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### ANNEX III

**to Commission Implementing Decision C(2025) 4314 amending Implementing Decisions C(2021) 9351, C(2021) 9370, C(2021) 9435, C(2022) 450, C(2022) 4323 and C(2022) 5658 as regards the country and regional Multiannual Indicative Programmes for the period 2021-2027 for the Neighbourhood East, and repealing Implementing Decision C(2021) 9351**

ANNEX

*NEIGHBOURHOOD, DEVELOPMENT AND INTERNATIONAL COOPERATION INSTRUMENT*

### **MULTI-ANNUAL INDICATIVE PROGRAMME FOR GEORGIA**

**(2021-2027)**

## *Multi-annual Indicative Programme 2021-2027 for Georgia*

### **1. The overall lines of the EU international cooperation in the partner country**

#### **1.1. Basis for programming**

Signed in June 2014 and entered into force in July 2016, the **Association Agreement**, including the Deep and Comprehensive Free Trade Area (DCFTA), is the basis of the EU-Georgia bilateral relationship. The agreement promotes political association, economic integration and respect for common values. The DCFTA gives Georgian businesses preferential access to the EU market. Furthermore, the visa free regime, effective since March 2017, is one of the key achievements in this relationship contributing to mobility and people-to-people contacts between the EU and Georgia.

**Association Agendas** (the two first covered the periods 2014-2016 and 2017-2020) facilitate the implementation of the Association Agreement and set priority areas of cooperation. The new Association Agenda between the EU and Georgia sets updated priorities for joint work for the period 2021-2027. It is consistent with the priorities of the future Eastern Partnership policy as presented in the March **2020 Joint Communication**<sup>1</sup> and confirmed by EU and Eastern Partnership leaders in June 2020. In line with the **‘policy first’ principle**, the future programming of EU financial assistance, i.e. the multi-annual programming and the corresponding Annual Action Programmes, will be framed by the new Agenda. It is also **fully aligned with the targets of the Joint Staff Working Document**<sup>2</sup> (JSWD) on the post-2020 Eastern Partnership, published on 2 July 2021, including its Economic Investment Plan and the five country flagships to support socio-economic recovery and strengthen the country’s resilience. EU assistance remains based on the principle of strict conditionality and linked to satisfactory progress in reforms and respect for the rule of law, effective democratic mechanisms, gender equality, non-discrimination and human rights.

COVID-19 has further exacerbated these vulnerabilities, notably with regard to poverty, further restricting opportunities for rural non-agricultural employment, and deepening the rural/urban divide. It has also put more pressure on the resilience of the population. COVID-19 has also disproportionately affected women’s access to income and has intensified their economic insecurity, increased their burden of domestic and care work, and their incidence as victims of domestic violence and increased risk becoming a victim of trafficking.

Georgia’s economic recovery since the pandemic was remarkable. After a 6.8% drop in 2020, GDP increased by more than 10% in both 2021 and 2022. As growth rates were high already before 2020, Georgia is one of the fastest growing economies in Europe and Central Asia in the past decade. The poverty rate remains relatively high even though it almost halved since the early 2010s. Inequalities also remain high with wealth being unevenly distributed across regions and within society.

Going forward, priority will be given to supporting a green, sustainable and inclusive socio-economic recovery after the pandemic to enable a green and digital transition through bilateral support on economic development and infrastructure, in conjunction with assistance to be

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<sup>1</sup> Joint Communication (2020) "Eastern Partnership policy beyond 2020: Reinforcing Resilience – an Eastern Partnership that delivers for all", [https://www.eeas.europa.eu/eeas/joint-communication-eastern-partnership-policy-beyond-2020-reinforcing-resilience-%E2%80%93-eastern\\_en](https://www.eeas.europa.eu/eeas/joint-communication-eastern-partnership-policy-beyond-2020-reinforcing-resilience-%E2%80%93-eastern_en)

<sup>2</sup> Joint Staff Working Document (2021) Recovery, resilience and reform: post 2020 Eastern Partnership priorities  
[https://www.eeas.europa.eu/sites/default/files/swd\\_2021\\_186\\_f1\\_joint\\_staff\\_working\\_paper\\_en\\_v2\\_p1\\_1356457\\_0.pdf](https://www.eeas.europa.eu/sites/default/files/swd_2021_186_f1_joint_staff_working_paper_en_v2_p1_1356457_0.pdf)

channelled under the regional umbrella (“EU4Business”) and the European Fund for Sustainable Development (EFSD+).

The post-2020 approach for programming in the Eastern neighbourhood is **fully aligned with the European Commission’s Political Guidelines 2019-2024**<sup>3</sup> and reflects all relevant flagship strategies adopted by the Commission. It supports the delivery of key global policy objectives, including the Paris Agreement on Climate Change, and the UN 2030 Agenda for sustainable development and its Sustainable Development Goals. Furthermore, it is fully sequenced with the needs deriving from the COVID-19 pandemic, including support to sustainable socio-economic recovery and health resilience. In line with the EU gender action plan (GAP) III<sup>4</sup>, gender equality will be mainstreamed in all programmes and actions, together with a focus on youth. The twin green and digital transitions will also be mainstreamed in all programmes and actions with the aim of building back better.

The EU also remains a close partner for Georgia contributing to peace and security in the region. Unfortunately, the situation regarding the occupied **breakaway regions** has not improved. The changing geopolitical context in the region following the hostilities in and around Karabakh and Russia’s war of aggression against Ukraine are adding new security and economic challenges for Georgia.

Georgia imports a large share of its wheat from Russia and sunflower oil from Ukraine. Coupled with high fertilizer prices, food prices are due to rise in the coming months, which will call for initiatives aimed at increasing agricultural productivity and strengthening social safety nets in the country.

All actions taken under this programming exercise shall comply with EU legislation, in particular EU restrictive measures (sanctions) adopted pursuant to Article 215 of the Treaty on the Functioning of the European Union.

The vast majority of the population continues supporting Georgia’s EU aspirations. In November 2023, the European Commission issued an official recommendation to grant candidate status to Georgia, which was confirmed in December 2023 by the European Council on the understanding that 9 steps are addressed. Cooperation and dialogue are largely guided by the enlargement process and the Association Agreement / Deep and Comprehensive Free Trade Area (DCFTA) structures.

**Following the 2023 European Council Decision, Georgia made limited efforts to advance the reforms necessary for EU integration.** The Georgian Parliament did not sufficiently involve the opposition and civil society and passed controversial legislation that goes against Georgia’s stated objective to join the EU, and against recommendations from the EU, the Venice Commission and the OSCE/ODIHR. In particular, the Law on transparency of foreign influence and the legislative package on family values and the protection of minors undermine fundamental rights. The Law on transparency of foreign influence will also have tangible negative consequences for the work of civil society and media organisations. Against this background, in its June 2024 conclusions, the **European Council** noted that the legislation

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<sup>3</sup> Political guidelines of the Commission 2019-2024, [https://ec.europa.eu/info/sites/default/files/political-guidelines-next-commission\\_en\\_0.pdf](https://ec.europa.eu/info/sites/default/files/political-guidelines-next-commission_en_0.pdf)

<sup>4</sup> [join-2020-17-final\\_en.pdf](#)

The Gender Action Plan III is a Joint communication by the Commission and the High Representative of the Union for Foreign Affairs and Security Policy which was welcomed through EU Presidency Conclusions of 16 December 2020. Drafting was led by European Commission in close consultation with EU Member States, EEAS, civil society organisations, partner governments, and international organisations (UN entities, International Finance Institutions among others). The different parties contributed to the drafting of the document through meetings and through responses to a survey conducted during the process.

“represents backsliding on the steps set out in the Commission’s recommendation for candidate status” and called on Georgia’s authorities to “[reverse] the current course of action which jeopardises Georgia’s EU path, de facto leading to a halt of the accession process.”

On 28 November 2024, the Georgian authorities announced the decision “not to put the issue of opening accession negotiations with the EU on the agenda” and to decline all EU budgetary grants until 2028. This announcement was preceded by other statements of high-ranking officials openly questioning the potential benefits of EU membership for Georgia. This announcement represents a significant departure from the policies of previous Georgian governments and the European aspirations of the vast majority of the Georgian people.

As a reaction to the government authorities’ actions and statements, the EU temporarily withheld the disbursement of funds directly benefitting Georgian authorities, put on hold the 2024 European Peace Facility measure and initiated a repurposing of planned NDICI assistance. A review of the financial assistance portfolio resulted in temporarily withholding and/or reallocating more than EUR 120 million from the 2022, 2023 and 2024 annual envelopes. Additional measures could be considered in case the situation deteriorates further. The measures could be lifted if Georgia addresses the EU’s concerns on democratic backsliding.

