

საქართველოს მთავრობის ადმინისტრაცია
საგარეო ურთიერთობების სამსახური



MINISTRY OF ECONOMY AND SUSTAINABLE
DEVELOPMENT OF GEORGIA



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

2016 ANNUAL REPORT



Governing for
Growth
in Georgia

DCFTA Implementation Coordination

In 2016, the Ministry of Economy and Sustainable Development of Georgia (MoESD), within the framework of the Deep and Comprehensive Free Trade Area (DCFTA) implementation coordination process, held the fifth (June 29) and sixth (November 11) inter-agency sub-commission sessions. Among other issues, the progress on the 2016 DCFTA Implementation Action Plan and fulfilment of commitments taken under the DCFTA/Small and Medium Enterprise (SME) Budget Support Matrix for this year was discussed.

As of December 2016, the third meeting of the Association Committee in Trade Configuration was held in Brussels (Belgium) to review the DCFTA implementation process. The EU Commission positively evaluated the progress achieved by Georgia.

Under the Decree № 1-1/712 of December 30, 2016, issued by the MoESD, the 2017 National Action Plan for implementation of the Deep and Comprehensive Free Trade Area Agreement was approved.

The 2015 DCFTA progress report was prepared in both languages, Georgian and English, and it was published as a booklet under the support of USAID project "Governing for Growth (G4G) in Georgia." The progress report was disseminated among various stakeholders, state agencies and diplomatic representatives.

To ensure more public involvement in the DCFTA implementation process, as of May 31, 2016, on the basis of the Decree issued by the MoESD, the Deep and Comprehensive Free Trade Agreement (DCFTA) Advisory Group was established.

Above mentioned Group is an advisory body of the ministry structured by the representatives of business, non-governmental organizations (NGOs) and professional unions. At its sessions, the Consultation Group reviews planned and already implemented reforms for the purposes of DCFTA implementation. In 2016, the group held three sessions. At the third, extensive meeting (2.11.2016), the group members and the invited guests reviewed the draft Association Agenda for 2017-2020 and the trade related issues.

Trade in Goods, Entrepreneurship and Export Promotion

Entrepreneurship Facilitation

According to December 2016 data, LEPL Enterprise Georgia, as part of the State Program "Produce in Georgia", participated in co-funding of additional 70 enterprises. Consequently, 2,364 new jobs were created. The total value of 70 new projects is GEL 72.4 million and

the total investment is GEL 129.6 million.

Throughout 2016, the Agency provided DCFTA-related consultations to more than 220 beneficiaries.

Export Facilitation

Since January 2016, the web-page www.tradewithgeorgia.com has been fully operational. As of now, more than 200 Georgian companies have registered their products and services for export.

Since January 2016, the European Entrepreneurship Network (EEN) web-site www.een-georgia.ge began functioning. At the same time, the facebook page for "Enterprise Europe Network Georgia" was created through which over 85 Georgian companies received information about potential business partners and their offers. In December 2016, the event "Current Opportunities for Small and Medium Enterprises within EEN and H2020" was held with participation of more than 50 Georgian companies. The event aimed to promote EEN and H2020.

Currently, Enterprise Georgia works on registration of business proposals and requests received from the Georgian companies into the intranet of EEN. On October 4-6, 2016, Barcelona hosted the CPHI 2016 International Trade Exhibitions, where three pharmaceutical producer companies participated. On October 16-20, eleven Georgian companies participated in CIAL Paris 2016, an international food exhibition. From November 28, 2016 - December 1, 2016, the trade mission of eight Georgian companies visited Latvia and Poland.

Software for processing foreign trade statistical data has been improved. As of January 2016, statistical data of external trade is shared not only through the standard format, but also via broad economic categories (BEC) and standard international trade classification (SITC).

Technical Regulations, Standardization and Related Infrastructure

For approximation of laws in compliance with the Association Agreement (AA), two European Directives were translated into the Georgian language;

- Directive 94/9/EC of the European Parliament and the Council of 23 March 1994 on the equipment and protective systems intended for use in potentially explosive atmospheres;
- Directive 1999/5/EC of the European Parliament and the Council of 9 March 1999 on radio equipment and telecommunications terminal equipment and the mutual recognition of their conformity.

Relevant drafts of the technical regulation were also prepared.

Adoption of the technical regulations is planned till September 1, 2018.

The Georgian National Agency for Standards and Metrology (GEOSTM) is actively continuing the process of adopting international and regional/European standards as national standards. In 2016, more than 2,190 international and European standards were adopted. As of 2016, up to 10,000 international and European standards have been recognized as Georgian standards.

In order to develop the base of etalons of GEOSTM, the second phase of the EU Comprehensive Institutional Building (CIB) Program “Acquisition of Measuring devices for the Development of the National Base of Etalons,” is underway. According to 2016 data, within the project frames, equipment for the following laboratories have been received: radiation metrology; small capacities; power, pressure, acoustic measurements; temperature, electricity humidity; radio-physical measurements; time and frequency; geometric measurements; optics, mass, so called portable laboratory, a specially equipped truck which allows calibrating large capacity scales at the location of large weighing equipment and scales in the laboratory.

Moreover, to provide co-funding of the CIB project by the Agency, equipment and etalon units/laboratories have been purchased. The equipping process will continue in 2017.

