



HIGH REPRESENTATIVE
OF THE UNION FOR
FOREIGN AFFAIRS AND
SECURITY POLICY

Brussels, 25.11.2016
SWD(2016) 423 final

JOINT STAFF WORKING DOCUMENT

Association Implementation Report on Georgia

1. Summary

The Joint Communication on the *European Neighbourhood Policy* (ENP) Review adopted in November 2015 gives the EU and its neighbours a clear political framework for the coming years with an overall objective on stabilisation. This was recalled in the Council conclusions in December 2015 which reconfirmed the principles of the revised policy: enhanced differentiation between partners; a greater focus of objectives agreed with partners; increased flexibility to improve the EU's capacity to respond to crisis situations; and a greater ownership by Member States and partner countries. In line with the EU's new approach to the ENP, this Joint Staff Working Document reports on the state of play of Georgia's implementation of the Association Agenda since 1st January 2015, ahead of the Association Council on 2 December 2016.

The *Global Strategy for the European Union's Foreign and Security Policy*, presented in June 2016 acknowledged that state and societal resilience are strategic priorities in the neighbourhood and recognised Georgia's role as a peaceful and stable democracy in the region.

The *EU- Georgia Association Agreement* fully entered into force on 1st July 2016 including a *Deep and Comprehensive Free Trade Area* (AA/DCFTA), which has been provisionally applied since September 2014. The agreement significantly strengthens political association and economic integration between Georgia and the EU and illustrates a deep mutual commitment based on shared values and interests in the areas of democracy and the rule of law, human rights and fundamental freedoms, good governance, a market economy and sustainable development. Furthermore, the Agreement commits Georgia to an ambitious reform agenda in key areas such as security policy, economic recovery and growth, trade, transport and energy, environment and social development.

The EU accounts for a quarter of Georgia's overall trade. The provisional DCFTA application led to the removal of customs tariffs and quotas and comprehensively approximating trade-related laws and regulations to the standards of the EU. It offered Georgia a framework for boosting trade and economic growth with the aim to facilitate Georgia's progressive integration with the EU single market. Georgian exports to the European Union increased by 16% in 2015 and, as a direct result of the DCFTA, new Georgian products are being exported to the EU, such as kiwis, blueberries, nuts, garlic and wine. There have also been sizeable increases of exports to the EU of copper and petroleum oils. The DCFTA not only provides trade opportunities, but also a roadmap that allows accelerating the modernisation process of Georgian industries through the implementation of new technical regulations and state of the art standards.

With extensive support from the EU, Georgia has already implemented a number of reforms, strengthening democracy and the rule of law. Georgia's democratic institutions have been consolidated, and a comprehensive legislative framework for human rights and anti-discrimination has been adopted. Implementation and consolidation of existing legislation will strengthen the independence of the judiciary and ensure the effective rights of minorities and vulnerable groups, in line with Georgia's Association Agenda commitments.

The Visa Liberalisation Dialogue was concluded on 18 December 2015 when the Commission adopted its fourth and last progress report. In this report, the Commission confirmed that Georgia had successfully met all benchmarks under the Visa Liberalisation Action Plan. Consequently, on 9 March 2016 the European Commission proposed to the Council and the European Parliament to lift visa requirements for the citizens of Georgia by

transferring Georgia to the list of countries whose citizens can travel without a visa to the Schengen area. The EU-Georgia Visa Liberalisation Dialogue proved to be an important and particularly effective tool for advancing wide-ranging reforms.

Georgia is also a key ally for the EU in the security sector, including cooperation on the fight against terrorism, arms trafficking and in CSDP operations. The EU continues to fully support Georgia's sovereignty and territorial integrity within its internationally recognised borders as affirmed in Council conclusions of February 2012.

Fulfilling important commitments stemming from the Association Agreement, Georgia signed the Protocol on the Accession to the Energy Community Treaty.

