



TRADE INSIGHT

1st September, 2014: the EU-Georgia Association Agreement and DCFTA are partially applied

In accordance with Article 429 of the Agreement, parts of the Association Agreement are already applied including the Deep and Comprehensive Free Trade Area (DCFTA). Georgia ratified the Agreement on 18 July 2014. The EU Member States continue their ratification procedures and the European Parliament intends to give its consent in November 2014. While this process is ongoing, the EU and Georgia are applying the most essential parts of the Agreement:

- **The trade part** – Enables the businessmen and consumers to benefit from lower trade costs and reduce prices of goods, as well as open services and investment opportunities. Through:
 - o Dismantling import duties on substantially all trade.
 - o The progressive adaptation of Georgia's technical



Trade Insight

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The trade part of the agreement enables business and consumers to benefit from lower trade costs and less prices of goods.

- regulations and standards to those of the EU
- o The setting up of a rapid consultation mechanism to solve SPS-related trade issues.
- o The adoption of a Protocol on mutual administrative assistance in customs matters.
- o High levels of protection for all EU agricultural Geographical Indications (GIs), not only those relating to wines and spirits.
- o The integration of the public procurement markets.
- o Ensuring the implementation of

- comprehensive competition laws.
- o Provisions on transparency and dialogue with the civil society and stakeholders.

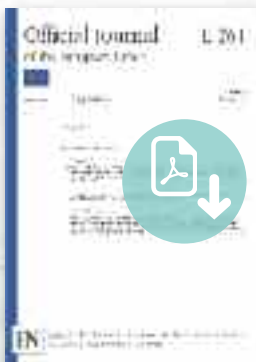
- **The institutional part** – Allows the sides to meet and discuss the implementation; including an updated institutional framework encompassing cooperation and dialogue fora. Specific decision-making roles are foreseen for an Association Council, and by delegation, for an Association Committee.

The part on common values and general principles – Allows the EU and Georgia to discuss democratic development, rule of law and human rights, among other issues.

The provisions on political dialogue – To discuss Georgia's security, regional security and conflict prevention, among other issues.

The provisions on justice – focusing on the ongoing justice reform in Georgia.

The part on economic cooperation and development assistance – Enables the provision of further assistance to Georgia in its reform process, and allow a dialogue in several areas of economic cooperation and reform.



The official version of the Agreement is published in the EU Official Journal, OJ L 261, available in English language at this link:
<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2014:261:FULL&from=EN>

DCFTA HIGHLIGHTS

THE GOVERNMENT OF GEORGIA PRESENTED THE MULTI-ANNUAL DCFTA ACTION PLAN

On 29 July 2014 the Georgian Government approved the multi-annual Action Plan for the implementation of the DCFTA over the period 2014-2017. The Action Plan is aligned with the Association Agenda, which defines the priorities for cooperation between

Plan for Georgia is to continue domestic reforms in trade-related areas and to strengthen the capacities of priority trade institutions. It also defines a time-frame for implementation for the last quarter of 2014, as well as the source of financing, including State EU and other donors' funds. The latter will be identified during the preparation of Annual action plans -for 2014 see:

The Ministry of Economy and Sustainable Development of Georgia will coordinate the DCFTA implementation process and will ensure regular cooperation with responsible line ministries, national bodies and stakeholders.

The Georgian version of the multi-annual DCFTA Action Plan is published on the website of the Ministry of Economy and Sustainable Development:

The Ministry of Economic and Sustainable Development of Georgia will coordinate the implementation of the DCFTA.

the EU and Georgia for the next three years. The focus of the Action



http://www.eu-nato.gov.ge/sites/default/files/AA%20Action%20Plan-2014-Final-ENG_0.pdf



http://www.economy.ge/uploads/dcfta/DCFTA_action_plan_GEO.pdf

International Conference "Focusing on Geographical Indications: Legal Insights and Branding Strategies"

On October 8 and 9, 2014, an International Conference "Focusing on Geographical Indications: Legal Insights and Branding Strategies" took place at the Sheraton hotel Metekhi Palace in Tbilisi. The event was organized by the World Intellectual Property Organization (WIPO) and the National Intellectual Property Center of Georgia, Sakpatenti.

The protection of geographical indications is one of the priority issues within the Association Agreement with the European Union. The conference aimed to contribute to the further development of the system of protection of geographical indications in Georgia, which is particularly important for successful export of

Georgian products to the European market. Branding of geographical indications is one of the effective legal tools to increase the export capacity of the country, enhance regional development and attract investment.