Within the framework of the Technical Assistance Project of CIB (business certification) Program, a working group was created in order to establish the main principles of the international standard ISO/IEC 9001:2015 in the standards department of the Agency. Together with external experts, the working group developed a guideline and procedures related to the quality management system. The principles of standards will be fully established by the end of 2017. Within the framework of the EU project “Support to Further Development of Standardization and Metrology Infrastructure in Georgia in compliance with the Best European Practice”, seminars were held throughout 2016 in different regions in order to raise awareness of entrepreneurs, laboratory and local self-government staff:

- March 10 – Telavi;
- June 10 – Poti;
- September 22- Akhaltsikhe;
- November 11 – Kutaisi;
- December 15- Bolnisi.

The referred seminars were covered by local press and media sources and information was uploaded on the Agency website. In total, 210 entrepreneurs participated in the seminars.

In 2016, two sessions of the Accreditation Council were held where the representatives of public and private sectors participated. Various issues, including, the results of preliminary evaluation of the Georgian Accreditation Center (GAC) by EA, progress of CIB project in GAC and the planned peer review of GAC were discussed.

In compliance with EA (European Cooperation for Accreditation) GAC requirements in Accreditation fields, fully established on following international standards (ISO/IEC 17025, ISO/IEC 17020, ISO/IEC 17065, ISO/IEC 17021, ISO/IEC 15189, ISO/IEC 17024, ISO/IEC 17043)

Throughout 2016, GAC provided trainings for stakeholders, including the representatives of laboratories and inspection organs. The trainings concerned the following international standards: ISO/IEC 17020; ISO/IEC 15189; ISO/IEC 17065; ISO/IEC 17043.

The training sessions were also conducted regarding reference laboratories and how to take food product samples. Each training had an average of 20 participants.

As of November 2016, EA evaluators positively assessed the work of Georgian Accreditation Center. Quality of applying international and European standards by GAC in the accreditation schemes and qualification of the Center staff deserved positive evaluation. For 2017, it is planned to conclude bilateral recognition agreement with EA, which means international recognition of conformity assessment documents (certificates and laboratory testing protocols) issued by the organizations accredited in Georgia. This step will reduce technical barriers for the Georgian products on international markets and will contribute to increase of competitiveness of Georgian-originating products.

Throughout 2016, 12 training sessions were conducted for more than 240 participants representing laboratories, certification and inspection organs.

Market Surveillance

Pursuant to the Institutional Reform Plan (IRP) adopted by Technical and Construction Supervision Agency in 2015, all the activities planned for 2016 were implemented. Each activity aimed at institutional strengthening of the Agency in the areas of law and human resources.

In accordance with the recommendations of the EU Technical Assistance Project experts and the Strategy for Industrial Product Supervision approved by the Georgian Government, a project of amendments to the product safety and free movement code was prepared. It aims to develop a market surveillance system of European Standards for the industrial products in Georgia. Under Governmental of Georgia’s (GoG) Decree N641 of 30.12.2016, the Multi-year Market Surveillance Action Plan for industrial and consumer product markets was developed. The plan covers the most important activities to be carried out in the

area of market surveillance on the industrial and consumer market.

In order to improve market surveillance on the industrial and consumer markets and to organize joint activities in future, a Memorandum of Cooperation was signed between Technical and Construction Supervision Agency and LEPL Georgian Revenue Service.

In 2016, within the framework of the EU Technical Assistance Project, British and Lithuanian experts conducted trainings for the employees of Technical and Construction Supervision Agency of Georgia on practical implementation of five new directives approximated to the Georgian legislation (elevators, cable cars, pressure-operated devices, pressure-operated simple containers, hot water boilers). The experts also reviewed the following topic: "Development of market surveillance sector in compliance with European best practices" (description of the European market surveillance model). The project included trainings about the following topics: EU directive regarding construction products and consumer products, in particular, inspection of children's toys and electric devices.

Within the project framework, two study tours were organized to Lithuania and Great Britain. Looking at the examples of these two countries, the Technical and Construction Supervision Agency staff studied the surveillance and consumer rights protection systems, inspection methods, procedures, legal requirements, including sanctioning issues, laboratory testing methods, customs office functions and their involvement in the market surveillance system; and databases such as RAPEX, TARIC and ICSMS. They also visited test laboratories and observed their technical equipment.

Sanitary and Phytosanitary Measures

Legislative Work

In order to approximate sanitary and phytosanitary measures to European standards, some issues in the Georgian legislation were reviewed and complied with 25 European legal acts:

In the Veterinary Field:

- Government of Georgia's Decree №496 of November 7, 2016 "On Approval of the Technical Regulation - Diagnostic Manual for African Swine Fever";
 - Government of Georgia's Decree №637 of December 30, 2016 "On Approval of Technical Regulation - the Diagnostic Manual for Avian Influenza";
 - Government of Georgia's Decree №600 of December 28, 2016 "On Approval of the Rule of Prevention, Control and Eradication of Transmissible spongiform encephalopathies";
 - Government of Georgia's Decree №636 "On Approval of Sampling Plans and Diagnostic Methods for the detection and confirmation of viral hemorrhagic septicemia (VHS) and Infectious hematopoietic necrosis (IHN).
- #### In the Phytosanitary Field:
- Government of Georgia's Decree №302 of July 1, 2016 "On Approval of the Rules on Controlling Potato Cyst Nematodes";
 - Government of Georgia's Decree №619 of December 29, 2016 "On Approval of Obligations of Producers/manufacturers and Distributors of Plants, Products of Plant Origin and Other Enterprises subject to Phytosanitary Control and the Rule of their registration".
- #### In the Food Safety field:
- Government of Georgia's Decree №639 of December 18, 2015, "On Approval of Technical Regulation - Maximum Levels of Pharmacologically Active substances, their Classification and Residues in Foods of Animal Origin";
 - Government of Georgia's Decree №301 of July 1, 2016, "On Approval of Technical Regulation – Providing Information the Consumers about Food";
 - Government of Georgia's Decree №499 of November 8, 2016, "on approval of the rule concerning the performance of analytical methods and the interpretation of results for investigating certain substances and residues thereof in live animals and in food of animal origin";
 - Government of Georgia's Decree №623 of December 29, 2016, "On Approval of Technical Regulation about Maximum Level of Pesticide Residues in or on Foods and Feed of Plant and Animal Origin";
 - Government of Georgia's Decree №510 of November 17, 2016 "On Approval of the Rule of Placing Information about Nutritional Values and Health on Food Products";
 - Government of Georgia's Decree №585 of December 23, 2016 "On Approval of Technical Regulation about Food Additives";
 - Government of Georgia's Decree №508 of November 17, 2016 "On Approval of Technical Regulation about Addition of Vitamins, Minerals and certain other Substances to the Foods";

- Government of Georgia's Decree №497 of November 7, 2016 "On Approval of Technical Regulation about Sample-taking and Analysis Methods for Identifying Micro Toxins in Food Products";

- Government of Georgia's Decree №547 of December 13, 2016 "On Approval of Technical Regulation about Sample-taking and Analysis Methods for Control of Quantity of Micro-elements and Contaminants in Food Products".

In 2015-2016, Georgia made significant steps towards implementation of European Commission (EC) recommendations about honey production. Consequently, as of November 28, 2016, EC made a change to the 2011/163 Decision and Georgia was added to the list of third countries from where honey can be exported to the EU.

Recommendations about fish and fish products were fulfilled and currently there is ongoing work after completion of which Black Sea fish (anchovy) can be imported in the EU.

Private Sector Facilitation

This year, Georgian National Food Agency and USAID project "Restoring Efficiency of Agriculture Production (REAP)" signed a Memorandum of Cooperation to provide joint consultancy about slaughterhouses and establish food safety management system and standards (HACCP and ISO22000:2005). The beneficiary enterprises have the opportunity to establish European practices and improve safety measures. Within the framework of the project, contracts were concluded with 10 enterprises for establishing the ISO 22000 standard. Five enterprises have already successfully undergone the final audit and have obtained the ISO 22000 certificate. The contract was concluded with two enterprises about establishing Hazard Analysis and Critical Control Points (HACCP) system. The contract will significantly improve food safety and at the same time, will give an opportunity to the companies to export goods to the EU or other international markets.

Seven workshops (4 – in Gori, 1 – in Tbilisi, 1 – in Lagodekhi and 1 in Zugdidi) were conducted for the beneficiaries of the programs Plant the Future and Georgian Tea about the primary production standard (GLOBAL GAP).

Communication

For the purposes of updating and harmonizing the legislative base with relevant laws of the EU, active informational campaigns are being implemented on the following issues:

- Requirements for exporting Georgian-originating agricultural products to the EU market;
- Relevant consumer aspects of food/animal feed safety;
- Introduction of the newly adopted or amended legislation to the entrepreneurs and other stakeholders.

With regard to these issues, the representatives of the Ministry of Agriculture of Georgia (MoA) and National Food Agency (NFA) held the following meetings:

Agricultural Projects Management Agency (APMA) conducted trainings about legal requirements, state control on food safety and opportunities for food products (honey) to be exported to EU countries (Zugdidi and Akhaltsikhe).

On April 23, 2016, LEPL National Food Agency organized another session of the Civil Hall, where the importance of communication with the non-governmental sector and media, current problems and challenges of the sphere were discussed.

On April 23, 2016, with regard to risk analysis in animal slaughterhouses and establishing HACCP system, training was organized for business operators at the Holiday Inn. The training program is carried out within the framework of REAP.

Cooperation is continued with the private sector in order to simplify implementation of legal requirements. Normative acts developed within the DCFTA framework are uploaded on the web-site of the MoA before they are approved. Each act is open for public discussion and available for stakeholders.

Veterinary specialists of the NFA will gradually undertake the full course of Field Epidemiology and Laboratory Training Program of the South Caucasus (1-2 specialists a year).

The training unit of APMA conducted two trainings for the cooperatives in Zugdidi and Akhaltsikhe. More than 100 people participated in the trainings.

At the training, legal requirements of the NFA, state control of food safety, export opportunities for Georgian-originated food (honey) products to EU countries were discussed. The Agency of Cooperatives Development provided information to the cooperative members about the new program. The employees of the Laboratory Unit of the MoA talked about hygienic norms in the beekeeping area, control of residue substances and methods for managing bee diseases. As of July 6, 2016, NFA hosted a meeting with milk and dairy product producers and importers. The Agency representatives introduced the technical regulation norms for milk which became effective on August 1, 2016.

As for July 10, 2016, NFA organized a meeting with the representatives of catering objects and restaurant chains. The Agency introduced to the business operators engaged in this sphere the ongoing and potential amendments to the law obligated by the AA.