This report seeks to encompass a new style of assessment. It focuses on key developments and reform efforts and outlines the short and medium-term strategic priorities agreed between the EU and Georgia. Such a report will be produced annually.

2. Political Dialogue, Good Governance and Strengthening Institutions

2.1. Democracy, Human Rights and Good Governance

Georgia has consolidated its *democracy and the rule of law* as well as further reinforced respect for *human rights, fundamental freedoms and anti-discrimination*.

In 2015, the Electoral Code was amended and the boundaries of the majoritarian districts were modified. The 2016 parliamentary elections were competitive and well-administered, generally respecting fundamental freedoms. The calm and open campaign atmosphere was, however, impacted by allegations of unlawful campaigning, cases of lack of transparency and effective redress as well as a number of violent incidents. The existing legal framework allows for the *free establishment and operation of political parties* and civil society organisations. Legislative processes and policy decision-making have become increasingly inclusive but civic participation in them remains sporadic. A freedom of information act has not been adopted.

The legal framework guarantees *freedom of press*. The media landscape is dynamic and pluralistic even if polarised. A high-profile court case related to a TV station ownership dispute led to political controversy about potential political interference.

Regarding the *judiciary*, Georgia's reforms have promoted judicial independence, professionalism, accountability and effectiveness. The third package of legislative amendments, tackling the protracted lack of transparency in judicial management, including the functioning and accountability of the High Council of Justice and random allocation of cases, has been advanced, but so far not fully adopted. The rationale for holding closed or public hearings is not always properly communicated. The transparency in the allocation of cases, in the selection of judicial candidates and of courts administrators is not fully ensured. The handling of disciplinary procedures requires strengthening. The majority of judges have no permanent tenure and the controversial three-year probationary period for judges remains. The judiciary continues to be seriously understaffed and backlogs are increasing.

In September 2015, amendments to the law on the Prosecution Service aimed at increasing its independence entered into force. A Prosecutorial Council was established and a Consultation Board was set up in early 2016. However, the transparency in the appointment, evaluation, transfer and promotion of prosecutors as well as the correct implementation of existing disciplinary procedures and ethical standards remain to be addressed. There is no independent investigative body to deal with alleged misconduct of prosecutors and law enforcement

officials. The EU continued assisting Georgia in its justice reform efforts with the Support to Criminal Justice Reforms Programme, which helped to improve prison conditions.

A revised strategy against *ill-treatment* was adopted in 2015. Further reform of the Prison Code led to structural changes in the Ministry of Corrections. The Public Defender and the members of the Special Preventive Group were granted additional monitoring rights. Prisoners' treatment improved but the ratio of inmates per population remains among the highest in Europe. The protection and improvement of the provisions of healthcare (including mental health care) in prisons, police detention and other closed facilities in Georgia need to be addressed in order to be consistent with European standards and best practices.

Georgia is committed to *public administration reform* in line with the EU Principles of Public Administration. The 2015 Public Administration Reform roadmap and the 2015 Policy Planning System Reform Strategy provide greater coherence and consistency in the reform process. In 2015, Georgia adopted a new Civil Service Law, which envisages a career-based, professional civil service from 2017 onwards. The EU responded to the government's commitment for comprehensive reform with a new EUR 30 million Public Administration Reform programme. As concerns the *prevention and fight against corruption*, Georgia has effectively curbed petty corruption in the public administration and improved in 2015 its procurement system. In line with the Association Agenda's commitments, a continued effective implementation at all societal levels of the Anti-Corruption National Strategy and its action plan is to be further ensured.

A new, extensive Human Rights Action Plan (2016-2017) was adopted. Implementation of the legal framework will be important for minorities and vulnerable groups to effectively enjoy their rights

In relation to *equal treatment*, the Equality and Integration Strategy and its Action Plan (2015-2020) were adopted in August 2015. Activities aimed at integrating ethnic minorities have not yet translated into concrete progress. The full implementation of the Law on Elimination of all Forms of Discrimination has been hampered by the lack of effective sanctions and preventive measures. State institutions have on some occasions failed to act promptly and efficiently on *human rights violations and discriminations against minorities*, LGBTI community or religious minorities.