## 1.2. Status of joint programming

There are 16 EU Member States present in Georgia. Amongst these, Austria, the Czech Republic, France, Germany, the Netherlands and Sweden currently have a significant cooperation portfolio and/or a proactive role in policy dialogue.

The European development partners are already engaged in **joint implementation** of various programmes in Georgia. Joint implementation takes different forms, such as Annual Action Programmes being partly implemented through indirect management by EU Member States<sup>5</sup> or twinning projects facilitating cooperation between Georgian and EU Member State institutions.

The EU’s financial weight, combined with its political profile, allows it to play an influential role among development partners, in particular European development partners. This is illustrated by the EU’s steering role in formulating **joint European messages** in key thematic areas<sup>6</sup>, as part of “Working Better Together” with EU Member States. These messages, jointly developed by the EU, its Member States, Norway and Switzerland, are regularly used to communicate with the government, stakeholders and partners in a consistent manner. They constitute a **joint analysis** of the gaps and overall priorities for the coming years.

During the work on joint programming in 2019, the European development partners concluded that making a full division of labour at planning level would not be efficient, which explains why there is **no joint programming document as such**. Nevertheless, they also agreed to engage in further joint implementation and the use of joint European messages.

With the launch of the **Team Europe** approach, the EU Delegation and Member States have intensified dialogue and coordination of efforts to address COVID-19 consequences, particularly through increased information sharing, joint analysis and regular updates of joint

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<sup>5</sup> Several EU funded projects are implemented by EU Member States agencies: GIZ (business development and commercial law), ADA (green economy), KfW (water supply and energy efficiency), AFD (water supply).

<sup>6</sup> Sustainable use of natural resources; human capital development; social welfare; good governance; rule of law; sustainable and inclusive economic growth.

European messages. This, together with the continuation of joint implementation, will help create increased and more coherent impact of EU support.

### 1.3. Priority areas of the EU's cooperation with the partner country

The priority areas of the MIP reflect the **structure of the new Association Agenda 2021-2027**, which in turn is built on the **five priorities**<sup>7</sup> that have been endorsed by the EU and the Eastern Partnership political leaders in June 2020 and are underpinning EU assistance to Georgia. They also aim to contribute to the achievement of the **Sustainable Development Goals**, particularly on reducing social inequalities and poverty.

The priority areas are:

Priority 1: A resilient, sustainable and integrated economy

Priority 2: Accountable institutions, the rule of law and security

Priority 3: Environmental and climate resilience

Priority 4: A resilient digital transformation

Priority 5: A resilient, gender-equal, fair and inclusive society

Support will be directed towards **key investments, in line with the Economic and Investment Plan (EIP) for the Eastern Partnership**. These investments will target in particular sustainable transport infrastructure, private sector development and SMEs, digital and energy connectivity, as well as the climate, environment, energy and blue sectors. The European Fund for Sustainable Development (EFSD+) will play a critical role to mobilise private sector investment. To ensure these investments lead to a sustainable impact, investments will also be made in innovation and human capital. Considering the limited fiscal space, it will be important to develop a single project pipeline for Georgia, to ensure lending possibilities are targeted for these strategic investments. All these investments will be **underpinned by support to the country's reforms in the rule of law, good governance and justice sectors** in line with EU values and will continue to be conditional upon Georgia's non-regression and continued progress in these areas.

Furthermore, resilience, environment, governance, a rights-based approach and – in line with the EU Gender Action Plan (GAP) III and the Country Level Implementation Plan for Georgia– **gender equality will be mainstreamed** across all sectors of the MIP. The current MIP will ensure that all NDICI targets will be met. Particular attention will be given to the NDICI climate target, which will be directly supported through interventions foreseen in the third priority sector, but also through mainstreaming climate in the other priority sectors. At least 85% of all programmes deriving from the MIP will have gender equality and women's empowerment as a principal or significant objective. In addition, at least one programme financed by the MIP should have gender equality as its main objective over the period 2021-2027. This will also include actions aimed at strengthening gender budgeting and gender

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<sup>7</sup> On 18 March 2020, the European Commission adopted the joint communication “Eastern Partnership policy beyond 2020: Reinforcing Resilience – an Eastern Partnership that delivers for all”. This strategic document outlines five policy objectives: (i) resilient, sustainable and integrated economies; (ii) accountable institutions, the rule of law and security; (iii) environmental and climate resilience; (iv) digital transformation; as well as (v) fair and inclusive societies.

mainstreaming to ensure that all reforms promote equality between women and men and take into account the impact on gender equality in their preparation.

The Rapid Gender Assessment of the COVID 19 situation in Georgia indicates that gender inequalities persists and ethnic minorities seems to be most affected by the covid-19 pandemic.

A special **focus will be dedicated to people in vulnerable situations** (particularly people living in remote rural areas, conflict-affected population and those belonging to ethnic minorities).

Civil society, including youth and women's organisations and the social partners, as well as local and regional authorities will be consulted throughout the design, review and implementation of the MIP. They will be supported to play a stronger role in monitoring the implementation of reforms and commitments taken by the government.

This bilateral MIP will also have strong links and **complementarity** with the Regional MIP for the Eastern Neighbourhood as well as with other regional cooperation programmes, the European Green Deal<sup>8</sup> and Digital Agenda<sup>9</sup>, the specific 2021 EU Communication on a Green Recovery for the Blue Economy<sup>10</sup>, the Black Sea Synergy<sup>11</sup>, the Common Maritime Agenda and the Strategic Research and Innovation Agenda (SRIA)<sup>12</sup>, 2030 General Fisheries Commission for the Mediterranean Strategy (GFCM)<sup>13</sup>. It will be complemented with other instruments such as the flagship Erasmus+ programme, which will continue to promote intercultural dialogue and awareness of European cultures and values, but also with Common Foreign Security Policy and Foreign Policy Instruments (notably in relation with the occupied breakaway regions) and possibly with EU humanitarian aid channelled through DG ECHO. In addition, Georgia will take part in the transnational cooperation programme Interreg NEXT Black Sea Basin 2021-2027, which will focus on cooperation in the areas of smart technologies and green transition.

All project activities under the EU's support directly benefiting Georgian authorities – which include central government, local authorities, agencies and state-owned enterprises – are temporarily paused, except in exceptional and duly justified cases. EU's assistance will continue supporting the five agreed priorities but those will be implemented mainly through civil society, independent media, international organisations and Member States's entities. The programming for the 2025-2027 period foresees potential actions with the authorities, but these actions will only materialise if Georgia addresses the EU's concerns on democratic backsliding.

#### 1.4. Justification and context

The five priority areas **build on a consensus that emerged from consultations** with the Government of Georgia, representatives of civil society and business, International Financial Institutions, as well as key bilateral donors, between November 2020 and April 2021. A virtual

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<sup>8</sup> The European Green Deal, [https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal\\_en](https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en)

<sup>9</sup> Shaping Europe's Digital Future, [https://ec.europa.eu/info/sites/default/files/communication-shaping-europes-digital-future-feb2020\\_en\\_4.pdf](https://ec.europa.eu/info/sites/default/files/communication-shaping-europes-digital-future-feb2020_en_4.pdf)

<sup>10</sup> EU Communication on a Green Recovery for the Blue Economy, <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52021DC0240&from=EN>

<sup>11</sup> Black Sea Synergy, [https://www.eeas.europa.eu/black-sea-synergy\\_en](https://www.eeas.europa.eu/black-sea-synergy_en)

<sup>12</sup> SRIA, [https://ec.europa.eu/info/news/launch-european-black-sea-strategic-research-and-innovation-agenda-2019-may-08\\_en](https://ec.europa.eu/info/news/launch-european-black-sea-strategic-research-and-innovation-agenda-2019-may-08_en)

<sup>13</sup> GFCM, <https://www.fao.org/gfcm/2seas1vision/GFCM2030Strategy>

programming mission led jointly by the European External Action Service and DG NEAR took place on 9-11 February 2021.

In parallel with the negotiations on the **new Association Agenda**, the Government of Georgia shared suggestions for cooperation priorities under the MIP. Furthermore, Georgia's input to the Association Agenda reveals that it is particularly interested in enhancing economic integration into the European single market, strengthening connectivity, fostering education, research and innovation, and renewing efforts on peace and security. Georgia confirmed regional development, public administration reform, digital transformation (infrastructure, services and skills) and migration management as short and medium term priorities.