As of September 23, 2016, the MoA, NFA and European Bank for Reconstruction and Development (EBRD) jointly organized a round table discussion on the topic "Management of Traceability of Beef". The participants received information about the new regulations related to the labeling rules for food products. On October 8, 2016, the Deputy Minister of MoA and the Head of NFA held a

meeting with farmers at Gori University. At the meeting, ministry representatives introduced the government programs implemented for the development of the agricultural sector as well as measures taken for plant protection.

As of December 29, at the NFA conference hall, the Agency organized a meeting with egg manufacturers. The Agency employees presented the recommendations related to the mandatory marking of eggs.

As of December 23, 2016, NFA employees presented a new regulation to the meat and meat product producers. The regulation defines mandatory labelling rules for production, processing and distribution stages of goods, meat and meat products placed on the market and obligations of business operators. The regulation will become effective from 2017.

As of November 8, 2016, the eighth session of Civil Hall under the NFA was organized. The Hall members discussed major issues in the realization-consumption of pesticides and agro-chemicals, veterinary and food safety areas.

LEPL Laboratory of the MoA obtained international accreditation for the diagnostics of organisms harmful to plants in the following areas:

- Microbiology (bacterial wilt, potato ring rot);
- Micology (potato wart);
- Entomology (Colorado potato beetle, potato moth, South American tomato moth);
- Helminthology (potato cyst nematode);
- Virusology (plum pox, virus diseases of citrus fruit);
- GMO identification (GMO screening, Roundup Ready™ GMO soya and GMO corn);
- Herbology (identification of invasive plants—Common Ragweed (*ambrosia artemisiifolia*), identification of invasive plants - Russian knapweed; identification of invasive plants - *Cenchrus pauciflorus* Benth));
- Testing of seed materials (weight of thousand seeds, germination and strength of seeds, physical purity of seeds).

The following accredited directions were introduced to the Laboratory of Agriculture:

1. Microbiology of food and animal feed: enumeration of *Listeria monocytogenes*, detection of *Enterobacter sakazaki*, detection of *Vibrio parahaemolyticus*, detection of *Vibrio parahaemolyticus*, enumeration of possible *B. Cereus*, enumeration of coliforms, detection of *Salmonella* sp., enumeration of microorganisms – methods of counting colonies, detection and enumeration of *S.aureus*;

2. Food and Water Chemistry: Water (define chlorine residue quantity; define overall density); honey (define acidity, electric pass through capacity, define mechanical contamination); Vegetable oil (define acidity); milk and

dairy products (define quantity of sodium chloride, acidity and density);

3. Meat products (define quantity of sodium chloride);

4. Flour and grains (quantitative and qualitative definition of gluten); animal feed (identify amount of sand/ash); food/animal feed/water (define Cs-137 activity of radionuclides, lead, cadmium); define chlororganic pesticides and chloramphenicol and tetracycline in honey.

Along with microbiological surveys, the Laboratory began other surveys which will allow the specialists to define trans isomer fats in the fat of plant origin.

Veterinary and Phytosanitary Border Control

Within the framework of the EU Eastern Partnership Joint Border Management pilot project “To support development of customs port of entry between Georgia and Azerbaijan - Red Bridge”, more than 10 trainings were conducted and a working meeting was held on border veterinary and phytosanitary control.

Within the framework of the EU funded CIB program, equipment has been procured for Kartsakhi, Adlia and Poti border inspection points. The program experts examined the border inspection building at Adlia checkpoint and prepared relevant recommendations. The inspection point will be renovated in view of these recommendations.

A European expert had a tour around Red Bridge customs port of entry and the surrounding territory to identify the appropriate place for locating the buildings of EU standards. He made relevant recommendations afterwards.

With CIB Program support, sanitary, phytosanitary and veterinary control equipment have been purchased for Kartsakhi, Adlia and Poti border inspection points.

Within the framework of the EU Eastern Partnership Joint Border Management pilot project “To support development of customs port of entry between Georgia and Azerbaijan Red Bridge”, construction of Red Bridge border inspection point began in accordance with the construction project processed by the Georgian Revenue Service (RS).

Within the framework of the first platform of Eastern Partnership – **Democracy, Good Governance and Stability** and the Border Management pilot project “To support development of customs port of entry between Georgia and Azerbaijan - Red Bridge”, RS work group together with external experts developed the draft decree about control of food products of non-animal origin. As of December 23, 2016, the Government of Georgia adopted Decree #567.

Customs and Trade Facilitation

Under the EU-Georgia AA, the first draft of amendments for customs legislation was prepared and reviewed by the customs sub-committee on a November 29th meeting of the customs project group as envisaged in the AA. The

final version will be available for interested non-governmental organizations (NGOs) and private persons. RS, together with a working group from USAID project G4G works on the draft Law on Authorized Economic Operators (AEOs). The first draft of amendments has already been finished.

As of November 14, 2016, by the Government of Georgia's Decree N507 of November 14, 2016, the institute of an approved exporter was established and respectively, the institute envisaged under the first protocol of the AA became effective. Persons with the status of an approved exporter will be entitled to use not only the EUR1 certificate of origin issued by the RS to prove the origin of products but also the declaration of origin completed by the exporter himself.