With regard to *gender inequalities*, the Human Rights Action Plan includes provisions on the fight against violence against women, against domestic violence and protection of victims, as well as on the implementation of the UN Security Council Resolution 1325 on women, peace and security. Participation of women in politics has increased but remains low overall: 16% of the newly elected members of parliament in 2016 compared to 12% in the previous elections. There continues to be a high incidence of violence against women. Georgia has not yet ratified the Istanbul Convention on preventing and combating violence against women and domestic violence.

With regard to *children's rights*, child poverty remains widespread despite attempts to reform the social assistance system and identify the most vulnerable children. The entry into force of the Juvenile Justice Code in January 2016 provided a comprehensive legal framework for children facing judicial proceedings, child victims and child witnesses. The Civil Code was amended and the provision allowing marriage upon parental consent for children under the age of 18 will be fully abolished as of January 2017. Georgia has ratified the 3rd Optional Protocol to the Convention on the Rights of the Child providing vulnerable children with possibilities to seek redress if their rights are being violated.

Georgia faces high levels of *poverty and inequality*, even though poverty decreased for the fourth consecutive year in 2014.

2.2. Foreign and Security Policy

In 2016, Georgia aligned itself, with 15 out of 26 EU Declarations and Council decisions for which it was invited (58% alignment). Georgia continued to participate in civil and military crisis management operations under the *Common Security and Defence Policy* (CSDP), including the European Union Military Advisory Mission (EUMAM) and the EU Military Training Mission (EUTM) in the Central African Republic, the EUTM Mali and EU Advisory Mission (EUAM) in Ukraine. The Agreement between Georgia and the European Union on Security Procedures for Exchanging and Protecting Classified Information was signed in June 2016.

Regarding the *fight against terrorism*, in June 2015, the Criminal Code was amended to include crimes of incitement to hatred, participation in illegal formations operating on foreign territory and travelling to conflict zones. These measures implemented UNSC Resolution 2178 on Threats to International Peace and Security caused by Terrorist Acts. Georgia is a key regional partner for the EU in supporting the implementation of the UN Arms Trade Treaty and in the fight against the *proliferation of weapons of mass destruction and illegal arms exports*.

Regarding *peaceful conflict resolution*, the EU continues to fully support Georgia's sovereignty and territorial integrity within its internationally recognised borders. The EU also actively supports conflict resolution efforts through the work of the EU Special Representative for the South Caucasus and the Crisis in Georgia, the EU Monitoring Mission, and the support provided through the Instrument contributing to Stability and Peace. Georgia remained committed to the Geneva International Discussions. The activities of the Gali Incident Prevention and Response Mechanism (IPRM) dealing with the Abkhaz theatre resumed in 2016, while the Ergneti IPRM dealing with the South Ossetian theatre continued to work efficiently. Both IPRMs are essential tools to address security issues on the ground and ensure continued confidence-building between the security actors. Georgia continued to take initiatives for engaging with the breakaway regions. Georgia remains compliant with the EU-brokered Six-Point-Agreement of 2008.

In early 2016, the *International Criminal Court (ICC)* authorised its Prosecutor to proceed with an investigation of crimes against humanity and war crimes allegedly committed by all armed forces deployed in and around South Ossetia, Georgia, between 1 July and 10 October 2008. Georgia is cooperating with the ICC.

2.3. Justice, Freedom and Security

Regarding *protection of personal data*, the Independent Data Protection Supervisory Authority functions effectively. A comprehensive personal data protection legal framework is in place.