Reforms in the judiciary are essential for Georgia's democratic consolidation, its European aspirations, resilience and economic growth, not least in the context of the implementation of the **EU-mediated agreement of 19 April 2021 between the ruling party and the opposition**. Improved results in this area will also increase public trust in the judicial system as well as contribute to an effective business climate and an attractive investment environment.

In the context of the reorientation of future assistance for the post-2020 period, the civil society and business organisations consulted (approx. 100) shared a variety of proposals of priorities for EU future assistance, depending on their areas of expertise<sup>14</sup>. The most relevant recurring areas are: business and SMEs development, consumer protection, environment and health, digitalisation, energy security, regional development, human security (related to the occupied breakaway regions), agriculture and rural development (including food safety), as well as connectivity.

The **EU Member States, as well the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD)** have been closely involved in the process. They showed considerable interest in the content and timeline of the MIP, as well as their roles in the process. Several of them submitted concrete proposals for sectors of intervention and/or Team Europe Initiatives and demonstrated interest in participating actively in the development of the MIP. The EU Delegation organised dedicated meetings with the EU Member States, the EIB and the EBRD in November 2020, February and April 2021 to design the future Team Europe Initiatives.

The choice of the priority areas **fully reflects the strategic priorities outlined in the post-2020 joint documents**, in particular the **Joint Communication on the "Eastern Partnership policy beyond 2020: Reinforcing Resilience – and Eastern Partnership that delivers for all"**<sup>15</sup>, and the corresponding JSWD. The priority areas are therefore in line with the post-2020 Eastern Partnership policy framework, its overarching resilience framework and its five policy objectives. They are also complementary with the Common Maritime Agenda for the Black Sea.

The priorities are also in line with Georgia's candidate status (granted in 2023) and the need to increase alignment with the EU acquis to progress on the enlargement path, providing that Georgia addresses the EU's concerns on democratic backsliding.

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<sup>14</sup> Business and SME development, environment and climate change, sustainable development, social entrepreneurship, digitalisation, energy security, regional development, human security (related to the occupied breakaway regions), eradication of poverty, assistance to vulnerable segments of the society (more generally social services), justice and judiciary, agriculture and rural development (including food safety), connectivity, gender mainstreaming, health care (notably mental health), consumer protection, environmental health.

<sup>15</sup> [https://eeas.europa.eu/sites/default/files/1\\_en\\_act\\_part1\\_v6.pdf](https://eeas.europa.eu/sites/default/files/1_en_act_part1_v6.pdf)

### **1.5. Duration of the MIP and option for synchronisation**

The MIP duration will be identical to that of the new Association Agenda, which is **2021-2027**. A **midterm review** of the MIP is envisaged to validate the main directions in the aftermath of COVID-19.

### **1.6. Considerations setting the context for the period 2025-2027**

The mid-term review of the multi-annual indicative programme for Georgia (2021-2027) comes in the context of an unprecedented deterioration of Georgia's relations with the EU. Georgia was granted candidate status in 2023 on the understanding that nine steps are taken to address the remaining issues concerning rule of law and human rights. However, since spring 2024, the government undertook several actions that jeopardised Georgia's EU path, such as the adoption of the Law on transparency of foreign influence, a legislative package on family values and the protection of minors and harsh anti-EU rhetoric. The 2024 Enlargement Report noted a backsliding on freedom of expression, the judiciary and fundamental rights. Insignificant progress was made on the nine steps.

Furthermore, the October 2024 Parliamentary elections were marred by irregularities. International observers reported violations during the election campaign as well as on election day, as noted in the final report of the International Election Observation Mission led by OSCE ODIHR, published on 20 December 2024. On 27 October, the High Representative Josep Borrell and the European Commission in their Joint Statement, called on the Central Election Commission of Georgia and other relevant authorities "to fulfil their duty to swiftly, transparently and independently investigate and adjudicate electoral irregularities and allegations thereof. Those irregularities must be clarified and addressed". That is a necessary step to re-build trust in the electoral process, in particular in view of the municipal elections in October 2025. Furthermore, the EU recalled that any legislation that undermines the fundamental rights and freedoms of Georgian citizens and runs counter to the values and principles upon which the EU is founded, must be repealed. The European Council reiterated in its Conclusions of 27 June, 17 October, 17 and 19 December 2024 its serious concern regarding the course of action taken by the Georgian government, de facto halting the accession process.

On 28 November 2024, the Georgian authorities announced the decision "not to put the issue of opening accession negotiations with the EU on the agenda" and to decline all EU budgetary grants until 2028. This announcement was preceded by other statements of high-ranking officials openly questioning the potential benefits of EU membership for Georgia. This announcement represented a significant departure from the policies of previous Georgian governments and the European aspirations of the vast majority of the Georgian people. It led to thousands of Georgians taking the streets in several cities in Georgia. The protests were marked by violent confrontations with the police and affiliated informal groups and reports of systemic violence against detained protestors, opposition politicians and journalists, amounting to ill-treatment and acts of torture (according to credible international and local reports, including the Georgian Public Defender).

As a result of these negative developments and upon agreement with the Member States, the Commission undertook a review of its financial assistance portfolio; the disbursement of funds directly benefitting Georgian authorities was suspended and engagement with Georgian authorities was reduced to technical level with limited visibility. The EU repurposed EUR 121.3 million of financial assistance from the 2022 to 2024 packages for Georgia, and the



allocation for the next three years will see a significant cut compared to the 2021-2024 period (EUR 85 million annually). Future assistance will focus mainly on supporting civil society, independent media and socio-economic development.

Russia's war of aggression against Ukraine increased the sense of vulnerability of the country due to the memory of the 2008 Georgia-Russia war. The security situation in Georgia remains stable. Russia reportedly withdrew around 75% of its military staff and equipment from the occupied Georgian breakaway regions of Abkhazia and South Ossetia and redeployed them to Ukraine, but the overall Russian political and security grip over the regions was not decreased with de facto authorities being tightly controlled. The ruling party, Georgian Dream, was using the security situation as a reason to continue a cautious policy towards Russia, including disinformation about a 'second front' in the war that the West would force Georgia to create. In this context, disinformation, anti-Western narratives and hybrid threats have been on the rise.

Additionally, Georgia signed a Strategic Partnership Agreement with China in July 2023 to increase bilateral economic and political cooperation. In May 2024, Georgia awarded the Anaklia port development project (which has the potential to become a major trading hub between Europe and Asia) to a Chinese-Singaporean consortium. The same month, a visa-free agreement between Georgia and China entered into force. These moves demonstrate a shift in Georgia's foreign policy and could be in the medium to long term at odds with Georgia's Euro-Atlantic aspirations.

The MIP update takes into account the Political Guidelines of the European Commission for 2024-2029.

## **2. EU support per priority area and proposals of Team Europe Initiatives (TEIs)**

In addition to the priority areas and TEIs, a series of flagship initiatives for Georgia have been included in the JSWD: "Recovery, resilience and reform: post 2020 Eastern Partnership priorities". These are concrete priority projects with tangible results that have been jointly identified with the partner countries, taking into account their priorities, needs and ambitions, and are closely linked with the MIP directions.

### **2.1.1. Priority area 1: Resilient, sustainable and integrated economy**

This priority area will support Georgia's transformation to a more resilient, sustainable and integrated economy – thus contributing to economic recovery following the COVID-19 pandemic in the spirit of "building back better". The main challenges for Georgia's private sector are to raise productivity levels, increase resource efficiency, decrease emissions and integrate more effectively into global/ European value chains. The EU will support inclusive economic policies that work for people, and Georgia's gradual economic integration into the EU Internal Market in specific sectors, including through increased connectivity with the EU, while ensuring fair competition and effective control of subsidies.

Education, decent work and innovation will play key roles in this process, including targeted actions aiming at boosting youth employment. The EU will also continue to pay particular attention to supporting the development of the focal regions in the country. In recent years, the focal regions have benefitted from support in the areas of employment, skills matching, integrated territorial development, agriculture and rural development as well as the roll-out of smart specialisation strategies.

Macroeconomic instability, COVID-19 developments and a protracted economic crisis may have adverse effects on the achievement of the objectives under this priority area. Mitigating measures could consist in holding a continuous policy dialogue with the government, monitoring of the developments (notably macro-fiscal and political situation, as well as COVID-19) and the provision of technical and financial assistance.

Actions under this priority area aligned primarily with SDG 1 (no poverty), SDG 2 (zero hunger), SDG 4 (quality education), SDG 5 (gender equality), SDG 8 (decent work and economic growth), SDG 9 (industry, innovation and infrastructure), SDG 10 (reduced inequalities), SDG 11 (sustainable cities and communities), SDG 12 (responsible consumption and production), SDG 13 (climate action), and SDG 14 (sustainable use of the oceans, seas and marine resources).

