



IMPLEMENTATION OF THE 2014-2017 ACTION  
PLAN FOR THE DEEP AND COMPREHENSIVE  
FREE TRADE AGREEMENT (DCFTA)

# 2014 ANNUAL REPORT



MINISTRY OF ECONOMY AND SUSTAINABLE  
DEVELOPMENT OF GEORGIA



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in Georgia



# 2014 ANNUAL REPORT ON THE IMPLEMENTATION OF THE 2014-2017 ACTION PLAN FOR DEEP AND COMPREHENSIVE FREE TRADE AGREEMENT (DCFTA)

## Coordination of the DCFTA Implementation

The Ministry of Economy and Sustainable Development (MoESD) is coordinating the implementation of the Deep and Comprehensive Free Trade Area (DCFTA) part of the Association Agreement between the EU and Georgia. For this purpose, the Interagency Coordination Sub-Commission For Implementation of the DCFTA portion of the Association Agreement was formed under the Georgia's EU Integration Commission. The Sub-commission held its first session on November 11, 2014.

To ensure effective implementation of the DCFTA, the Georgia's EU Integration Commission approved the *DCFTA Implementation 2014-2017 Action Plan* on July 28, 2014. The Action Plan envisages reforms and activities to be implemented in this direction. Furthermore, a detailed action plan for DCFTA implementation in 2015 was prepared.

The MoESD has coordinated the preparation of the document detailing the needs of Georgia in the process of implementing the *DCFTA 2014-2017 Action Plan*. The mentioned document was presented to donors at the November 7, 2014, meeting.

It is planned to prepare annual reports on implementation of the DCFTA according to the *DCFTA Implementation Action Plan*. The present report is the first document that details the *DCFTA Implementation 2014-2017 Action Plan* in 2014.

## Trade in Goods, Support Entrepreneurship and Export

### Small and Medium Business Development

For supporting the development of small and medium business in the country and diversification of exports, the Entrepreneurship Development Agency (Enterprise Georgia), a legal entity of public law (LEPL) was founded in 2014.

The objectives of Enterprise Georgia are to support founding startups and their viability, stimulate export to external markets including to the EU market, support domestic entrepreneurs to comply with DCFTA standards, simplify access to funds, business consulting, form an information service center, etc.

Since 2014, as part of the state program "Produce in Georgia," Enterprise Georgia has supported 37 enterprises by simplifying access to credit. The total investment value for projects is USD 45 million. As part of the "Export Enhancement Program," Enterprise Georgia supports exporters to participate in exhibitions, facilitates trade missions, trade portal development, products development, etc. With the help of Enterprise Georgia, Georgian companies participated in 6 international trade fairs (EU, China, United Arab Emirates), as well as in different trade missions. As a result, USD 2 million has been invested in export contracts. Up to 50 Georgian enterprises have received consultations on export operations.

Currently, with the support of the EU, Enterprise Georgia is increasing the number of products and services it will offer to the domestic small and medium business sector. The technical support/consultancy component envisages consultancy services to companies in accounting, management, introduction of technologies, etc. As part of the technical support component, a memorandum of cooperation was signed with the European Bank for Reconstruction and Development (EBRD), according to which the beneficiaries of "Produce in Georgia" will be able to participate in the "EBRD SME Support Program" and use EBRD consultancy services. The program envisages financial and technical support to micro businesses in the regions. The program implementation will commence in the 1<sup>st</sup> quarter of 2015.

In the direction of institutional development, Enterprise Georgia is working on the development plan and the introduction of the "Business Excellence Model," with support from GIZ.

At the end of 2014, preparatory work on the EU assistance program was completed; the objective of this program is to support the Government of Georgia (GoG) with the implementation of DCFTA and integration in the EU market. The program is aimed at private sector development and strengthening capacity of small and medium businesses in the process of adapting to new regulatory environment.

Enterprise Georgia, along with other organizations (EBRD, GIZ) will be involved in the implementation of EU assistance by providing consultancy to the entrepreneurs in the process of adapting to DCFTA requirements. Moreover, currently, under the EU program Enterprise Georgia is designing certain products it will offer to enterprises in the future.

In 2014, under coordination of the MoESD, the work on Small and Medium Businesses Development Strategy and Action Plan was commenced. The document is being developed in close cooperation with the Organization for Economic Cooperation and Development (OECD) and GIZ support. Representatives of various government institutions and Business Associations are involved in the strategy development.

At this stage, a draft strategy and action plan covers two priority directions. The mentioned documents were reviewed in early February, 2015, jointly with the OECD and stakeholders.

### **Improvement of the Quality of Statistical Data on Foreign Trade in Goods**

For the goods imported from November 1, 2011, to January 18, 2014, special cargo customs declarations were processed by the Georgian Post, JSC. Over this period, Geostat foreign trade databases did not comprise the mentioned information. At the beginning of 2014, the Revenue Service managed to provide Geostat data about special cargo customs declarations. The information was processed according to the international methodology for statistics on foreign trade in goods, commodity codes were broken down to the 11-digits level of the Commodity Nomenclature (HS 2012) according to the description of goods, and the information was brought in full conformity with foreign trade statistics databases. A major part of the mentioned works

were implemented by the end of 2014. In January, 2015, qualitative control and processing of special customs cargo declaration data was completed. The information was reflected in the foreign trade statistics of 2014 preliminary annual data (published on January 21, 2015). The series of import data from 2011-2014 was updated in full.

## **Technical Regulations, Standardization and the Related Infrastructure**

### **Standardization and Metrology**

Georgia National Agency for Standards and Metrology (GeoSTM) actively continues the process of adopting international and European standards into national standards, pursuant to the GoG's *Strategy in the Fields of Standardization, Accreditation, Conformity Assessment, Technical Rules and Metrology* (TBT Strategy) and according to the priorities of the Government Program on Legal Approximation. In 2014, the GeoSTM adopted over 1000 international and European standards as Georgian standards.

At the same time, according to the obligation assumed under the DCFTA, GeoSTM removed 368 standards from the Georgia Standards Registry, some of which were not in conformity with international and European standards. To enhance effectiveness of the process of adopting international and European standards into Georgian standards, 2 standardization technical committees in the tourism and construction fields were formed in 2014 at GeoSTM.

