

Brussels, 26 May 2011

ENP Country Progress Report 2010 – Georgia

The European Commission and the High Representative of the Union for Foreign Affairs and Security Policy published on 26 May 2011 the annual “neighbourhood package”, consisting of a communication proposing a reviewed European Neighbourhood Policy (ENP), 12 country reports on developments in 2010, including one on Georgia, a sector report and a report on the Eastern Partnership.

In May 2010 the Mayor of Tbilisi was directly elected for the first time in elections that took place in a calm atmosphere. Amendments to the Georgian constitution were drafted by the Constitutional Commission and adopted by the parliament in October 2010.. These constitutional reforms aimed at ensuring a more balanced separation of powers, reducing the powers of the president strengthening the parliament's role, and reinforcing the independence of the judiciary. However, the new amendments do not guarantee parliament's oversight function as they make it very difficult for parliament to mount a vote of no confidence in the government. The process and pace of the constitutional reform were also criticised.

In 2010 Georgia made progress implementing the ENP Action Plan priorities, especially in the reform of the justice system, improvement in conduct of elections, constitutional reform, women's rights, trade and business related areas, regional development and curbing of administrative corruption. One of the major achievements was the entry into force of the new criminal procedure code in October 2010. In 2011 continuation of these efforts and effective implementation of the legislation will be crucial in ensuring the long-term success of these reforms. Georgia will need to accelerate its efforts to consolidate democracy in the areas of political media and pluralism. Other major challenges include rights and integration of minorities, fighting the corruption amongst high ranking officials, strengthening freedom of association, labour rights, employment and social policies, poverty reduction and agricultural development.

Negotiations of an EU-Georgia Association Agreement were launched in July 2010 and progressed at good pace. The negotiations on the DCFTA are yet to be launched.

Political dialogue and governance, including CFSP

- After amending the Election Code, the Tbilisi mayor was for the first time directly elected in May 2010. The calm atmosphere characterising the election was evidence of progress toward meeting international standards, even though some shortcomings were reported in the pre- and post-election periods.
- Parliament adopted in October 2010 amendments to the constitution introducing more balanced separation of powers, especially between the President and the Parliament and re-enforcing the independence of the judiciary (provision of the lifetime appointments). Most amendments will enter into force in 2013, after the Presidential elections.

- The new Criminal Procedure Code entered into force in October 2010, introducing important changes to the system of criminal proceedings, i. a. the jury trials. Intensive work and trainings were undertaken to implement the new code. Free Legal Aid Service continued to provide the citizens with assistance in accessing justice, even though in civil and administrative cases it has not been implemented yet.
- No progress was noted in civil service reform and only limited progress was made regarding decentralisation and developing the national strategy for local self-government (only an Action Plan was adopted in 2010).
- Success was obtained in substantially curbing administrative corruption. A new Strategy in this regard was adopted in 2010.
- Georgia is party to the main international and regional human rights instruments and their optional protocols. The Ombudsman (Public Defender) continued the independent monitoring of human rights situation in the country. The office carried out for the first time monitoring under the Optional Protocol of the UN Convention against Torture (OPCAT). Progress was noted in the reform of the juvenile justice system, as in February 2010 the age of criminal responsibility was lifted from 12 to 14 years.
- Degrading detention conditions remain of concern, along with the lack of transparency of media ownership and the difficulty of access to public information. No progress was reported in the integration and the rights of ethnic, religious and sexual minorities, as the National Integration Strategy did not have any follow-up. In March 2010 The Parliament adopted however the Law on Gender Equality,
- In 2010 Georgia aligned itself with 28 out of 44 Common Foreign and Security Policy (CFSP) declarations open for its alignment. The Political Dialogues with the EU included two Political and Security Committee Political Dialogues and the visit of the EU HR/VP in July 2010 and of the Commissioner for Enlargement and the Neighbourhood Policy.
- The Southern Caucasus Integrated Border Management programme (SCIBM) was inaugurated in March 2010.
- Georgia reviewed and continued the implementation of the IDP Action Plan. While the new strategy was prepared in this regard, IDPs illegally occupying buildings in Tbilisi were evicted. The EU remains committed to the respect of Georgia's territorial integrity and sovereignty and peaceful conflict resolution. It fully implements its post-war assistance, providing i. a. funds for homes for the IDPs
- In 2010, 6 rounds of 'Geneva Discussions' took place. The EU continued to remind Russia of its commitments from the August 2008 ceasefire agreement. The EU civilian monitoring mission (EUMM) mandate was extended for another year. In July 2010 Georgia approved an Action Plan to implement "Strategy on Occupied Territories", designed to reduce isolation and improve living conditions in Abkhazia and South Ossetia. On 23 November President Saakashvili made a unilateral "non use of force" pledge at the EP, stating Georgia would only use peaceful means to restore control over the two breakaway regions.