### **2.1.2. Specific objectives related to the priority area**

Specific Objective 1: Develop an inclusive economy, business and trade across key sectors of the economy (agriculture, industry, services), with a focus on the full implementation of the DCFTA, on support to Small and medium-sized enterprises, including in rural areas, on sustainable food systems and on stimulating consumer protection and the economic empowerment of women;

Specific Objective 2: Strengthen connectivity (transport, energy and digital), including Black Sea connectivity between Georgia and the EU and its Member States, promoting green solutions, road safety as well as competitive interconnections for multimodal transport, digitalisation of ports and infrastructures, green-shipping and ports as smart hubs;

Specific Objective 3: Better quality and more international education and decent work for all, better skills for jobs preparing for today's and tomorrow's labour market challenges, including creation of high quality green jobs and increased employability, in particular for women, youth and persons in vulnerable situations;

Specific Objective 4: Increase research and innovation opportunities and capacities that can stimulate business, support diversification of the economy and shift production towards greener, more knowledge-intensive and higher value-added products.

### **2.1.3. Expected results per specific objective**

For SO 1:

- Increased trade opportunities with the EU through implementation of the DCFTA, including support to local laboratory capacity, customs cooperation, standardisation processes, enhancing public procurement procedures, ensuring fair competition and effective subsidy control, protection of intellectual property rights, food and product safety, the promotion of the Georgian brand, as well as logistical and growth hubs;
- Improved access to finance and business support to SMEs, especially women-led SMEs;
- Increased integration of Georgian SMEs into EU value chains, including switching to less carbon intensive / carbon neutral and energy efficient technologies;
- Better consumer protection by strengthening Georgia's legal framework and institutional capacity, as well as support to civil society organisations active in the field;

- More women-led business across the economy;
- Sustainable, fair and economically balanced growth in all regions.

For SO 2:

- Improved Black Sea connectivity between Georgia and the EU and its Member States, including by developing more modern, operative and green Georgian ports;
- Better and cleaner internal connectivity through the implementation of the new National Transport and Logistics Strategy, as well as the inter-city passenger transportation reform in Georgia;
- Increased maritime safety and increased road safety inspired by the EU's "Vision Zero and Safe System approach".

For SO 3:

- Increased relevance, quality and inclusiveness of general, vocational and higher education;
- Alignment with international good practices/ standards, and increased student mobility;
- Increased VET participation, and better matching of skills development to labour market needs;
- Implemented active labour market measures and enhanced employment services;
- Better preparation for entry/transition into a more inclusive, fairer and greener labour market.
- Improved working conditions through the adoption, implementation and enforcement of relevant policies and legislation, in line with applicable international labour standards and EU acquis;

For SO 4:

- Increased cooperation with the EU on research and innovation, notably through Georgia's participation in Horizon Europe;
- More private businesses engaged in research and innovation thanks to support schemes to start-ups and SMEs, including women-led SMEs, targeting in particular green and digital transformation and innovation;
- A modernised and internationalised science, technology and innovation system for creating new knowledge and promoting sustainable development.

#### **2.1.4. Indicators**

Key indicators include the following:

- Proportion of population below the international poverty line by sex, age, employment status and geographical location (urban/rural) (NDICI 2);
- Frequency of direct and indirect maritime transport routes between Georgia and the EU;
- Overall employment rate disaggregated by sex and age (youth/adults).

#### **2.1.5. Possible use of blending and guarantees for investment under EFSD+**

Transport connectivity as well as Micro, Small, and Medium Enterprise / private sector development have been identified as priority sectors for the use of the EFSD+.

With regard to transport connectivity (road, railway, maritime, aviation), the main sub-sectors

include roads (especially indicative core TEN-T network), increased Black Sea port capacities and direct ferry links between Georgia and the EU, as well as railway connections including further renewal of rolling stock, Tbilisi metro rehabilitation, municipal transport and regional/rural road network expansion. Investments are expected to be financed mostly via sovereign lending, with possible private sector interest in direct EU-Georgia ferry links.

With regard to MSME, the development of the private sector is underpinned by relatively advanced deregulation, pro-investment business environment, free trade agreements (including DCFTA) and a developed banking system. EFSD+ guarantees can provide an important boost by addressing existing market failures and risk costs limiting access to finance. Availability of viable projects and investment opportunities will depend on the pace of post-pandemic recovery of trade, services (notably tourism), export-oriented manufacturing demand and incubation of start-ups. Longer-term private sector development hinges on the success of EU-supported structural reforms, including economic diversification, skills development as well as geo-political stability.

This priority links with the following Flagships of the EIP: Flagship 1: Black Sea connectivity — improving data and energy connections with the EU; with Flagship 2: Transport connectivity across the Black Sea — improving physical connections with the EU; and with Flagship 3: Sustainable economic recovery — helping 80 000 SMEs to reap the full benefits of the DCFTA.

## **2.2. Priority area 2: Accountable institutions, the rule of law and security**

Despite substantial progress over the last decade to modernise key sectors of the society and economy, some reforms have not reached the critical point to trigger irreversible change and secure public trust. This applies notably to democracy consolidation and justice sector reform (important challenges remain as regards public trust in the justice system and in particular the High Council of Justice), but also to the accountability and transparency of institutions and persisting concerns regarding high-level and complex forms of corruption. Security issues in relation to the occupied breakaway regions remain present and are disconcerting in the context of the latest developments in and around Nagorno-Karabakh as well as the ongoing standoff between Ukraine and Russia. The EU will support strengthening the rule of law and resilient institutions with an **incentive-based approach** ('more for more' and 'less for less'). Future reforms should be aligned with European standards and the recommendations of relevant international bodies such as the Venice Commission and the Group of States against Corruption.

Lack of commitment from the government to pursuing the expected judicial reforms (following the signature of the political mediation agreement), and the public administration and economic governance reforms may have adverse effects on the achievement of the objectives under this priority area. Mitigating measures could consist of maintaining a continuous policy dialogue with the government, reinforcing the oversight role of civil society and increasing efforts aimed at sustainable institution building.

Actions under this priority area align primarily with SDG 5 (gender equality), SDG 10 (reduced inequalities), and SDG 16 (peace, justice and strong institutions).

### **2.2.1. Specific objectives related to the priority area**

Specific Objective 1: Strengthen the Rule of Law and accountable institutions by supporting justice reform, including through ensuring independence, accountability and transparency of

the judiciary, as well as the alignment of judicial appointments in law and in practice with European standards to improve the level of public trust in the justice system, but also the reform of prisons, prosecution, criminal investigations, prevention of ill-treatment and increased anti-corruption efforts, including at local level, anti-money laundering and countering terrorism financing;

Specific Objective 2: Support public administration and economic governance reforms, particularly environmental governance, and strengthen production and dissemination of reliable statistics, including sex-disaggregated statistics, as well as balanced territorial development through support to the decentralisation process (enhancing self-governance, addressing inequalities and ensuring access to health and social services), public finance reform at national and sub-national levels, promote evidence-based policy making and provide capacity building to state institutions, support the implementation of environmental liability;

Specific Objective 3: Increase security particularly in the fight against serious and organised crime, notably in the framework of the European Multidisciplinary Platform Against Criminal Threats (EMPACT), including in the fight against illicit drugs, addressing combatting trafficking in human beings, fight against cybercrime, countering terrorism, illicit trade in small arms and light weapons as well as ensuring cooperation with Europol and CEPOL, continue to fight against hybrid threats by promoting energy security, cybersecurity and fighting disinformation, as well as peaceful conflict resolution and socio-economic development for people in conflict-affected areas.

### **2.2.2. Expected results per specific objective**

For SO 1:

- Improved independence, transparency and accountability and gender sensitivity of the judiciary;
- Alignment of the legal framework concerning appointments, disciplinary proceedings, evaluation and transfer or promotion of the judiciary with European standards, and its effective implementation;
- Better court management through further development of electronic governance;
- Increased capacity of relevant state bodies, including on investigation and prosecution of corruption, money laundering and cybercrime;
- Sustained implementation of the e-asset declaration system;
- Better prison management system and restorative justice;
- Resocialisation and rehabilitation of more minors and adults in conflict with the law.

For SO 2:

- Implementation of the Public Financial Management Reform Strategy and of the Pilot Integrated Regional Development Programme;
- Adopted and implemented Public Financial Management and Public Expenditure and Financial Accountability strategies, including gender-responsive budgeting;
- Increased accessibility and effectiveness of online public services;
- Increased capacity of public administration for evidence-based policy making;
- Strengthened external audit environment and state budget expenditure oversight;

- Increased capacity of public administration (including sub-national level: municipalities in small and medium cities) to develop and implement sustainable energy and climate action plans;
- Increased availability of reliable statistics for evidence based policy making;
- Increased environmental liability;
- Regulatory Impact Assessments are implemented throughout the law making process.