For infrastructure development, the first phase of the "Comprehensive Institutional Building (CIB) Program" – Support to GeoSTM is being implemented at GeoSTM. The project envisages renovation of GeoSTM laboratory and administrative space, as well as of engineering systems. Renovation of metrological laboratories – length, force, acoustics, vibration, radiofrequencies, conductometer, pH metering, optics, time and frequency, small volumes, compactness measurement, as well as relevant office space and auxiliary infrastructure renovation works are at the completion stage.

In December 2014, the renovation works envisaged under the state budget allocation (GEL 300,000) to GeoSTM were completed.

Preparation works for the second stage of the CIB Program – “Standards and Metrology Infrastructure Development according to EU Best Practices” are underway. The second phase envisages upgrading the national etalons base of the GeoSTM and equipping metrological laboratories with new instruments. The EU has selected German Company ZMK. An expert from this organization, jointly with the representatives of relevant units of GeoSTM, has specified the lists of the etalons and equipment to be purchased.

On May 20, 2014, to assist economic operators and small and medium businesses in adapting to approximated legislation, a workshop was held under the first stage of the CIB Program at the Hotel Sheraton Metechi Palace. The following topics were presented at the workshop:

- Progress of Georgia in the process of the signing of the DCFTA;
- Achievements of GeoSTM under the CIB Program;
- Expected projects in the field of metrology and standardization and GeoSTM plans.

Furthermore, the workshop was dedicated to the International Metrology Day celebrated on May 20. Civil and private sector representatives participated in the event.

As part of the first phase of the CIB Program, on September 15-19, 2014, a training course on Audit Quality System for quality auditors, and on September 22-26 a training course on Modern Methods and Models of Management for quality managers and chief auditors - were held at GeoSTM. The training was delivered by the Ukrainian organization - DQS, a member of the European Quality Organization (EOQ). Certification exams were held on October 1-2, 2014. GeoSTM specialists took all theoretical and practical modules and successfully passed relevant exams. Certificates recognized by EOQ were distributed. The certificates confirm the skills and competency of the GeoSTM’s Institute of

Metrology Etalons Unit specialists in quality management field.

Training of staff members will take place as part of the second phase of the CIB Program that will commence in 2015.

## Accreditation

To ensure the participation of stakeholders in the field of accreditation and conformity assessment, the rule of Forming and Operation of an Accreditation Council was approved under the MoESD Order N 1-1/403 of December 30, 2014. The Accreditation Council will commence its operations in the first half of 2015.

On June 9, 2014, the Georgia Accreditation Center (GAC) held a conference on the topic: Accreditation and Conformity Assessment in Georgia: National and International Benchmarks. Up to 70 participants attended the conference, including representatives of the EU, business, public sector, NGOs, and conformity assessment bodies. One of the principal topics of the conference was to familiarize the participants with Georgian legislation that has been approximated with EU legislation.

To raise the qualification of GAC employees and technical assessors, trainings were conducted on various accreditation schemes. In 2014, according to the annual training plan the trainings were held on accreditation schemes under following standards: ISO/IEC 17020, ISO/IEC 17025, ISO/IEC 17065 and ISO/IEC 15189.

Trainings were conducted for GAC employees and technical assessors in evaluation techniques according to the legislation approximated with European standards, in particular, on application of ISO/IEC 17020.

Based on the European Cooperation for Accreditation (EA) Associated Membership Agreement, GAC with partial support from the EU CIB Program, took part in the work of all technical committees conducted by the EA in 2014, including:

- Two meetings of the Certification Committee (March and September, 2014);

- Two meetings of the Inspection Committee (March and October, 2014);
- Meeting of Multilateral Agreements Committee (October, 2014);
- General Assembly (May and November, 2014).

In September, 2014, GAC made an official application on the commencement of the procedures for the EA Bilateral Agreement on Recognition.

### Market Surveillance

According to the *DCFTA 2014-2017 Action Plan* and with the support of EU experts, in April, 2014, the Terms of Reference (ToR) for the “EU Technical Assistance Program for the Technical and Construction Supervision Agency” was developed. The program will assess the gaps and needs of the market surveillance system and help its improvement according to EU best practice.

The mentioned program is set to be launched in the first quarter of 2015 and it will last for 15 months. The EU has allocated EUR 250,000 for program implementation.

#### ToR comprises of:

- Identifying the gaps and needs of the market surveillance system;
- Identifying the potential institutional gaps of the Technical and Construction Supervision Agency and developing relevant recommendations;
- Preparing recommendations on developing legislation on rules and procedures of market surveillance according to European best practice;
- Conducting trainings to the staff of Technical and Construction Supervision Agency in the areas of technical regulations which were approximated to EU legislation (technical regulations developed according to “New Approach” directives e.g. on simple pressure vessels, pressure equipment, hot-water boilers, lifts, cableways, etc.).

During the reporting year the draft program for the implementation of Government of Georgia’s *Strategy on Market Surveillance of Industrial Products* (approved by Order N2639 of December 30, 2011) was developed.

## Sanitary and Phytosanitary Measures

### Legislative Framework

In 2014, the Ministry of Agriculture of Georgia (MoAg) developed the following normative acts to approximate Georgian legislation with the that of EU:

- The Law of Georgia on Amendments to the Food/Feed Safety, Veterinary and Plant Protection Code, which was enacted by the Parliament of Georgia on April 17, 2014;
- Government of Georgia’s Decree N722 of December 26, 2014, on Approving the Regulation for Recognizing Business Operator. The Decree sets forth the general principles and procedures for the recognition of business operator registered according to Georgian legislation, and applies to business operators subjected to state control that produce and/or process food of animal origin;
- Government of Georgia’s Decree N 764 of December 31, 2014, on Approving the Regulation for Identification and Registration of Cattle and their Stalls/Temporary Stalls, that sets forth the rule for identification and registration of cattle in Georgia, as well as the registration of their stalls/temporary stalls, and the rule for keeping an electronic database, performing state control and restrictive measures;
- Government of Georgia’s Decree N8 of January 26, 2014, on Approving the Rule of Notification on Non-conformity of International Cargo with Phytosanitary Requirements;
- The Government of Georgia’s Decree N678 of December 12, 2014, amending the Government of Georgia’s Decree N451 of December 31, 2013,

on Approving Technical Regulation – the Rules of Storage, Transportation, Realization and Use of Pesticides and Agrochemicals;

