



EASTERN PARTNERSHIP  
CIVIL SOCIETY FORUM



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# EASTERN PARTNERSHIP CIVIC TRACKER

PROGRESS REPORT IN THE FRAME OF THE EAP CIVIC TRACKER PROJECT





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CIVIL SOCIETY FORUM



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# INTRODUCTION

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## INTRODUCTION

Sergiy Gerasymchuk,  
Report Editor,  
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This Report is the culmination of a collective effort that spans several years—a project conceived with the intent of scrutinizing the metamorphosis within the Eastern Partnership, as initially outlined by the Joint Staff Working Document (JSWD). However, the fluidity of the regional dynamics compelled our project to adapt and evolve, mirroring the rapid and dramatic developments that unfolded.

At the core of this evolutionary process stands the Russian war against Ukraine—a watershed moment that not only stirred Europe from its slumber but also inspired discussions related to the European enlargement. This pivotal event provided Ukraine and Moldova with the unique opportunity to engage in accession negotiations, while Georgia attained the esteemed status of an EU candidate. The reverberations of this conflict resonated across the region, reshaping the trajectory of the Eastern Partnership and paving the way for renewed possibilities.

Navigating the geopolitical landscape, the Eastern Partnership demonstrated resilience in the face of challenges, implementing substantial reforms. Noteworthy is the alignment between reforms within the Eastern Partnership network and those advocated by the European Union for Ukraine, Moldova, and Georgia. This convergence underscores the EU’s role as a normative power, consistently propelling reforms and acting as a catalyst for positive change.

Within the pages that follow, we offer a comprehensive assessment of these reforms, providing a nuanced understanding of overarching developments. This work stands as an outcome

of the joint efforts of national teams, whose detailed country-specific reports delve into the unique contexts and challenges faced by each participant.

Regrettably, Belarus finds itself outside the scope of this assessment due to a lack of progress and the prevailing stagnation in EU-Belarus relations. This omission serves as a stark reminder of the persistent complexities in the pursuit of regional harmonization.

Presented in the context of the impending year 2024, this work holds particular significance. As a game-changing year looms, the insights provided here offer a valuable perspective for navigating the challenges and seizing the opportunities that lie ahead.

# **GENERAL ASSESSMENT**

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- 1. Together for resilient, sustainable, and integrated economies**
- 2. Together for accountable institutions, the rule of law, and security**
- 3. Together towards environmental and climate resilience**
- 4. The digital sector remains to be diversified in the Eastern Partnership region**
- 5. Together for resilient, fair, and inclusive societies**

## GENERAL ASSESSMENT

### 1. Together for resilient, sustainable, and integrated economies

Veronika Movchan,  
Institute for Economic Research  
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Strengthened economic integration has been the key priority for the Eastern Partnership, disregarding the end goal, namely whether the countries aim to become EU members or not. The EU has remained the largest trade partner for Azerbaijan, Georgia, Moldova, and Ukraine and the second largest for Armenia.

The year 2023 did not bring major changes in market access within the Eastern Partnership. For Georgia, Moldova, and Ukraine, the Association Agreements, embedding the deep and comprehensive free trade areas, have remained the key legal background for mutual trade. Azerbaijan and Armenia's trade with the EU has been non-preferential, relying on MFN duties. In the summer of 2022, the EU provided temporary autonomous measures for Ukraine and Moldova to help them mitigate the consequences of full-scale Russian military aggression against Ukraine. These measures were initially adopted for one year; however, in mid-2023, the EU prolonged and extended these measures for another year, even in the case of Moldova.

The EaP countries have also continued implementing the EU safety regulations to improve access to this market. Ukraine, Moldova, and Georgia have been aiming to conclude the Agreements on Conformity Assessment and Acceptance (ACAA) of industrial products with the EU. The ACAA is a special mutual recognition agreement based on legal and



institutional alignment. In 2023, the EC expert mission, making the preassessment of the readiness of Ukraine's legislation and institutions for concluding the ACAA, completed their work, issuing the recommendations on the steps needed to launch the official talks. The ACAA conclusion is on the EU-Ukraine Priority Action Plan 2023-2024 list. Moldova initiated the ACAA process in 2022, and the legislation has already been adopted, but more efforts are needed for institutional alignment. Georgia has been following the path.

However, this temporary liberalization, coupled with significant changes in logistics, has backlashed. In April 2023, Poland banned imports of certain agricultural products from Ukraine, claiming the threat to its farmers. Hungary, Slovakia, and Bulgaria immediately followed this step, while Romania shared concerns but did not impose bans. In May 2023, the European Commission (EC) replaced these individual bans with emergency protective measures, banning imports of four products (wheat, maize, rapeseed, and sunflower seed) from Ukraine to five of its neighbors (Poland, Hungary, Slovakia, Bulgaria, and Romania). Initially, the ban was for a month till early June and then extended till the 15th of September. In September, the EC claimed that this threat had been resolved and abolished the measures. However, three countries, namely Poland, Hungary, and Slovakia, disagreed and reinstated their individual bans, while Hungary and Slovakia even expanded the coverage. In turn, Ukraine reverted to the WTO Dispute Settlement Body for consultations against these protectionist measures.

Transport connectivity has witnessed a similar situation, with deeper integration and backlashing crises in relations between Ukraine and its EU neighbors. The full-scale Russian military aggression against Ukraine has strongly affected transport routes in the regions, fostering transport interconnectivity. In 2022, the EU launched the Solidarity Lanes Initiative to help Ukraine and Moldova cope with the shock. That included facilitated customs

clearance procedures, expanded border crossing points, and much more active use of the EU ports for Ukraine's exports, inter alia. In 2022, Ukraine joined the European common transit system, while Moldova concluded the mutual recognition agreement of authorized economic operators. For the South Caucasus, the war and the sanctions against Russia created the opportunity to develop the so-called Middle Corridor further, passing through Azerbaijan and Georgia and linking Asia and Europe.

An important part of the Solidarity Lane Initiative was the conclusion of the temporary transport agreement between the EU and Ukraine, allowing the Ukrainian cargo carriers to ship goods to the destinations in the EU without so-called bilateral transit permits, which have been in a high deficit since 2017. That decision has facilitated road shipments, becoming a compensator for the problems with the Black Sea ports used by Ukraine. However, the increased competition put pressure on cargo carriers in neighboring Ukraine countries. In early November, Polish road carriers blocked several crossing points on the Ukraine-Poland border. In December, the blockades were extended to several border points in Slovakia and Hungary. As of the end of December 2023, this blockade has remained in place and even worsened despite the political announcements that the issue has been resolved.