As of September 28, 2016, a regular session of the committee of Regional Convention on pan-Euro-Mediterranean Preferential Rules of Origin (PEM Convention) was held in Brussels. At the session, Convention member states (48 countries) made a unanimous decision that will allow Georgia to become a Convention member state. It is the most important stage in the process of accession to the Convention. Currently, the Convention working group of Georgia is invited as an observer. Simultaneously, necessary procedures for accession to the Convention are underway.

There is ongoing work on availability of advance information about flight passengers/establishing a system of personal data exchange. Under the auspices of the World Customs Organization (WCO), a seminar was conducted for the representatives of state agencies and airlines represented at the border. Revenue Service (RS) work group has developed a draft amendment project.

The work is underway for accession of Conventions - Common Transit Procedures (CTC) and Single Administrative Document (SAD). The working group created for this purpose developed a roadmap of procedures for CTC accession where the major issues to be implemented in 2015-2018 were defined. The roadmap is updated annually to incorporate implemented activities and achieved results.

As of September 14-15, 2016, within the framework of EAP-IBM (Eastern Partnership Integrated Border Management) Capacity Building Project, the second regional working meeting was held in Kishinev (Moldova) for the purposes of accession to CTC Convention. The GRS representatives participated in the meeting where the issues related to Convention accession and NCTS program were discussed.

Georgian Customs Administration has already established an advanced information exchange system with Turkey and there are ongoing negotiations to introduce the same system with Azerbaijan. Negotiations are also ongoing with EU countries.

Persuant to DCFTA obligations, by GoG Decree №536 of March 31, 2016, "Roadmap for Implementation of obligations undertaken by Association Agreement between Georgia and EU in the Area of State Procurements and Deep and Comprehensive Free Trade Agreement", which covers the Action Plan for fulfillment of commitments taken under DCFTA in the area of state procurements was discussed among stakeholders prior to final approval.

As of December 9, 2016, State Procurement Agency (SPA) submitted to the administration of Georgian Government amendments for the draft Law on State Procurements. The main purpose of adopting these changes is approximation to the basic standards regulating the award of contracts about public procurement defined in the article 144 of the AA. In particular:

1. Reflecting principles of equal treatment and proportionality in the Georgian Law on State Procurements.
2. Defining obligations for the procuring organizations to develop not only technical, but also performance and functional specifications. Besides, it is mandatory to set a minimum term for the procurement process that will allow the entities willing participation in the tender, to fully evaluate the tender conditions and thoroughly prepare the tender proposal.

The Government approved the draft Law "On Making Amendments to the Georgian Law on State Procurements" and submitted it to the Parliament of Georgia for further discussion.

In 2016, the training course was conducted for enhancement of qualification of state agency and local self-government staff at the training center of the SPA.

The main certification course was attended by 834 certified listeners who were divided into 15 groups.

- Four workshops were organized for the heads of procurement offices and Governors (140 participants);

Two off-premise seminars were organized for the procurement specialists of Tbilisi City Hall and its non-commercial legal entities (120 participants);

- One seminar was conducted for business sector representatives (17 participants);
- Training of trainers (9 participants).

In total, 1120 participants attended the meetings.

As of February 18, 2016, management officials of the SPA held a meeting with representatives of small and medium size enterprises (SMEs) participating in state procurements.

The meeting aimed to introduce a new rule of keeping the registry of compliant suppliers (white list) participating in state procurements.

Information was provided to non-governmental organizations and business sector about the work of SPA, its functions, procedures for state procurements and innovations planned for the central electronic system, in particular, introduction of the electronic catalogue of aggregated information about tenders, procurement objects and suppliers; development of the annual plan of state procurements. Similar meetings were held in the process of developing the referred work plan:

- April 4, Mtskheta - 20 stakeholders;
- April 7, Ozurgeti – up to 50 participants;
- April 8, Batumi – up to 50 stakeholders;
- April 15, Rustavi – 40 stakeholders.

Under the initiative of the Chairman of SPA, regular meetings were held with representatives of the business community. The first meeting took place on May 11, 2016. Since then, 16 meetings were organized through the end of the year (including December). The meeting parties discussed problems related to procurements and problems with specific tenders. The meetings were organized by sectors; overall, 150 people attended the meetings.

As of May 23-24, under the auspices of Commercial Law Development Program (CLDP), United States Embassy to Georgia, EBRD, World Trade Organization (WTO), EU, Ministry of Foreign Affairs of Georgia (MoFA), MoESD and SPA, a workshop “WTO State Procurement Agreement obligations, accession process and commercial benefits for Georgia” was organized. Representatives of the business community and government administration attended the meeting which aimed to inform stakeholders about the main advantages of the Government Procurement Agreement.

As of May 29, 2016, USAID project G4G facilitated a working meeting of the SPA with business, civil society and procuring organizations where the Agency presented the latest information about planned reforms, in particular, two types of new electronic tenders, one without reverse auction and another – the two-phase tender which will be put into the system from July 1 to August 1.

With G4G support, on July 12-13, 2016, business meetings were held in Batumi with private companies operating in the Adjara region. Up to 100 stakeholders attended the meeting which aimed to present new methods of procurement established in the state procurement system.

On August 5, a public discussion was held on “Common electronic system of state procurements – news and changes”.