- Government of Georgia’s Decree N646 of December 1, 2014, amending the Government of Georgia’s Decree N437 of December 31, 2013 on Approving the Technical Regulation – the Rule for Small Packaging of Pesticides;
- Government of Georgia’s Decree N636 of November 26, 2014, amending the Government of Georgia’s Decree N447 of December 31, 2013, on Approving Technical Regulation – the Rule for Control and Sampling of Pesticides and Agrochemicals Placed on the Market;
- By the Minister of Agriculture’s Order N2-200 of October 13, 2014, Order N2-123 of June 27, 2014 and Order N2-16 of January 23, 2015, the Rule for Preventive-Quarantine Measures Against Classical Swine Fever, African Swine Fever and Newcastle Disease were added to the Rules for Preventive-Quarantine Measures Against A and B Groups of Dangerous Communicable Diseases set by International Veterinary-Sanitary Code;
- Government of Georgia’s Decree N714 of December 26, 2014, on Approving Technical Regulation on Honey which will enter into force from July 1, 2015. The Decree sets forth requirements for natural honey and regulates the production of honey and its placement on the market by business operator;
- Government of Georgia’s Order N 783 of May 5, 2014, amending the Government of Georgia’s Order N1756 of December 28, 2010, on Approving Comprehensive Food Safety Strategy and Legal Approximation Program, which provides for the approximation of Georgian food/feed safety, veterinary and plant protection legislative framework with EU legislation over the next 7 years.

MoAg completed the drafting of the following normative acts:

- Specific rule for control of food of animal origin that deals with prevention, elimination or mitigation to acceptable level of the risks related to human life and health, animal health and welfare, and plant health; as well as effective implementation of state control for the protection of consumers’ interests and ensuring fair trade;
- The rule for hygiene of animal feed, that sets forth general hygiene requirements for feed, relevant conditions and mechanisms to ensure animal feed traceability system;
- Draft government decree on technical regulation for milk and dairy products;
- The rule for regulating wooden material for packaging aimed at facilitating international transportation and ensure phytosanitary reliability;
- The rule for controlling potato wart, aimed at regulating phytosanitary control of quarantinable pathogen causing potato wart, and prevent its spread;
- The rule for importation of some harmful organisms, plants, plant products and other goods for scientific research and breeding purposes.

The Revenue Service (RS), jointly with the National Food Agency (NFA), prepared and enacted the amendments to normative acts regulating export/import of goods subject to phytosanitary and veterinary control (Government of Georgia’s Decrees N426, N427, N429 and N430), according to which:

- Transit procedures have been streamlined for the goods subject to phytosanitary and veterinary control. The risk-based control procedure was introduced. When transit goods subject to phytosanitary control are packed and shipped by a sealed means of transport, phytosanitary control is not conducted. However, if transit cargo is subject to stripping or change of the means of transport, phytosanitary border control is performed;

- Following the EU recommendations, a new lists of goods subject to phytosanitary and veterinary control were developed. In the field of phytosanitary, a new list of harmful organisms of plants; the list of plants and herbal products by type of quarantine harmful organisms; and the list of prohibited imports of plants, plant products and other control goods by countries were developed. In the field of veterinary, the list of the goods subjected to veterinary control was updated;
- The list of goods subject to phytosanitary and veterinary permit has been reduced significantly;
- Following the EU recommendations, electronic acts for conducting phytosanitary and veterinary control (CVED) were designed. The act consists of two parts: first part – advance notice is filled out by cargo owner; and second part – decision about cargo is filled out by an authorized person.

The drafting of the Government of Georgia's decrees on border control of food of non-animal origin is underway. In the Ministry of Health a working group (represented by the RS, NFA, and NGOs working in food safety area) has been established to develop sanitary rules on quality and safety of food raw materials and foodstuff.

From January 1, 2015, the Government of Georgia's Resolution N740 of December 29 on border control of live modified organisms entered into effect.

DCFTA section on sanitary and phytosanitary measures envisages the submission by the GoG of the list of legislation for approximation with the EU legislation within 6 months from the entry of the agreement into force (end of February, 2015). The work on the mentioned list has been completed at the MoAg; all relevant agencies had been involved in its development. The list comprises the EU legislation governing food safety, veterinary and plant protection and approximation timetable.

During the reporting year, the *Agriculture Development Strategy of Georgia for 2015-2020* has been developed; the goal of the strategy is to increase agricultural competitiveness, sustainable development of

agricultural productivity, food safety and reduction of poverty in rural areas.

### **Institutional Reforms**

Based on the Government of Georgia's Resolution N654 of December 3, 2014, amending the Government of Georgia's Decree N485 of December 28, 2012, on Approving the Charter of the Ministry of Agriculture of Georgia, Euro-Integration Department was established at the Ministry of Agriculture; the Department will coordinate the legislative approximation among the MoAg's departments and sub-agencies, and will participate in governmental activities aimed at the implementation of the Association Agreement.

In 2014, NFA's capacity was strengthened in several directions. Namely, additional territorial offices of NFA were established in 6 regions. Furthermore, the number of NFA employees increased, employees took professional development training and retraining in relevant specialties.

Based on the Government of Georgia's Decree N162 of February 13, 2014, on Establishing the Agriculture Scientific-Research Center, a LEPL Agriculture Scientific-Research Center, was established. The Center's activities comprise supporting agriculture development and food production; research and introduction of new technologies; raising awareness of individuals involved in agriculture; ensure risks assessment in veterinary and plant protection; support biofarming development; support maintaining agro-biodiversity of plants and animals and certification of seeds and seedlings.