Representatives of the WIPO, United States Patent and Trademark Office (USPTO), National Institute of Origin and Quality of France (INAO), Consorzio of the Grana Padano Cheese (Italy), Bureau National Interprofessionnel du Cognac (France), as well as Sakpatenti and the strategic Development Division of the Georgian National Wine Agency (Georgia) delivered presentations at the conference. The speakers discussed the protection of geographical indications of wine,

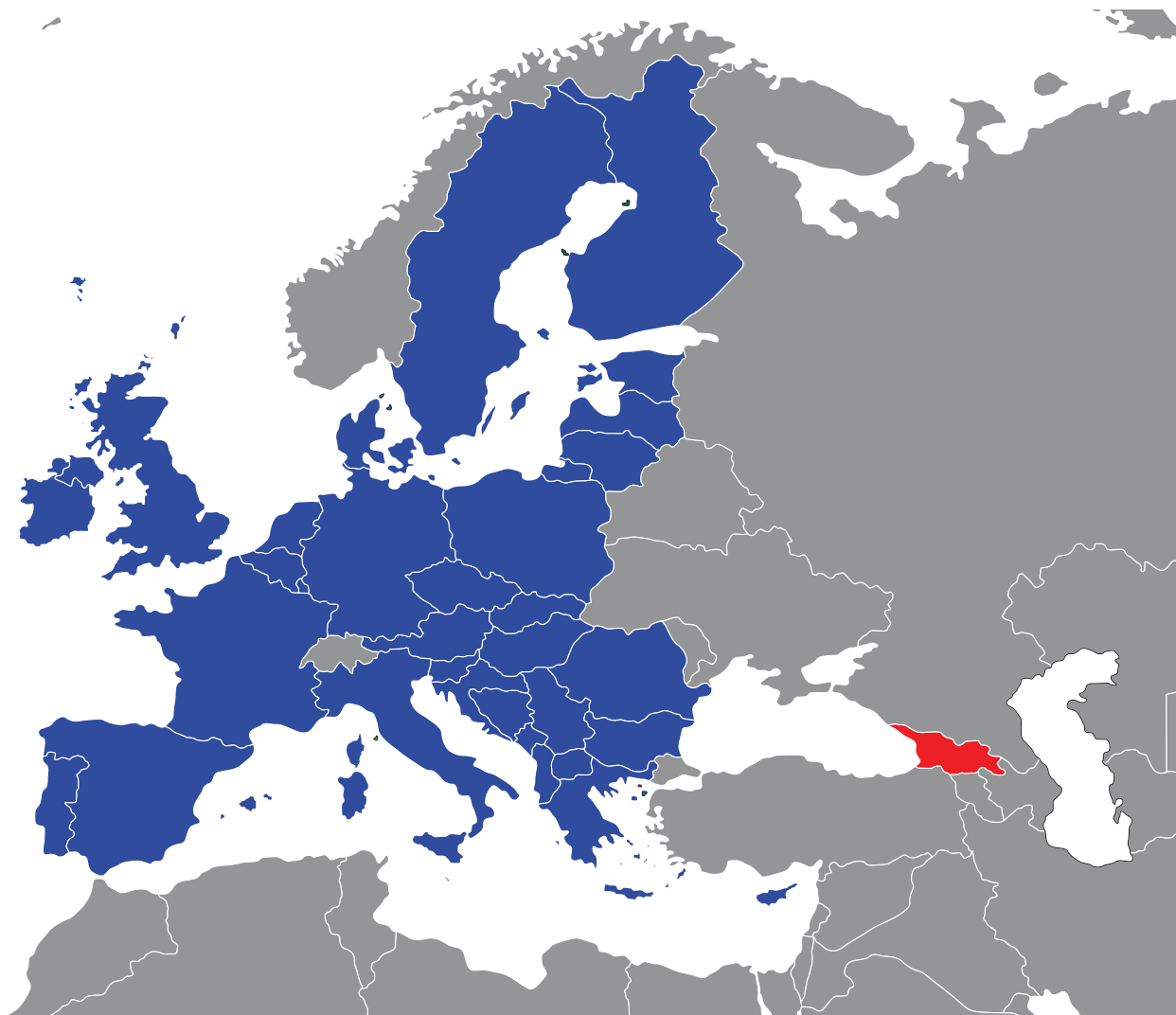
mineral water and other agricultural products. The Georgian and international specialists exchanged views over control mechanisms for protection of geographical indications, among other topics, and shared practical experiences and challenges.