In the area of *migration*, Georgia has adopted a new Migration Strategy (2016-2020) and its related Action Plan (2016-2017). A comprehensive migration risk analysis system is being gradually developed with a dedicated action plan (2016-2017). Georgia signed implementing protocols to its Readmission Agreement with the EU with the Slovak Republic, in November 2015, and with the Federal Republic of Germany, in April 2016.

In the area of *asylum*, Georgia improved its procedures for the determination of refugee status and a new Law on International Protection is pending adoption. The law will provide persons in need of international protection with more favourable conditions and strengthen procedural safeguards at all stages of the asylum procedure.

Border management in Georgia is in line with EU best practices. Rehabilitation of border infrastructure continues.

Georgia has adopted a National Strategy for Combating **Organised Crime** (2015-2018) and a related Action Plan (2015-2016). Georgia has ratified the Budapest Convention on **Cybercrime** and, alongside the EU, supports the Convention as the key international instrument. The signature of an Agreement on Operational and Strategic Cooperation between Georgia and Europol is pending. In 2016, the Ministry of Internal Affairs regulated the cases in which police officers can perform drug test on citizens in an attempt to curb and prevent abuses. An Action Plan for the **Fight against Drug Trafficking** remains to be adopted. Georgia is committed to strengthening the legal basis for further international **legal cooperation**.

3. **Economic Development and Market Opportunities**

3.1. Trade and Trade-Related Matters and Sustainable Development

The EU accounts for a quarter of Georgia's overall **trade**. Since the provisional application of the DCFTA on 1 September 2014, most of Georgia's first year DCFTA commitments are fulfilled. Georgian exports to the European Union increased by 16% in 2015 and, as a direct result of the DCFTA, new Georgian exports to the EU are materialising. Georgian kiwis, blueberries, nuts, garlic and wine are already being exported to the EU. There have been sizeable increases of copper and petroleum exports to the EU. Furthermore, Georgia has adopted European standards in areas like health and safety, and environmental protection.

However, Georgia's trade remains fragile. Georgia has started using DCFTA's opportunities and exporting certain non-traditional food products to the EU, but substantial challenges lie ahead in terms of strengthening and expanding Georgia's production base and export capacity. Although Georgia has approximated its laws to many EU standards, the approximation of some EU regulations under the DCFTA has been spread over a number of years (up to 8 years in a few cases). This means that export opportunities to the EU market will also take some time to fully materialise.

The legal framework for **market surveillance** has been further improved following provisional application of the DCFTA. EU assistance has contributed to the development and strengthening of capacity among agencies in charge of market surveillance in several industrial sectors, but mainly of the Technical and Construction Supervision Agency (TCSA), which is tasked with the market surveillance of industrial products. The TCSA has increased the number of activities it will supervise, beginning with construction products). The technical and enforcement capacity of the Competition Agency was also strengthened in 2015.

The annual **standardisation** programme advanced according to plans. With regard to **sanitary and phytosanitary (SPS) standards** the National Food Agency (NFA) has more than doubled its control operations in 2015. However, the NFA's capacity needs to be increased to improve the scale, quality and consistency of inspections. The number of food business operators (FBOs) included in the NFA control plan has also increased significantly. Approximation to

EU legislation continued in line with the requirements established under the Association Agreement. Nevertheless, an efficient state system for food safety regulation remains to be developed and the recorded cases of foodborne diseases have increased despite reforms. Improved SPS, food safety and food quality standards and procedures for control are among the objectives of the second phase of the EU-funded European Neighbourhood Programme for Agriculture and Rural Development (ENPARD). Georgia submitted an approximation list to the EU acquis regarding sanitary, phytosanitary and animal welfare legislative measures to which it intends to approximate its domestic legislation that was consulted with the European Commission.

In the area of *customs and trade facilitation*, Georgia is working towards legislative approximation of the new EU Customs Code. The country agreed to use the EU Customs Blueprints as reference guidelines and as a base in its modernisation efforts. In September 2016, the Joint Committee of the pan-Euro-Mediterranean Convention on *Rules of Origin* decided to admit Georgia as a Contracting Party to the Convention.