The cooperation related to investment, access to finance, and the related reforms, including the fight against corruption, intensified in 2022-2023. Given the ongoing Russian aggression, Ukraine has remained the top recipient of EU financial aid. In 2023, in the macro-financial assistance (MFA) framework, the EU provided Ukraine with EUR 18 billion to cover its fiscal needs. That came on top of humanitarian and military assistance. Moldova is also entitled to the MFA amounting to EUR 295 million in loans and grants. In other EaP countries, the focus was more on investments. For instance, Armenia has been gradually implementing its Economic and Investment Plan, backed by EU

financial assistance. Azerbaijan and the EU established a high-level working group on the EU's Economic Investment Plan, aiming to maximize the efficiency of the EU funding.

Personal mobility has also intensified with the full-scale Russian aggression, especially for Ukrainians. About 4 million Ukrainians have received a temporary protection status in the EU. In parallel, the number of trips using the visa-free regime has also increased as the EU's neighboring states become the main transport hub to reach other destinations (apart from Moldova).

The EaP countries continued participating in several EU-funded programs supporting personal interconnections and investing in people. The EU4Youth Initiative, which aimed to increase investment in young people's skills, entrepreneurship, and employability and to encourage their active participation in democratic life and the labor market, has launched its fourth phase in 2023 with EUR 5 million funding. ERASMUS+, funded for 2021-2027, has also been active in the region.

Summing up, at the end of the second year of the full-scale war in the region, the EaP countries have been witnessing closer economic cooperation with the EU despite some backlash generated by changed trade and logistic patterns.

## **2. Together for accountable institutions, the rule of law, and security**

Mykhailo Drapak,  
Sergiy Gerasymchuk,  
Foreign Policy Council "Ukrainian Prism"

In the year 2023, the Eastern Partnership (EaP) countries encountered a spectrum of challenges, with some issues persisting from previous years and others emerging due to specific country circumstances.

In contrast to the challenges faced by some EaP countries, notable strides in reform were witnessed in Ukraine and the Republic of Moldova. Both nations exhibited accelerated efforts in addressing protracted issues, with a particular focus on intensifying the fight against corruption. These endeavors mark a significant commitment to instigate positive change and strengthen the foundations of accountable institutions within their respective borders.

In a commendable move towards judicial reform, Ukraine has demonstrated a commitment to transparency and accountability. The High Council of Justice and the High Qualification Commission of Judges were re-established through a transparent process, actively involving independent experts. The Selection Committee, comprising three domestic and three global specialists, conducted a credibility and competence assessment of 301 High Qualification Commission of Judges (HQCJ) candidates, concluding this comprehensive review in March 2023.

This milestone not only signifies a crucial step towards rejuvenating the judicial system but also paves the way for addressing a substantial backlog. With the successful conclusion of the assessment, the Ukrainian government is poised to commence the process of filling over 2,000 judicial vacancies. Additionally, the assessment will extend to the vetting of qualifications for approximately 1,900 sitting judges, a process suspended since 2019. This proactive approach underscores Ukraine's commitment to fortifying its judiciary, fostering integrity, and upholding the rule of law.

Ukraine's commitment to anti-corruption efforts has garnered international recognition, particularly in the appointments of leaders for the National Anti-Corruption Bureau (NABU) and the Specialized Anti-Corruption Prosecutor's Office (SAPO). These key positions were filled through transparent competitions, earning commendation from the Group of States Against

Corruption (GRECO) for Ukraine's substantial progress in anti-corruption endeavors. The transparent selection process not only underscores a dedication to accountability but also contributes to building public trust in the fight against corruption within the country.

In Moldova, combating corruption and advancing the commitment to 'de-oligarchisation' stand as pivotal objectives, forming two of the nine recommendations outlined by the European Commission for Moldova's EU accession. While the country has shown commendable progress in these areas, the European Commission emphasizes the need for further strengthening of anti-corruption institutions and continuous implementation of the de-oligarchisation plan.

Despite strides forward, the investigation of high-profile and longstanding corruption cases faces obstacles, leading to concerns about the efficacy of current efforts. The recommendations put forth by the National Anti-Corruption Center (NAC) are not fully realized, signifying a crucial area for improvement.

In Georgia, the judicial system has encountered widespread criticism, with a particular focus on issues related to equal treatment under the law and instances of politically motivated prosecutions. Concerningly, both the ruling party and key figures within the judiciary have demonstrated a lack of responsiveness to both local and international calls for reforms.

Notably, the new judicial reform strategy and action plan introduced by Parliament as part of the Justice Reform Working Group have faced reservations from Domestic Civil Society Organizations (CSOs). According to the Coalition for an Independent and Transparent Judiciary, the plan falls short of addressing fundamental issues within the justice system, including concerns about power concentration and informal, clan-based influence.

The depth of existing corruption and clan-based influence was further underscored by the actions of the US State Department,

which sanctioned Georgian judges. In response to these concerns, the Department of State instituted visa limitations on four eminent judges. This targeted approach highlights the international community's commitment to holding the judiciary accountable and fostering transparent and impartial legal processes within Georgia.

In Azerbaijan, concerns raised by the European Parliament shed light on persistent challenges within the judiciary. The European Parliament notes a persistent lack of independence, impartiality, and effectiveness, coupled with systematic procedural flaws and a dearth of transparency in decision-making. Recognizing these issues, the European Parliament calls on Azerbaijan to undertake substantial reforms in both the prosecution and judiciary systems.

The persistent specter of wars and protracted conflicts has cast formidable obstacles on the path to reform for Eastern Partnership (EaP) countries, particularly in the realms of accountable institutions, the rule of law, and security, shaping the landscape of progress with the indelible imprints of regional turbulence.

Apart from the obvious problems in Ukraine, Armenia is also facing growing challenges. Adding to the complexities faced by Armenia in 2023, the lingering effects of the Nagorno-Karabakh conflict have significantly influenced the nation's trajectory. One noteworthy challenge is the integration of forcibly displaced Armenians from Nagorno-Karabakh into Armenia, posing a substantial burden on both the society and the government.

This challenge has been persistent since the fall of 2020 when over 20,000 Armenians were compelled to flee their homes and seek refuge in Armenia due to the 44-day war with Azerbaijan. The repercussions of this displacement were far-reaching, affecting not only the individuals directly impacted but also straining the resources and infrastructure of the host country.

In a distressing turn of events, September 2023 witnessed a renewed wave of displacement, with an additional 100,000 Armenians. This escalation in the number of displaced individuals further underscores the humanitarian crisis triggered by the protracted conflict, amplifying the challenges faced by the Armenian government in providing adequate support and resources to those in need.