SPA provided information to the procuring organizations, SMEs, business unions and associations about the recent developments in the state procurement electronic system, major changes including the new two-phase tender. New electronic services, methods and resources of the state procurement system were presented at the event held with the support of Project “Development of Small and Medium Businesses and Deep and Comprehensive Free Trade Area in Georgia” under the auspices of EU4Business. The project is implemented by German Federal Enterprise for International Cooperation (GIZ) with EU funding.

As of December 21, 2016, Chairman of the SPA held a final meeting “State Procurements – implemented reforms, news and changes” for SMEs, business unions, associations and other interested businessmen. The meeting was organized under the support of the USAID project G4G and co-organized by Georgian Chamber of Commerce and Industry (GCCCI). A total of 80 people attended the meeting.

Intellectual Property Rights

National Intellectual Property Center, “Sakpatenti”, developed a package of legislative changes to fulfill the commitments taken under the AA in the area of intellectual property rights (IPR). The package envisages making amendments to several laws, including the Law on Design, Civil Procedural Code, etc. The changes will facilitate introduction of European best practice to the area of intellectual property rights in Georgia.

A number of meetings were held with various ministries to introduce the legislative amendment package. The draft law was submitted to the judicial government for their comments.

At the end of 2016, final versions of draft laws were developed. They will be submitted to the Parliament of Georgia in the first quarter of 2017.

With regard to protection of intellectual property rights on the border, for development of the law regulating the customs enforcement procedures of IPR, the interagency work group at the RS held a meeting with the participation of the customs, legal and international relations departments. The group prepared a draft law which is currently under interagency review.

The comparative analysis of the Georgian Law “On IP Related Border Measures” and relevant EU Regulation (No 608/2013) revealed the major differences that should be eliminated according to DCFTA commitments. In line with making changes to the law, operational procedures concerning customs enforcement of IPR will be developed.

As of October 27-28, 2016, Sakpatenti and World

Intellectual Property Organization (WIPO) held a conference “Branding Strategies” where Georgian entrepreneurs and farmers learned about the advantages of products protected with geographical markings in the Georgian and world market.

Training for judges and lawyers about IPR issues are actively underway at Sakpatenti, which aim to enhance public awareness. About 110 representatives of Sakpatenti and the public and private sectors were trained at the Sakpatenti training center.

WIPO publications about IPR issues were translated into Georgian and are ready for publication. In 2016, Sakpatenti published 19,500 informational materials.

Competition

As of February 25-26, a two-day conference was organized on the topic “Cooperation between Competition Agency and Sectoral Regulators”, organized by the Georgian Competition Agency with the support of the EU Technical Assistance and Information Exchange Project (TAIEX). Up to 60 representatives of the EU, sectoral regulators, various ministries and state agencies, Parliament of Georgia, business sector and NGOs attended the conference.

Within the framework of the same project, on July 7-8, the international seminar – “State Support in the context of DCFTA” was co-organized by SPA with participation of EU experts. Representatives of the competition agencies of Ukraine and Moldova also attended the seminar.

As of January 29, 2016, the Competition Agency held a meeting with NGOs and business consultation company representatives on the topic – “Legal Aspects for Regulating Competition”.

As of October 5, 2016, the Agency had a meeting with the business sector to introduce the major principles of competition law, the Agency activities and future plans.

A similar meeting was organized for the sector experts and scientific circle representatives on November 18, 2016, where the main activities of the Agency and expert opinions were shared.

Within the framework of the Project “To Support Competition Agency Development and Advocacy”, under the auspices of EBRD and the Embassy of Great Britain to Georgia, two seminars on competition advocacy issues were held throughout 2016 with participation of up to 20 judges of the Tbilisi Civil and Appellation Courts.

As of December 9, 2016, the second seminar was organized for the business sector and sectoral associations. The issues related to efficient enforcement of law were discussed together with international and local experts.

Qualification-enhancement seminars were conducted for Competition Agency staff with EBRD funding. The seminars were carried out in three stages:

1. September 21-29;
2. October 19-20;
3. December 8.

In the course of seminar sessions, professors of leading world universities conducted lectures on the most important legal and economic issues in the competition area. In total, 17 Agency employees attended the training.

Throughout the year, Agency employees also participated in four events organized and funded under the auspices of the OECD-GVH Regional Centre for Competition in Budapest. The events were held in Hungary and Serbia. They also attended the 15th OECD Global Forum in Paris (December 2).

The Agency staff participated in the two conferences of the Sofia competition forum:

1. June 10, “Restrictive Measures Applied by Competition Organs in Implementation of Anti-monopolistic measures and Merging Activities”;
2. November 11, “Issues related to Abuse of Dominated Position on the Regulated Market”.

The Competition Agency was also presented at:

- Annual ICN (International Competition Network) Conference (Singapore, April 26-29, 2016);
- 64th ABA (American Bar Association) Meeting (April 6-8, 2016, Washington);
- Working meetings organized by Lithuanian and Turkish competition agencies (May, 2016).

Under the Decree N199 “On Approval of 2016-2018 Training Plan of the LEPL Competition Agency” issued by the chairman of Competition Agency on December 22, 2015, trainings were held in the following spheres:

- Abuse of dominant position – collective dominance;
- Direct and indirect evidences in cartel cases – European investigation practice;
- Cooperation between the Competition Agency and sectoral regulators;
- Fifty employees of the Agency participated in the trainings.

Energy Sector

Under the Decree of the Georgian National Energy and Water Supply Regulatory Commission (GNERC) issued on April 22, 2016, the amendments were made to №10

Decree “On Approving Network Code” of April 17, 2014. The Commission approved the rules for the distribution network.