Georgia maintains a free market approach in terms of *establishment, cross-border supply of services* and temporary presence of natural persons for business purposes. Trade in *services and electronic commerce* remains to be developed and services' export is limited. Georgia's telecommunications sector requires significant investments in order to develop international communications and its local network.

In March 2016, Georgia adopted a Roadmap and Action Plan for the implementation of the *public procurement* chapter of the Association Agreement setting out the path towards the gradual approximation of Georgian public procurement legislation to EU directives. The Roadmap is being discussed with the EU in order to ensure its full compliance with the requirements set out in the Association Agreement.

The overall legal framework for the effective protection of *intellectual property rights* (IPRs) is in place. Enforcement could however be improved, especially in the areas of piracy and counterfeiting. Prosecution of alleged IPR violations has been sporadic and few cases have been brought to the courts.

Georgia has progressed with the approximation to the provisions of the DCFTA *competition* chapter. The capacity of the Competition Agency needs to be strengthened in order to support the implementation of Georgia's state aid legislation.

3.2. Economic Development

Georgia's *macroeconomic situation* remained stable overall. The economy has shown significant resilience, managing to maintain a positive growth (+2.8% in 2015) in an unfavourable regional context. However, the country's fiscal and external situation has recently deteriorated. The government deficit widened from 3.1% of Gross Domestic Product (GDP) in 2014 to 3.8% in 2015 and is expected to reach 4.5% in 2016. This partly reflects an increase in social spending aimed at addressing the country's persistently high levels of poverty and inequality. Meanwhile, the public debt ratio has increased to 42.7% of GDP at the end of 2015. The current account deficit has also widened, reaching 11.7% of GDP in 2015. This has partly been compensated by a significant recovery of foreign direct investment since 2014. External debt increased partly as a result of the depreciation of the currency and stood at around 107.3% of GDP at the end of 2015. By contrast, inflation has reduced to 0.1% in September 2016 from a peak of 6.3% in November 2015. The banking system, despite a large

depreciation of the GEL since November 2014 and the high rate of dollarization, remains sound and well capitalized, reflecting also the careful supervision and regulation by the central bank.

The **business environment** is the best in the region and continued to improve. However, there are a number of challenges faced by local businesses, in particular by the smallest companies, such as: access to finance (in particular in rural areas) and to long term loans in local currency. Secondary education does not always match market demands and innovation is low.

In July 2014, Georgia signed a 36-month Stand-By Arrangement with the International Monetary Fund (IMF) of 154 million USD but the programme went "off-track" after the completion of the first review in the context of an increasing and larger-than-programmed fiscal deficit. The interruption of the IMF programme has also prevented the disbursement of the second tranche of EUR 23 million under the **macro-financial assistance** programme approved by the EU in August 2013, despite the fact that all other policy conditions attached to this tranche were met.

To address structural reforms in the economic sector in Georgia, an **Investors Council** was created in May 2015 as an important platform for advancing economic development and promoting a constructive dialogue between the government and the private sector, in close cooperation with International Financial Institutions (World Bank, European Investment Bank, European Bank for Reconstruction and Development, and KfW Bank). Georgia also adopted a **Small and Medium Enterprises (SMEs) Strategy** in February 2016, focussing on enhancing the competitiveness of SMEs in domestic and international markets; improvement the SMEs skills and establishing a modern entrepreneurial culture; as well as supporting the modernization and upgrading of SMEs technology.

Agriculture is the main sector of employment in Georgia, employing approximately 50% of the active population; its development is of crucial importance to the country. The agriculture sector faces structural shortcomings mainly due to: land fragmentation, limited access to education, modern technologies, agricultural credit and insurance. This results in low output and productivity, high reliance on food imports, high food prices and overall food insecurity. Although over half of the population lives in rural areas, the share of agricultural primary production was only 9.2% of GDP in 2015. In overall terms, agriculture and agribusiness have continued to experience stable growth since 2009, with the total production output in 2015 increased by 2.7% compared to 2014. But the value of exports decreased by 26% in 2015 mostly due to declining regional markets and currency variations. Georgia has continued to diversify its export markets in view of the new trade opportunities offered by the DCFTA.