Based on the Law of Georgia on Agricultural Cooperatives, the Agriculture Cooperatives Development Agency was established under MoAg. The main task of the agency is granting/terminating the status of agricultural cooperatives, their monitoring and facilitating agricultural cooperatives' development. Currently, more than 500 cooperatives have been granted the status of agricultural cooperatives. In 2014, the NFA employees' conducted qualification raising and retraining programs.

## Other Projects

### Preferential Agro-Credit Project

In 2013, the GoG commenced the “Preferential Agro Credit Project” to improve access to finance for agricultural enterprises. By the end of 2014, 27,177 farmers/producers had benefited from the program. The goal of the project is to ensure cheap and accessible funds for entrepreneurs for the improvement of primary agricultural production, processing, storage and marketing of agricultural produce.

### Enterprises Co-Funding Project

The “Enterprises Co-Funding Project” has been initiated by the GoG. It is designed for agricultural processing companies. The total funding of the project is USD 30 million. The principal goal of the project is to provide financial and technical aid to the companies (including cooperatives) interested in establishing new processing plants, or the revival of idle ones.

### Agro Insurance Project

In 2014, the GoG commenced the “Agro Insurance Project” for farmers. As part of the project, 21,000 insurance policies were issued covering 18,000 ha of agricultural land.

### The Project of Supporting Spring Works for Smallholder Farmers

The “Spring Works Program” commenced by the initiative of the GoG, was implemented in 2014 by the Agricultural Projects Management Agency (APMA). Up to 800,000 farmers benefited from the program with total budget of GEL 82 million. The project envisaged services (ploughing) at agricultural land plots and/or the provision of agricultural inputs to the farmers that own, use, or have in actual possession up to 1.25 ha agricultural land plots with annual or perennial crops.

### Produce in Georgia

The goal of the program is to support establishing new or expansion/upgrading of existing enterprises in Georgia involved in primary agricultural production and pro-

cessing, boost competitiveness and export potential of the private sector through access to finance.

APMA is implementing the program through the allocations from state budget of Georgia.

## Awareness Raising Campaigns

According to the *EU Integration Communication and Information Strategy Action Plan for 2014*, meetings were held with the private sector on requirements for placing certain products on the EU market.

The NFA and MoAg continued close cooperation with the private sector, consumers’ rights protection NGOs, and other stakeholders in the process of development of sanitary and phytosanitary legislation of Georgia. NFA created the Civil Hall (*Samoqalaqo Darbazi*) as the platform for the dialogue with the civil society and NGOs. Participants receive information about planned and enacted legislation on a regular basis.

## Human Resources Development

In the field of human resources (HR) development, the MoAg and NFA employees took part in the following trainings:

- The rules of state control according to the EU legislation;
- Designing a list of priorities for legislative approximation;
- Implementation of EU law;
- Approximation of Georgian legislation with relevant EU legislation.

The RS was included in the second phase of the EU CIB Program which provides for the full equipment of two RS border checkpoints – Kartsakhi and Poti, and Adlia phytosanitary and veterinary (other than live animals) control facilities, as well as 4 trainings and 6 study visits.

In 2014, a phytosanitary and veterinary control (other than live animals) facility was built at the customs warehouse of APM terminals at the border checkpoint of “Poti and Kulevi Ports” and Poti Free Industrial Zone.

The RS has organized various training programs for the enhancement of knowledge of sanitary and phytosanitary border control activities and the development of relevant skills of its staff. For this purpose, two trainings were held with EU TAIEX program support:

- Performing physical veterinary inspection at customs check points (January 27-28, 2014);
- Plant health control at customs check points (February 24-25, 2014).

### **International Support**

EU CIB Program is supporting the MoAg and the NFA in three main directions: food safety, veterinary and phytosanitary fields. EU experts are actively involved in the process of approximation of Georgia legislation with the EU legislation.

Under the “European Neighborhood Program for Agriculture and Rural Development” (ENPARD) launched in 2013, EUR 40 million was allocated to support agriculture development and implementation of Agriculture Development Strategy of Georgia. The project is progressing successfully; therefore, the EU has additionally allocated EUR 12 million under the project. The objectives of the project include strengthening agricultural cooperation, improving capacity of small farmers, and developing the capacity of individuals involved in agricultural activities.

The MoAg is actively cooperating with other international organizations working in the field of agriculture.

### **Customs and Trade Facilitation**

Consistent implementation of obligations under the Association Agreement and its DCFTA component is one of the priorities for the RS. The approximation process is implemented through legislative amendments and institutional convergence.

The drafting of a new Customs Code of Georgia by the Ministry of Finance of Georgia (MoF) with technical support from GIZ, is in its final stage. It is planned to present the final draft of the code for public discussions in 2015.

A working group was established Based on the Head of the RS June 23, 2014 Decree N31157. The focus of the group is accession to the May 20, 1987, Conventions on Simplification of Formalities in the Trade in Goods and on Common Transit Procedures. Considering the recommendations received at the meeting with the DG TAXUD Transit Unit representatives, the Head of the RS Decree N31157 was cancelled and the Head of the RS January 9, 2015 Decree N186 on Establishing a Commission and Working Group on the Accession to the May 20, 1987 Conventions on Simplification of Formalities in the Trade in Goods and on a Common Transit Procedure was adopted.

A working group was created for gradual approximation of Georgian legislation with that of the EU in the field of customs enforcement of intellectual property rights, provided for by the Association Agreement. The working group has identified gaps and priority directions for gradual approximation.

To strengthen and refine the customs risk system, the US Treasury and IFC are implementing technical assistance programs. The programs involve designing a strategic policy document for customs risks management as well as delivery of trainings.

On September 8-19, 2014, RS employees took part in a regional workshop - Customs and Trade Facilitation Seminar for Young Managers, held at the Polish Ministry of Finance Training Center, in Otwock city under the aegis of the European Commission, and in cooperation with Poland’s Customs Service.

On September 17-19, 2014, RS employees participated in the regional workshop on Capacity Building Program and Customs Enforcement Activities for Border Protection of Intellectual Property Rights, held under the aegis of the USA Office of Patents and Trademarks.

