicines for human and veterinary use. The EU also has rules for upholding patients' rights in cross-border healthcare and in preparing for and responding to cross-border health threats, including communicable diseases.

Consumer protection

On **cross-cutting aspects**, the institutional framework on consumer protection is in place and the legal framework is partially in line with the EU *acquis*. In December 2023, national legislation was adopted to align with the EU *acquis* on timeshare, long-term holiday product, resale and exchange contracts. In regard to **enforcement and redress**, the main consumer protection authority, the Georgian Competition and Consumer Agency (GCCA), increased its enforcement capacity and in 2023 it joined the International Consumer Protection and Enforcement Network with partner status. Between June 2023 and August 2024, the GCCA processed 849 applications, and consumer rights violations were confirmed in 39% of these cases. Georgia's legal framework on **product safety** is partly aligned with the EU *acquis*. National market surveillance legislation and processes are not aligned with the EU *acquis* (See Chapter 1).

Public health

As regards **public health**, Georgia continues to implement its National Health Strategy for 2022-2030 with an aim to achieve universal health coverage. In 2024, the annual limit on medicines for the treatment of chronic diseases was removed. The nosological groups were expanded, in particular, medications for the treatment of glaucoma were added. The state of women's health in Georgia faces several challenges, particularly in the areas of maternal health, family planning, access to safe abortion services and comprehensive sexuality education. There were no new developments on **eHealth**.

On **blood, tissues, cells and organs**, in November 2023, Georgia adopted national legislation to align with the EU *acquis* on organs, tracability requirements for the coding, processing, preservation, storage and distribution of human tissues and cells, for the donation, procurement and testing of human tissues and cells, and on safe human tissues and cells for transplantation.

Georgia is partly aligned with the EU *acquis* on **tobacco control**. In December 2023, an action plan for the implementation of the "State Tobacco Control Strategy 2021 - 2025" was adopted. Georgia should avoid adopting proposed changes to its tobacco excise tax that would be contradictory to Georgia's international obligations under the WHO Framework Convention on Tobacco Control and the EU-Georgia Association Agreement.

There was no progress on **serious cross-border health threats**, including **communicable diseases**, on **non-communicable diseases**, on **patient's rights in cross-border healthcare**, on **medicines for human use**, on **medicines for veterinary use**, on **medical devices**, on **preventative measures**, including **cancer** and **mental health**, on **nutritional and physical activity**, on **drug abuse and harm reduction**, or on **health inequalities**.

In regard to anti-corruption measures, the strategy for fighting corruption within the Ministry of Health is implemented by the Department of Internal Audit, Monitoring and Inspection.

CLUSTER 3: COMPETITIVENESS AND INCLUSIVE GROWTH

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

Chapter 10 - Digital transformation and media

The EU supports the smooth functioning of the internal market for electronic communications, electronic commerce and audiovisual services. The rules protect consumers and support the 83 universal availability of modern services.

On the **digital transformation strategy**, Georgia still lacks an overarching digital strategy, although the government announced three priorities for digital development in March 2024: artificial intelligence (AI), development of bacteriophage technology and agrotechnology.

On **electronic communications**, the e-commerce Law was adopted in June 2023. In July 2024 Georgia adopted the by-laws completing the primary legislation on transposing the Broadband Cost Reduction Directive (BCRD) first adopted in May 2023. Georgia has not aligned with the Regulation on geo-blocking and the platform-to-business relations Regulation. Georgia is yet to align with the European Electronic Communications Code. The national regulatory authority is working on a broadband market analysis with aim of introduction of asymmetric regulatory obligations. On **5G**, the Georgian Communications Commission (ComCom) launched an auction for four combined lots for the implementation of 5G internet. Mobile company Cellfie Mobile won the auction for the implementation of 5G mobile internet in July 2023. The company is allotted 700 MHz and 3400-3600 MHz frequency ranges. The terms of reference of the tender were drafted in line with EU standards.

In the field of **digital services**, the basic legal framework on the open reuse of public sector information is only partly aligned with the Directive on **Open Data**. Georgia also needs to undertake efforts towards alignment with the General Data Protection Regulation (GDPR)), the Digital Services Act (DSA) and the Digital Markets Act (DMA). Georgia participated in a two-day TAIEX workshop on the Digital Services Act (DSA) in Brussels on 26 & 27 June 2024. Beyond this engagement, it appears that no progress was made regarding alignment with the DSA and DMA.

Georgia would benefit from aligning the strategy with the latest EU standards (AI Act) and best practice (EU AI innovation package).

Authorities need to enhance efforts to align with the Digital Markets Act and the Digital Services Act. On **digital trust and cybersecurity**, the 2021-2024 cybersecurity strategy would benefit from closer alignment with the latest EU *acquis* in the field (NIS 2 Directive).

Regarding cross-border interoperability, efforts should be encouraged to establish a National Interoperability Framework, in alignment with the European Interoperability Framework (EIF).

On **media** regulation, amendments to the Law on broadcasting were adopted in October 2023. The protection of minors and ensuring the absence of incitement to violence or hatred were addressed in line with the Audiovisual Media Services Directive. The law also introduced a self-regulation system with a legal backstop as recommended by the EU. Georgia should maintain efforts to ensure effective independence of the national media regulator.

On **media and digital literacy skills**, media and information literacy (MIL) were integrated into the formal education system during the reporting period, by adding MIL to the high school curriculum and as an elective subject at universities. This was complemented by developing a MIL manual and training 1 000 teachers.

Chapter 16 - Taxation

EU rules on taxation cover value added tax, excise duties and aspects of corporate taxation. They also

cover cooperation between tax administrations, including the exchange of information to prevent tax evasion.

As regards **indirect taxation**, tax legislation on VAT is partly aligned with the EU *acquis*. The standard VAT in Georgia is 18%.

As regards excise duty, further alignment of the legislation with the EU *acquis* regarding excise duty for alcohol and alcoholic beverages, tobacco, energy products and general rules for the production, keeping, storage, movement, and controls on excisable products is needed. There was no progress in reintroducing duties equally for national and imported products as regards excise duties on tobacco products. Excise duties on alcohol and alcoholic beverages are partially aligned. Progress is needed on energy and electricity products to reach the EU minimum level in taxation. The EU excise movement control system has to be put in place.

As regards **direct taxation**, Parliament adopted in April 2024 controversial amendments to the Tax Code in an accelerated manner (three days). Changes create tax exemptions in the event of the transfer of assets of an enterprise registered in a country with preferential tax treatment (offshore area) to an enterprise in Georgia. As part of the transaction of transfer of assets, the income received by the foreign enterprise registered in an offshore area and the physical person who owns it are exempted from profit and income taxes. Importing an asset or goods into Georgia is also exempted from import tax. An enterprise in Georgia that received assets from an offshore area is exempted from property tax until 1 January 2030.

The EU cooperates with Georgia through an enhanced dialogue on tax good governance within the framework of the EU list.

On **administrative cooperation and mutual assistance**, no developments took place during the reporting period. Georgia is a full member of the EU Fiscalis programme.

In 2024, Georgia committed to Automatic Exchange of Information in accordance with the Common Reporting Standard.

On **operational capacity and digitalisation**, no developments took place during the reporting period.

Chapter 17 - Economic and monetary policy

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

On monetary policy, the National Bank of Georgia's (NBG) primary objective is to ensure price stability, which is in line with the EU monetary policy legislative framework. The NBG intervenes sporadically to offset short-term fluctuations arising from capital flows.

The institutional independence of the NBG is guaranteed by the constitution and the organic Law on the NBG. However, as regards personal independence, the bank has been without fully-fledged leadership since March 2023, when the term of the last governor expired. The bank is currently chaired by an acting governor, who took the role following amendments adopted by Parliament in June 2023, which created a new position of first vice-president to assume the role of acting governor for an undetermined period of time. This provision is not in line with EU *acquis*, which requires that the statutes of national central banks should provide clear rules for the appointment of the new governor in order to ensure personal independence and avoid any external interference.

Several legal amendments aimed at strengthening the NBG's independence have been proposed, including

limiting discretionary transfers of the bank's profit to the government, strengthening the NBG succession framework and board member qualification criteria, and ensuring a non-executive majority in the NBG's Board. These amendments remain outstanding. The NBG's board has currently 5 members (3 executive and 2 non-executive ones) and 4 positions remain vacant. The organic Law on NBG ensures its financial independence and prohibition of monetary financing by the central bank.

On **economic and fiscal policy**, the budgetary framework is considered strong and transparent, as confirmed recently by the IMF's Fiscal Transparency Evaluation for Georgia published in March 2024. The report underlines progress made by Georgia over the last years as regards comprehensiveness of fiscal reporting, the quality of fiscal forecasting and of fiscal risk analysis, while it points at some remaining weaknesses in comparability of the main fiscal aggregates published in various government's fiscal reports, reconciliation of government's net financing and the change in the stock of debt, and external oversight of the government's financial position.

The Parliament Budget Office is considered by the authorities as an independent fiscal institution. A recent feasibility study under the EU twinning project suggested that its independence should be further strengthened, in particular by clarifying its mandate, qualification criteria and financial autonomy.

Georgia implements a medium-term budgetary framework that covers macro-fiscal framework over a 4-year period. The authorities made some progress on improving the fiscal oversight over state-owned enterprises (non-commercial ones) by gradually bringing their cash management under the Single Treasury Account. Georgia's numerical fiscal rules set ceilings on fiscal deficit (3% of GDP) and government debt (60% of GDP). These rules were strictly followed before the pandemic, then suspended and complied with again in 2022 and 2023. Georgia's statistical framework is not yet aligned with ESA 2010 requirements.

In January 2024 the Georgian authorities adopted and submitted to the Commission their first Economic Reform Programme, covering 2024-2026 period, which includes a coherent macroeconomic and fiscal framework and a presentation of envisaged selected structural reforms.

Chapter 19 - Social policy and employment

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

The legal framework is partially in line with the EU *acquis*. The institutional framework is in place but needs further strengthening. Georgia still has not ratified some relevant International Labour Organization conventions, including those on labour inspections, occupational safety and health at work, and violence and harassment at work. On **labour law**, Georgia is partially aligned with the EU *acquis* but major gaps remain.