Georgia has engaged in enhancing the **productivity of economic activities**, inter alia in the agricultural sector where 1000 new cooperatives were established and 700 received grants to support investments and training for their members. Farmers' productivity and competitiveness was also enhanced. The EU has assisted the sector with its ENPARD fund.

Georgia adopted a National **Rural Development Strategy** in 2016, with the aim to enhance competitiveness of the sector, and promote a sustainable management of natural resources and support the territorial development of rural economies and communities.

The **Regional Development Plan (RDP)** for 2015-2017 sets out a balanced and sustainable socio-economic development across Georgia. It is also in line with the socio-economic development strategy of Georgia ("Georgia 2020") and the medium-term expenditure

priorities of the government. In 2015-2016, good results were achieved in roads construction, water supply, waste management, job creation and the quality of public services.

Regarding **public internal financial control and external audit**, the government has approved a Strategy on Financial Management and Control. The 2016 Action Plan on Public Financial Management (PFM) continued receiving support under the EU PFM budget support programme and foresaw a new component on Public Investment Management dealing with investment projects. During 2015, the Ministry of Finance made a 'citizens' guide to the budget' available online. Five ministries developed medium term action plans based on the methodology defined by the Ministry of Finance. The number of audits performed by the audit office increased and its recommendations were taken into account by the government, although some delays occurred.

Regarding **taxation**, Parliament approved some amendments to the Tax Code that will annul tax arrears accumulated before 2011. As of January 2017, corporate income will be taxed only at the time of distribution, instead of at the time of earning, while income reinvested in the company's business activities will be exempt.

Georgia adopted a new law on official **statistics** in June. It increased the professional independence of the statistical office and introduced obligatory reporting in statistical surveys. The results of the 2014 census of population, housing and agriculture are becoming increasingly available. Accessibility of data was increased through the development of databases and a user-friendly website. The capacity to gather and analyse statistical data needs to be strengthened.

In the area of **industrial and enterprise policy**, the government announced ambitious reforms in 2015, comprising four top economic priorities: tax reform for businesses, business-friendly environment/governance, education and infrastructure. In addition to a Small and Medium Enterprise (SME) strategy, detailed action plans were adopted and a Private Sector Development Advisory Council established. There have been significant efforts to improve SME access to affordable funding. Georgia joined the Enterprise Europe Network at the beginning of 2016.

Regarding **consumer policy**, Georgia is aligning to the EU Directives on Consumer Product Safety and on Defective Products Liability. A degree of consumer protection provisions are included in regulations applying to sectors such as electronic communication, electricity, gas and water supply and banking.

Georgia has shown growing interest in promoting further integration in **maritime affairs**, discuss best practices and foster regional cooperation. Georgia has also confirmed its commitment to establish a permanent inter-institutional structure to coordinate maritime affairs under the chair of the Ministry of Environment and Natural Resources Protection.

Georgia actively cooperates in the context of the General Fisheries Commission for the Mediterranean (GFCM), and its Black Sea Working Group, to increase knowledge about **fisheries** in the Black Sea, and has officially become a 'Cooperating Non-contracting Party' of the GFCM.

Tourism is the fastest-growing economic sector for Georgia and a National Tourism Strategy (2015-2025) has been adopted.

Regarding *company law, accounting and auditing and corporate governance*, Georgia has adopted a new Law on Accounting, Reporting and Audit. Important amendments were also adopted in the framework of the Corporate Income Tax reform, including amendments to the Tax Code.