For SO 3:

- Increased resilience and capacity to address national security threats, including hybrid threats, critical infrastructure protection, cybersecurity issues and disinformation;
- Fight against organised crime, including through establishing institutional, policy and legislative cybersecurity frameworks in line with EU legislation and guidelines;
- Increased human security, peacebuilding and socio-economic development for conflict-affected people living in the occupied breakaway regions as well as along the Administrative Boundary Lines.

### **2.2.3. Indicators**

Key indicators include the following:

- Ranking of the CEPEJ Eastern Partnership Dashboard;
- World Bank Justice Surveys
- Number of initiatives supported by the EU to strengthen revenue mobilisation, public financial management and/or budget transparency (Result indicator 4.5.2, EURF);
- Number of state institutions and non-state actors supported on security, border management, countering hybrid threats, violent extremism, conflict prevention, protection of civilian population and human rights (Result indicator 4.5.1, EURF);
- Number of victims of trafficking in human beings identified and referred to assistance, gender-specific support and protection services;

### **2.2.4. Possible use of blending and guarantees for investment under EFSD+**

All financial instruments (budget support, technical assistance and Twinning/Taiex for institutional development) for the above listed priority directions could be used – less likely EFSD+.

## **2.3. Priority area 3: Environmental and climate resilience**

The European Green Deal requires urgent action by the EU and partner countries on the existing and future environmental and climate challenges, also in line with the Paris Agreement, the UN Sustainable Development Goals as well as the Sendai Framework for Disaster Risk Reduction. Health issues caused by poor management of natural resources become more and more a topic of concern for citizens and feature increasingly higher on the public agenda. The post-COVID-19 recovery offers the opportunity to Georgia to modernise the economy, making it more sustainable and circular, by reducing the carbon footprint, material use and the damaging environmental impact including on the marine environment.

Weakening of the government's commitment to implementing reforms related to environmental and climate resilience may have adverse effects on the achievement of the objectives under this

priority area. Mitigating measures could consist in continuing political and policy dialogue with the authorities, at all levels, and in launching public communication on the benefits of a sustainable use of natural resources.

Actions under this priority area align primarily with SDG 3 (good health and well-being), SDG 5 (gender equality), SDG 6 (clean water and sanitation), SDG 7 (affordable and clean energy), SDG 9 (industry, innovation and infrastructure), SDG 11 (sustainable cities and communities), SDG 12 (responsible consumption and production), SDG 13 (climate action), SDG 14 (life on land), SDG 15 (sustainable use of the oceans, seas and marine resources) and SDG 15 (life on land).

### **2.3.1. Specific objectives related to the priority area**

Specific Objective 1: Support progressive decarbonisation and adaptation to climate change of the economy and infrastructure, with an aim to reach carbon neutrality by 2050 through active measures in sustainable transport and energy production, energy efficiency, disaster risk reduction, green urban development, agriculture, sustainable blue economy, tourism, construction, rural development and supporting non-agricultural employment and industry, including support to engaged women organisations;

Specific Objective 2: Promote the environment and health nexus with a focus on reducing air and water pollution, on behavioural change as well as strengthening the resilience of the healthcare system to external shocks such as pandemics and more oriented towards the needs of women and men of different age, place of residence and social status;

Specific Objective 3: Stimulate the sustainable use of natural resources, including circular economy (waste prevention and management, Extended Producers' Responsibility), water resources management, mining, pastures, forests and biodiversity and promote the transition to a sustainable blue economy by protecting the marine environment and sustainable fisheries governance.

### **2.3.2. Expected results per specific objective**

For SO 1:

- Advanced implementation of the National Energy and Climate Plan;
- Eco-labelling implemented and consumer awareness raised;
- Integrated disaster risk management;
- Improved system of monitoring, reporting and verification of emissions and established carbon pricing system;
- Full implementation of Georgia's Nationally Determined Contribution to the Paris Agreement and low emissions development strategy (LTS);
- Advanced transition to sustainable energy use and increased resource efficiency, including by adopting key legislation and increased awareness of energy efficiency;
- More competitive, transparent and efficient energy market.

For SO 2:

- Reduced air pollution by better monitoring and reporting of air pollution data and implementation of air quality action plans for major agglomerations;

- Increased capacities of relevant structures to ensure efficient implementation and enforcement of environmental legislation with a view to protect natural resources and the health of citizens;
- Integration of environmental and climate related aspects in all key national policies;
- More infrastructure investments favouring environmental protection (recycling centres, waste landfills in line with EU standards, water supply and sanitation including, waste water treatment, river basin management plans, etc.) implemented.

For SO 3:

- Introduction of circular economy principles in the relevant national strategies and transition towards circularity and low-carbon solutions in the production and consumption processes;
- More diversified use of renewable energies, including wind and solar, taking into consideration protection of natural resources;
- Enhanced protection of protected areas (including marine natural protected areas), biodiversity and ecosystems as well as restoration of damaged protected areas);
- Restoration and improved environmental monitoring of the Black Sea ecosystem;
- Increased decarbonisation in the shipping sector, reduced marine litter;
- Effective implementation of the 2030 GFCM strategy and of the new fisheries governance.

### 2.3.3. Indicators

Key indicators include the following:

- Number of cities with climate change and/or disaster risk reduction strategies developed or under implementation with EU support (NDICI 13, EURF);
- Number of cities covered by regular air quality monitoring;
- Capacities of relevant national authorities to monitor water quality, including the Black Sea, in accordance with the Water Framework Directive (WFD) and Marine Strategy Framework Directive (MSFD).

### 2.3.4. Possible use of blending and guarantees for investment under EFSD+

Environment, energy and climate sectors have been identified as priority sectors for the use of the EFSD+.

Based on expected significant progress of ongoing energy sector reform in line with the Energy Community and the EU acquis, the potential for **green investments** in renewable energy and energy efficiency is set to open up. In addition to traditionally strong hydropower potential, government and private investors are showing increased interest in wind and solar. Ongoing energy market liberalisation, infrastructure improvement, active development of public-private partnership projects and renewables auctioning mechanism offer good opportunities for guarantee-supported financing. Besides scaling up energy efficient building renovations, Georgia has a large need for **comprehensive urban investments** supporting sustainability, environment and resilience, including **mobility, water and waste management**.



This priority links with Flagship 5 of the EIP: Improved air quality — cleaner air for over 1 million people in Tbilisi.

## **2.4. Priority area 4: Resilient digital transformation**

Developing digital infrastructure and e-governance are priorities for both the EU and Georgia given their contribution to growth and sustainable development. Georgia also has the ambition to become a regional digital hub to develop digital corridors and data centres, which could then serve as gateways between the EU and Asia. Black Sea digital connectivity through a submarine fibre optic cable is strategic in this regard. Another challenge to be addressed is the lack of basic and specialised digital skills to strengthen the entrepreneurial ecosystem in Georgia.

Lack of public and private investments into the digital transformation as well as insufficient capacities of the state institutions in charge of digital infrastructure may have adverse effects on the achievement of the objectives under this priority area. Mitigating measures could consist in reinforcing the regular policy dialogue with the authorities and key stakeholders (including IFIs) on relevant policies and projects, as well as on intra-government coordination, and providing targeted capacity-building assistance to relevant state institutions. The modernisation of broadband digital infrastructure, with a particular focus on upgrading the infrastructure will result in lowering energy consumption technologies and reducing carbon footprint.

Actions under this priority area are crosscutting in nature and align primarily with SDG 4 (quality education), SDG 5 (gender equality), SDG 8 (decent work and economic growth), SDG 9 (industry, innovation and infrastructure), and SDG 10 (reduced inequalities).

### **2.4.1. Specific objectives related to the priority area**

Specific Objective 1: Enhance digital infrastructure that will increase access to affordable and secure broadband connectivity;

Specific Objective 2: Develop e-governance and e-services, particularly e-health and e-learning, taking into account gender, age and education;

Specific Objective 3: Promote digital economy, with a focus on digitalisation of SMEs, digital skills and the development of creative industries and social enterprises, particularly those initiated and led by women, and enhance women's education and involvement in Science, Technology, Engineering, Mathematics.

### **2.4.2. Expected results per specific objective**

For SO 1:

- Increased number of households having affordable access to high-speed internet across the country, in particular in rural and remote areas;
- Increased digital security through more diversified infrastructure networks.