On occupational **health and safety at work**, Georgia's legislation is partially aligned to the EU *acquis*. While there was no progress in addressing the remaining gaps during the reporting period, the Labour Inspection Office's capacities – both institutional and human resources – were further strengthened.

During 2023, 34 people died (35 in 2022) and 347 were injured (253 in 2022) as a result of accidents in the workplace. Although there is a steady decrease in the number of occupational accidents the average incidence of fatal occupational accidents remains higher than in the EU.

On **social dialogue**, the tripartite dialogue is functioning at national level and in one region. There was no progress related to collective bargaining. Capacity building for social partners needs to be stepped up.

On **employment policy**, the new national strategy of labour and employment policy for 2024-2028 is in

preparation. Capacities of the State Employment Support Agency (SESA) were developed and strengthened during the reporting period and further work is needed in particular to improve access to its services in the regions.

The overall labour force participation rate in 2023 was 53.3%, women labour force participation rate being 43.1% and that of men 65.1%. In 2023, 15 899 supported jobseekers were employed in the open labour market. The governments's first public works programme, meant to facilitate labour market participation of people in vulnerable situations, was extended into 2024.

The **unemployment rate** in 2023 in Georgia was 16.4%, down from 17.3% in 2022, and 20.6% in 2021. The unemployment rate in 2023 among men was higher than among women (18.3% vs 14.0%) as well as the employment rate (53.2% vs 37.1%). However, the gender pay gap remains a problem, with the average wage of women constituting 31.7% of men's wage. The share of NEETs (young people aged 15-29 not in employment, education or training) was 21% in 2023 (down from 26.8% in 2021) but remains high, compared to the EU average (12.5% in 2023).

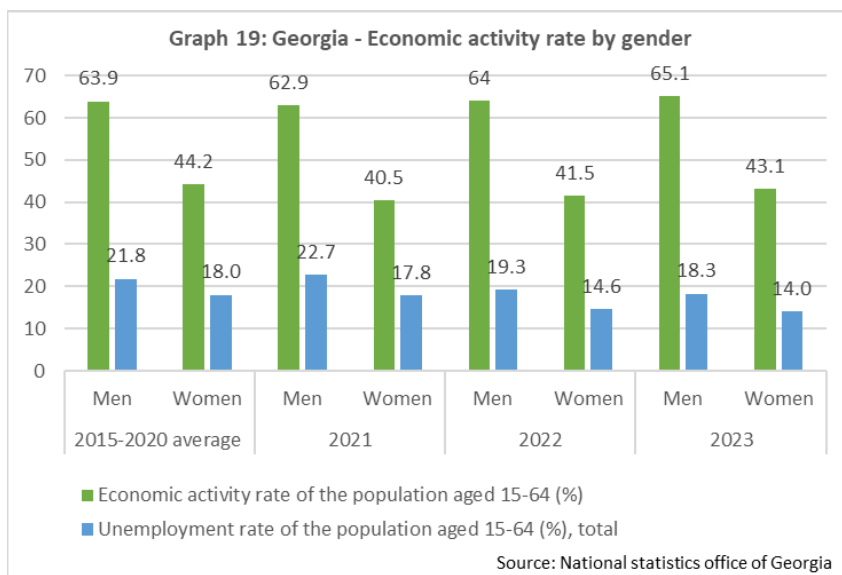
Undeclared work remains a challenge, with approximately a third of the population of working age being engaged in non-agricultural undeclared work in 2023 (27.46%). More men were engaged than women (32.46% vs 21.7%) and more in rural areas than in urban (32.7% vs 25.4%).

On **social protection and inclusion** Georgia lacks a comprehensive and targeted social protection system that supports employment policies. In July 2023 the "one window" principle was approved for state employment and social support services. The first office applying this principle was opened in Tbilisi in December 2023. In July 2023 child cash benefits were increased by 30% reaching 232 462 children (26% of the child population). In 2023, the share of the population under absolute poverty line was at a "historic low" at 11.8%, although the GINI coefficient slightly increased indicating inequalities remain high.

On **non-discrimination in employment and social policy**, the enforcement of the Law on the elimination of all forms of discrimination is weak. Concrete steps to enhance the effectiveness of the legal framework in combating discrimination are urgently needed, including in terms of policy measures and funding programmes. In this context, the legislative package consisting of the Law on family values and protection of minors and eighteen amendments to existing laws adopted on 17 September 2024, appears to target LGBTIQ persons and thus constitutes a movement in the wrong direction, potentially also in the light of Council Directive 2000/78/EC.

Georgia still lacks a national strategy on the de-institutionalisation of children and provision of alternative care, even though the government continues closing large children's institutions and transferring children to alternative services. In December 2023 a medical social centre for long-term paediatric care was set up, providing children with specialised, long-term, complex medical and social support.

Enforcement of the Law on the elimination of all forms of **discrimination** is weak.



As regards **equality** the basic institution and provisions exist in current legislation. However, women's segregation by industry and occupation—and degree concentration in humanities, education, and health care—confines them to economic activity with lower earnings. Unpaid household and care work by women is five times higher than that by men, mainly due to prevailing stereotypes and limited availability and accessibility of various care services and local

transportation, which are also the main reasons for women's limited participation in the labour market. Women are more often the beneficiaries of state social assistance than men, and the gender pay gap shows women earn 24.6% less than men.

Chapter 20 - Enterprise and industrial policy

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

As regards **industrial and enterprise policy principles**, Georgia does not have a separate industrial strategy document. Georgia's industrial policy is based on the development strategy of Georgia-Vision 2030, the government programme For Building a European State (February 2024). An update to the investment promotion strategy and action plan 2020-2022 is overdue. The adoption of a green growth strategy, that could cover decarbonisation, is still outstanding.

There has been no progress in reforming state-owned enterprises. The scope of applying regulatory impact assessment remains limited.

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

Enterprise Georgia (EG) added to the business universal programme – a programme aiming at boosting competitiveness of the private sector - renewable energy production as a new economic activity. In the reporting period, EG supported through the programme 489 beneficiaries and approved EUR 147 million in loans and leases.

As regards **industrial and enterprise instruments**, alignment is needed with the Late Payment Directive. This includes, in particular, introducing provisions on payment terms to address both late payments and long payment terms in G2B (public authorities to businesses) and B2B (business to businesses) commercial transactions, and on late payment interest.

No steps were taken to implement the cluster development framework. There are no developments on **sectoral policies**.

Chapter 25 - Science and research

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

Georgia continued to make steps to modernise its research and innovation policy and to align it with EU *acquis*. The most positive developments can be noted in the field of innovation support. A lively start-up scene has emerged, driven by private sector initiatives and public support from the Georgian Innovation and Technology Agency (GITA), which launched a new national funding programme complementary to technology transfer and a co-funding mechanism for technology development.

Cooperation between research and industry is still lacking. The development of a sustainable innovation ecosystem between academia, research and business would improve national and regional excellence and competitiveness, if innovation is promoted in line with the 5 flagships of the New European Innovation Agenda.

As regards strengthening the implementation and internationalisation of sector-specific scientific priorities, in light of limited budgets, and the overall size of the research system there is a need to focus on a limited number of promising R&I fields to be supported at a level that allows them to support local industry with research and to compete internationally. A national open science cloud was created and universities have introduced some open access initiatives. The Shota Rustaveli National Science Foundation of Georgia has set up a specific funding line for open science.

The design of the **smart specialisation** strategy in the pilot region of Imereti is in the final stage of stakeholder consultation before the approval process.

Georgia is associated to Horizon Europe. It received EUR 1.5 million for 8 projects in 2023, an increase of more than 50% compared to 2022. In the absence of the necessary statistical indicators Georgia is not included in the European Innovation Scoreboard. Several measures were implemented in 2023 aiming to increase the participation of Georgian entities in Horizon Europe including a researcher mobility scheme.

Gross domestic spending on R&D (GERD) as a share of GDP has been around 0.28% for several years, and decreased since 2020. However, in the course of 2023 a 30% increase in salaries for researchers was applied, which is an important step towards making research careers more attractive. In spite of this encouraging move, R&I expenditure still needs to increase.

Chapter 26 - Education and culture

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

On **education and training**, Georgia's PISA 2022 results showed that a significant number of 15-year olds are failing to demonstrate basic proficiency (level 2), namely 66% in maths, 67% in reading and 65% in science, and girls consistently outperform boys in reading.

Government expenditure on education in 2023 amounted to 3.76% of GDP. Digital citizenship and green skills are reflected as pervasive skills in the national curriculum at primary, basic and secondary levels.

In line with the unified national strategy of education and science, new “State standards for early and preschool care and education” were adopted in July 2023 with a focus on inclusive early childhood and preschool education. In October 2023, Georgia joined the International School Meals Coalition "Food, Health and Education for All Children" and adopted minimum requirements for operating catering services in schools.

In November 2023, an amendment was introduced to the Law on general education, which creates the basis for the implementation of a new system supporting inclusive education. The amendment entered into force in June 2024.

In the field of **vocational education and training (VET)**, in August 2023, a new methodology for the development of VET qualifications was adopted. Extracurricular activities are carried out in VET institutions in the regions. Work on the 2024-2028 VET Strategy and Career Management Services Strategy 2024-2027 resumed in March 2024 and their adoption is expected in the coming months.

A concept on digitalisation of VET applying the DigCompOrg framework as a reference was developed in 2023. Further efforts are needed to align digital education with the EU Digital Education Action Plan 2021-2027. In March 2024, Parliament ratified the Global Convention on the Recognition of Qualifications concerning Higher Education. A 2024-2030 strategy for professional orientation, counselling, and career guidance across all levels of formal education was approved on 27 August 2024.

The accessibility of vocational education for women is constrained by limited geographical coverage, particularly in rural areas. The lack of care services and transportation options presents further challenges for women pursuing VET.

As a new member of the Advisory Group of the European Qualifications Framework (EQF), Georgia is preparing to reference its National Qualifications Framework to the EQF. According to the Bologna Process implementation report 2024, Georgia still needs to work on the full implementation of the key commitments, such as the Bologna degree structure and automatic recognition. Also Georgia scores below average when it comes to alignment with the social dimension of the European Higher Education Area.