Economic integration and trade

- Georgian economy showed signs of recovery in 2010. The real GDP grew by 6.3%, even though the unemployment rate remained at the level of around 15 %.
- The government continued tightening budgetary and monetary policies; however – as a result of trade deficit - the current account deficit remains large: 11.6% of GDP. Georgia's exports continue to suffer from the Russian trade embargo. As the exports to the EU remain low, the possibilities offered by the GSP+ are under-exploited. In addition the FDI inflows in 2010 declined.
- The IMF Stand-By Arrangement for Georgia was extended until 2011, bringing the total access to IMF resources to USD 1.17 billion.
- Concerns remains with regard to implementation of the conventions on Freedom of Association and Protection of the Right to Organise and on Right to Organise and Collective Bargaining. In social dialogue however an agreement was reached on changes to be included in the labour code with regard to anti-union discrimination. The Government approved in 2010 an Action Plan for the Major Areas of Child Care System
- Bilateral trade with the EU grew in 2010, EU exports to Georgia increased by 31,6% while exports to the EU increased by 7,1%. In July 2010 EU and Georgia concluded negotiations on a bilateral agreement for the protection of their respective "Geographical Indications". Georgia also adopted a food safety strategy promoting alignment with the EU.
- In September 2010 Georgian Parliament approved the new tax code. The reforms in competition policy, intellectual property rights, public finances and controls continue.

Promoting mobility, fighting irregular migration

- In border management Georgia pursued implementation of its Action Plan on integrated border management, while actively participating in the SCIBM programme. A two-year Agreement to counter irregular migration and cross-border crime was signed with FRONTEX, Georgia also signed visa facilitation and readmission agreement with the EU which entered into force in March 2011.
- Results in the fight against trafficking in human beings, drugs, money laundering were mixed.

Sector cooperation - examples

- **Transport:** Transport Administration was transferred to the Ministry of Economy and Sustainable Development. Georgia adopted a detailed plan to implement the 2009 Road Safety Strategy. In December 2010 it signed a comprehensive air services agreement with the EU and is committed to regain the recognition of certificates of Georgian sea farers which were evoked in late 2010.
- **Environment:** The Second National Environment Action Plan identified the climate change as a priority, along waste management. The Regional Environmental Centre for Caucasus (REC) continued to carry out activities, including in the fields of information and public participation.
- **Energy:** The dialogue was stepped up. The first energy subcommittee was held in Tbilisi in October 2010. Georgia ensured oil and gas transit through the Baku-Tbilisi-Ceyhan/Erzurum pipelines. In September 2011 it endorsed the AGRI project (Azerbaijan-Georgia-Romania Interconnection aiming to

export LNG from Azerbaijan, through a Georgian Black Sea terminal, to the EU). Georgia also amended the law on electricity and natural gas as regards third party access to the grid.

- **Communication:** Fixed and mobile number portability was introduced.
- **Agriculture:** Production continued to decline.
- **Research:** Georgia increased its participation in the 7th Framework Programme, with 24 research groups being successful in their applications receiving € 1.7 million of EU funding.
- **Education:** Further education reforms incl. higher and secondary vocational education and training was announced. In 2010, thanks to Erasmus Mundus grants, 63 Georgian students and academics could pursue studies in EU universities.
- **Culture:** Georgia participated in the 2010 Special Action for ENP countries under the Culture Programme.
- **Health:** still requires reforms. Communication channels for the exchange of epidemiological information with the European Commission were established.

EU–Georgia – BACKGROUND

THE POLICY

The **European Neighbourhood Policy** governs the relations between the EU and Georgia. Since 2009 the EU implements the **Eastern Partnership**, the Eastern dimension of the ENP framework, aiming at substantially upgrading engagement with the six Eastern neighbours via:

- a Bilateral track, whose objectives include the establishing of Association Agreements with Deep and Comprehensive Free Trade Areas, once conditions have been met, as well as progress on visa and mobility issues, and
- a Multilateral track (i.e. intergovernmental platforms and Flagship Initiatives).

This approach allows for gradual political association and deeper economic integration.

FACTS AND FIGURES

1999: EU-Georgia Partnership and Cooperation Agreement entered into force.

2005: EU-Georgia Action Plan was approved

2008: August 2008 war with Russia. It was stopped thanks to the EU mediation. The EU set up civilian monitoring mission (340 observers) and provided a post-conflict assistance package of up to € 500 million from its budget. The EU's Civil Protection Mechanism (MIC) was mobilised in the aftermath of and facilitated the arrival and use of the civil protection assistance provided by the EU Member States

2008-2009: An 18-months Stand-By Arrangement was approved by the International Monetary Fund, in August 2009 extended until June 2011 and increased to € 835.7 million. In addition the EC provided a grant of € 46 million of Macro Financial assistance.

2007-2010: the ENPI¹ envelope for Georgia stands at € 120.4 million

2009: Neighbourhood Investment Facility - one project was approved (Tbilisi Railway Bypass Environmental Clean-up), committing € 8.5 million in grants and expected to leverage € 253.5 million.

2010: Launch of the Association Agreement negotiations with the EU.

2011-2013: The new National Indicative Programme (NIP) 2011-13 for Georgia was adopted in May 2010 and has a budget of EUR 180.3 million. The programme is geared towards supporting the achievement of key policy objectives as outlined in the EU-Georgia Action Plan (AP) and pursues four priorities: (1) support for democratic development, rule of law and governance; (2) support for economic development and ENP AP implementation; (3) poverty reduction and social reforms and (4) support for peaceful settlement of Georgia's internal conflicts.

2011 Entry into force of visa facilitation and readmission agreement.

More info at:

http://ec.europa.eu/world/enp/documents_en.htm

¹ the European Neighbourhood Partnership Instrument

http://ec.europa.eu/external_relations/georgia/index_en.htm

http://ec.europa.eu/world/enp/index_en.htm