The persistent specter of wars and protracted conflicts has cast formidable obstacles on the path to reform for Eastern Partnership (EaP) countries, particularly in the realms of accountable institutions, the rule of law, and security, shaping the landscape of progress with the indelible imprints of regional turbulence.

While the Eastern Partnership (EaP) countries have encountered both successes and challenges on their reform journeys, notable instances of sustainable progress are evident across the region. Armenia has shown relative progress in freedom of speech, underscoring advancements in democratic values. In Georgia, significant strides have been made in providing tax services through digital formats, reflecting the country's commitment to modernizing administrative processes and enhancing services for taxpayers.

Moldova's support mechanism for public authority personnel, designed to assist in managing priority tasks relevant to EU accession requirements, showcases a strategic approach to aligning with European standards. In Ukraine, substantial developments have taken place with the initiation of the e-case management system in the criminal justice chain, complemented by the adoption of a national asset recovery strategy. These achievements not only signify the commitment of EaP countries to positive transformation but also contribute to building more resilient and responsive institutions in line with international standards.

### **3. Together towards environmental and climate resilience**

Nataliya Andrushevych,  
Resource and Analysis Center  
“Society and Environment”

#### **3.1. Benefits for people’s health and well-being**

Building environmental and climate resilience remains a challenge for all countries in the EaP region. The situation was also complicated by Russia’s aggression in Ukraine. War causes enormous damage to nature, pollutes air, water, and soil, and causes an increase in greenhouse gas emissions. Such influences are not only national but also cross-border, sometimes even global.

The EaP countries continue to work on reforming the environmental sectoral legislation, namely water (new Water Code in Armenia, Law on Water Resources Management in Georgia, Law on Sewage and Wastewater Treatment in Ukraine), air quality (comprehensive plan in Georgia), waste (Regulation on waste transfers in Moldova and Law on Waste Management in Ukraine entered into force), strategic planning (Fourth National Environmental Action Program in Georgia), as well as practical initiatives (EBRD support of waste management and disposal practices in the Adjara region in Georgia; development of river basin management plans in Ukraine).

The EU acquis implementation becomes more relevant for countries that have the perspective of EU membership. Substantial efforts are needed to strengthen institutions in terms of administrative, financial, and organizational capacity. This entails additional expertise, capacity-building activities, and the acquisition of necessary equipment to fully implement environmental protection and green transition legislation.



### **3.2. Circular economy, climate neutrality, and green growth**

Climate change policies in the region are driven by the Paris Agreement process. Countries that adopted their updated NDCs under the Paris Agreement continue to work on further climate policies implementation. For example, in 2023 Georgia formally approved its Long-Term Low Emission Development Strategy 2050 (Lt-LEDS), Moldova adopted its National Climate Change Adaptation Program until 2030 and Law on fluorinated gases, Ukraine developed a plan of measures for the implementation of the Updated NDC of Ukraine for the period up to 2030.

As to the circular economy and decarbonization, there is no common trend in the EaP region, and each country is on its own track. To promote the circular economy, in April 2023, the Government of Moldova approved the Regulation on ecological labeling, the Program for the promotion of the green and circular economy for the years 2023-2027 is in the process of being drawn up. In 2023, the new Energy Strategy of Ukraine was adopted. According to the Ministry of Energy, it sets the goal of achieving climate neutrality in Ukraine's energy sector by 2050, which corresponds to the goals of the European Green Deal. Currently, Ukraine is working on the development of the National Energy and Climate Plan.

### **3.3. Biodiversity and economy's natural assets base**

The biodiversity conservation is not a priority in the EaP countries. Protected areas' share remains low in all countries with no ambition to achieve targets comparable to the EU.

The issue of restoring nature will be one of the most difficult for Ukraine after the end of the war.

In 2023, the Strategy for the Development of the Fisheries Industry of Ukraine for the period until 2030 was approved to ensure the sustainable development of the industry and the preservation of natural reserves of aquatic biological resources.

### **3.4. Strengthening energy security and nuclear safety**

The energy efficiency and energy security issues are on top of energy the agenda of all EaP countries. All countries have ambitious plans for renewable energy projects taking into account their own national circumstances. Energy security was a top priority for several EaP countries in the context of Russian aggression against Ukraine by encouraging countries to cooperate and deal with unprecedented challenges.

Energy-efficient building modernization is one of the goals of Armenia-EU cooperation, resulting in the thermal modernization of 59 buildings in 2022, saving at least 50% of energy spare in the apartments.

In Azerbaijan, there are plans to boost the use of renewable and alternative energy sources to effectively meet the nation's energy needs. In the meanwhile, it's critical to support eco-friendly green technologies and raise the proportion of alternative and renewable energy sources in primary use while minimizing their contribution to global warming.

In the context of renewable energy development, Georgia has taken significant strides. The Georgian government, in July 2023, approved the first auction of renewable energy projects, resulting in 27 companies securing winning bids. These projects encompass a wide array of renewable energy infrastructure, including ten solar power plants, two wind farms, and fifteen hydropower plants. Support to small and micro hydro generation seems to be a priority in this context.

Moldova and Ukraine are most affected by the 2002 full-scale Russian aggression against Ukraine. For Ukraine, deliberate shelling of energy infrastructure, occupation of the Zaporizhska nuclear power plant, the largest in Europe, and destruction of the Kakhovska dam were the key challenges putting energy security first. Despite this, Ukraine has been investing in renewable energy projects during the war and has ambitious plans for nuclear

development. Ukraine has been rigorously upgrading cross-border transmission lines with EU neighbors to be able to import more electricity. For Moldova, energy security – in particular, gas supplies from Russia and the electricity grid – has been a key priority due to Russian actions in Ukraine and regionally. Moldova took strong steps to ensure stable gas supplies and plans to enhance electricity connections with Romania.

Nuclear safety has been a key concern for Ukraine, as well as for Armenia-EU relations. Ukraine’s nuclear power plants are at constant risk of heavy accidents as a result of Russian bombings and the unprecedented occupation of its largest nuclear power plant. Despite this, Ukraine plans to rely on nuclear generation in the future, including MMRs.

Some countries have demonstrated strong cooperation in the energy sector. Azerbaijan, Georgia, Romania, and Hungary aim to construct an energy bridge from the Caucasus region to Europe (undersea transmission cable). Ukraine and Moldova have established close cooperation in the gas and electricity sectors to jointly cope with security risks.