The conference was attended by the representatives was also attended of patent offices of Switzerland, USA, Italy, France, Moldova, Ukraine, Azerbaijan and Kazakhstan, as well as representatives of Georgian government agencies, private companies, lawyers and patent attorneys. A representative of the EU delegation to Georgia and diplomats from the Embassies of the USA and Italy also attended the conference.

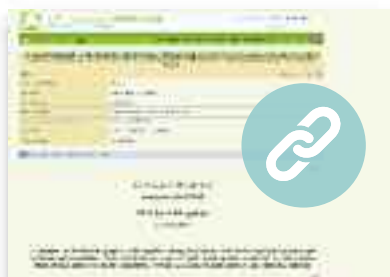


DCFTA HIGHLIGHTS

Georgia's Revenue Service in charge of certificates of origin



As from 1 September, 2014, the issuance of certificates of origin for export to the EU is solely the responsibility of the Revenue Service of Georgia. The Georgian Government amended the Ordinance N 420 of 29 December 2010 through the Ordinance N 510 of 26 August 2014: (https://matsne.gov.ge/index.php?option=com_ldmssearch&view=docView&id=2475520&Itemid=&lang=en).



The consolidation of this responsibility follows from the Georgian commitments in the

DCFTA with the EU.

The previously responsible institutions or agencies (Ministry of Economy and Sustainable Development, The Chamber of Commerce and Industry of Georgia, Wine National Agency) are no longer authorised to issue them. This power has been delegated solely to the Customs administration (Revenue Service).

AGRICULTURE AND FOOD SAFETY

Agriculture and Rural Development – EU increases ENPARD funds for Georgia



- € 6.5 million will be funded to the Government of Georgia as budget support, upon fulfilment of certain new conditions, including (1) the adoption by the Government of a financing scheme to support agriculture cooperatives; (2) the implementation of training programmes for the cooperatives' managers and (3) the training to the farmers on different agriculture-related topics by the Information and Consultation Centres of that the Ministry of Agriculture has established in all the districts of the country. These new funds will increase the budget support component of the ENPARD from the original € 18 million to € 24.5 million.
- € 2.5 million in support to the

In August 2014 the European Union and the Government of Georgia signed an Addendum to the European Neighbourhood Programme for Agriculture and Rural Development (ENPARD Georgia). By virtue of this Addendum, the EU will increase its financing of the ENPARD in € 12 million, from the current € 40 million to € 52 million.

ENPARD, which started in March 2013, aims at increasing food production in Georgia and to reduce rural poverty, via supporting the implementation of the national sector's strategy and strengthening small farmers' organizations. ENPARD is structured in various components, which include provision of advisory services to smaller farmers, support to the establishment of cooperatives and capacity

building to the Ministry of Agriculture and other key institutions working in the sector. Besides providing direct support to the Government of Georgia, ENPARD includes also a grants component, implemented via 15 national and international NGOs, aiming to support farmers to establish cooperatives.

This additional funding to ENPARD is granted through the 'more for more' mechanism of the new European Neighbourhood Instrument: the multi-country umbrella programme. This mechanism rewards progress in democratic reforms with supplementary financial allocations.

The € 12 million EU contribution added to the ENPARD programme will be distributed as follows:

ENPARD, which started in March 2013, aims at increasing food production in Georgia and to reduce rural poverty, by strengthening farmers' organisations.

Agriculture Cooperatives Development Agency (ACDA). ACDA, which was established at the end of 2013, is the Legal Entity of Public Law under the Ministry of Agriculture responsible for the State measures in support to agriculture cooperatives development. ENPARD will provide →

AGRICULTURE AND FOOD SAFETY

capacity building and support to ACDA in an ample range of topics, trainings, monitoring and auditing system for the coops, etc.

- € 3 million in support to pilot Rural Development projects. If poverty is to be alleviated in Georgia, sustained efforts are required not only to modernize agriculture but also to reduce dependency upon primary agriculture as a source of household income. This entails the diversification of economic activity to include eco-tourism, manufacturing and services, and the creation of a vibrant labour market in rural areas. The focus will, therefore, be stimulating a comprehensive rural development approach via grants to be awarded to NGOs in a competitive procedure.

In its 16 months since the implementation started, ENPARD has already delivered very significant results, including the establishment of the advisory services for the farmers in all districts of Georgia; the registration of more than 100 agriculture cooperatives and the increased awareness by the farmers; the creation of the policy Unit at the Ministry of Agriculture; the establishment of demonstrative plots and modern training premises for farmers in Ajara; or the large-scale awareness campaigns on the benefits of farmers cooperation conducted in 49 districts across Georgia, just to name a few.