On December 27, 2016, GNERC adopted №43 Decree “on Approving Uniform System of Accounting for Electricity Sector”.

The draft rules of security of electricity supply were developed in order to ensure reliability of the electricity supply and improve quality of service.

By the decision of GNERC, on December 8, 2016, public administrative proceedings were initiated to approve the service quality and security of supply rules.

By the Decree issued on July 25, 2016, GNERC approved Commercial Service Rules which aim to improve commercial quality of services rendered for the consumers by electricity, natural gas and water supply companies.

The project of standard conditions for connections to the electricity transmission network was developed. The obligation to develop and approve this project is required by the Network Code.

On December 29, 2016, under the decision of GNERC, public administrative proceedings began to approve standard conditions for connections to the electricity transmission network.

The deadline for submitting comments regarding Standard Conditions for Connection to the Transmission Network is February 10, 2017, and the final deadline for publishing the Commission Decision on Approving the Standard Conditions for Connection to the Electricity Transmission Network is March, 2017.

Within the framework of USAID project G4G, the second phase of simulations of the electricity market model was conducted; the results of simulation were analysed to identify the challenges for the purposes of moving to hourly and liberal markets.

The Ten-Year Development Plan for Natural Gas Transportation Infrastructure (2016-2025) and its revised version (2017-2026) was developed. It covers the program with timelines for infrastructural projects, including projects funded in 2016-2017 and transitional period projects of 2018-2019. The decision about funding the latter is not final. The plan also includes perspective projects identified for medium term (2020-2022) and long-term (after 2022) periods. Decision on funding of these projects will be made on the basis of needs assessment and investment opportunities.

These are the goals of the ten-year infrastructure development plan:

- To ensure guaranteed supply of consumers with natural gas in the current as well as long-term perspective;
- With the help of rehabilitation-development and stable functioning of the internal transportation, cross-border and transit infrastructure, facilitate formation of the local and

regional markets on the basis of European energy law.

The plan has been discussed with the companies operating in the sector and other stakeholders and has been agreed with the Ministry of Energy (MoE); the plan was approved by the board of directors of the Georgian Oil and Gas Corporation and has been included in the Development Strategy of the MoE for implementation purposes.

In compliance with DCFTA and security of supply regulations, a working group was established to work on the following issues:

- Development of the risk assessment document;
- Crisis prevention and emergency plan;
- Early warning mechanism;
- Elaborating the coordinated instructions for transmission network operators to use in the emergency situations.

The upgraded program has been purchased and established to facilitate development of crossborder trade with neighbour countries. The procedures for participation in the auction have been simplified.

Transparency

The MoESD, with GiZ assistance, created a DCFTA website www.dcfta.gov.ge, where all DCFTA-related information, including international support for the business sector, current opportunities, coordination for AA implementation and other issues are uploaded. The portal will also provide information about the primary laws and secondary legislation developed within DCFTA frames. Special function has been integrated into the web-site which allows making comments on draft laws or normative acts developed within DCFTA frames.

As of March, 2016, Foreign Trade Policy Department of the MoESD in cooperation with Enterprise Georgia organized workshops for the export managers of various companies. The workshops were dedicated to DCFTA issues.

As of July 6, 2016, Levan Mikeladze Foundation within the framework of the project “Capacity Building of Civil Society in regions of ethnic minorities”, organized discussions for the media, representatives of NGOs and self-government units. The representatives of the MoESD highlighted EU-Georgia relations and the steps made by Georgia towards EU and DCFTA.

As of September 27, 2016, for development of SMEs and improvement of their competitiveness on the EU market, with the support of “EU-funded project facility for the implementation of the Association Agreement” a round table discussion dedicated to DCFTA was held in the Administration of the Georgian Government. The representatives of business associations, international

donor organizations, EU Delegation and members of the Georgian Government attended the discussion. The Prime-Minister of Georgia and head of the EU Delegation to Georgia addressed the audience. For the future, it is planned to hold similar meetings in Tbilisi and in regions to raise awareness of more entrepreneurs about DCFTA and its benefits.

Within the referred initiative, on November 14, 2016, the MoESD and facility for the implementation of the Association Agreement project jointly organized another round table meeting with representatives of the business sector to discuss commitments taken under the DCFTA. At the meeting, representatives of GoG, business sector and the project emphasized the importance of private-public dialogue (PPD) in the DCFTA implementation process. At the meeting, the focus was made on SME business facilitation issues.

Under the initiative of the MoESD and USAID project G4G, on November 12-13, 2016, a two-day seminar was organized in Kakheti to review the DCFTA process for journalists. Economic journalists from leading TV channels, radio and press participated in the meeting.

As of December 6, 2016, the project “Development of Small and Medium Enterprises and DCFTA in Georgia,” implemented under the GiZ program “Private Sector Development in South Caucasus” and co-funded by EU, organized a public discussion on the topic: Georgia’s Way to European Market – Professional Skills in DCFTA context”. The event aimed to raise awareness about vocational education and training needs in Georgia, particularly in the context of implementation of the AA and DCFTA. The representatives of the MoESD discussed the implementation process of DCFTA in Georgia.

The representatives of educational, business circles and local government attended the event.