### **3.5. Accelerating the shift to sustainable and smart mobility**

The issue of introducing smart and sustainable mobility is currently mostly considered at the level of individual cities in some EaP countries: through the implementation of individual components in the development strategy, the development of strategies regarding certain elements of sustainable mobility (for example, regarding the development of electric transport), or through the implementation of individual initiatives. Nevertheless, some cities continue to choose environmentally harmful and unsustainable solutions despite the general trend and movement towards the EU.

## 4. Together for a resilient digital transformation

Maksym Koriavets,  
Polissya Foundation for International and  
Regional Studies

All presented countries (Armenia, Azerbaijan, Georgia, Moldova, Ukraine) made great efforts in terms of developing internal digital infrastructure. Most of the countries established international cooperation to develop this sector. Armenia and the European Union collaborated within the CEPA framework focusing on digital transformation, including the development of information systems. The EU's funding of the Azerbaijan Rapid Technical Assistance Facility and a USD 50 million loan were aimed at boosting broadband connectivity infrastructure in Azerbaijan. Georgia actively conducts the "Log-in" project jointly with the World Bank to implement the national strategy, focusing on expanding broadband internet access and establishing a digital corridor connecting Europe and Asia. The agreement between Ukraine and EU Member States allowed the application of Ukrainian national tariffs for mobile communications of Ukrainians residing in EU countries, instead of regular roaming tariffs, as a response to the war conditions.

e-Governance remains the focus of all partner countries and continues to develop both with the support of international partners as well as within internal initiatives of the Eastern Partnership countries. Azerbaijan has signed memorandums of understanding (MOUs) with Turkey, Belarus, Estonia, Great Britain, and Northern Ireland that underscore Azerbaijan's dedication to fostering e-government growth in particular. Electronic voting systems were employed in Georgia during the 2023 interim elections, marking a step forward in modernizing Georgia's electoral procedures. The Ministry of Economic Development and Digitization of Moldova aims to digitize all public services in a short timeframe: The government approved

the “e-Monitoring” Information System to enhance data exchange speed that promises increased efficiency in public policy implementation. To simplify electronic interactions for Ukrainian business with European partners, Law 2801-IX was adopted, aligning Ukraine with EU Digital Single Market norms, as well as progress in recognizing EU’s Qualified Trust services and testing the eIDAS node demonstrates Ukraine’s advancement in eID and electronic service implementation.

In the domain of the digital economy, most Eastern Partnership countries witness gradual growth in e-commerce. In Azerbaijan, this was propelled by domestic payment systems like GoldenPay and the “Asan Imza” electronic signature system. Georgia’s e-commerce industry expanded significantly (82%), indicating the prevalence of foreign websites for certain products and services that underscores the need for continued efforts to enhance the local market’s accessibility and competitiveness. Despite the growth, the e-commerce of Moldova faces hurdles due to regulatory loopholes, especially in online payments and logistics, outdated regulatory provisions, and issues related to the processing of personal data and remote identification of service users. Initiation of a new eCustoms pilot (within EU4Digital Facility Phase II) between State Customs of Ukraine and the Romanian Customs Authority and new eCustoms pilot activities between Ukraine, Moldova, and Romania can be considered as a great progress in the Eastern Partnership region on the way to introduction of mechanisms for data exchange between bordering customs administrations (utilizing the Systematic Electronic Exchange of Data – SEED), as well as advanced customs risk management processes.

The importance of building resilience in the digital transformation of Eastern Partnership countries to tackle existing hybrid threats and cyberattacks was acknowledged by the EU on the background of the Ukrainian-Russian war. This acknowledgment led to enhanced cybersecurity cooperation

highlighted during the 24th EU-Ukraine Summit in February 2023. Following this, the resolution defining the country's cybersecurity procedure for responding to cyber incidents and cyber-attacks was adopted in Ukraine.

This can be considered as a signal to other countries to start building the systems for detection, analysis, containment, and elimination of cyber risks.

## **5. Together for resilient, fair, and inclusive societies**

Mykhailo Drapak,  
Sergiy Gerasymchuk,  
Foreign Policy Council "Ukrainian Prism"

In 2023, the Eastern Partnership (EaP) region continued its journey towards progress and transformation, with a notable emphasis on the pivotal role played by civil society in fostering change and championing European values in the domain of resilient, fair, and inclusive societies. Throughout the Eastern Partnership countries, civil society organizations (CSOs) emerged as indispensable agents of positive transformation, serving as dynamic catalysts for reform. The collaborative synergy between these CSOs and the European Union not only ensured the advancement of crucial reforms but also proved instrumental in advocating for them. The partnership between civil society and the EU extended beyond mere advocacy, encompassing vigilant monitoring and vocal expression of concerns regarding setbacks.

In Azerbaijan, the EU committed to support civil society by 3 million euros to CSOs and to enable them to promote social innovation, local development, and policy-making processes. CSOs remain important actors who can promote change and play a key part in putting the 2030 Agenda into action.

Amidst the commendable efforts of civil society in the Eastern Partnership (EaP) region, challenges persist as governments in certain countries employ opposition tactics against even the most robust and developed civil society organizations. A notable illustration of this dynamic is evident in Georgia, where concerns raised by civil society regarding democratic setbacks are met with resistance and counteraccusations from the government. In a troubling turn of events, expressions of apprehension by civil society are labeled as anti-European, reflecting a deliberate strategy by the government to deflect responsibility. This approach not only undermines the constructive role of civil society but also serves to obfuscate the root causes of the challenges at hand. By shifting blame onto those who conscientiously highlight issues, the government in question avoids addressing and rectifying the problems, perpetuating a cycle of accountability evasion that hampers the region's democratic progress. A noticeable increase in harassment and violence directed at journalists, painting a bleak picture for those seeking to report the truth was observed in 2023.

Against the backdrop of regional challenges, the Eastern Partnership (EaP) witnessed a positive impetus for civil society in Ukraine and Moldova following the granting of candidate status. The Moldovan government demonstrated its commitment to fostering a vibrant civil society by approving the Civil Society Organizations Development Program for the upcoming period of 2024-2027. This strategic initiative reflects a proactive stance by the authorities in both nations to fortify collaboration with civil society organizations (CSOs) and enhance their capacities.

Ukraine has demonstrated a steadfast commitment to promoting civil society development through a series of strategic initiatives. Notably, the establishment of key documents such as the 2021-2026 National Strategy for Promoting Civil Society Development in September 2021 reflects Ukraine's proactive approach to fostering an engaged and empowered civil society.

Despite the adverse circumstances brought about by Russia's aggression and the imposition of martial law, the implementation of these strategic documents has persevered, underscoring Ukraine's resilience in advancing democratic values. Moreover, in a significant step forward, the endorsement of the Action Plan for executing the National Civil Society Strategy until 2024 in February 2023 exemplifies Ukraine's dedication to translating strategic vision into tangible outcomes. Overall, Ukraine's strategic initiatives underscore the nation's resilience and determination to empower civil society, even in the face of adversities stemming from the war.