ENPARD focuses on key ingredients of the political association between Georgia and the EU: shared values and fight against poverty; building

stronger and more modern institutions; and opening of new trade opportunities. ENPARD is also contributing to support farmers to improve their food safety and food quality standards, and thus, helping them benefit from the DCFTA, gain better access to European markets, and to be better placed to comply with the improved standards that the agriculture and food sector of Georgia is required to take.



Congress of European Farmers includes Georgian delegates

The EU Agricultural Organisations Copa-Cogeca, which represent the voice of 26 million European farmers and their families and 38,000 Agri-cooperatives, organised a Congress of European Farmers in Brussels on "the new Common Agricultural Policy (CAP) 2014-2020 and Family Farming: growth and employment for EU rural areas". It took place during the United Nations International Year of Family Farming 2014. The Congress looked at the importance of research and innovation for a viable agriculture sector and examined what further actions are needed. It brought together delegates from the 28 Member States of the EU as

well as from partner organisations in Switzerland, Iceland, Norway, Turkey and Georgia, with around 650 participants. For the first time, a delegation from Georgia was invited to this congress, composing of representatives from the Georgian Farmers' Association and the Georgian Cooperatives Development Agency, both of which are ENPARD partners. The congress provided an excellent opportunity for the Georgian agriculture sector to interact further with their European counterparts and to get insights on European agriculture policies, which are extremely relevant in the ongoing reforms taking place within the country's agriculture sector. The conference consisted of a series

of presentations and panel discussions, covering topics such as turbulent times for the agriculture sector; trade barriers and agriculture; the importance of competitive and dynamic family farms; cooperatives; rural employment beyond agriculture; energy costs on agriculture; risk management practices; animal diseases and trade disruption. The conference also defined the actions to be taken: to enhance the capacity building of the Georgian Farmers' Association; to take stock of the ongoing rural development policies and measures; preparation of a possible rural development strategy for Georgia and further support measures under the Programme ENPARD II.



AGRICULTURE AND FOOD SAFETY

EBRD/EU Georgian Agricultural Finance Facility (GAFF) – A positive trend developing

The Georgian Agricultural Finance Facility (GAFF) is an EBRD/EU facility providing EUR 40 million to local partner banks in Georgia for loans to farmers and other agricultural entities. Bank of Georgia, TBC Bank, VTB Bank Georgia and ProCredit Bank are recipients of the framework financing. GAFF included up to EUR 5 million in technical cooperation support from the EU Neighbourhood Investment Facility (NIF), which was helping with the introduction of risk management policies and assist in rebuilding value chains by increasing the quality and profitability at the farm level.

According to the last available data, interest rates for agriculture have dramatically declined in recent years. Average interest rates in 2011 were 31%, while in the second quarter of 2014 rates were at 16.5%. However, rates can experience great variation, (ranging from 12.4% to 27%) depending, of course, on the size of the loans and the tenor. Average tenor for these agriculture loans is 2.4 years; although this is

very much depending on the size of the loan: for small loans (below EUR 10,000) tenor is usually below 2 years whereas tenor for loans above EUR 50,000 is normally more than 3 years. Short-term small loans are still predominant in the banks' agriculture portfolio. Thus, much of money borrowed by the banks is financing working capital; but it must be noted that this composition is

changing and more funds for capital investments (longer tenor, higher amounts) are now available: the average tenor for the loans is gradually increasing (from 1.4 years in 2011 to the current 2.4 years) and average the size of the loans is augmenting too (in the last quarter of 2013 loans below EUR 10,000 represented 43% of the portfolio while now they are 34%).



The EU grants € 4.5 million to the National Food Agency for the adoption of New Measures on Food Safety

Under the DCFTA, applicable since 1 September 2014, Georgia committed to reform its food safety regulations to meet international standards. By doing so, the safety of Georgian consumers will improve, and Georgian food export products will increase in quality.

In support of this process, on 2 July 2014 the EU and the National Food Agency of Georgia (NFA) signed a grant agreement for the adoption of New measures in Food Safety under the DCFTA. The new € 4.5 million grant to the

NFA will support the establishment of an effective food safety, veterinary sanitary and phyto-sanitary (SPS) management system in Georgia, in line with the EU standards and legislation.