For SO 2:

- Enhanced offer of online public services through interoperable platforms;
- Developed e-health and e-learning services, accessible for women, men and different population groups in Georgia.

For SO 3:

- Well-functioning digital economy, including digital human capital and digitalised SMEs;
- Increased digital skills among women and men of different age, place of residence, social and health status;
- Increased offers of IT training programmes leading to employment upon graduation;
- Increased number of digitalised SMEs – including creative industries and social enterprises – and developed e-commerce;
- Better links to European digital platforms;
- More developed creative industries on local level.

#### **2.4.3. Indicators**

Key indicators include the following:

- Number of people with access to internet with EU support (disaggregated by sex, geographic region, urban/rural, age group, and type of connection, i.e. mobile or fixed);
- UN e-governance rankings;
- Number of digital-related policies/strategies/laws/regulations supported by the EU.

#### **2.4.4. Possible use of blending and guarantees for investment under EFSD+**

Digital has been identified as a priority sector for the use of the EFSD+. Investments are expected to support the deployment of the Georgian broadband strategy, and support in particular connectivity through the Black Sea to Europe. Policy dialogue and technical assistance as regards these investments will focus on sustainability, safety and regional connectivity.

This priority links with Flagships 1 “Black Sea Connectivity – Improving data and energy connections with the EU” and 4 of the EIP: Digital connectivity for citizens — high-speed broadband infrastructure for 1 000 rural communities.

### **2.5. Priority area 5: Resilient, gender equal, fair and inclusive societies**

An active and vibrant civil society, promotion of gender equality as well as well-advanced reforms in the area of public administration contribute to the consolidation of democracy in Georgia. Gradual harmonisation with the EU *acquis* and alignment with international standards also help to strengthen democracy and rule of law. A number of challenges remain, however, and warrant continued EU support. Furthermore, securing the proper functioning of the visa free regime will enhance mobility and people-to-people contacts.

Backtracking on the implementation of electoral reforms, curtailing media freedom and fundamental rights, as well as the risk of visa suspension may have adverse effects on the achievement of the objectives under this priority area. The civil society sector is still far from being resilient, given their dependency on international donors, concentration in the capital and big urban areas, and with relatively low public trust in this sector. Mitigating measures could consist in further strengthening the political dialogue at highest level, providing further capacity building to civil society and thus reinforcing their capacity as watchdogs and reliable

interlocutors of the government, further promoting and defending human rights, and ensuring the continuous implementation of VLAP benchmarks.

Actions under this priority area align primarily with SDG 3 (good health and well-being), SDG 4 (quality education), SDG 5 (gender equality), SDG 10 (reduced inequalities), SDG 11 (sustainable cities and communities), and SDG 16 (peace, justice and strong institutions).

### **2.5.1. Specific objectives related to the priority area**

Specific Objective 1: Consolidate democracy and strengthen the role of civil society, particularly through support to and capacity building for civil society, including the social partners, electoral reform (including increasing political participation by women), support to a healthy media environment, fight against polarisation, enhancing strategic communication;

Specific Objective 2: Support to the protection and promotion of human rights, including the rights of the child and the rights of people belonging to minorities, LGBTI people and persons in vulnerable situations, women's rights, including combatting violence against women and domestic violence, promotion of gender equality; fight against discrimination;

Specific Objective 3: Support the development of more effective ways to handle migration management and mobility, notably the continuous fulfilment by Georgia of the visa liberalisation benchmarks, and circular/labour migration in line with national competences. Provide more mobility opportunities for women and youth, address irregular migration and the issue of unfounded asylum applications by strengthening border management and cooperation with Frontex, enhancing readmission cooperation and promoting legal migration, in line with EU and Member States' competencies, including in the context of Talent Partnerships.

### **2.5.2. Expected results per specific objective**

For SO 1:

- Strengthened pluralistic, inclusive, participatory and representative democracy;
- Increased number of women, persons with disabilities and minority representatives in government, both national and local;
- More developed, empowered and active civil society including women's organisations, across the territory of Georgia, including in the occupied breakaway regions;
- More developed community-based organisations and grass root initiatives, including women-led initiatives and organisations/projects focused on advancing gender equality;
- Involvement of civil society and social partners in policy development, making and implementation on all state levels;
- Strengthened oversight role of civil society including in conflict resolution and peacebuilding processes;
- Heightened public awareness of disinformation campaigns, including promotion of media literacy, and wider condemnation of hate speech, divisive language;
- More editorially independent and accountable media.

For SO 2:

- Implemented Human Rights Strategy and Action Plan;

- Improved implementation of anti-discrimination policies and legislation, at the central and local level;
- Enhanced dialogue and cooperation between institutions and civil society organisations in promoting and protecting human rights;
- Active and functioning human rights institutions;
- Adopted and implemented policies on data protection, in line with the General Data Protection Regulation;
- Increased gender equality and women's empowerment and decreased gender-based violence;
- Improved social protection system.

For SO 3:

- Full implementation of Georgia's migration strategy;
- Continued fulfilment of the visa liberalisation benchmarks;
- Enhanced cooperation with the EU on migration and mobility, including addressing irregular migration and the issue of unfounded asylum applications;
- Strengthened border management and cooperation with Frontex;
- Enhanced readmission cooperation and legal migration including in the context of Talent Partnerships.

### **2.5.3. Indicators**

Key indicators include the following:

- Country scores in Global State of Democracy Indices, Global Democracy Index, Global Freedom Scores and Democracy improved;
- Ranking in the Global Gender Gap Index;
- Number of state institutions and non-state actors supported on security, border and migration management.

### **2.5.4. Possible use of blending and guarantees for investment under EFSD+**

All financial instruments (budget support, Technical Assistance and Twinning/Taiex for institutional development) for the above listed priority directions could be used – less likely EFSD+.

### **2.5.5. Communication**

Strategic communication tailored specifically for each priority and respective sectors will be developed and included in the MIP rollout. It will build on the lessons learned so far and strengthen societal resilience, by raising awareness of the positive impact of EU policies and actions, addressing disinformation and supporting independent media. All actions will comply with the instructions provided in the *Communication and Visibility Requirements<sup>16</sup> of 2018* (as updated by the communication and visibility requirements in force under the current programming period 2021 - 2027), notably with regard to the use of the EU emblem and the

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<sup>16</sup> [https://ec.europa.eu/neighbourhood-enlargement/system/files/2018-06/visibility\\_requirements-near\\_en.pdf](https://ec.europa.eu/neighbourhood-enlargement/system/files/2018-06/visibility_requirements-near_en.pdf)

elaboration of a dedicated communication and visibility plan, to be completed for every action at the start of implementation.

## 2.6. Proposals of country Team Europe Initiatives<sup>17</sup>

### 2.6.1. Balanced Territorial Development Initiative in Georgia

The country assessment of Georgia revealed a need to promote a more balanced territorial development that will improve living standards and conditions of the population across the entire country. Creating new centres of gravity and delivering assistance at different layers in other parts of the country than Tbilisi and Batumi will contribute not only to providing adequate and wide-ranging response to those affected by COVID-19 but will also ensure a more sustainable development and economic growth of Georgia.

#### CONTEXT

- Georgia is a **small developing economy** with a population of about 3.7 million people and a gross national income per capita of approx. EUR 3 950. Sound fiscal and monetary policies supported by structural reforms created supply-side dynamics, which positively impacted upon economic growth in the larger Georgian cities, e.g. Batumi and Tbilisi.
- The country features a remarkably diversified landscape and topography and consists of 10 **administrative and statistical regions** (excluding Georgia's occupied breakaway regions of Abkhazia and South Ossetia). The regions are disparate with regard to territorial, social and economic characteristics. The largest region in terms of size is Kakheti with an area of 11 375 km<sup>2</sup> and the smallest is Guria with an area of 2 033 km<sup>2</sup>. Population wise, the biggest (not counting Tbilisi) is Imereti with 529 700 inhabitants and the smallest is Racha-Lechkhumi and Kvemo Svaneti with only 31 000 residents – i.e. 17 times less.
- **Significant disparities persist between urban and rural areas**, most importantly in terms of incomes, and living standards. 42.8% of the population lives in rural areas, and almost half of the rural population is engaged in agriculture, forestry and fishing, although the agricultural sector contributes less than 10% to GDP.
- If self-employed subsistence farming is excluded, the hired employment rate is low (42.3% nationwide). Tbilisi tops the ranking with an index of 84.5% followed by Adjara 45.6%. **All other regions record hired employment rates below the country's average.** The

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<sup>17</sup> The EU's (Commission and European Investment Bank) indicative contribution to the TEIs (EUR 178 million in priority area 1 and 163.3 million in priority area 2) is subject to the confirmation of the Team Europe partners' indicative meaningful contribution as early as possible. In the absence thereof, the EU's indicative contribution may be redirected in accordance with the priority areas of the MIP and their allocations. The obligation of the Union and the Member States to coordinate their development policies following initiatives by the Commission to this effect, as per article 210 TFEU, always applies.

pandemic has had a negative impact on the employment, rising the unemployment rates across the country.