The state of media freedom in the Eastern Partnership's front-running countries is an important aspect that warrants attention. It is crucial to closely examine developments in these nations to understand the current landscape of press freedom and its implications.

In Georgia, despite certain initiatives to tackle challenges related to the media, there have been mixed results. One notable effort involved amending the Broadcasting Law to bring it in line with EU standards. However, these amendments encountered opposition and criticism, with concerns raised about their potential impact on media freedom.

The media landscape in the Republic of Moldova is characterized by notable challenges, including excessive ownership concentration and a lack of transparency regarding financial sponsorship. This situation raises concerns about potential influences on media content and independence. Additionally, the media environment is highly polarized, reflecting divisions between pro-Western and pro-Russian camps. This polarization is particularly evident in coverage related to critical topics such as the energy crisis, Russia's military aggression against Ukraine, minority rights, LGBTQ+ issues, religious values, electoral campaigns, and external affairs.



Ukraine has taken significant strides to align its media legislation with European standards through the implementation of a media law that harmonizes with the EU Audiovisual Media Services Directive. However, despite these positive steps, media freedom in Ukraine faces challenges exacerbated by the ongoing war and the imposition of martial law restrictions. These challenges underscore the delicate balance between safeguarding national security concerns and upholding the principles of media freedom.

Corruption continues to pose a significant challenge across all Eastern Partnership (EaP) countries. The presence of corruption can hinder the effective functioning of institutions, impede economic development, erode public trust, and undermine the principles of good governance.

While some aspects of electoral and institutional reforms were enacted, not all of the EU's recommendations received attention. Despite efforts to reach the EU standards, structural issues like justice, corruption, the rule of law, informal governance (influence of oligarchic interests and interference in internal affairs), troubled electoral environment, and selective media freedom hinder the progress in democratization.

However, there was notable progress in the field of minority rights and again Ukraine and the Republic of Moldova demonstrated exemplary progress in this regard.

In Moldova, the capacities of the Ombudsman have been reinforced at the recommendation of the Venice Commission. The amendments provide for more independence of the institution and limit the possibilities of external interference. The Government approved the Program on gender equality in the Republic of Moldova for the years 2023-2027 and the National Program for the Prevention and Combating of Violence against Women and Family Violence for the years 2023-2027.

In December 2022, Ukraine enacted new legislation addressing national minorities which was further twice amended in 2023,

receiving positive feedback from the EU. Also, the number of registered discriminations against minorities, including against LGBTIQ persons and national minorities as well as antisemitic acts, has strongly decreased in Ukraine.

In 2023, the Eastern Partnership (EaP) region focused on civil society's pivotal role in promoting European values and fostering resilient, fair, and inclusive societies. Despite positive developments, challenges persist, particularly in Georgia, where civil society concerns are met with government resistance and accusations. Media freedom remains a concern, with Moldova facing issues of ownership concentration and polarization.

Corruption remains a significant challenge across EaP countries, impacting institutions and governance. Progress in democratization faces obstacles, but notable strides are seen in minority rights, with Moldova reinforcing the Ombudsman's capacities and Ukraine enacting legislation with positive EU feedback.

## **POLICY BRIEFS ON THE EASTERN PARTNERSHIP KEY PRIORITIES**

In the course of the EaP Civic Tracker project implementation, during 2023, a think tank consortium led by Ukrainian Prism with the support of the Eastern Partnership Civil Society Forum has prepared a set of thematic policy briefs devoted to five key priorities of the EaP. The project team monitored the EaP policy implementation in each of the partner states, and looked into the performance of each partner country along with the key priorities. A special view from Belarusian civil society is included as a separate opinion on the topic.

The briefs were presented in Brussels and widely discussed with expert community and stakeholders. We invite you to get squinted with the state of play in each of the priority areas of the Eastern Partnership policy.

### **1. Mission Possible? Accountable Institutions, the Rule of Law and Security in the Eastern Partnership**

The post-2020 Eastern Partnership priority “Together for accountable institutions, the rule of law, and security” has gained particular importance in recent years in the context of the EU’s neighbourhood policy and the respective processes in the target countries. The Russian invasion of Ukraine emphasized the need to build effective and resilient states in the face of growing global turbulence. In addition, throughout the Eastern Partnership region, there has been a growing demand from citizens to ensure trustworthy relations with the state and build sustainable and strong institutions, which is expressed in regular requests and speeches of civil society.



## **2. Environmental and climate resilience in the Eastern Partnership region**

The conclusions presented in the thematic brief are the sole responsibility of the “Ukrainian Prism” team and do not necessarily reflect the views of the EU and partners from the Eastern Partnership countries.



## **3. Resilient digital transformation in the Eastern Partnership region**

The European Union remains a major partner for EaP countries in promoting digital transformation processes. This includes providing financial support for reform implementation through various projects and providing access to EU funding instruments, as well as promoting legislative improvements and innovations in digital sector.



## **4. Resilience of Civil Societies in the Eastern Partnership Countries**

The post-2020 Eastern Partnership priority “Together for resilient, gender-equal, fair, and inclusive societies” has gained significant importance in recent years within the framework of the EU’s neighborhood policy and the ongoing processes in the target countries. The Russian invasion of Ukraine has underscored the necessity of building effective and resilient states, and fair societies amidst increasing global turbulence.



## **5. Together for resilient, sustainable, and integrated economies in the Eastern Partnership region**

The prospects for tighter economic integration with the EU have always been the glue keeping the Eastern Partnership together, disregarding existing political agenda differences. The economic cooperation agenda is extensive.



# ARMENIA

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1. **Together for resilient, sustainable, and integrated economies**
2. **Together for resilient digital transformation**
3. **Together for environmental and climate resilience**
4. **Together for accountable institutions, the rule of law, and security**
5. **Together for resilient, gender-equal, fair, and inclusive societies**

## ARMENIA

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### 1. Together for resilient, sustainable, and integrated economies

As in previous years, economic cooperation remained the most important aspect of Armenia-EU relations in 2022.

The European Union's Flagships for Armenia, which focus almost entirely on economic cooperation and strengthening the capacity of the Armenian economy, are further evidence of prioritizing this sector.

As mentioned above, the past year was truly impressive for Armenia-EU trade. Due to the growth of 43.8% and volume of €2.168 billion, the European Union is Armenia's second-largest trading partner with a 16.2% share of Armenia's total foreign trade (the share of Russia is 35.6% (€4.781 billion)).