Under this grant, the European and Georgian food safety and SPS experts will assist in the process of reform of the food safety and SPS systems. In addition, the assistance will include extended training programs for food safety inspectors, veterinarians, plant protection experts and other staff; actions to increase public awareness among con-

sumers, farmers, retailers and the food processing sector; and the upgrading of information technologies. The grant will also support the network of the Laboratory of the Ministry of Agriculture and the Georgia's Revenue Service, which is responsible for the Sanitary and phyto-sanitary (SPS) border controls. This project is part of the EU's wide support package to help Georgia modernise its food and agriculture sectors. The EU supported the previous phase of this action (until April 2014) with an € 2.7 million grant to the NFA.

TOPIC AT A GLANCE

Human and labour rights, environment protection and good governance in Georgia - EU Commission seeking progress under GSP+



The EU keeps a close eye on Georgia's compliance with 27 international conventions on core effectively implementing specified 27 international conventions on core human and labour rights, environment protection and good governance.

Under an EU programme known as Generalised Scheme of Preferences Plus (GSP+), Georgia's exports to the EU benefit from a generous customs duty reduction for products covered, in the form of duty-free import. In exchange, the government of Georgia committed to respect 27 international conventions, to ensure their effective implementation, to comply with reporting requirements, to accept regular reviews of the implementation records and to cooperate with the European Commission.

These conventions are mostly concluded under the auspices of the United Nations (UN) and the International Labour Organisation (ILO). There are 7 UN conventions on key human rights issues such as

elimination of racial discrimination, civil and political rights, the rights of the child, the fight against torture etc. There are also 8 ILO conventions on core labour standards concerning freedom of association, the application of the principles of the right to organise and to bargain collectively, the minimum age for admission to employment etc. In addition, there are also international conventions on environmental protection, fighting corruption and fighting illicit traffic of drugs. The European trade preferences do not entail any new obligations for Georgia. They offer only an additional support for Georgia to fulfil its existing international obligations, through the zero-duty reduction.

In February 2014, the EU Delegation in Tbilisi communicated to the Ministry of Economy and Sustainable Development of Georgia the first list of shortcomings identified by the international monitoring bodies under the 27 conventions and invited Georgia to respond on how it intends to address those issues. In May 2014, Georgia transmitted its response to the European Commission, who is currently analysing the response from Georgia authorities with the support of the EU Delegation in Tbilisi and of the EU Member States Embassies in Tbilisi.

To ensure further progress, an updated list of shortcomings will be prepared at the beginning of 2015. The new document will take into account the latest reports of the conventions' monitoring bodies but also from other international organisations (e.g. Human Rights Committee, UN Working Group on

the Universal Periodic Review, UNICEF, etc.) and from the civil society (NGOs, business associations, trade unions). The EU expects Georgia authorities to engage in a dialogue and address the points highlighted in the reports, under the Georgia – EU Human Rights Dialogue and under the EU – Georgia bilateral trade discussions. The EU seeks political commitment from Georgia to establish a clear calendar leading to improvements for Georgian people on human rights, labour standards, the environment and good governance.

In December 2015, the European Commission will present the results of the first two years of GSP+ monitoring to the European Parliament and 28 EU Member States.

The recently concluded EU-Georgia DCFTA contains a chapter dedicated to trade and sustainable development. In that framework, Georgia committed to pursue its international obligations on labour rights and environmental protection, based on its existing GSP+ obligations.

Even though the DCFTA is applied since September 2014, the GSP+ will continue to be granted during of the next two years. During this time, Georgian businesses may choose the preferential regime under which they export to the EU.

UPCOMING EVENTS



November 17
Tbilisi

"DCFTA Impact and Chances - Tariff Liberalization and Customs Perspectives"

The German Business Association (DWV) is organising on November 17, a Workshop on "DCFTA Impact and Chances - Tariff Liberalization and Customs Perspectives" in Tbilisi. The event will present an overview of the DCFTA related reforms and opportunities for Georgia by the Ministry of Economy, the perspectives of the DCFTA implementation by the EU Delegation and the Revenue Service will give a complete overview on the Rules of Origin and on the Border Measures related to Intellectual Property Rights.

EU-Georgia Association Council

EU-Georgia Association Council will take place on 17 November 2014 in Brussels. Established by the Association Agreement, the Council will supervise and monitor the application and implementation of the Agreement. This will be the first of such meetings within a larger framework between representatives of the EU and Georgia at ministerial level.



The Newsletter is solely distributed via electronic mail. Do not hesitate to forward it to interested persons or suggest new recipients by sending an email to Mr. Antonio Lo Parco, Trade Attaché at the Delegation Of the European Union to Georgia:

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