Georgia benefits from the international dimension of the 2021-2027 Erasmus+ programme, and is taking part in the European Education Area working groups 2021-2025. In January 2024, Georgia joined the Eurydice Network, whose task is to explain how education systems are organised in Europe and how they work.

Youth policy and the Youth Agency moved to the Ministry of Education and Science in January 2024 and a new Youth Department is being set up. A concept paper and action plan for Youth Entrepreneurship for the period 2023-2026 was developed in 2023. Some progress was observed in youth participation in policymaking at national and local levels. Thirty-one municipalities created specialised Municipal Youth Councils, with approximately 50% of their activities involving annual budgeting. Decisions on youth-related matters are often based on recommendations by these Councils.

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

Overall, **cultural policy** documents and programmes, including the 2020-25 Culture Strategy, reflect the general priorities of the New European Agenda for Culture. There is limited dialogue on cultural policy between the government and civil society in general. Georgia continues to participate fully in the Culture and Cross-Sectoral strands of the Creative Europe Programme and partially in the MEDIA strand.

Chapter 29 - Customs union

All EU Member States are part of the EU customs union and follow the same customs rules and procedures. This requires legislative alignment, adequate implementing and enforcement capacity, and access to and interoperability with the EU electronic customs environment.

Customs legislation

The Georgian customs code is **partly aligned** with the Union Customs Code. It will further align, once the duty relief provisions of the Code enter into force on 1 January 2026. Nevertheless, further alignment, in particular in the area of customs procedures, is needed. Georgia is a party of the Pan-Euro-Mediterranean Convention on the rules of origin. Georgia also benefits from diagonal cumulation of origin between the Pan-Euro-Mediterranean Convention member countries.

As of April 2024, there are 12 authorised economic operators (AEOs) active in Georgia (in August 2022 there were two).

Development of the regulatory and technical framework for the Common Transit procedure and the New Computerised Transit System (NCTS) is complete. In June 2024, the monitoring mission by the representatives of the Contracting Parties to the Common Transit Convention recommended to launch the accession procedure for Georgia with target date 1 December 2024. The conformance testing of the national transit application was successfully completed in mid-August 2024.

Cross-border smuggling of tobacco products and other illicit activities in the regions close to the breakaway regions is a standing issue. It is recommended that Georgia strengthens its measures to combat customs fraud, also in cooperation with OLAF, and accedes to the World Health Organization Framework Convention on Tobacco Control Protocol to Eliminate Illicit Trade in Tobacco Products.

CLUSTER 4: THE GREEN AGENDA AND SUSTAINABLE CONNECTIVITY

The cluster on Green Agenda and sustainable connectivity covers: transport policy (Chapter 14); energy (Chapter 15); trans-European networks (Chapter 21); and environment and climate change (Chapter 27).

Chapter 14 - Transport policy

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

The legal framework is partially in line with the *acquis* and the institutional framework is mainly in place but needs strengthening. On **general transport**, the national transport and logistics strategy is in force. Georgia is an observer member of the Transport Community Treaty and is collaborating proactively within the treaty's structures. Tbilisi and Batumi developed clean city action plans and sustainable urban mobility/sustainable urban transport strategies and started their implementation.

On **road transport** and **road safety**, the action plan 2024-2025 of the 2022-2025 national road safety strategy was adopted. Road safety remains a concern with higher levels of fatalities than the EU average. In 2023, there were 5 594 crashes with 442 fatalities (compared to 5 569 crashes with 430 fatalities in 2022). A Road Safety Department was created under the Ministry of Economy and Sustainable Development in February 2024. The Secretariat of the Regional EaP Road Safety Observatory, based in Tbilisi, started its activities in February 2024.

Georgia is still to adopt main *acquis* related to social legislation in road transport such as the Regulation on

driving and rest times; the Directive for posting drivers in the road transport sector; and the Directive on the organisation of the working time of people performing mobile road transport activities. On dangerous goods, Georgia should extend the scope of its legislation to national operations with dangerous goods, in line with the Agreement concerning the International Carriage of Dangerous Goods by Road.

On market access, the Law on motor transport adopted in November 2023 lays down common rules on conditions to be complied with the occupation of road transport operators.

On rail transport, the Railway Transport Agency, created in July 2023, acts as the national safety authority and independent safety supervisory agency. The national accident investigating body has not been set up yet. Georgia adopted its new rail strategy in 2023, which sets out the next steps for alignment with the EU *acquis*. However, further efforts are needed to address the fourth railway package, particularly its market pillar. The legal framework on transport of dangerous goods, certification of train drivers, interoperability of the rail system and safety on railways is partially aligned with the relevant EU *acquis*.

On **maritime transport**, Georgia is progressing towards the establishment of the Maritime Single Window. A pilot version of the system was launched in January 2024 and the Maritime Code was amended in June 2024 in line with the European Maritime Single Window environment Regulation. National legislation needs to be further aligned with the maritime transport *acquis*.

On **civil aviation**, building on the implementation of the EU-Georgia Common Aviation Area Agreement, Georgia implemented partially the aviation *acquis* governing market access, air traffic management, aviation safety, security, environment, social aspects, EU consumer protection *acquis* is fully implemented.

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

There are some provisions on **EU passenger rights** regarding air transport sector that would have been implemented by Georgia. Further efforts are needed to improve passenger rights in all modes of transport.

Chapter 15 - Energy

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

Georgia developed a suitable regulatory framework and liberalised its energy in line with the Energy Community Treaty requirements although is still delayed with the transposition and implementation of the Electricity Integration Package. Georgia currently has no direct connection to energy networks of any EU or Energy Community Treaty contracting party. The Third Energy Package has been aligned with, although not fully implemented (i.e. unbundling, market opening). The Clean Energy Package is yet to be aligned with.

Georgia made some progress on the main overarching **strategic documents** on energy policy. Parliament has officially approved the State's Energy Policy (NEP) and its annex – the National Energy and Climate Plan (NECP) in June 2024. Georgia has aligned with most of the provisions of the Risk-preparedness Regulation into its Electricity Security of Supply Rules. Georgia has not yet aligned with Regulation (EU) 2017/1938 concerning measures to safeguard the security of gas supply and there has been no progress in aligning with and implementing the Oil Stocks Directive. Moreover, Georgia does not have emergency oil stocks to ensure **security of supply**. Georgia is exempt from the application of the related networks codes and guidelines. Through an agreement signed with ENTSO-E in October 2023, the transmission system operator (TSO) committed to ensure the reliability and required quality of information published on the Transparency Platform. It also closely cooperates with the Turkish TSO to sign inter-TSO operating agreements for the planned opening of the balancing and ancillary services market in July 2025. In parallel,

the electricity and gas TSOs in Georgia are not unbundled. Amendments to the primary legislation are also needed for the proposed solution to be implemented.

In the **electricity** sector, amendments to the Electricity market Concept Design were adopted, postponing the launch of a balancing and ancillary services market to July 2025. The day-ahead and intraday market opened on 1 July 2024, with the settlement period of one month. The market model operational before opening of the day-ahead and intraday markets is also maintained. Electricity production is still largely regulated with the deregulation schedule until 2027 for hydro power plants with a capacity not exceeding 120 MW. On 1 May 2024, an important milestone in the deregulation of electricity producers was reached and hydro power plants with an installed capacity of no more than 75 MW were deregulated.

All customers are envisaged to be gradually deregulated (except small enterprises and households) by July 2026 under the Electricity Market Model Concept Design. All customers, including households and small enterprises have the statutory right to switch supplier and purchase electricity from a deregulated supplier. The second renewable capacity auction was conducted for 800 MW capacity in late 2023.

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

Georgia is also experiencing delays in creating a competitive organised gas market. In 2023, the Energy Exchange (GENEX) was tasked with developing a gas exchange, tangible progress has yet to be seen. There are delays in unbundling gas TSO and biggest DSOs, having more than 100 000 customers. The security of gas supply framework has to be aligned with Regulation (EU) 2017/1938 as adapted for the Energy Community which was due by 31 December 2022, including the development of a Risk Assessment, Preventive Action Plan and Emergency Plan by 1 May 2024.

In the area of **renewable energy**, the 2030 renewable targets in the draft NECP are in line with Georgia's legal obligations under the Energy Community Treaty. To fully align with and implement the Renewable Energy Directive II (REDII), it is crucial to adopt amendments to the renewable energy Law. In particular, provisions related to the sustainability and greenhouse gas emission saving criteria for biofuels, bioliquids, and biomass from REDII are needed.

As of January 2024, the total installed capacity of the renewable electricity producers benefitting from the net metering scheme reached 67 MW. In February 2023, Georgia became the first Contracting Party to launch an electronic registry for guarantees of origin (GOs) under the umbrella of the regional project implemented by the Energy Community Secretariat. There was no significant progress concerning the integration of renewable energy in the heating and cooling sector nor in the transport sector.

The ongoing legislative work prioritises **energy efficiency**: the amendments to the Law on energy efficiency and amendments to the Law on energy efficiency in buildings (transposing 2018 amendments of the Energy Efficiency and the Energy Performance of Buildings Directives) have been adopted in June 2024.

While the law on energy performance of buildings and key pieces of implementing legislation are in place, the long-term building renovation strategy still needs to be finalised.

On **nuclear energy, nuclear safety and radiation protection**, the Law on radiation protection, nuclear safety and security was adopted in June 2023. Georgia still has to fully align with and implement the Directives on nuclear safety; the management of spent fuel and nuclear waste; basic safety standards and drinking water. Georgia also still has to consider accession to the Convention on Nuclear Safety.

On **nuclear safeguards**, upon EU accession, the existing systems of accountancy and control of nuclear

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

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

Chapter 21 - Trans-European networks

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

The Trans-European **Transport Networks** (TEN-T) are extended to Georgia. Developing transport infrastructure is listed in key strategic documents, such as the 2021-2024 Towards Building a European State programme and the 2023-2030 National Transport and Logistics Strategy.