Russian invasion of Ukraine and subsequent sanctions against Russia played a significant role in rerouting trade flows and boosting new directions of Armenia's foreign trade.

While imports from the European Union to Armenia increased by 62% (€1.433 billion) in 2022, exports from Armenia to the European Union also increased significantly – by 17.8% (€734 million).

While the European Union is Armenia's second-largest trading partner, it is a different picture when it comes to investment. In 2022, Armenia received €280.7 million<sup>1</sup> in foreign direct investment, of which almost two-thirds (62.5%) came from the European Union.

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1 [https://www.armstat.am/file/article/sv\\_02\\_23a\\_420.pdf](https://www.armstat.am/file/article/sv_02_23a_420.pdf)

At the same time, despite the launch of the Economic and Investment Plan in July 2021 and the immediate start of respective negotiations between the European Commission and the Armenian government, Yerevan took very modest steps to implement this massive plan. According to the Armenian government, only €195.7 million in projects were approved by European financial institutions in 2022, which is only 7.5% of the €2.6 billion plan. This suggests that the Armenian government has not been a sufficiently effective implementer.

The first significant steps in implementing the Economic and Investment Plan in Armenia were taken only in 2023, two years after adopting a five-year support program.

For example, only in October 2023, the European Investment Bank announced a €70 million loan to the Central Bank of Armenia<sup>2</sup> to support the development of small and medium-sized enterprises (SMEs) in Armenia (Flagship 1).

The Resilient Syunik Team Europe Initiative, a five-year project with a budget of €51 million, was launched only in January 2023<sup>3</sup>.

In both cases, the delay was the responsibility of the Armenian side.

The Armenian government has yet to select a contractor for the Sisian-Kajaran road, the largest flagship project of the Economic and Investment Plan (Flagship 2, €600 million to develop the North-South Corridor).

Anyway, Armenia's economic growth in 2022 was the fastest in the previous 15 years, reaching 12.6%. GDP at current prices counts at €18.5 billion, which is an unprecedentedly high figure for the country. This allows us to plan for 2024 the decrease of the external debt to less than 50% of the GDP.

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2 [https://www.cba.am/AM/News/Pages/news\\_03102023.aspx#sthash.Kq-jeCiBC.YettIDF1.dpbs](https://www.cba.am/AM/News/Pages/news_03102023.aspx#sthash.Kq-jeCiBC.YettIDF1.dpbs)

3 [https://www.eeas.europa.eu/delegations/armenia/resilient-syunik-team-europe-initiative-launched\\_en?s=216](https://www.eeas.europa.eu/delegations/armenia/resilient-syunik-team-europe-initiative-launched_en?s=216)



The growth in foreign trade and the banking sector<sup>4</sup> has been significant. Particularly, Armenia's exports and imports reached unprecedented levels in 2022, with exports increasing by 77.7% to €5.092 billion and imports increasing by 63.5% to €8.330 billion.

In 2022 alone, Armenian banks achieved an increase in their assets by 18.4% (to €18.2 billion), loan portfolio by 6.1% (to €9.1 billion), and deposits by 27.3% (to €11.1 billion).

In May 2022, the Armenian government significantly expanded the range of businesses eligible for customs privileges on equipment and raw materials imported for investment projects in priority sectors, to support domestic manufacturing companies. As a result, 46 investment projects received €486.9 million in import privileges, three times more than in 2021.

To boost company productivity, the Armenian government launched the Economic Modernization Programme, which subsidizes most of the interest costs on loans for new equipment and compensates some of the salaries of foreign high-level professionals. As a result, companies signed over 900 contracts for new equipment and specialists for more than €121.7 million in 2022.

The mentioned achievements promise a further increase in economic cooperation of Armenia with the EU. In 2022, the Warsaw Stock Exchange acquired a 65% stake in the Armenian Stock Exchange<sup>5</sup>, which is expected to boost integration between the Armenian and European capital markets.

## 2. Together for resilient digital transformation

The cooperation between Armenia and the European Union in digital transformation was outlined within the framework of CEPA (Chapter 8: Cooperation in the field of the information society).

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4 <https://www.cba.am/am/SitePages/statfinorg.aspx>

5 <https://www.polskieradio.pl/395/7786/Artykul/2989916,Warsaw-Stock-Exchange-buys-65-of-Armenian-bourse>

As mentioned above, the Economic and Investment Plan presented in 2021 for Armenia includes a flagship initiative for digital transformation, innovation, science, and technology (Flagship 3). The same office, led by Deputy Prime Minister Mher Grigoryan, coordinates the work on both the CEPA and the Economic and Investment Plan in Armenia.

In 2022, the Armenian government and the RA Central Bank launched a joint initiative to achieve the strategic goals of the digitalization sector. To support this initiative, the Information Systems Management Council and the Information Systems Agency were established in Armenia, as well as developed electronic identification standards and requirements were introduced.

The launch of Armenia's first space satellite, ArmSat-1, from Cape Canaveral, USA, on May 25, 2022, was an unprecedented step for the country in terms of digital and technological progress.

The Armenian information and telecommunication technology sector saw its turnover increase by 65% year-over-year in 2022, reaching €1.239 billion. 3,385 IT companies were operating in Armenia in 2022, with a total of 20,617 employees.

Public mobile communication technologies 2G, 3G, and 4G+ (LTE Advanced) covered all settlements in Armenia in 2022. 4G+ (LTE Advanced) technology coverage was 91% (911 settlements) in 2022. Armenia launched its 5G network in 2023, starting with the capital, Yerevan<sup>6</sup>. Broadband Internet wired technology services were available in 628 settlements of Armenia (62.7%) in 2022.

The Freedom House Freedom on the Net 2023 report<sup>7</sup>, which analyzed the data from 2022, ranked Armenia among the free countries.

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6 [https://arka.am/en/news/technology/two\\_companies\\_in\\_armenia\\_receive\\_permits\\_to\\_launch\\_5g\\_networks/](https://arka.am/en/news/technology/two_companies_in_armenia_receive_permits_to_launch_5g_networks/)

7 <https://freedomhouse.org/countries/freedom-net/scores>

### 3. Together for environmental and climate resilience

In addition to the Green Yerevan initiative (Flagship 5), which included a €20 million loan and €5 million grant to the Yerevan Bus Company<sup>8</sup> to purchase new compressed natural gas buses in December 2021, the issue of the Metsamor Nuclear Power Plant (NPP) has been key environmental topics in Armenia-EU relations.