On November 24-28, 2014, under the aegis of the European Organization for Security and Cooperation of Europe (OSCE) and the World Customs Organization (WCO), a regional workshop was held in Dushanbe city at the OESCE Border Management College. The workshop was dedicated to the enhancement of cooperation between customs and the private sector through the introduction of WCO Authorized Economic Oper-

ator (AEO) concept. RS employees participated in the workshop.

## Rules of Origin of Goods

According to the Government of Georgia's Resolution N510 of August 26, 2014, the issuance of EUR.1 certificates of origin and the examination of terms of preferential origin was fully handed over to the RS.

As for the HR development activities, the RS conducted trainings on the rules of origin at Poti and Batumi customs clearance economic zones.

On December 3-4, 2014, RS staff participated in a regional workshop on Certification of Preferential Origin and Verification of Conditions (verification of EUR.1 certificate) held in Chisinau, Moldova, under the aegis of the EC, as part of the Customs 2020 Program. The goal of the workshop was to review the aspects of the rules of origin envisaged under the DCFTA, and the application of relevant trade measures between the EU and Georgia, Moldova and Ukraine.

## Public Procurement

In 2014, at the request of the State Procurement Agency (SPA), SIGMA (joint initiative of the EU and OECD) launched the technical assistance project with the objective of development of the comprehensive roadmap for legal approximation in the area of state procurement. Technical assistance envisages support in assessing the existing state procurement system, practice and legislation; and developing recommendations on possible legislative and institutional changes to comply with key standards defined by the Association Agreement.

The implementation of technical assistance was commenced in 2014. In its current first phase, the assessment of state procurement legislation and institutional framework on its conformity with EU key standards and legislation is being conducted.

Developing a comprehensive roadmap for legal approximation requires reopening of negotiations on relevant annexes of the Association Agreement due to amend-

ments in relevant EU legislation. On December 2, 2014, bilateral negotiations on the annexes of the state procurement section of the Association Agreement were reopened.

On September 25, 2014, amendments were introduced to the rules on filing a complaint and its admissibility by the SPA's Disputes Review Board. A procuring entity's decision can be appealed at the above-mentioned board within 15 days from its adoption. Prior to the amendment, the legislation did not provide for such a time limit.

## Developing the Capacity of Stakeholders

For the development of qualification of employees (tender committee members and apparatus) of procuring organizations a training center was formed at the SPA. Training center offers a universal state procurement course designed for the individuals involved in state procurement in any procuring organization and willing to develop their professional skills; as well as for those who are planning to start working at a procuring organization on the positions involving state procurement. 92 employees of local self-governments and other regional procuring organizations completed the training course in 2014.

On September 19, 2014, SPA with the support of the USAID "Economic Prosperity Initiative" (EPI) project, organized a meeting with representatives of the private sector and trade representatives of consulates and embassies accredited in Georgia. About 120 participants attended the meeting. The goal of the meeting was to encourage Georgian entrepreneurs, especially of small and medium size, to participate in state procurements via a transparent and fair state procurement electronic system, as well as to inform them about public procurement market and new business opportunities associated with state procurements.

In May-June, 2014, field meetings were organized for the employees of procurement organizations in five regions of Georgia. The goal of the working meetings was to develop qualifications of the employees of procuring organizations in the regions, discuss frequent mistakes identified by regions and provide practical and legal recommendations to procuring organizations.

On November 14, 2014, SPA held a meeting with construction companies and procuring organizations. The main goal of the workshop was to identify the problems in procurement of construction services and presenting SPA's recommendations on overcoming those challenges.

To ensure the quality of state procurement processes, and enhance the knowledge and competencies of employees of procuring organizations, the SPA with support from the USAID "Georgia Good Governance" (G3) project, developed methodological guidelines for the preliminary stage of state procurement. Specifically: (a) preparation stage of procurement, (b) required qualifications, (c) requirements towards an object of procurement. Furthermore, the SPA developed and published Unified Electronic State Procurement System's User Manual, Frequently Asked Questions and Answers on State Procurement and informational booklet about the SPA and the Training Center.

### **Awareness Raising Campaign**

The SPA, with the purpose of raising the public's awareness on EU integration process and successful implementation of the DCFTA, publishes and disseminates a monthly electronic newsletter, in which SPA activities are described in plain language. The E-newsletter is sent to a targeted audience – more than 24,600 users of the Unified Electronic State Procurement System, NGOs, mass media, as well as the representatives of the diplomatic corps and international organizations.

To further its outreach, SPA is also using the social network - Facebook.

## **Intellectual Property Rights**

### **Entering Amendments in the Legislation Governing Intellectual Property**

Overall, Georgian legislation in the field of intellectual property rights is in conformity with the EU standards. Although, international legislation in the mentioned field is modified on a regular basis. Respectively, it becomes necessary to refine national legislation and bring it into conformity with global legislative reforms.

According to the commitments assumed under the EU Association Agreement, in 2014, Sakpatenti drafted the amendments to the intellectual property rights legislation and submitted to relevant agencies for review. After the adoption of the amendments, Georgian legislation will be further approximated to relevant EU legislation.

The next step in regulatory convergence is proper implementation of intellectual property rights legislation in practice. At present, Sakpatenti is the main state institution that sets forth unified practice in terms of the registration of trademarks and design. Therefore, it is important for Sakpatenti experts to learn about modern international approaches and best practice set by the Office for Harmonization in the Internal Market (OHIM), the body responsible for registering trademarks and designs at EU level. For this purpose, since 2014, Sakpatenti has been cooperating with OHIM as well as World Intellectual Property Organization (WIPO), USA Patent and Trademarks Office (USPTO), and European Patent Office (EPO). With the help of the abovementioned organizations Sakpatenti inventions and trademarks experts will attend relevant training. Furthermore, under the joint project with the OHIM, Sakpatenti will translate and develop a trademarks and design registration manual that will significantly improve the quality of expertise and facilitate forming unified and consistent practices.

Moreover, on December 22, 2014, the Government of Georgia's Decree amending the Decree N182 of July 3, 2010, on Approving the Service Fees for Patenting, Registration and Depositing of Intellectual Property Objects, according to which the 70% relief applicable to inventors and designers was expanded to higher educational institutions and independent scientific research entities as well.