The Georgian indicative network consists of 709 km of railways (of which 605 km are on the core network), 856 km of motorways (of which 769 km are on the core network), three ports (one of which is core) and one core airport.

The road infrastructure quality of the core network is satisfactory with 52% rated as very good or good in 2023. Together with the extensive network, only 20% complies with TEN-T standards. Construction of the Grigoleti - Kobuleti Road Section of the E-70 Highway is finalised.

On railways, authorities are addressing bottlenecks that have been identified on the core network via the railway modernisation project. The modernisation project is close to be completed and works are expected to be finalised by the end of 2024. The rail network infrastructure and rolling stock are often obsolete with respect to quality, capacity and safety standards. The design line speed on the whole comprehensive network is far below the TEN-T requirement for freight lines. Only 37 km of the core network can accommodate freight trains of 740 m. The core network has not yet implemented the European Rail Traffic Management System (ERTMS).

The Baku-Tbilisi-Kars railway line is another major railway project, which is now 100% complete and the first freight trains departed in May 2024. In October 2023 a joint venture was created between Georgian, Kazakh and Azerbaijani railways to create a single operator, focusing on unifying tariffs and handling all cargo in the Trans-Caspian Transport Corridor.

Georgia needs to align with and implement the revised **trans-European energy infrastructure** (TEN-E) Regulation as adapted and adopted by the Energy Community Ministerial Council Decision in December 2023. The national competent authority for energy infrastructures has not been established. Establishing it may help the TSO (GSE) to further develop the most important strategic projects.

Chapter 27 - Environment and climate change

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

Environment

Georgia has some level of alignment with EU **horizontal legislation**. Environmental policy

implementation, monitoring and enforcement represent a challenge, notably due to limited administrative capacity. A new IT portal to ensure public access to environmental information was launched in July 2023. Legislation on environmental impact assessments is in place and guidelines for its effective implementation were updated. Georgia needs to ensure the quality of the preparation and implementation of environmental investments - including the transparency of procedures, compliance with EIA/SEA and other elements of the horizontal *acquis*. Georgia is not a party to the Espoo Convention. The country signed but has not ratified the protocol on strategic environmental assessment. Significant capacity constraints remain in implementing, monitoring and enforcing the Environmental Assessment Code. Fines were increased through amendments to the Administrative Offence Code and Criminal Code. Georgia should also ensure that environmental monitoring meets EU standards.

On **air quality**, Georgia is partially aligned with the EU *acquis*, implementation and enforcement should be further strengthened. A new system for the air quality monitoring system is being developed, and additional air quality monitoring stations were purchased during the reporting period. An emission inventory was developed for the Western Zone. The Air Quality Plan for the Central Zone was approved in August 2023 with the aim of reducing air pollution across the zone, especially in the industrial city of Rustavi. The technical regulation on the control of volatile organic compound emissions was adopted in April 2024. On the alignment with the National Emission reduction Commitments Directive, progress was made on emission projections and inventories. In June 2023, the Law on vehicle emissions was adopted and EURO-5/V vehicle emission standards entered into force in January 2024 for M1 and M2 category vehicles.

Georgia is at an early stage of alignment with EU **noise** legislation. Amendments laying down the noise norms were adopted in November 2023. The preparation of the strategic noise maps and action plans needs to start.

Alignment with the EU **waste management** and circular economy legislation is at an early stage and significant investment is needed. Alignment with the revised Waste Framework Directive, and all relevant waste streams legislation needs to be further consolidated. Amendments to the Waste Management Code were made in February 2024 to broaden the obligations of Extended Producer Responsibility organisations as well as to lay down the administrative sanctions for non-compliance. Significant investments remain needed to modernise the waste management system and put in place waste collection and treatment infrastructure, especially at municipal level.

In the area of **water quality**, a new Law on water resources management was adopted in June 2023. A water information system has been developed. The monitoring network for surface water and groundwater has been expanded and the country conducts hydrobiological monitoring of coastal waters of the Black Sea. Georgia should further improve the legal framework for the protection of marine environment, in line with the 2022 fourth national environmental action programme. Georgia is not yet party to the UNECE Convention on the Protection and Use of Transboundary Watercourses and International Lakes (Water Convention). The upgrade of the national analytical laboratories and monitoring facilities of national institutions is ongoing.

There is good alignment on **nature protection** and administrative capacity was significantly increased. The current Emerald Network presents a sufficiency rate to achieve the network objectives by only 30% despite the relatively constant progress. Georgia should continue to prepare to identify and pre-designate sites that will be covered by the Natura 2000 network. Protected areas currently cover 13% of the national territory. Georgia needs to update its national biodiversity strategy and action plan. A national forestry inventory was prepared.

On the EU *acquis* on **industrial pollution control and risk management**, Georgia adopted the Law on

industrial emissions at the end of June 2023, to gradually enter into force as of 2026. Work towards the creation of a single national pollutant release and transfer register needs to be accelerated.

The level of transposition of the **chemicals management** *acquis* is limited and important provisions are missing. Significant enforcement and implementation efforts are needed.

Georgia made progress in building the capacity of its **civil protection and disaster risk management** system at central and local levels. Preparedness and prevention measures for such hazards as floods and draughts have been put in place. The flood forecasting system has been expanded, drought monitoring system was adopted and landslide monitoring systems were installed in 11 locations. In addition, the number of hydrometeorological stations was increased to a total of 169 and maps for geological hazards were prepared. Amendments to the Code on Spatial Planning, adopted in December 2023, minimise and prevent violations of unauthorised constructions in cultural heritage protected zones. Following Georgia's application to join the Union Civil Protection Mechanism (UCPM) in March 2023, the Commission and Georgia were in technical discussions for the accession to the Mechanism. Due to political developments, the procedure for the signature of the UCPM agreement was stalled since May 2024.

Climate change

There were no significant developments on climate change and alignment with the EU *acquis* still remains limited including on obligations under the Energy Community Treaty. Based on the long-term low-emission development strategy adopted in 2023, which includes a climate-neutrality target by 2050, Georgia is actively preparing a new Nationally Determined Contribution, adopted a 2030 climate change strategy and a 2024-2025 action plan. Georgia is preparing a climate change law, which is however not adopted yet.

As a Contracting Party to the Energy Community, Georgia adopted their National Energy and Climate Plan in June 2024. In line with the Energy Community's Decarbonisation Roadmap, Georgia needs to urgently roll out a robust monitoring, reporting, verification and accreditation (MRVA) framework for greenhouse gas emissions as a necessary first step towards carbon pricing. An MRV system supporting the national greenhouse gas inventory should also be established.

Georgia is a party to the Montreal Protocol on substances that deplete the ozone layer and the Parliament ratified the Kigali Amendment to the Montreal Protocol in June 2023.

Georgia made some efforts to increase administrative capacities; however, overall, these capacities remain low and need to be further strengthened in terms of human and financial resources. Georgia still needs to strengthen mainstreaming of climate considerations in all policy areas. Consideration ought to be given to aligning with major upgrades of the EU climate policy as a result of the Fit for 55 package.

CLUSTER 5: RESOURCES, AGRICULTURE AND COHESION

Cluster 5 on resources, agriculture and cohesion covers: agriculture and rural development (Chapter 11); food safety, veterinary and phytosanitary policy (Chapter 12); fisheries and aquaculture (Chapter 13); regional policy and coordination of structural instruments (Chapter 22); financial and budgetary provisions (Chapter 33).

Chapter 11 - Agriculture and rural development

The EU's common agricultural policy supports farmers and ensures Europe's food security. It helps tackle climate change and the sustainable management of national resources; maintains rural areas and landscapes across the EU; and keeps the rural economy alive by promoting jobs in farming, agri-food

industries and associated sectors. This requires strong management and control systems. There are also common EU rules for marketing standards, quality policy and organic farming.

On **horizontal issues**, the agriculture and rural development strategy 2021-2027 (ARDS) has an overall objective to sustainably diversify and develop economic opportunities in rural areas and improve social conditions and the quality of life.

Georgia has taken initial steps to set up an integrated administration and control system (IACS) in line with the EU *acquis*. The Law on agriculture and rural development adopted in June 2024 lays down provisions setting out the role and powers of the Rural Development Agency (RDA) as a paying agency. The RDA is already implementing support programmes to the sector and can provide financial support to the Local Action Group of the LEADER approach at municipality level. A Land Parcel Identification System (LPIS) is being tested in two municipalities. Progress is needed towards a full-scale LPIS for the entire country. In 2023 the National Wine Agency completed its vineyard register.

There is no farm sustainability data network (FSDN). A farm advisory system operates under the Rural Development Agency providing information at centres across the country.

On **common market organisation**, alignment with the EU *acquis* remains limited mostly in relation to certain marketing standards, Georgia should make efforts to fully align with the EU *acquis*. There is some level of preparation with existing sectoral associations.

On **rural development**, a new action plan covering the 2024-2027 period was approved in February 2024, aimed at implementing the ARDS but also addressing 2023 recommendations, with specific measures to further implementation of approximated legislation.

As regards **quality policy**, legislation on protection and use of protected designations of origin and geographical indications aligning with the EU *acquis* will enter into force in November 2024.

In the area of **organic farming**, the list of authorised products and substances for use in organic production was approved in April 2024, further aligning with the EU *acquis*.

Chapter 12 - Food safety, veterinary and phytosanitary policy

The EU food acquis including hygiene rules for foodstuff production ensure a high level of food and feed safety and a high level of protection of consumers' interests. Animal health and welfare and the safety of food of animal origin are safeguarded together with quality of seeds, plant protection material, protection against harmful organisms and animal nutrition.

In the area of **general food safety, food safety rules and specific rules for feed**, Georgian producers have not yet obtained authorisation for the export to the EU of queen bees and fishery products from aquaculture. Budgetary allocations have increased in 2023 and 2024 but are insufficient to effectively implement some aspects of the new legislative framework. Meeting the EU requirements for hazelnuts remains difficult for Georgia. The EU has reduced from 30% to 20% the regulated import controls to detect contamination with aflatoxins since the competent authority has been implementing the recommendations of the October 2023 Commission audit of the control system in place to prevent aflatoxin contamination.