The Metsamor Nuclear Power Plant has two reactors (VVER 440: each with a capacity of 407.5 MW). The first one started operating in 1976, and the second one in 1980. In 1988, after the catastrophic earthquake in Armenia, the Soviet government decided to shut down both reactors. After the collapse of the USSR, Armenia had a shortage of electricity, so the government decided to reopen the plant, and the second reactor was restarted in 1995 after 6 years of closure. The Armenian NPP generates roughly 40% of the country's electricity.

The European Union has reportedly classified the Soviet-era VVER 440s as the least reliable among more than five dozen reactors built in Eastern Europe and the former Soviet Union. However, the International Atomic Energy Agency (IAEA) finds<sup>9</sup> that the Metsamor NPP has adequate safety and can operate beyond its design lifespan.

The CEPA, which entered into force in 2021, calls for the safe closure of the Metsamor NPP and the development of replacement capacity. However, the Armenian government's 2022 modernization efforts extended the second reactor of the Metsamor NPP's operating period till 2031, resulting in a new operating license for the plant.

At the April 2022 EU-Armenia Partnership Committee meeting, the EU and Armenia agreed to monitor the implementation of

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8 <https://www.ebrd.com/news/2021/ebrd-and-multidonor-e5p-fund-to-finance-green-buses-for-yerevan.html>

9 <https://www.azatutyun.am/a/24213743.html>

Armenia's National Action Plan on nuclear safety, adopted as part of the EU-supported stress test process.

The Armenian government is negotiating to build a new nuclear power plant with three options currently under consideration: US, South Korean, and Russian<sup>10</sup>.

The Armenian government's most significant environmental achievement in 2022 was adopting a new Water Code and related laws to manage the country's water resources.

Energy-efficient building modernization is one of the goals of Armenia-EU cooperation, resulting in the thermal modernization of 59 buildings in 2022, saving at least 50% of energy spare in the apartments.

#### **4. Together for accountable institutions, the rule of law, and security**

Despite notable progress in political rights, civil liberties, the rule of law, and anti-corruption initiatives following the 2018 Velvet Revolution, observers soon began to talk about “being in the same room”: a significant part of the reforms promised by the government remain on paper only, and Armenia's ranking in international indices is stagnant in many areas. In 2022, the country experienced its first since 2018 setbacks in institutional development and democratic consolidation under the ruling of a political party led by Prime Minister Nikol Pashinyan. Armenia's scores declined in two of three key indices (Global Freedom Status/Freedom House, Corruption Perceptions Index/Transparency International, World Press Freedom Index/Reporters Without Borders).

According to the Freedom in the World 2023 report (Freedom House), Armenia is a partially free country, scoring 54 out of 100

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10 [https://arka.am/en/news/technology/armenia\\_studies\\_three\\_new\\_npp\\_projects\\_deputy\\_minister\\_exclusive\\_/](https://arka.am/en/news/technology/armenia_studies_three_new_npp_projects_deputy_minister_exclusive_/)

possible points, which is one point less than in 2022 score (55). In 2023, out of 15 post-Soviet countries, only three Baltic states were considered free, Moldova (62 scores), and Georgia (58 scores), have been ahead of Armenia.

According to another prominent international organization – Human Rights Watch’s World Report 2023, which covers developments in 2022, “[In Armenia] law enforcement interfered with freedom of assembly during protests throughout the year ... [with] documented disproportionate use of force during opposition protests in May and June. In August, police in Yerevan briefly detained without explanation some 20 people protesting against Russia’s invasion of Ukraine.”<sup>11</sup>

Armenia and the European Union established the EU-Armenia Human Rights Dialogue in December 2009. The dialogue meets annually to discuss the human rights situation in Armenia, including anti-discrimination, protection of vulnerable groups, women’s rights and gender equality, domestic violence, children’s rights, freedom of assembly, freedom of expression and information, judicial reform, constitutional reform, the penitentiary system, labor rights, and electoral reform.

As a result of the 12th Dialogue held in November 2022, “the EU congratulated Armenia on positive developments related to human rights since the last Human Rights Dialogue in March 2021. This relates, for instance, to the new law on the rights of persons with disabilities or improvements in the media environment. At the same time, participants agreed that the human rights situation in Armenia could still be improved. The EU committed to continue providing Armenia with financial and technical assistance on key areas of human rights.”<sup>12</sup>

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11 <https://www.hrw.org/world-report/2023>

12 [https://www.eeas.europa.eu/eeas/armenia-eu-and-armenia-hold-annual-dialogue-human-rights\\_en](https://www.eeas.europa.eu/eeas/armenia-eu-and-armenia-hold-annual-dialogue-human-rights_en)

Despite the Armenian government's claims that fighting corruption is essential for national security and institutional development, Transparency International's Corruption Perception Index – 2022 report shows that Armenia declined to 63rd place out of 180 countries, losing five positions from the previous year.<sup>13</sup>

It should be noted that the Armenian government's judicial and legal reforms in 2022 were heavily focused on anti-corruption measures:

- The Anti-Corruption Court and the Appellate Anti-Corruption Court were established in 2022. The government also split the Civil and Administrative Chamber of the Court of Cassation into two separate chambers, adding a new Anti-Corruption Chamber to ensure a three-tier review of anti-corruption cases.
- Gift restrictions for public officials and civil servants were consolidated in a single law (the Public Service Law), eliminating the need for multiple regulations in different laws.
- The range of people required to file asset declarations was expanded to include the heads of executive bodies of state and community non-commercial organizations, foundations established by the state, and commercial organizations with 50% or more participation of the Republic of Armenia or its communities.

The Anti-Corruption Court is currently reviewing 21 lawsuits seeking to confiscate €113 million in property of illegal origin, all of which were filed in 2022.

Armenia's ratification of the Rome Statute and acceptance of the jurisdiction of the International Criminal Court (ICC) was a significant step towards strengthening the rights of its citizens.

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13 <https://www.transparency.org/en/cpi/2022>

The process began in 2022 and concluded in October 2023.<sup>14</sup> This was in line with CEPA (Article 6: “The Parties shall aim to enhance cooperation in promoting peace and international justice by ratifying and implementing the Rome Statute of the International Criminal Court and its related instruments, and taking into account their legal and constitutional frameworks.”)

Armenia’s only area of relative progress last year was in freedom of speech. According to Reporters Without Borders’ 2023 World Press Freedom Index, Armenia ranked 49<sup>th</sup> out of 180 countries against 51<sup>st</sup> in 2022 Index. This places Armenia ahead of all its neighbors, with only the three Baltic states and Moldova having a better ranking among former Soviet 15 republics.<sup>15</sup>

## **5. Together for resilient, gender-equal, fair, and inclusive societies**

The Armenian government took several steps in human resource development in 2022.