In the area of *financial services*, a Law on Securities Market, specifying what type of securities can be subject to trade, was adopted in June 2016.

With regard to *employment and social policy*, the government's strategy to boost economic development places emphasis on investment in human capital as a key driver of economic growth. Redistributive policies continue to play a significant role in lifting households out of poverty. The unemployment rate decreased slightly from 12.4% in 2014 to 12% in 2015 but youth unemployment remained very high at 30.8% in 2015. A Tripartite Commission for Social Partnership (TSPC) is formally in place with limited capacity to elaborate proposals or recommendations on labour related matters. With regard to labour inspections, the establishment of the labour monitoring programme and its transformation into a State supervision programme is an important first step. But it does not constitute a fully-fledged labour inspection system and does not allow for the fulfilment of Georgia's obligations under the respective ILO fundamental conventions on labour rights and the Association Agreement. Public employment services are being re-established and the new model is being piloted in several regions. A law on *occupational health and safety at work* compliant with the respective EU Framework directive has not been adopted.

Georgia has taken some important actions aimed at improving *public health*. A state programme for the eradication of hepatitis C was launched. The National Strategic Plan on HIV/AIDS and on Tuberculosis (2016-2018) has been implemented. Screening programmes were strengthened.

4. *Connectivity, Environment, Energy Efficiency, Climate Action and Civil Protection*

The Government adopted a decree to launch negotiations for a multilateral treaty on the creation of an international *transport* corridor (Persian Gulf–Black Sea Corridor) with the Governments of Armenia, Bulgaria, Greece and Iran. A Road Safety Strategy and Action Plan have been developed. The International Civil Aviation Organization (ICAO) has lifted Significant Safety Concern (SSC) against Georgia after the Georgian Civil Aviation Agency successfully passed the ICAO Coordinated Validation Mission held in April 2016.

Regarding *energy cooperation*, Georgia signed the protocol of accession to the Energy Community Treaty on 14 October 2016. The upgrade of the South Caucasus pipeline, part of the Southern Gas Corridor, is ongoing. A National *Energy Efficiency* Action Plan is being developed. The government is focused on promoting the construction of new hydropower plants and on expanding the electricity export capacity, including building new transmission lines.

Georgia signed the Paris Agreement in April 2016 and ratification is pending. Approximation with the most recent EU legislation in the *climate action* domain under the Association Agreement is ongoing. The preparation of a Low Emission Development Strategy (LEDS) is in its final stages.

Georgia is approximating to EU legislation in the *environment* sector. A number of laws and policy papers were adopted including: a new Waste Management Code, a Waste Management

Strategy and new rules on the export and import of dangerous chemicals. An Environmental Assessment Code, a Water Law, a by-law on Air Quality Standards, as well as draft Basel Law are being drafted. Environmental standards and legislation need implementation and enforcement. High levels of air pollution persist, mainly relating to transport.

Regarding *civil protection*, some structural changes and infrastructure improvements were adopted to improve the country's capacity to manage emergency situations. A National Response Plan was approved, providing an overarching operational document on roles and procedures.

5. *Mobility and People to People*

In April 2016, the EU and Georgia held their 2nd High-Level *Mobility Partnership* meeting in Brussels with the aim to take stock of the actions taken within the framework of the Georgia-EU Mobility Partnership, and share views on further enhancing the cooperation in the area. All parties agreed that a local cooperation platform should take place in 2017.

In the area of *education, training and youth*, Georgia continues implementing reforms in order to build a modern education and training system, in line with the European Higher Education Area. The government confirmed its intention to reform the education system with the aim to bridge the gap between educational programmes and labour market's demands. The reform will foresee major changes concerning notably Vocational Education and Training. A National Youth Policy Document and its Action Plan (2015-2020) were adopted. Georgia has continued its active participation in Erasmus+.

Georgia is a full member of the Creative Europe Programme and has published a long-term *cultural strategy*. The government continues implementing the 2005 UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions.