Legislation and organisation of the control system is partially in line with the EU *acquis* and should be consolidated with the approximation of the EU 2017/625 regulation on the official control. National legislation and implementing rules for export to the EU are generally in line with EU requirements. The competent authorities were certified for the Quality Management System (ISO 9001:2015) of their food safety control system. The State Laboratory of Agriculture has become a national reference laboratory with a larger range of diagnostic capacities and internationally accredited methods for testing parameters under

the official controls, but cannot yet deliver the full necessary level of assurances.

Alignment on **veterinary policy** has not yet been achieved on animal welfare, notably during transport and slaughter, except a regulation for the trade and transportation of pigs. Georgia continued to carry out activities to control, prevent and eradicate communicable animal diseases in line with the ‘One Health’ approach and introduced a compensation mechanism in case of an anthrax outbreak. The National Animal identification and Traceability system is now fully operational⁹. National legislation to align with the *acquis* on crisis management is not yet in place.

During the reporting period the State Laboratory for Agriculture has developed its capacities to test fish and mollusc diseases in line with the EU Council Directive 2006/88 on animal health requirements for aquaculture animals and products thereof, and the prevention and control of certain diseases in aquatic animals.

As regards **placing on the market of food, feed and animal by-products**, the National Food Agency continued to carry risk-based official checks. Business operators producing, processing and distributing food of animal origin are registered in the registry of economic activities and the competent authority maintains the list of approved establishments. The in-country laboratory testing capacity does not yet correspond to the EU *acquis* on either sanitary and phytosanitary or food safety. Some operational issues persist as regards the EU’s trade control and export system, notably on issuing electronic certificates and five out of ten border inspection posts need to be upgraded with infrastructure and equipment.

On **phytosanitary policy**, considerable implementing legislation to align with the EU *acquis* is in place. Relevant businesses in the field of plant health are registered in the register of economic activities and monitored by the competent authority. The maximum residue levels of pesticides for food, feed, plant and animal origin is in accordance with Regulation EU 396/2005. As regards **genetically modified organisms**, the implementation of the approximated regulations remains challenging.

An outstanding issue is the appropriate budget and staffing of the institutions to show evidence of the scope and intensity of the control system in place based on a risk analysis. The private sector awareness and their self-control of food safety should continue to improve.

Chapter 13 - Fisheries and aquaculture

The common fisheries policy lays down rules on fisheries management, protects living resources of the sea and limits the environmental impact of fisheries. This includes setting catch quotas, managing fleet capacity, rules on control and inspection, rules on markets and aquaculture and support for fisheries and coastal communities. Further, it promotes a sustainable aquaculture.

The legal framework is partially in line with the *acquis*. The institutional framework and the administrative capacity need further strengthening. Legislation effectively sets out the basic requirements such as the obligation of the flag state, coastal state, port state and market state

Georgia manages the **fisheries resources** based on scientific advice and data collection. The data collection framework needs to be strengthened and aligned with the EU *acquis*. There is no progress reported in reducing by-catch efforts of sensitive species and promoting the use of selective gear. There is constructive cooperation as part of the bilateral EU-Georgia dialogue in the fight against illegal, unreported and unregulated (IUU) fishing, though a proper level of implementation has yet to be achieved. As of April 2024, importations into the EU of fishery products covered by the EU IUU Regulation 1005/2008, fished

by Georgian vessels and accompanied by a catch certificate, validated by the notified authority, are authorised.

A **fleet management system** is in place with a fishing vessel register and monitoring of fishing activities for fishing vessels larger than 15 m length overall. The fleet is composed of 53 fishing vessels in 2024, operating in the Black Sea. The reporting for information linked to fishing activities, namely catches, quantities and species, fishing effort, is weak and enhanced efforts are needed to operationalise the reporting system.

The **inspection and control** system has been strengthened with the acquisition of a patrol speedboat but an overall approach to a comprehensive fisheries monitoring, control and surveillance scheme in line with the EU *acquis* is still needed, also in consideration of the recent revision of the EU fisheries control system. Furthermore, as regards compliance and as advised by the GFCM Compliance Committee, Georgia needs to step up its efforts to implement effectively the GFCM recommendations and to fulfil its international obligations. Georgia has no specific **structural actions** for fisheries.

On **market policy**, Georgia needs to align with the EU Common Market Organisation (Regulation (EU) No 1379/2013). There is some level of preparation with existing fishing and aquaculture associations but the legal framework of recognition of professional organisations, or provisions on consumer information such as producer or inter-branch organisations are not yet in place.

There were no significant developments on **state aid**.

On **international agreements**, Georgia is still in the process of assessing the implications of upgrading its current Cooperating Non-Contracting Party status to a Contracting Party of the GFCM, and cooperates at regional level under the Common Maritime Agenda.

Chapter 22 - Regional policy and coordination of structural instruments

*Regional policy is the EU's main tool for reducing regional disparities and investing in sustainable and inclusive socio-economic growth. It is operating through "shared management" between the Commission and EU Member States. The implementation of cohesion policy programmes requires appropriate administrative capacity on programme and project level, the establishment of systems of sound financial management and control and also the fulfilment of other EU *acquis* elements such as environmental or public procurement legislation.*

A number of initiatives – mostly implementing legislation - related to transferring certain administrative rights and types of property were adopted during the reporting period. The Law on tourism, which aims to increase the authority of the municipality in the area of tourism development, was adopted in December 2023. Amendments to the Law on local fees were adopted in the same month, introducing a new type of local fee.

The smart specialisation strategy for the Imereti region, which was prepared with support from the European Commission Joint Research Centre, was adopted in April 2024. After completing the High Mountain Settlements Development Strategy 2019-2023, efforts are now focused on the development of the 2024-2030 strategy along with the 2024-2026 action plan, which was approved by the Government in June 2024. The strategy focuses on creating attractive conditions for living and working for youth and working-age populations.

Since the beginning of the implementation of the Decentralisation Strategy (from 2020 to 2023), more than 6 000 real estate units have been transferred to municipalities. At the end of 2023, mid-term development strategies along with action plans and budget costs have been approved in 33 municipalities, following due

public discussions and people's involvement, as outlined in the 'Municipality Development Planning Guide'.

In parallel, Georgia actively participates and is also gaining administrative capacity through the 2021-2027 Interreg Black Sea programme.

Monitoring data are collected according to the methodology approved by the government commission of regional development, first set up under the Integrated Territorial Development 2020-2022 programme. The subsequent 2024-2026 programme will gather data based on the monitoring system. The annual monitoring reports, present financial and physical progress and the achievement of outputs. The annual budget allocations, as well as actual expenditures are included in the monitoring data that is collected.

In December 2023, the first consolidated Annual Monitoring Report was prepared and published by the Ministry of Regional Development and Infrastructure, in accordance with the existing Manual for Monitoring the Implementation of the Harmonisation Plan for introducing NUTS (Nomenclature of Territorial Units for Statistics).

Evaluations of the programmes are practised on an ad hoc basis and mostly conducted by external experts, with the support of international partners.

On **financial management, control and audit**, the financial framework does not allow budget flexibility in terms of carryover to the next year's budget. The financial management and control system for EU funds (Mayors for Economic Growth and EU for Integrated Territorial Development) in place is entrusted to Georgian authorities. The Internal Financial Control system (as described in Chapter 32) remains weak.

There is no social fund that would be equivalent or similar to the European Social Fund.

Internal audits are carried out in (i) line ministries and Autonomous Republics; (ii) legal entities of public law and state-owned enterprises; and (iii) local administrations. External audits are performed by the State Audit Office (SAO). The SAO has a commitment to audit municipalities every 3 years.

Chapter 33 - Financial and budgetary provisions

This chapter covers the rules governing the funding of the EU budget ('own resources'). These resources mainly consist of: (i) contributions based on the gross national income of each Member State; (ii) customs duties; (iii) the non-recycled plastic resource and (iv) a resource based on value-added tax. EU Member States must have the appropriate administrative capacity to adequately coordinate and ensure the correct calculation, collection, payment and control of own resources.

As regards **traditional own resources**, Georgia has structures in place to levy customs duties at the point of import. It operates a national VAT system. VAT legislation is partially aligned with the EU *acquis*. Some provisions still need to be standardised. Georgia needs to further align its 2019 Law on customs with the Union Customs Code.

The mid-term revenue strategy 2021-2024 sets out three strategic priorities: improved tax and customs legislation; institutional development; and international cooperation.

Georgia will need to continue to work on setting up the relevant institutions involved in the own resources system, an own resource coordination body and implementing rules.

As regards **administrative infrastructure**, the Ministry of Finance has the overall responsibility for financial and budgetary issues. The Revenue Service, in charge of tax and customs issues, is a legal entity of public law under the Ministry of Finance. The Revenue Service needs to strengthen its operational

capacity and computerise its key business processes.

National accounts and gross national income are computed but they are based on the definitions and accounting rules of the 2008 United Nations System of National Accounts and not on the 2010 European System of Accounts standards. There has been no work to switch to the European system or to collect national data.

CLUSTER 6: EXTERNAL RELATIONS

There are two chapters in this cluster: external relations (Chapter 30); foreign, security & defence policy (Chapter 31).

Chapter 30 - External relations

The EU has a common commercial policy towards third countries, based on multilateral and bilateral agreements and autonomous measures. There are also EU rules in the field of humanitarian aid and development policy.

The legal framework is in place and is partially in line with the *acquis*. The institutional framework is functioning.

On the **common commercial policy**, Georgia has shown good administrative capacity in managing its commitments in external commercial relations, as a WTO member. The country joined the Ministerial Declaration on the Investment Facilitation for Development. Georgia continues to observe fisheries subsidies and positively considers joining the WTO Agreement on Fisheries Subsidies Agreement.

The country should focus on removing regulatory constraints to improve the investment climate including the wider legal framework, investment promotion strategy and institutions, policies to promote responsible business conduct, and impediments to growth of priority sectors. This will help Georgia attract FDI that can have a positive impact on productivity and inclusive, sustainable growth.