The Foreign Trade Policy Department under the MoESD actively cooperates with Levan Mikeladze Diplomatic Training Center to conduct lectures, seminars and awareness-raising meetings about DCFTA. Within this cooperation, the representatives of Foreign Trade Policy Department of the MoESD read lectures about international trade and the WTO; economic integration models, EU-AA; practical use of DCFTA and current technical barriers in the trade sector.

Trade and Sustainable Development

Labour inspectors of the Department of Inspection of Labour Conditions conducted awareness-raising training for the employees and employers in Batumi about the labour safety and health protection issues, such as occupational health and safety.

Representatives of the Labour Conditions Inspection Department held a meeting with HR managers of the

private sector in November, 2016, in order to introduce occupational health and safety issues.

As of December 12, the session of Rectors’ Board of the Iakob Gogebashvili Telavi State University was held where the representatives of the Labour Conditions Inspection Department presented the report about the department work and results. They also discussed occupational safety-related issues.

The Commission was established to work on the draft of the new Forest Code. The Commission was structured by the representatives of the Ministry of Environment and Natural Resources Protection (MENRP), the Ministry LEPLs, Tbilisi City Hall and the Government of the Autonomous Republic of Adjara. As a result of ten meetings held by the Commission, a full version of the document was developed. The meetings were held in all regions of Georgia for discussing the draft Forest Code. The final Code was presented to the Parliament of Georgia. Draft secondary legislation about forest use, protection, maintenance, restoration, registration and monitoring were also developed.

An international expert prepared the final version of the “National Criteria and Indicators for Sustainable Development of Forests”, certain components of which are being incorporated in the National legislation on forests. The document about risk assessment standards for controlled timber resources was elaborated and submitted to the Forest Supervisory Council for approval. At the moment, the document is under review.

The EU Commission approved the new Twinning Project “Strengthening Sustainable Forest Management in Georgia”. Lithuania and Hungary were selected as twinning implementation countries. The contract concluding process is underway. The project will begin in June 2017. Economic analysis of the timber-forests was developed and the recommendations were envisaged in the Forest Reform Strategy development process and National Action Plan of the Environment Protection.

Selected species of plants were evaluated and the evaluation report was developed to identify compliance with the criteria for inclusion in the Annexes of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). At the 17th conference of CITES parties, Georgia and EU jointly presented the document about inclusion of the mountain goat species in the second Annex of CITES. The Georgian delegation actively cooperated with the delegations of EU member states at the 17th conference of CITES parties.

Georgia participated in the preparation meetings for the 13th conference of the Convention on Bio Diversity (CBD) organized by the Convention Secretariat and the Government of Norway. The conference was dedicated to integration of bio-diversity issues in the agricultural area.

Within the framework of Global Forest Watch Project funded by GEF (Global Environmental Fund), the pilot version of the forest monitoring system was developed. Information regarding the forest resources were processed and entered into the system.

From January 2016, within the framework of National Forestry Program, 80 working meetings were held to discuss various thematic issues. The representatives of state, non-state and scientific organizations participated in the meetings.

In compliance with №696 Decree of April 22, 2016, the licenses were extended for fishing 300 meters from the Black Sea coastline and different licensing conditions were defined which include the following obligations: the license holders shall be liable to install an online monitoring system and maintain an electronic ledger for fishing.

Technical parameters of the online monitoring are defined by the relevant normative act. Establishment of the online self-monitoring and reporting system for fishing will continue in the following years.

The Climate Change Office under MENRP, with the help of GiZ, prepared the analysis of best practice in EU member states. It is discussed to use the results of “Low Emission Development Strategy” for developing the plan. Draft guidelines for the Action Plan – “Climate 2021-2030” were elaborated.

Climate change mitigation activities were planned for the energy, industry, agriculture and waste management sectors. Mitigation activities will facilitate implementation of commitments taken by Georgia under INDC and reduction of greenhouse gas emissions in accordance with the traditional business scenario.

Trade with Services

In compliance with DCFTA obligations, EU Directive 2000/31/EC “On Electronic Commerce and Legislative Base of Member States” was studied and processed, on the basis of which USAID project G4G facilitated development of the Georgian draft Law on e-Commerce. The draft Law was shared with various state agencies for

comments. The received comments were processed and further activities were carried out to finalize the draft Law.

In September, the draft Law was presented to the private and public sectors for detailed discussion. The draft Law was translated into English and was sent to EC and World Bank (WB) experts for their input.

At this stage, analysis of the Directive 97/7/EC of the European Parliament and of the Council of 20 May 1997 on the protection of consumers in respect of distance contracts is underway. Its components are being transposed to the draft Law of Georgia on e-Commerce to fulfill Georgia’s obligation under the AA for approximation of the Georgian law with the given Directive. Moreover, work on supplementary draft laws will begin soon. Consequently, a full package of laws will be submitted for the Parliament’s review.

Working groups of the Georgian National Commission of Communications and EBRD experts elaborated draft versions of legislative amendments, in order to harmonize Georgian law with EU directives on personal life privacy, electronic commerce and authorization. The groups of the National Commission of Communications working on accession directives and framework directives, together with EBRD experts, drafted the gap analysis between Georgian legislation and relevant EU directives.

Within the framework of an EBRD grant program, the main stage of modification-development of the Georgian Law on Post has been completed. There is an ongoing work on accompanying the draft Law after completion of which, the full package will be submitted to the Parliament of Georgia in compliance with the established rule.