The goal of the mentioned amendment is to stimulate innovations in the country. Benefits foreseen under the decree will to some extent eliminate financial barriers impeding registration and increase the number of domestic applications for inventions to Sakpatenti. The Decree also will implement reduction and in some cases, cancellation of fees related to the registration of appellation of origin and geographic indications of

goods, which will facilitate the development of the Georgian system of appellations of origin and geographic indications as one of the priority directions for the country.

Georgia has significant export potential in agriculture. Hence, branding strategy of the country may be launched with agricultural products. Development of the system of geographic indications for agricultural products may become the most effective tool for export promotion. Under the Association Agreement, Georgian enterprises will be able to export Georgian products to the EU market. Respectively, the products protected by the appellation of origin and geographic indications will receive increased competitiveness on the European market since products with such indication means high quality and special characteristics to the consumers. This will help Georgian products to secure a segment of quality and high value products on the EU market.

Therefore, the reduction of fees related to the registration of appellation of origin of goods and geographic indication will contribute to the protection of new appellations of origin and geographic indications.

### **Ensuring Sound Functioning of the Judicial System to Guarantee Access to Justice for the Holders of Rights and Effective Implementation of Sanctions**

In Georgia, unlike many other countries, there are no specialized intellectual property courts and the present system does not guarantee effective application of sanctions. The fact that cases on intellectual property in courts is quite rare is due to low public awareness in the field of protection of intellectual property.

According to the commitments taken under the 2014 Association Agreement, to ensure access to justice and effective implementation of sanctions in the intellectual property field, Sakpatenti and various organizations held trainings for judges on intellectual property rights issues.

Moreover, further steps were taken for conducting public awareness activities in the field of intellectual property protection and ensuring effective dialogue with the holders of the rights. For increasing public

awareness, a number of workshops, conferences, and working meetings were held. Also, informational booklets and flyers were printed and distributed. The concept of the intellectual property scientific journal was developed.

## **Competition**

### **Establishing the Competition Agency and Legislative Reform**

According to March 21, 2014, amendments to the Law on Free Trade and Competition of May 11, 2012, the Competition and State Procurement Agency was divided and the Competition Agency was established. Notably, the Competition Agency is an independent legal entity of public law that reports directly to the Prime Minister.

The following sub-legal normative acts were developed according to Article 34(6) and (61) of the Law of Georgia on Competition:

- Government Decrees:
  - Decree N 526 on Exemptions from Prohibition on Competition Restricting Agreements;
  - Decree N 529 on Approving Small Amounts of Individual State Aid and General Procedure for Granting State Aid.
- Orders of the Chair of the Competition Agency:
  - Order N30/09-1 on Approval of the Forms of Applications and Complaints, Rules for their Submission and Procedures and Deadlines related to the Admissibility of the Application and Complaint;
  - Order N30/09 on Rule of Application of Cooperation Program and Exemption from Liability;
  - Order N30/09-3 on Methodological Instructions on Market Analysis;
  - Order N30/09-4 on Procedure of Submission and Consideration of Notification on Concentration;

- Order N30/-09-5 on Rule and Procedure of Inquiry.

Adoption of sub-legal normative acts was necessary for operation of the Agency on the one hand and approximation of the competition legislation with that of EU on the other. All regulations are in full conformity with Articles 101 and 102 of the EU Competition Law, as well as with relevant EU directives.

In the course of drafting of normative acts, consultations were held with the local GIZ office and international (German and Lithuanian) experts; with experts from the Poland's Office for Competition and Protection of Consumers' Rights.

In 2014 the Competition Agency also adopted the following acts:

- 2014-2017 Action Plan of the Competition Agency (Decree N16/07-1, 16.07.2014.);
- Internal Regulations of the Competition Agency (Decree N29/08-1, 29.08.2014);
- Rule for Publishing of Public Information in a Proactive Manner (Decree N15, 20.11.2014);
- Standard on Request of Public Information in Electronic Form (Decree N31, 29.12.2014);
- Charters of Structural Units of the Competition Agency Central Apparatus (Decree N28, 15.12.2014);
- Rule for Accounting and Reporting for Strict Recording Forms (Decree N29, 25.12.2014);
- Forms of Administrative Law Infringement and Site Inspection Report on Violation of the Law on Competition of Georgia (29.12.2014, Decree N32).

### **Activities Related to Enforcement of Competition Legislation**

Considering the high interest of the public, the Competition Agency, on its own initiative, commenced an inquiry into the oil products (petrol, diesel, kerosene) market on November 12, 2014.

Based on an application, the Competition Agency started an inquiry into the flour market on possible violation of Article 6 of the Law of Georgia on Competition (abusing dominant position); container services market on alleged violation of Article 10 of the Law of Georgia on Competition; and on the thermal waters market on alleged violation of Article 6 of the Law of Georgia on Competition (abuse of dominant position).

Based on a complaint, an inquiry has been commenced on possible violation of Article 6 (abuse of dominant condition) of the Law of Georgia on Competition on the freight forwarding services market.

Moreover, coffee market monitoring is underway to assess the competitive environment.

At this stage the Competition Agency is a member of:

- International Competition Network (ICN) since October 29, 2014;
- The Sofia Competition Forum (SCF) since September 2, 2014.

Competition Agency employees took part in the workshops organized on competition topics by the SCF, which facilitates increased experience and establishing contacts.

In 2014, the Competition Agency actively cooperated with various international organizations. GIZ was actively involved in the process of drafting normative acts. With GIZ support, the review of draft sub-legal normative acts took place on July 7-9, 2014, in Kachreti. The discussion was attended by Competition Agency staff, representatives of Economic Council, business Ombudsman's office, other executive, as well as legislative and judiciary government representatives, local and foreign experts, and representatives of the World Bank.

On July 10, 2014, training was conducted jointly with Lithuanian and German experts, where they shared with Georgian Competition Agency the experience of German and Lithuanian competition bodies.