On **dual-use items**, export controls on dual-use goods continued to be applied in accordance with the 2013 Law on the control of military and dual-use goods that was amended in 2019. Overall, there is a satisfactory level of checks and monitoring of the dual-use and 38 battlefield products, put in place by the Georgian authorities to avoid being used to circumvent sanctions against Russia. Georgia should develop its legislation covering export controls on goods that could be used for capital punishment, torture or other cruel, inhuman or degrading treatment in line with the EU *acquis*. Georgia is a member of the Alliance for Torture-Free Trade but is not a member of the Kimberley Process, thus does not control trade in rough diamonds. Georgia is not a member of multilateral export control regimes such as the Wassenaar arrangement, the Nuclear Suppliers Group, and the Missile Technology Control Regime.

In terms of administrative capacity, Georgia has continued to manage well its commitments in external commercial relations in implementing the Deep and Comprehensive Free Trade Agreement Area.

As regards **bilateral agreements with third countries**, Georgia is a party to 16 free trade agreements (FTAs), including with the European Free Trade Association (EFTA), , Türkiye, and the United Kingdom. Preferential agreements are in place with some countries with whom the EU does not have preferential agreements: Armenia, Azerbaijan, China the Russian Federation, Turkmenistan and Uzbekistan. Georgia signed a free trade agreement with the United Arab Emirates in October 2023 which is currently subject to ratification by both sides. The FTA covers trade in goods as well as trade in services, sanitary and phytosanitary measures, protection of intellectual property, trade remedies, customs and trade facilitation

and others. The negotiations on an Economic Partnership Agreement between Georgia and the Republic of Korea were launched in February 2024.

Georgia has 34 bilateral investment treaties in force with other countries, including with 16 Member States, the United Kingdom and Belarus. Georgia is in the process of negotiations with Canada and the Republic of Korea on the Foreign Investment Promotion and Protection Agreements.

As regards **development policy and humanitarian aid**, Georgia is a recipient of aid programmes rather than a humanitarian aid donor. Only limited support to other countries was provided. A legislative framework on humanitarian aid and the allocation of dedicated funds remain to be set up. Dedicated administrative structures are not in place. Georgia has not developed legislation on development policy nor an administrative structure for it.

Chapter 31 - Foreign, security and defence policy

Member States must be able to conduct political dialogue under the EU foreign, security and defence policy, align with EU statements, take part in EU action, and apply agreed sanctions and restrictive measures.

The **political dialogue** between the EU and Georgia on common foreign and security policy (CFSP) continued. The EU and Georgia engaged in a policy dialogue on CFSP under the EU-Georgia Association Council in February 2024 and during the annual Strategic Security Dialogue in January 2024.

Georgia's alignment with CFSP (statements by the High Representative on behalf of the EU and Council decisions on sanctions) in 2023 was 50% (compared to 44% in 2022). As of 30 September, Georgia's alignment rate stood at 49%. Cases of non-alignment included statements and sanctions related to Russia's war of aggression against Ukraine, as well as those targeting for example Hong Kong, Syria, terrorism or LGBTIQ rights.

Despite the lack of full alignment, Georgia has cooperated in ensuring that the territory of Georgia and/or legal entities registered in Georgia were not used to circumvent these sanctions. However, the number of direct flights to various destinations in Russia have significantly increased during the reporting period.

Georgia continued to align itself with international and EU initiatives in support of Ukraine, including on resolutions adopted by the General Assembly of the United Nations, the Human Rights Council, the Council of Europe. The Georgian President participated in the Summit on Peace in Ukraine hosted by Switzerland. Georgia concluded a Strategic Partnership with China in July 2023. Political cooperation is part of the partnership.

Georgia cooperates constructively with the EU in international fora and is a member of various **international organisations**, including the United Nations, the Council of Europe, the Organisation for Security and Cooperation in Europe and the Organisation of the Black Sea Economic Cooperation. Georgia is a member of the Human Rights Council until 2025. Georgia aspires to North Atlantic Treaty Organisation membership and has been contributing to NATO-led operations.

Georgia is actively engaged in supporting **disarmament and non-proliferation** at international, regional and bilateral levels. Georgia is fulfilling all its commitments to the International Atomic Energy Agency, the Organisation for the Prohibition of Chemical Weapons and the Biological Weapons Convention. As regards **small arms and light weapons (SALW)** control, Georgia committed itself to the UN Programme of Action on SALW, which contains a wide array of measures to combat the illicit proliferation of SALW.

On **security measures**, the agreement on security procedures for the exchange and protection of classified information signed in 2016 is being revised. To this end, a security assessment visit was conducted by the EU on 6-7 March 2023.

As regards the common security and defence policy, Georgia ended its contribution to the EU Training Mission in the Central African Republic in June 2023 and has not offered contributions to any other **EU crisis management missions and operations**. Security and defence cooperation continued but was also affected by the political developments in the country. The adoption of the 2024 European Peace Facility assistance measure has been suspended as a result of the democratic backsliding observed in the country in 2024.

On **hybrid threats**, the cooperation with the EU in this area is currently limited, as well as dialogue and cooperation on countering foreign information manipulation and interference (FIMI). There is little evidence of political will to take measures to limit the spread of manipulative narratives, including targeting the EU and EU integration.

ANNEX I – RELATIONS BETWEEN THE EU AND GEORGIA

Georgia applied for EU membership on 3 March 2022. The **European Council** recognised the **European perspective** for Georgia in June 2022 and stated that it was ready to grant the status of candidate country to Georgia once the priorities specified in the Commission's opinion on Georgia's membership application have been addressed. Georgia was granted candidate status in December 2023, on the understanding that Georgia takes the relevant steps set out in the Commission recommendation of 8 November 2023. On 27 June 2024 the **European Council** concluded that the Georgian government's course of action jeopardised Georgia's EU path, de facto leading to a halt of the accession process.

The EU and Georgia signed an **Association Agreement (AA)** in June 2014, which entered into force in July 2016. The Deep and Comprehensive Free Trade Area (DCFTA) is an integral part of the Agreement. The Agreement provides the foundations for political association and economic integration. Overall, Georgia has continued to broadly implement its obligations under the Association Agreement. Regular political and economic dialogue between the EU and Georgia has continued through the AA/DCFTA structures. The Association Council met in February 2024, the Association Committee in Trade Configuration in December 2023, and the Association Committee in July 2023. Regular subcommittee meetings were held throughout the reporting period. The Parliamentary Association Committee met in June 2023.

In addition to the AA/DCFTA structures, a Human Rights Dialogue with Georgia has been in place since 2009 and convenes annually. The High-Level Strategic and Security Dialogue, taking forward cooperation on foreign and security policy, was held in January 2024.

The Georgian government does not exercise effective control over the occupied breakaway regions of Abkhazia and South Ossetia. The EU supports Georgia's sovereignty and territorial integrity within its internationally recognised borders and has been engaged since 2008 in peaceful conflict resolution efforts, including through the **EU Monitoring Mission** and the work of the **EU Special Representative** for the South Caucasus and the crisis in Georgia. The EU Monitoring Mission is the only international presence on the ground, counting more than 300 personnel.

Citizens of Georgia have enjoyed **visa-free travel** to the Schengen since March 2017. As part of the visa liberalisation monitoring mechanism, the Commission has been regularly assessing the progress made by the country in implementing reforms introduced under the visa roadmap. The Commission's sixth Report under the Visa Suspension Mechanism, published in October 2023, concluded that Georgia continues to fulfil the visa liberalisation benchmarks and has taken action to address the Commission's previous recommendations, however, further efforts are needed. A readmission agreement between the European Union and Georgia has been in place since 2011.

On **bilateral financial assistance**, the indicative bilateral allocation for Georgia for 2021-2024 amounts to EUR 340 million under the Neighbourhood, Development and International Cooperation instrument – Global Europe 2021-2027 (**NDICI-GE**). Assistance is currently being reviewed following the latest political developments. The bilateral annual programmes are complemented by a package of multi-country and regional programmes (that support, among other things, the environmental sector, dealing with migration, education and culture), as well as TAIEX and competitiveness programmes, together with support from international financial institutions (IFIs) and international organisations. Georgia also participates actively in the Interreg NEXT 2021-2027 Black Sea programme. To improve public procurement and the prevention of irregularities and fraud, Georgia is participating as an observer in two pilot projects under the Technical Support Instrument.

Since its launch in 2009, Georgia has participated in the Eastern Partnership (EaP). This overarching framework has further boosted bilateral and regional relations with the EU. Under the Eastern Partnership **Economic and Investment Plan (EIP)**, in cooperation with European financial institutions, the EU aims to mobilise for Georgia around EUR 3.9 billion in public and private investments. The EIP accompanies the Recovery, Resilience and Reform: post-2020 Eastern Partnership priorities as agreed during the Eastern Partnership Summit in 2021. The core of these investments is the six flagships identified with the Georgian government, including Black Sea connectivity (electricity and digital cables), transport, SME development, digital connectivity, air quality and energy efficiency. Implementation of initiatives under the flagships is generally progressing well. So far, EUR 1.9 billion has been leveraged in key sectors of the EIP.

The EU's support through the European Peace Facility (EPF) in 2021-2023 totalled EUR 62.75 million (only for non-lethal equipment). The adoption of the 2024 European Peace Facility assistance measure has been suspended as a result of the deteriorating situation observed in the country in 2024.

The new activities are built on and add to the completed and ongoing programmes under the **2014-2020 European Neighbourhood Instrument**, which provide significant support through the EU Technical Cooperation Facility, budget support, the Civil Society Facility and projects aiming to improve the country's socio-economic development, as well as strengthen the reform of the Rule of Law sector, and improve fundamental rights, public administration reform, and other critical sectors.

Since 2014, Georgia has progressively extended its **participation in EU programmes**. It currently takes part in Horizon Europe, Creative Europe, EU4Youth, the Customs Programme Fiscalis and the transnational cooperation Interreg programme Black Sea Basin. Organisations and individuals from Georgia can also benefit from certain actions of the Erasmus+ and European Solidarity Corps Programme.