In the area of *cooperation in research, technological development and innovation*, in 2015, a Policy Mix Peer Review of the Georgian Science, Technology and Innovation system was produced and its recommendations are being implemented. In April 2016, Georgia became an associated member of the EU programme Horizon 2020. Georgia has been very active during 2016 in the works of the Eastern Partnership network of regulators of electronic communications, as well as the new initiatives launched under the EaP Panel on Harmonisation of Digital Markets, notably in the area of eHealth.

6. *Financial Assistance*

Over the period 2014-16, the European Union provided EUR 340.5 million in financial support to Georgia through bilateral cooperation programmes. This included EUR 60.5 million allocated following substantial progress made in implementing reforms ("more for more" umbrella programmes).

The Annual Action Programme 2014 included programmes supporting justice and DCFTA implementation (EUR 50 /44.5 million respectively), a human rights support programme for EUR 10 million and a programme supporting flood victims and Internally Displaced People.

The Annual Action Programme 2015 supported agricultural development, the creation of cooperatives for better market opportunities (EUR 50 million), public administration reform (EUR 30 million), the implementation of the association agreement (EUR 14 million) and civil society (EUR 6 million).

The Annual Action Programme 2016 supports rural development including job creation in rural areas (EUR 89.5 million), and the implementation of the association agreement and participation of Georgia in EU programmes (EUR 30 million).

In addition, Georgia also benefits from regional programmes supporting SMEs, energy, transport, environment, access to finance, growth and the development of the business environment. In Georgia, the EU4business initiative amounts to more than EUR 200 million across several bilateral and regional projects supporting business environment, business support organization, SME development, access to finance and skills. The EU also contributed EUR 10 million to the E5P (Eastern Europe Energy Efficiency and Environment Partnership), which supported Georgia in rehabilitating schools and modernising buses in Tbilisi.

Georgia also benefits from an EU macro-financial assistance (MFA) programme of up to EUR 46 million adopted in August 2013. The first tranche of EUR 23 million under this programme was disbursed by the EU in January 2015 (EUR 13 million in grants) and April 2015 (EUR 10 million in loans).

Finally, past and ongoing support of up to EUR 55 million has been provided through the EU Instrument contributing to Stability and Peace, as of 2008, for stabilisation in conflict affected areas and for confidence building measures.

7. Concluding remarks and future outlook

In the spirit of our political association and economic association, the EU-Georgia dialogue and cooperation have become ever closer. Building on our long-term common efforts and commitments, Georgia has adopted a large number of laws, approximating Georgian legislation and institutional structures closer to EU standards and requirements. In terms of the political transformation, attention should now gradually shift towards ensuring the full and sustainable implementation of newly adopted legislation. Furthermore, as all the fundamental institutions of Georgian democracy are in place, it is increasingly important to ensure the proper functioning and cooperation among these institutions, in full respect of their independence and of the principle of separation of powers.

The full range of commitments under the Association Agreement will require further legislation, as well as the adoption of consistent strategic documents. In parallel to the approximation process, the steady implementation of existing rules and standards should also be ensured. This is essential to guarantee that Georgian citizens will, over time, fully enjoy the benefits of the DCFTA and of the broader EU-Georgia relationship. The EU stands ready to continue supporting Georgia in its endeavours to approximate and adopt technical requirements aimed at fully implementing the DCFTA.

Moving forward, the key principles of the ENP review are shaping the EU relations with Georgia. The revision of the Association Agenda, which will be adopted in the beginning of 2017, will provide a tailor-made and focused outline of the short - and medium-term reform priorities. In terms of flexibility, these new political priorities will be reflected in the new multi-annual programming 2017-2020 which will guide EU cooperation with Georgia. Engagement with EU Member States and Georgia in defining priorities, and in supporting their implementation, will also be reinforced. This will allow for a more coherent effort by the EU, the Member States and Georgia to define a common strategic approach.