- **Poverty** remains high in the whole country (about 22% of the population before the pandemic), however it is **unevenly distributed with higher rates in rural areas than in urban ones**. The incidence of extreme poverty in rural areas is almost twice that in urban areas. Consumer expenditures of 22.3% of the population are below 60% of the average subsistence level. Poverty has also gender dimension: 21.6% for people living in female-headed households are poor, compared to 19.5% for male-headed households.<sup>18</sup>
- **Tbilisi is the biggest contributor of GDP**, accounting for almost half of it. Business turnover mirrors the GDP distribution, with 72% of turnover attributed to Tbilisi-based companies, while turnover for Guria and Racha-Lechkhumi & Kvemo Svaneti together accounts for 1%.
- Georgia's **age gap** is another factor of concern. With a median age of 38.1 at national level, Georgians are still younger than EU nations on average. However, the median age in Guria and Racha-Lechkhumi & Kvemo Svaneti (41.8 and 48.2 years respectively) should be flagged as a challenge in a mid-term perspective. Health and demographic indicators of Georgia show gender imbalances. In a context of stagnant population growth, women constitute the largest share (62%) of the older population.<sup>19</sup>
- A survey conducted in the regions before the pandemic shows a steady satisfaction of citizens towards **local services** (infrastructure, kindergarten, social services, etc.) but that has most probably decreased during 2020. On the other hand, an evident lack of civic engagement can be observed, including in planning and monitoring of local development projects. Citizens' trust in local administration remains average and is affected by the performance of the administration during the pandemic.
- Georgia's regional development and decentralisation strategies provide important building blocks to advance a more inclusive, gender balanced and democratic development in Georgia and reduce inequalities, including through inclusive economic growth. It is important to use the **momentum of the new Decentralisation Strategy (2020-2025)** and of the Pilot Integrated Regional Development Programme (2019-2022) to address underlying causes of poverty and to strengthen the roots of democracy in Georgia.

This Team Europe Initiative could be implemented as follows:

The reduction of regional disparities in Georgia, supported by the decentralisation reform, is a complex, highly political and multi-layered process. It will require a combined political and policy dialogue, institutional and capacity development, investments and strong elements of local empowerment and inclusive participation, including targeted at women. This Team Europe Initiative will provide an enabling environment for new and on-going projects, particularly at local level.

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<sup>18</sup><http://documents1.worldbank.org/curated/en/407151616738297662/pdf/Georgia-Country-Gender-Assessment.pdf>

<sup>19</sup><http://documents1.worldbank.org/curated/en/407151616738297662/pdf/Georgia-Country-Gender-Assessment.pdf>

The Team Europe Initiative will build on significant EU support under the “EU4 Integrated Territorial Development” programme, launched in September 2020 to reduce regional disparities in the country and further economic development of regions outside of the capital.

EU Member States (through ADA, AFD, GIZ, KfW, SIDA) will strengthen their cooperation, particularly on the implementation of the decentralisation strategy. The EU Delegation and EU Member States participate regularly in the government-led working group on decentralisation reforms. Georgia will also benefit from experience and support in reducing inequalities related to healthcare access or in the field of education. Focus will be given to equal access to quality health, education and other social services for national minorities, as well as effective participation of national minorities in public life across the country.

EIB and EBRD are also providing support to regional development and will be engaged through blending and guarantees to ensure more EU impact and to enhance connectivity aspects and reduce the isolation of some regions. EIB could contribute by financing sovereign (or sub-sovereign, if applicable) infrastructure projects. Finally, the Team Europe Initiative would aim at reducing digital exclusion and factor in the new opportunities offered by digital transformation.

### 2.6.2. Green and Health Team Europe Initiative in Georgia

The country assessment of Georgia identified reinforcement of the green potential of Georgia with a view to protect natural resources and the health of the population as a priority. Through reinforcing the country’s attractiveness and the health of the population, this initiative will also contribute to providing an adequate socio-economic response to the COVID-19 impact.

#### CONTEXT

- In the early stages of political and economic transition, Georgia achieved high growth rates and urban expansion often took place at the expense of the environment. Today, deteriorating environmental conditions and pollution are having a direct negative impact on the health of Georgian citizens. **Environmental protection and its impact on health** have become an increasing priority for the Georgian population and the Government.
- The **National Environmental Action Programme 2017-2021 (NEAP-3)** is highly influenced by the Association Agreement and the **EU will be supporting the development of its successor**. Its main objectives are to ensure sustainable use of natural resources and minimise risks that threaten human health to further approximate to the EU's overall environmental policies, to increase capacities of administrative structures in charge of environment and to promote sustainable development through the integration of environmental aspects into other sectoral policies.
- **Ambient air pollution** is one of Georgia’s most acute environmental challenges, one with a significant impact on human health. The transport sector is the main source of air pollution, mainly caused by the age of vehicles (91% of cars are above 10 years old and only 3% below 6 years), the lack of public transport and problems with fuel quality. The industrial sector is the second source of air pollution. Several alarming studies also highlight the impact of air pollution on the Georgian economy.

- **Water quality and water resource management** is a key issue. If the overall quality of surface water in Georgia is satisfactory, the main challenges with surface water resources come from households due to the discharge of untreated urban wastewater into surface water bodies. Only around 50% of the population has access to wastewater collection services, and the number of wastewater treatment plants (WWTP) remains very limited despite ongoing investments by the EU and IFIs. A new law on Water Resource Management transposing key elements of the EU Water Framework Directive needs to be adopted as soon as possible. The new law will introduce among others water resource management based on river basin and watershed management plans.
- **Healthy communities rely on well-functioning ecosystems.** They provide clean air, fresh water, medicines and food security. They also limit disease and stabilise the climate. Georgia's status as a **biodiversity** hotspot is at risk today. The mainstreaming of biodiversity in other sectors should be reinforced. Georgia's forests outside protected areas are heavily degraded. Unsustainable and widely illegal use of wood for energy demand in rural areas (mainly for heating) must be stopped by promoting alternative fuels and energy efficiency measures (heating stoves, insulation).
- Management of waste has important implications for environmental preservation, human health and well-being. Unfortunately, Georgia is facing important problems with the **reduction and management of waste**, including marine litter. If Georgia has 60 registered municipal waste landfills and uncontrolled dumpsites in or nearby almost all villages, none of the current landfills conforms to EU standards. Currently, waste collection services are not yet offered in most rural areas and waste disposal and recycling systems remain limited. The signing of the Association Agreement sped up the process of development of national waste policy and legislation. The Waste Management Code (WMC), which entered into force in 2019, covers all major waste streams and stipulates the establishment of more sustainable waste management practices in the country.
- Georgia is already directly impacted by **climate change**, which is triggering several adverse environmental effects. The rise of sea levels affects the Black Sea, the life of people and animals living there. The growing frequency and intensity of floods, landslides and mudflows these last years has caused damages to the life of numerous people and is impacting the economy. The changes in precipitation and temperature patterns is affecting Georgian agriculture and its capacity to provide safe, secure, and affordable food supply for all. Georgia is playing its role within the global fight against climate change. In 2017, the Paris Agreement on climate change entered into force for Georgia, which submitted its updated Nationally Determined Contribution (NDC) to the UNFCCC in April 2021.

This Team Europe initiative could be implemented as follows:

<p>This programme will support Georgia in the implementation of actions and investments supporting a multi-sectoral transformation towards a greener Georgia more respectful of the environment and of the health of its citizens. It will include actions focused on <b>five main sub-sectors</b>, which based on our analysis, are facing the most problems: air quality, water quality and protection of water as a resource, protection of forestry and biodiversity (including the marine environment), waste management, development of green cities, and the more transversal sector of climate action. The initiative is to cover the whole of Georgia with a</p>
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majority of the actions to be implemented in the regions and less-developed areas of the country.

The initiative will **combine a mix of different instruments** provided by the EU, the EIB, the European Financing Institutions and Member States Agencies. Joint implementation between the EU, the European Financing Institutions, and Member States Agencies is also planned.