On October 24-25, 2014, Competition Agency employees met with the Dusseldorf (Germany) High Court chair Jürgen Quennen. Mr. Quennen held training for Georgian judges.

On November 17-29, 2014, 2 employees of the Competition Agency were sent for professional development to Bundeskartellamt (competition body of Germany) with GIZ support.

On November 17-19, 2014, GIZ organized a workshop on Determining Markets and Pharmaceutical Products. Along with the GIZ representatives, Lithuanian and German experts attended the workshop.

On December 2-10, 2014, GIZ organized a study tour took in Vilnius, Lithuania and Bonn, Germany for Competition Agency employees, led by the Chair of the Agency. They held meetings with the heads of competition agencies of Lithuania and Germany and set the plans for future cooperation.

Georgian, as well as German experts, are actively involved in the drafting of the Rule for Penalties and their Calculation led by GIZ.

With assistance from the Polish government, the Office for the Protection of Polish Consumers' Rights (UOKiK) conducted 7 trainings for the Competition Agency staff in Tbilisi, and 1 training in Warsaw. Active negotiations are underway with UOKiK on cooperation.

Competition Agency employees attended international seminars on competition issues organized by OECD-GVH RCC in Budapest, Hungary, on September 16-18 and December 2-4, 2014.

The Competition Agency, for the development of skills of its employees, plans to actively participate in international workshops planned by the OECD-GVH RCC in the future.

## Transparency

To raise public awareness around DCFTA related issues, the MoESD conducted a large-scale awareness raising campaign in Tbilisi and the regions in 2014. As part of

the campaign, meetings were held with representatives of the civil and private sector, as well as academia and local government (Tbilisi, Kutaisi, Telavi, Batumi). At the meetings, details of the Agreement, Georgia's commitments and expected benefits were reviewed.

As part of the DCFTA-related awareness raising campaign on April 14, 2014, the MoESD organized a meeting on issues of trade in goods (tariffs) and customs. NGO and private sector representatives attended the meeting.

With the support of the USAID project "Governing for Growth" (G4G) in Georgia, on December 26, 2014, the MoESD organized a meeting on Georgia's commitments in the area of food safety under DCFTA, and planned reforms. Private sector and civil society representatives were invited to the meeting.

A special web portal (see link <http://economy.ge/ge/dcfta>) is integrated in the MoESD website, which comprises all information related to the DCFTA. Interested individuals can use the web portal to view the DCFTA text in Georgian and English. Furthermore, a brief overview of every chapter of the DCFTA is also posted on the portal, as well as information about implemented, ongoing and planned reforms. The DCFTA 2014-2017 Action Plan is also available on the portal.

To ensure effective implementation of the DCFTA and maximum involvement of civil society in this process, it is planned to form a DCFTA advisory group, which will comprise of private, as well as civil sector representatives. The advisory group regulations have already been prepared and the staffing process is underway.

## Trade and Sustainable Development

### Social Dialogue

According to current Labor Code, the Tripartite Social Partnership Commission has been formed. The commission is comprised of representatives of government and social partners who are active in various sectors across the country. Each party has 6 members represented in the tripartite committee; they may represent different organizations. A decision on a new organization's

membership into the tripartite commission is taken by the commission chair, the Prime Minister.

The Tripartite Social Partnership Commission regulations were approved by GoG Decree N258, of October 7, 2013. On March 12, 2014, the Prime Minister approved the composition of a tripartite commission. The first session of the committee was held on May 1, 2014.

### **USA Labor Department Project “Improved Compliance with Labor Legislation in Georgia”**

In 2013, for the improvement of labor legislation, the USA Department of Labor’s (USDOL) Bureau of International Labor Affairs (ILAB) announced a grant for the “Improvement of Compliance with Labor Legislation in Georgia” project with the budget of USD 2 million. The International Labor Organization was contracted for the project’s implementation. In 2014 a training methodology was designed under the project. The Ministry of Labor, Health and Social Affairs hotline operators were retrained on labor rights. Furthermore, 15 judges were retrained in the application of international labor standards and labor legislation.

### **Environmental Protection**

In the area of biodiversity, DCFTA covers issues related to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). This includes supporting the entry of timber plants in the Convention’s Appendices in case a species is regarded to be at risk. For the fulfillment of this commitment, Georgia has initiated a project aimed at determining the species the conservation status of which are regarded to be at risk and meet criteria to be entered into the CITES’ appendices by the conference of the convention members. Consultations were held with EU experts studying scientific matters and the CITES Plants Committee for designing a project proposal. The project is planned to commence in 2015.

For improving state control in the fishing sector, it has been planned to propose amendments in national legislation and to introduce an electronic system for monitoring of fishing in 2015.

Significant steps have been taken in the field of forest management:

- The Ministry of Environment and Natural Resources has commenced the development of Forest Code. The World Bank reviewed the relevant secondary legislation and provided recommendations;
- With GIZ technical assistance, national principles, criteria and indicators for forest sustainable management have been designed;
- The Georgia National Forest Program was commenced to support forest management reform. Currently, government agencies, NGOs, educational and vocational institutions, local self-governments and the Patriarchate of Georgia are involved in the activities implemented under the program. As part of the program, the following documents have been developed: regulations for using non-timber forest resources, the directive for forest fund zoning and recommendations on voluntary certification in Georgian forests;
- The development of a forest monitoring system was commenced;
- The purview of the Ministry of Environment and Natural Resources includes control over illicit logging and the breach of transportation of timber, seizure of firewood obtained through illegal means, registration of seized materials and execution of relevant legal procedures. For accurate registration of illicit logging, processing and transportation of illicit timber on the Georgia territory electronic system for the management of forest resources has been launched at the Ministry of Environment and Natural Resources;
- For further strengthening of the Environmental Supervision Department and its regional offices, it is planned to provide them with new technical facilities and conduct trainings for the Department’s personnel in 2015;

- The Ministry of Environment and Natural Resources has officially approached the EU Mission in Georgia for funding a twinning project to improve the expertise of the Environmental Supervision Department's Rapid Response Division and of the National Forestry Agency. The mentioned activities will enable them to better control illicit activities in the field of forestry.