ANNEX 2 – STATISTICAL DATA

STATISTICAL DATA (as of 5/09/2024)

Georgia

Basic data	Note	2011	2018	2019	2020	2021	2022
Population (thousand)		4 469 i	3 730 i	3 723 i	3 717 i	3 729 i	3 689 i
Total area of the country (km²)		69 700 w	69 700 w	69 700 w	69 700 w	69 700 w	69 700 w

National accounts	Note	2011	2018	2019	2020	2021	2022
Gross domestic product (GDP) (million national currency)	1)	26 099 w	45 374 w	49 726 w	49 789 w	60 724 w	72 860 w
Gross domestic product (GDP) (million euro)	1)	11 119 w	15 169 w	15 760 w	14 017 w	15 921 w	23 662 w
GDP (euro per capita)	1)	2 960 w	4 070 w	4 236 w	3 765 w	4 293 w	6 374 w
GDP per capita (in purchasing power standards (PPS))		:	:	:	:	:	:
GDP per capita (in PPS), relative to the EU average (EU-27 = 100)		:	:	:	:	:	:
Real GDP growth rate: change on previous year of GDP volume (%)	1)	7.9 w	6.1 w	5.4 w	- 6.3 w	10.6 w	11.0 w
Employment growth (national accounts data), relative to the previous year (%)		1 biw	1 iw	0 iw	- 4 iw	- 2 iw	5 iw
Labour productivity growth: growth in GDP (in volume) per person employed, relative to the previous year (%)	1)	7 w	5 w	5 w	- 2 w	13 w	5 w
Unit labour cost growth, relative to the previous year (%)	1)	5 w	- 1 w	5 w	0 w	- 3 w	2 w
**3 year change (T/T-3) in the nominal unit labour cost growth index (2015 = 100)		:	128.3 iw	123.2 iw	118.7 iw	116.5 iw	121.1 iw
Labour productivity per person employed: GDP (in PPS) per person employed relative to EU average (EU-27 = 100)		:	:	:	:	:	:
Gross value added by main sectors							
Agriculture, forestry and fisheries (%)	1) 2)	11.0 w	8.7 w	8.4 w	9.5 w	8.3 w	7.6 w
Industry (%)	1) 2)	14.5 w	14.7 w	14.3 w	15.4 w	16.9 w	16.5 w
Construction (%)	1) 2)	5.4 w	9.4 w	8.5 w	8.7 w	7.3 w	8.0 w
Services (%)	1) 2)	69.1 w	67.2 w	68.7 w	66.3 w	67.5 w	67.9 w
Final consumption expenditure, as a share of GDP (%)	1)	94.6 w	82.5 w	82.0 w	94.5 w	95.6 w	85.7 w
Gross fixed capital formation, as a share of GDP (%)	1)	19.8 w	24.8 w	24.0 w	22.2 w	20.8 w	19.8 w
Exports of goods and services, relative to GDP (%)	1)	33.9 w	49.7 w	54.3 w	36.9 w	42.7 w	52.5 w
Imports of goods and services, relative to GDP (%)	1)	51.6 w	60.2 w	63.5 w	56.0 w	58.9 w	62.2 w
Gross fixed capital formation by the general government sector, as a percentage of GDP (%)	1)	7 w	6 w	7 w	7 w	6 w	6 w

Business	Note	2011	2018	2019	2020	2021	2022
Industrial production volume index (2015 = 100)		93.6 w	116.0 w	116.5 w	109.7 w	124.3 w	144.6 w
Number of active enterprises (number)	3)	57 546 w	127 153 w	128 623 w	129 659 w	139 741 w	149 110 w
Birth rate: number of enterprise births in the reference period (t) divided by the number of enterprises active in t (%)	4)	:	18.5 w	23.0 w	17.5 w	21.2 w	29.5 w

Death rate: number of enterprise deaths in the reference period (t) divided by the number of enterprises active in t (%)	4)	:	19.2 w	19.7 w	17.4 w	17.5 w	17.9 w
People employed in SMEs as a share of all persons employed (within the non-financial business economy) (%)	5)	70.1 iw	67.7 iw	66.1 iw	63.7 iw	63.4 iw	61.9 iw
Value added by SMEs (in the non-financial business economy) (EUR million)	5)	2 382 iw	4 553 iw	4 856 iw	4 205 iw	4 647 iw	7 199 iw
Total value added (in the non-financial business economy) (EUR million)	5)	3 942 w	6 929 w	7 383 w	6 268 w	7 300 w	11 741 w

Inflation rate	Note	2011	2018	2019	2020	2021	2022
Consumer price index (CPI), change relative to the previous year (%)		8.5 w	2.6 w	4.9 w	5.2 w	9.6 w	11.8 w

Balance of payments	Note	2011	2018	2019	2020	2021	2022
Balance of payments: current account total (million euro)		- 1 324.3 w	- 1 004.9 w	- 925.5 w	- 1 731.3 w	- 1 645.4 w	- 1 027.4 w
Balance of payments current account: trade balance (million euro)		- 2 518.5 w	- 3 489.5 w	- 3 390.4 w	- 2 771.0 w	- 3 211.4 w	- 4 873.7 w
Balance of payments current account: net services (million euro)		540.9 w	1 905.4 w	1 945.4 w	120.4 w	615.9 w	2 593.5 w
Balance of payments current account: net balance for primary income (million euro)		- 303.0 w	- 576.0 w	- 709.1 w	- 655.7 w	- 1 001.9 w	- 1 671.1 w
Balance of payments current account: net balance for secondary income (million euro)		956.3 w	1 155.2 w	1 228.5 w	1 575.0 w	1 952.0 w	2 924.0 w
Net balance for primary and secondary income: of which government transfers (million euro)		518.8 w	452.1 w	404.7 w	715.7 w	816.7 w	1 130.4 w
**3 year backward moving average of the current account balance relative to GDP (%)		- 10.9 iw	- 9.1 iw	- 6.9 iw	- 8.4 iw	- 9.6 iw	- 9.2 iw
**Five year change in share of world exports of goods and services (%)		:	:	:	:	:	:
Net balance (inward - outward) of foreign direct investment (FDI) (million euro)		707.9 w	853.7 w	958.3 w	503.5 w	792.7 w	1 684.5 w
Foreign direct investment (FDI) abroad (million euro)		107.1 w	286.5 w	252.3 w	30.1 w	271.7 w	312.4 w
of which FDI of the reporting economy in the EU-27 countries (million euro)		59.4 w	124.3 w	90.3 w	120.8 w	110.1 w	179.0 w
Foreign direct investment (FDI) in the reporting economy (million euro)		815.0 w	1 140.2 w	1 210.7 w	533.6 w	1 064.4 w	1 996.9 w
of which FDI of the EU-27 countries in the reporting economy (million euro)		313.7 w	352.8 w	387.2 w	298.7 w	298.9 w	915.5 w
**Net international investment position, relative to GDP (%)		- 90.1 w	- 129.6 w	- 136.8 w	- 157.3 w	- 141.4 w	- 113.2 w
Year on year rate of change in gross inflow of remittances (in national currency) from migrant workers (%)	1)	4.1 iw	4.9 iw	5.3 iw	7.4 iw	8.6 iw	9.4 iw

Public finance	Note	2011	2018	2019	2020	2021	2022
General government deficit / surplus, relative to GDP (%)	1)	- 0.8 w	- 0.7 w	- 2.7 w	- 9.2 w	- 6.2 pw	- 2.4 pw
General government gross debt relative to GDP (%)	1)	30.3 w	39.7 w	41.4 w	59.5 w	49.0 pw	39.1 pw
Total government revenues, as a percentage of GDP (%)	1)	26.3 w	26.1 w	26.0 w	24.9 w	24.9 pw	26.6 pw
Total government expenditure, as a percentage of GDP (%)	1)	22.2 w	21.2 w	21.8 w	26.9 w	25.3 pw	23.0 pw

Financial indicators	Note	2011	2018	2019	2020	2021	2022
Gross external debt of the whole economy, relative to GDP (%)	1)	83.4 iw	104.6 iw	107.9 iw	122.5 iw	123.9 iw	94.4 iw
Gross external debt of the whole economy, relative to total exports (%)		240.5 w	206.4 w	197.4 w	326.8 w	284.3 w	173.4 w
Money supply: M1 (banknotes, coins, overnight deposits, million euro)		1 451.8 w	2 621.5 w	2 900.6 w	2 825.9 w	2 970.3 w	4 346.1 w
Total credit by monetary financial institutions to residents (consolidated) (million euro)		3 562.5 w	:	:	:	:	:
**Annual change in financial sector liabilities (%)		:	:	:	:	:	:

**Private debt, consolidated, relative to GDP (%)	1)	31 w	58 w	64 w	78 w	72 pw	62 pw
Interest rates: day-to-day money rate, per annum (%)	3)	9.39 w	8.12 w	7.05 w	8.45 w	9.50 w	10.89 w
Euro exchange rates: average of period (1 euro = ... national currency)		2.347 w	2.991 w	3.155 w	3.552 w	3.814 w	3.079 w
Trade-weighted effective exchange rate index, 42 countries (2015 = 100)		91.9 w	107.7 w	102.1 w	97.8 w	97.3 w	123.7 w
**3 year change (T/T-3) in the trade-weighted effective exchange rate index, 42 countries (2015 = 100)		0.0 iw	0.1 iw	0.0 iw	- 0.1 iw	- 0.1 iw	0.2 iw
Value of reserve assets (including gold) (million euro)		2 177.9 w	2 867.3 w	3 132.6 w	3 184.9 w	3 777.0 w	4 591.6 w

External trade in goods	Note	2011	2018	2019	2020	2021	2022
Value of imports: all goods, all partners (million euro)		5 466 iw	7 927 iw	8 502 iw	7 047 iw	8 539 iw	12 866 iw
Value of exports: all goods, all partners (million euro)		1 690 iw	2 862 iw	3 393 iw	2 925 iw	3 587 iw	5 302 iw
Trade balance: all goods, all partners (million euro)		- 3 776 iw	- 5 065 iw	- 5 110 iw	- 4 122 iw	- 4 951 iw	- 7 563 iw
Terms of trade (export price index / import price index * 100) (number)		:	:	:	:	:	:
Share of exports to EU-27 countries in value of total exports (%)		18.8 iw	21.1 iw	21.2 iw	20.9 iw	16.9 iw	15.4 iw
Share of imports from EU-27 countries in value of total imports (%)		27.8 iw	26.2 iw	24.2 iw	22.9 iw	22.9 iw	22.6 iw