The initiative will aim to **reinforce the concrete implementation** of the commitments included in the EU-Georgia Association Agreement in the key identified sectors of intervention. It will provide technical assistance and capacity building to the respective institutions in order to ensure a proper implementation of the relevant legislations. Equipment will be provided in order for the local institutions to ensure fully their functions of protection of the environment and health of the population, i.e. air quality and water quality monitoring stations will be provided by the EU and Sweden; equipment and tools to better protect forestry and biodiversity will be provided by Germany, Estonia, Austria, Czech Republic. Investment funds will be provided by the EU, EIB, EBRD, Germany (KfW), and France (AFD) in order to equip the country with modern infrastructure capable of delivering a new level of services to citizens in the sectors of water, waste and urbanisation (green cities). The goal of the initiative is also to prepare the ground for further public or private sector actions to be implemented with the support of EFSD+.

The coordination between the EU, European Financial Institutions and Member States Agencies will be further reinforced, among others through active common participation in the Government Thematic Working Group on the Sustainable Use of Natural Resources. Dedicated sessions of the EU Development Councillors meetings will also be focused on this initiative with a view to ensure its proper planning and monitoring.

**Communication and change behaviour** will be a fundamental element of the Green and Health Initiative which is to accelerate in Georgia a long-term and complex societal transition which will require the participation of all actors of society. The EU will implement a dedicated Technical Assistance project focusing on Climate action and promotion of change behaviour. The actions which are part of the initiative will include communication and behavioural change components. The EU, European Financial Institutions and Member States agencies will ensure a strong Team Europe branding of all the actions and regular common visits are expected to be organised with a view to promote key messages to the local populations.

The Green and Health initiative will directly contribute to promoting the **external dimension of the European Green Deal**. It will be a key driver in the development of a Greener Georgia more respectful of its environment and of the health of its citizens. The action is expected to stimulate the creation of green jobs and reinforce the resilience of the country through reinforcing its attractiveness.

## **2.7 Mid-term review: priority areas for the period 2025-2027**

Since the adoption of the MIP in August 2022, the geopolitical context in the region and in Georgia changed significantly, notably with Russia's war of aggression against Ukraine and the democratic backsliding in Georgia. Nevertheless, the MIP priorities remain relevant and offer a sufficiently flexible framework to ensure that EU can respond to upcoming challenges in the country. To better streamline our assistance for the upcoming three years and take into account the political developments, it is necessary to aggregate some of the priorities together, emphasizing the focus on strengthening watchdogs and civil society in the reformulated priority 2 (from MIP priority 2 and 5) and merging the MIP priorities 3 and 4 into the reformulated priority 3. As such, the priority areas for the next 3 years encompass all the areas

of support defined in the five priorities. “Resilient” was replaced by “Competitive” in the title of priority area 1 to reflect the renewed focus on competitiveness in the current Commission political mandate, along with the Council’s Strategic Agenda 2024-2029, as well as the report by Mario Draghi on the Future of European Competitiveness. Given the current situation, the support in 2025 and 2026 will be on the first two priorities focusing on programmes without (or with minimal) involvement of the Georgian authorities. The EU will continue monitoring closely the developments in Georgia. If the situation improves, the implementation of priority 3 (mainly through NIP investments) will be considered, but in the meantime only small-scale activities with civil society organisations and other non-state actors will be implemented.

Priority area 1: A competitive, sustainable and integrated economy:

Georgia is an upper-middle income country and the EU is its main trading partner. Following the COVID-19 related economic contraction, Georgia’s economy rebounded strongly thanks to an increase in tourism and remittance inflows. However, the benefits of double-digit growth have not been equally distributed and significant inequalities persist, particularly between urban and rural areas. The goal of this priority area is the promotion of fair, inclusive and sustainable growth in Georgia, driven primarily by its private sector. This will lead to a thriving business sector, improved livelihoods in urban and rural areas and increased employment for the population. In addition, the focus will be on enhancing the quality of education and the healthcare system. Gender equality and digitalisation will be mainstreamed as crucial enablers for development.

Priority area 2: Democracy and rule of law, civic activism and good governance:

In line with the ‘fundamentals first’ principle, and against the backdrop of the recent backsliding on the 9 steps, it is important to step up support to democracy and rule of law with the goal of bringing Georgia back to its EU accession path. In the current political context and in line with the Council decision of June 2024, support shall be provided mainly through non-governmental channels, aiming at strengthening civil society, human rights actors and independent media. Support to institution building shall be conditional on reversing the current negative trend and re-starting the EU accession process. Gender equality and digitalisation will be mainstreamed as crucial enablers for development.

Priority area 3: Economic resilience, green and digital transition:

Georgia is at an early stage of preparation in the field of environment and climate change. Environmental policy implementation, monitoring and enforcement represent a challenge, notably due to limited administrative capacity. Georgia needs to speed up the implementation of reforms in air quality, water quality, and waste management. The country still lacks a consistent whole-of-government approach mainstreaming climate considerations into policy-making and human and financial resources need to be drastically enhanced. Regional connectivity (i.e. energy, transport and digital) remains important to increase the resilience of the economy and fully reap its growth potential.

### **3. Support measures**

Support to civil society is covered under priority 5 “resilient, gender-equal fair and inclusive societies”.

Support to civil society and independent media will be increased in the 2025-2027 period due to the current situation and increasingly difficult environment in which they will have to operate.

There were two Technical Cooperation Facilities under the Annual Action Programmes 2018 (ending in 2026) and 2021 (ending in 2027). A new technical facility to support Georgia's EU integration programme could be envisaged in the 2025-2027 period, if Georgia returns to the EU path and provides clear commitment to implement the nine steps.

As Georgia remains committed to the implementation of the Association Agreement, the Deep and Comprehensive Free Trade Area and the legislative reforms connected to it, such TCFs directly support the country's approximation with the EU *acquis* as well as various reform efforts. They also support Georgia's participation in Union programmes. One of the main lessons learnt from these previous EU support programmes is the need to allow for flexibility in the implementation of the programme, the focus on a needs-based approach and the need for an inclusive approach.

Strategic communication will be covered under the Cooperation Facility. Actions will aim to reinforce successful initiatives to make EU communication more strategic and impactful in the wake of growing disinformation against EU values, and ensuring access to accurate and fact-based information for all by strengthening support to independent media.

#### **4. Financial overview**

Although the duration of this MIP is seven years, the indicative allocations for Georgia and for each of the priority areas and support measures laid down in the table below are provided for the 2021-2024 period only. The indicative allocations for 2025-2027, as well as the possible modification of other substantial elements of this MIP, will be subject to a decision by the EU. This decision should be preceded by a review of the implementation of this MIP, which should include a dialogue with the authorities and other Georgian stakeholders.

<b><i>Priority area 1: Resilient, sustainable and integrated economy</i></b>	<b><i>EUR 119 million</i></b>	<b><i>35%</i></b>
<b><i>Priority area 2: Accountable institutions, the rule of law and security</i></b>	<b><i>EUR 51 million</i></b>	<b><i>15%</i></b>
<b><i>Priority area 3: Environmental and climate resilience</i></b>	<b><i>EUR 68 million</i></b>	<b><i>20%</i></b>
<b><i>Priority area 4: Resilient digital transformation</i></b>	<b><i>EUR 34 million</i></b>	<b><i>10%</i></b>
<b><i>Priority area 5: Resilient, gender-equal, fair and inclusive society</i></b>	<b><i>EUR 51 million</i></b>	<b><i>15%</i></b>
<b><i>Support measures</i></b>	<b><i>EUR 17 million</i></b>	<b><i>5%</i></b>
<b><i>TOTAL for initial period<sup>20</sup></i></b>	<b><i>EUR 340 million</i></b>	
<b><i>TOTAL indicative amount for second period</i></b>	<b><i>&lt;amount&gt;</i></b>	

<sup>20</sup> The initial period covers 2021-2024.

#### 4.1 Financial overview for 2025-2027

<i>Priority areas for 2025-2027</i>	<i>Indicative Amounts</i>	<i>Indicative % of total bilateral allocations</i>
<i>Priority area 1: A competitive, sustainable and integrated economy</i>	<i>EUR 39.9 million</i>	<i>37.7 %</i>
<i>Priority area 2: Democracy and rule of law, civic activism and good governance</i>	<i>EUR 28 million</i>	<i>26.4 %</i>
<i>Priority area 3: Economic resilience, green and digital transition</i>	<i>EUR 28 million</i>	<i>26.4 %</i>
<i>Support measures</i>	<i>EUR 10 million</i>	<i>9.5 %</i>
<i>TOTAL for the period 2025-2027</i>	<i>EUR 105.9 million</i>	<i>100%</i>

#### Appendices

1. Intervention framework
2. Donor matrix showing the current indicative allocations per sector
3. Flagship Initiatives for Georgia