In Autumn 2014, the Ministry of Environment and Natural Resources, with the assistance of the EU, has launched a project on “Developing the Action Plan for the Implementation of Environmental Chapters of EU-Georgia Association Agreement.” The goal of the project is to assist the Ministry of Environment and Natural Resources of Georgia in designing a realistic and results-oriented roadmap to bring Georgian legislation in line with the Association Agreement's requirements in key priority areas, accelerate the EU approximation process and facilitate EU-Georgia cooperation on environmental and climate change issues. The document sets forth specific reforms for meeting the commitments taken under the Association Agreement.

## Trade-Related Energy Provisions

### **Organize Energy Markets for Achieving Competitive, Safe and Environmentally Sustainable Conditions**

The work is underway on designing the electricity market model. Models of European countries have been studied. Furthermore, a risk and benefit assessment was performed in relation to designing the market model.

### **Developing Coordinated Guidelines for Designing Emergency Measures in Case of Accidents**

The work is underway between the Republic of Turkey and the GoG about concluding a cooperation agreement in the energy field, which, along with other matters, envisages coordinated work for assistance and designing emergency measures during accidents. Furthermore, the negotiations are underway with the Republic of Armenia for coordinated work for taking emergency measures in case of accidents.

The government closely cooperates with the operators and supports them in ensuring proper operation of transit infrastructure. Moreover, at this stage, in order to adequately protect critical energy infrastructure and ensure its smooth functioning, the Ministry of Energy (MoE) of Georgia is studying the level of readiness of relevant technical operators in order to establish a mechanism of coordination between the state and the operators.

### **Strengthening the Role of a Regulatory Body in Regulating Electricity and Natural Gas Market**

#### Prepare and Adopt Transmission Grid Code

Based on the GNERC April 17, 2014, Resolution N 10, the rules of the network were approved. The goal of the mentioned legal act is to set forth the procedures, conditions, principles and standards for the development, management, accessibility and safe operation of the network by electricity system participants and those willing (seeking) to connect to the transmission network.

#### Adopting Standard Contract Terms for Various Energy Services

Based on the GNERC August 14, 2014, Decision N 30/2, standard conditions of a contract on the sale of guaranteed capacity have been designed; these are pre-formulated contract provisions, designed for multiple use, which are set by the Electricity Market Operator, JSC for a qualified enterprise acquiring guaranteed capacity that is involved in wholesale trade of electricity and guaranteed capacity or is obliged to purchase guaranteed capacity. In 2014 GNERC has also developed standard conditions of an agreement on purchasing guaranteed capacity that were approved under the August 14, 2014 Decision N 30/4.

As for the standard provisions of a direct agreement on the Transmission of Electricity (power) approved under the August 22, 2014 Decision N 31/5, these are set by the Georgia State Electric System (GSE), JSC or United Energy System Sakrusenergo, JSC or Energo Trans, LTD to all those relevant qualified enterprises that are involved in wholesale trade of electric energy within the country, uses the services of transmission of

purchased electric energy, or does not have a relevant direct agreement on the transmission.

In addition to the above-mentioned standard provisions, with its August 14, 2014, Decision N 30/3 GNERC has also approved standard provisions of a direct agreement on the purchase of balance power.

Standard conditions for direct contracts on selling balancing electricity (approved by the Decision N 30/5, August 14, 2014), is composed by Ltd “Electricity System Commercial Operator” for eligible enterprises and the transmission/dispatch licensees that are authorized to take part in the wholesale trade of electricity, based on the Law of Georgia on Electricity and Natural Gas and The Electricity (capacity) Market Rules in buying electricity for the purpose of covering losses and providing for electricity (capacity) transit.

#### Adopting Methodologies for Calculation of Electricity Tariffs According to EU Best Practices

The GNERC Decree N14 on Approving the Methodology for Calculating Electricity Tariffs comprises of 3 annexes:

- Annex 1. Tariff Setting Methodology for Electricity Distribution, Pass through a Consumption;
- Annex 2. Tariff Setting Methodology for Electricity Production, Transmission, Dispatching and Electricity Market Operator Services;
- Annex 3. Regulated Assets Depreciation/Amortization Norms and for Utilities subjected to Tariff Regulation.

#### Developing the Uniform Accounting System

Pursuant to Article 45 of the Law of Georgia on Electricity and Natural Gas, GNERC approved a unified accounting system. In 2014, GNERC developed a draft of the uniform accounting system that was translated from English into Georgian.

The main goal for the implementation of the uniform accounting system is to ensure that the reporting of companies subject to regulation is in line with the re-

quirements of a regulatory body and main data used for reporting to be accessible to all. The above-mentioned enables the regulatory body to establish accurate, objective and fair tariffs and equally effectively perform monitoring on the energy market.

#### Adopting the Rule for Calculating Normative Losses

On July 30, 2014, GNERC adopted a Decree N15 on Approving the Rule of Calculating Normative Losses of electricity. The mentioned rule sets forth the principles and rule for calculating normative rates of electricity losses in transmission and distribution networks of licensees. The normative electricity losses calculated according to these rules are approved separately for transmission and distribution licensees, under the resolution of Georgia Energy and Water Supply Regulatory National Commission.

#### **Developing the Power Exchange Platform**

For the development of electricity consumption and supply plans and the electricity trade platform, in 2014 the Georgia State Electrosystem (GSE) outsourced software development services. The software was introduced in 2014 at the GSE and has been operating in testing mode since December, 2014.

In 2014, GSE held a tender for acquiring interconnection capacity auctioning software. The software has already been installed on GSE’s servers. Currently, the procedures and activities necessary for the deployment of the auctioning software are underway at the GSE.

The software enables allocation of transmission capacity not only in the direction of Turkey, but also in other directions. Furthermore, the software enables the allocation of transmission capacities during internal congestions (if applicable). Moreover, the program will enable synchronization of a number of processes and procedures, exchanging results and transfer of applications with the Turkish system operator. The software allows harmonization of the process of import and export preparation and implementation with ENTSO-e relevant standards.





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განვითარების სამინისტრო



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