Demography	Note	2011	2018	2019	2020	2021	2022
Crude rate of natural change of population (natural growth rate): number of births minus deaths (per thousand inhabitants)		1.8	1.2	0.4	- 1.1	- 3.8	:
Infant mortality rate deaths of children under one year of age (per thousand live births)		12.1	8.1	7.9	7.9	:	7.6
Life expectancy at birth: male (years)		70.1	69.7	69.8	:	:	69.4
Life expectancy at birth: female (years)		78.6	78.2	78.4	:	:	78.1

Labour market	Note	2011	2018	2019	2020	2021	2022
Economic activity rate for persons aged 20–64: proportion of the population aged 20–64 that is economically active (%)		77.3 w	75.2 w	74.5 w	63.2 bw	64.5 w	65.9 w
*Employment rate for persons aged 20–64: proportion of the population aged 20–64 that are in employment (%)		62.8 w	64.9 w	65.1 w	51.1 bw	50.6 w	54.0 w
Male employment rate for persons aged 20–64 (%)		70.3 w	72.2 w	72.3 w	58.7 bw	58.1 w	62.2 w
Female employment rate for persons aged 20–64 (%)		56.1 w	58.2 w	58.3 w	43.9 bw	43.5 w	46.4 w
Employment rate for persons aged 55–64: proportion of the population aged 55–64 that are in employment (%)		66.8 w	67.2 w	65.8 w	47.0 bw	47.3 w	50.6 w
Employment by main sectors							
Agriculture, forestry and fisheries (%)	6)	48.5 w	38.9 w	38.2 w	19.8 bw	18.9 w	17.9 w
Industry (%)	6)	7.4 w	8.3 w	7.8 w	11.4 bw	11.3 w	11.9 w
Construction (%)	6)	:	:	:	6.9 bw	7.8 w	8.5 w
Services (%)	7) 10)	44.1 w	52.8 w	54.0 w	61.9 bw	62.1 w	61.8 w
People employed in the public sector as a share of total employment, persons aged 20–64 (%)		18.6 w	18.6 w	18.3 w	23.5 bw	24.3 w	23.4 w

People employed in the private sector as a share of total employment, persons aged 20–64 (%)		81.4 w	81.4 w	81.7 w	76.5 bw	75.7 w	76.6 w
Unemployment rate: proportion of the labour force that is unemployed (%)	8)	17.3 w	12.7 w	11.6 w	18.5 bw	20.6 w	17.3 w
Male unemployment rate (%)	8)	19.1 w	13.9 w	12.8 w	20.2 bw	22.7 w	19.3 w
Female unemployment rate (%)	8)	15.3 w	11.2 w	10.1 w	16.2 bw	17.8 w	14.6 w
Youth unemployment rate: proportion of the labour force aged 15–24 that is unemployed (%)		39.8 w	29.9 w	30.4 w	39.4 bw	42.9 w	39.4 w
Long-term unemployment rate: proportion of the labour force that has been unemployed for 12 months or more (%)	8)	7.1 w	5.1 w	4.3 w	5.8 bw	7.2 w	6.6 w
Unemployment rate for persons (aged 25–64) having completed at most lower secondary education (ISCED levels 0-2) (%)	9)	9.3 w	10.5 w	10.8 w	25.0 bw	32.1 w	24.8 w
Unemployment rate for persons (aged 25–64) having completed tertiary education (ISCED levels 5-8) (%)		20.9 w	12.6 w	11.3 w	14.5 bw	15.3 w	13.0 w

Social cohesion	Note	2011	2018	2019	2020	2021	2022
Average nominal monthly wages and salaries (national currency)		636 w	1 068 w	1 129 w	1 191 w	1 305 w	1 543 w
Index of real wages and salaries (index of nominal wages and salaries divided by the inflation index) (2016 = 100)		:	104 w	105 w	106 w	106 w	112 w
GINI coefficient		46 w	40 w	39 w	37 w	36 w	36 w
Poverty gap	10)	7.5 w	5.9 w	5.7 w	5.5 w	5.5 w	5.8 w
*Early leavers from education and training: proportion of the population aged 18–24 with at most lower secondary education who are not in further education or training (%)		:	9.6 w	9.3 w	8.2 w	7.3 w	6.0 w

Standard of living	Note	2011	2018	2019	2020	2021	2022
Number of passenger cars relative to population size (number per thousand population)		138.9 iw	292.0	320.0	319.0	343.0	357.0
Number of mobile phone subscriptions relative to population size (number per thousand population)		1 048.6 w	1 392.9 w	1 314.1 w	1 273.7 w	1 343.6 w	1 388.5 w
Mobile broadband penetration (per 100 inhabitants)		:	:	:	:	:	:
Fixed broadband penetration (per 100 inhabitants)		:	:	:	:	:	:

Infrastructure	Note	2011	2018	2019	2020	2021	2022
Density of railway network (lines in operation per thousand km ²)		21.3 iw	22.6 iw	22.6 iw	22.6 iw	22.2 iw	:
Length of motorways (kilometres)		81 w	220	234	234	263	263 w

Education, innovation and research	Note	2011	2018	2019	2020	2021	2022
Public expenditure on education relative to GDP (%)	1)	2.6 iw	3.5 iw	3.9 iw	3.8 iw	3.6 iw	3.3 iw
*Gross domestic expenditure on R&D relative to GDP (%)	1)	0.30 iw	:	:	:	:	:
Government budget appropriations or outlays on R&D (GBAORD), as a percentage of GDP (%)	1)	0.16 w	0.22 w	0.23 w	0.23 w	0.20 pw	0.15 pw
Percentage of households who have internet access at home (%)	11)	26.3 w	75.8 w	79.3 w	83.8 w	86.1 w	88.4 w

Environment	Note	2011	2018	2019	2020	2021	2022
--------------------	------	------	------	------	------	------	------

*Index of greenhouse gas emissions, CO ₂ equivalent (1990 = 100)		41.3 w	:	:	:	:	:
Energy intensity of the economy (kg of oil equivalent per 1 000 euro GDP at 2015 constant prices)		:	344.0 w	359.5 w	424.2 w	451.5 w	348.8 w
Electricity generated from renewable sources relative to gross electricity consumption (%)		81.8 w	76.8 w	68.1 w	66.1 w	67.1	47.8
Road share of inland freight transport (based on tonne-km) (%)	12)	9.4 ew	21.0 ew	19.3 ew	19.6 ew	17.8 ew	14.8 ew

Energy	Note	2011	2018	2019	2020	2021	2022
Primary production of all energy products (thousand TOE)		1226 w	1 251	1 092	1 043	1 248	1 272
Primary production of crude oil (thousand TOE)		:	31	36	32	36	37
Primary production of solid fuels (thousand TOE)		:	56	6	40	60	59
Primary production of gas (thousand TOE)		:	9	8	8	14	13
Net imports of all energy products (thousand TOE)		:	3 752 i	4 118 i	3 984 i	4 133 i	4 561 i
Gross inland energy consumption (thousand TOE)		:	4 957	5 205	4 998	5 385	5 867
Gross electricity generation (GWh)		10 105 w	12 149	11 857	11 160	12 645	14 247

Agriculture	Note	2011	2018	2019	2020	2021	2022
Agricultural production volume index of goods and services (at producer prices) (2015 = 100)		:	:	:	:	:	:
Utilised agricultural area (thousand hectares)		:	:	:	:	:	:
Livestock numbers: live bovine animals (thousand heads, end of period)		1 087.6 w	878.9 w	869.5 w	925.8 w	928.6 w	853.7 w
Livestock numbers: live swine (thousand heads, end of period)		105.1 w	163.2 w	155.5 w	165.7 w	152.9 w	150.2 w
Livestock numbers: live sheep and live goats (thousand heads, end of period)		630.4 iw	869.4 iw	891.6 iw	946.5 iw	956.8 iw	914.0 iw
Raw milk available on farms (thousand tonnes)		582.1 w	555.3 w	561.8 w	569.0 w	587.9 w	564.8 w
Harvested crop production: cereals (including rice) (thousand tonnes)	13)	397.4 iw	363.7 iw	364.2 iw	405.1 iw	430.2 iw	370.5 iw
Harvested crop production: sugar beet (thousand tonnes)		:	:	:	:	:	:
Harvested crop production: vegetables (thousand tonnes)	14)	228.6 w	212.4 w	241.0 w	259.7 w	226.9 w	201.1 w

Source: Eurostat and/or the statistical authorities in Georgia

: = not available

b = break in series

e = estimated value

n = not significant value

p = provisional

i = Eurostat estimate

w= data supplied by and under the responsibility of the national statistical authority and published on an "as is" basis and without any assurance as regards their quality and adherence to EU statistical methodology

* = Europe 2020 indicator

** = Macroeconomic Imbalance Procedure (MIP) indicator

Data shown for Georgia exclude the regions of Abkhazia and South Ossetia over which the government of Georgia does not exercise control.

Footnotes:

- 1) Based on 2008 SNA.
- 2) Calculations are made according to NACE Rev. 2.
- 3) TIBR 1 Day.
- 4) Includes: limited liability companies, joint stock companies, joint liability companies, cooperatives, limited partnerships, individual enterprises, foreign enterprise branches.
Excludes: NACE Rev. 2 Sections K, O, T and U.
- 5) The value given is the size of the survey frame for business statistics. This excludes NACE Rev. 2 Sections K, O, T and U and Group 47.8.
- 6) Since 2020 - NACE Rev.2, before 2020 - NACE Rev.1.1.
- 7) Including construction.
- 8) Persons aged 15 years and older.
- 9) Persons without education are excluded.
- 10) Consumption based relative poverty.
- 11) Percentage of households having fixed internet connections at home (therefore excluding mobile phone network).
- 12) Does not follow the 'territorial principle'; including the performance of all resident carriers on the national territory and abroad.
- 13) Georgia does not produce rice.
- 14) Including kitchen gardens.