After a more than six-year hiatus, the National Assembly adopted the “State Programme for the Development of Education of the Republic of Armenia until 2030” in 2022.

Science funding in Armenia increased by 50.5% in 2022 (compared with 2021) and reached €64.7 million.

In 2022 Armenian government developed and approved (2023) a comprehensive health insurance concept. The concept provides for a phased rollout of the program, with the following timeline:

- 2024: Citizens who receive medical treatment at state expense and those who voluntarily join the program will be insured.
- 2025: Pensioners will be insured.
- 2027 and beyond: Everyone will be insured.

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14 <https://www.azatutyun.am/a/32621126.html>

15 <https://rsf.org/en/index?year=2023>

The integration of forcibly displaced Armenians from Nagorno-Karabakh into Armenia has been and remains a serious challenge for the Armenian society and government. In the fall of 2020, over 20,000 Armenians fled their homes and moved to Armenia as a result of the 44-day war with Azerbaijan. In September 2023, as mentioned, an additional 100,000 Armenians were displaced within a few days.

The European Union has provided humanitarian aid to forcibly displaced Armenians from Nagorno-Karabakh, increasing its support package to more than €12 million at the end of October 2023.<sup>16</sup>

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16 [https://neighbourhood-enlargement.ec.europa.eu/news/eu-boosts-humanitarian-aid-displaced-karabakh-armenians-almost-eu17-million-2023-10-31\\_en](https://neighbourhood-enlargement.ec.europa.eu/news/eu-boosts-humanitarian-aid-displaced-karabakh-armenians-almost-eu17-million-2023-10-31_en)



# AZERBAIJAN

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## AZERBAIJAN

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### 1. Together for resilient, sustainable, and integrated economies

#### 1.1. Trade and economic integration

In 2022, non-energy industries drove 4.6% growth in the economy, which was bolstered by both fiscal expansion and improving demand. Import prices caused inflation to spike dramatically to 13.8%. Growth is anticipated to slow down in the medium run as the energy industry continues to contract and the non-energy sector grows back to pre-COVID levels. This perspective has a balanced risk profile. In the same year, the GDP grew by 4.6% (year over year) thanks to robust expansion in non-energy industries. With a rise in natural gas output only partially offsetting the ongoing decline in oil production, the energy sector dropped by 2.6% (yoy). The non-energy industry expanded by 9.1% (yoy) in 2022 compared to 7.2% (yoy) in 2021, mostly because of services like ICT, hotels, and transportation (mostly as a result of trade rerouting after Russia invaded Ukraine). Another strong performance was the building industry, which grew by 13.4% (yoy) thanks to a significant rise in public spending.

In 2023, economic growth is anticipated to slow down to 2.2%. Regarding energy, the slowdown is mostly caused by an anticipated decline in oil and gas output due to the near-full capacity of the main natural gas field and the deteriorating production profile of the main oil field. Following two years of high growth, the non-energy sectors are predicted to slow down to 5.2% growth

as they converge to the pre-COVID growth path. Services and construction, which are anticipated to continue to be strong due to significant public investment in reconstruction, will be the key drivers of growth. Without fundamental improvements, growth is predicted to average 2.5% over the medium term.

Demand is predicted to decline in 2023 and return to levels seen before to the COVID-19 pandemic. It is anticipated that increases in social benefits, pensions, and minimum wages will avert a more severe decline in spending. Medium-term investment is anticipated to decrease, as the future of private investment is still uncertain due to ongoing difficulties in the business climate. Medium-term external demand is also expected to drop due to slower global growth and less optimistic predictions for the world's energy consumption.<sup>17</sup>

In 2022, import to Europe was USD 60.015.263 Million, which is 41.2% of total imports, whereas the export to Europe was USD 277.300.867 million which comprises 72.7% of total exports.<sup>18</sup>

The most imported products are agricultural and construction products, while the most exported products to Europe comprise fuel, fresh fruits, and construction products.<sup>19</sup>

During the six months of 2023, the economy of Azerbaijan has developed, although the absolute numbers are not so great. However, the non-oil sector and the industrial area of the non-

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17 World Bank,. (n.d.). Macro Poverty Outlook for Azerbaijan : April 2023. World Bank. <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099501404102313940/idu10f-7d445e171aa14b7718f0514bd760d34e09>

18 Trade | The State Statistical Committee of the Republic of Azerbaijan. The State Statistical Committee of the Republic of Azerbaijan. <https://www.stat.gov.az/source/trade/?lang=en>

19 Trade | The State Statistical Committee of the Republic of Azerbaijan. The State Statistical Committee of the Republic of Azerbaijan. <https://www.stat.gov.az/source/trade/?lang=en>

oil sector have grown considerably. The non-oil industry grew by 6.5%, and the non-oil sector as a whole grew by more than 3%.<sup>20</sup>

An inflation rate of 13.9% was calculated for 2022. It is anticipated to fall to 6.5% in 2024 and 7.0% in 2023 as a result of tighter monetary policy, a little drop in the price of commodities globally, and a reduction in bank lending.<sup>21,22</sup>

Azerbaijan's economy expanded at 4.6% annually in 2022 instead of 5.6% the year before. As the economy continued to recover from the pandemic, the non-oil and gas sector grew. The COVID-19 pandemic's aftereffects, worldwide inflation, and Russia's ongoing invasion of Ukraine influenced Azerbaijan's economy in 2022. In 2022, these problems led to price increases in Azerbaijan. A memorandum of understanding was signed in June 2022 between Azerbaijan and the European Commission to double Azerbaijan's gas exports to Europe by 2027. Azerbaijan intends to expand the amount of gas it transports via the Trans Adriatic Pipeline (TAP) from 11 billion cubic meters to 20 billion cubic meters by 2027. Azerbaijan provided 19 billion cubic meters of gas to Europe in 2021. Volumes grew to 22.6 billion cubic meters in 2022, and 24.5 billion cubic meters are anticipated to be produced in 2023. The Azerbaijani government has targeted four non-oil industries to diversify the economy: agriculture, tourism, information and communications technology (ICT), and transportation/logistics. Historically, the oil and gas sector has drawn the largest proportion of foreign investment.<sup>23</sup>

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20 İlham Əliyevin sədrliyi ilə bu ilin 6 ayının sosial-iqtisadi yekunlarına həsr olunmuş müşavirə keçirilib » Azərbaycan Prezidentinin Rəsmi internet sahifəsi. (n.d.). <https://president.az/az/articles/view/60429>

21 <https://www.adb.org/sites/default/files/publication/863591/aze-ado-april-2023.pdf>

22 Inflation rates in Azerbaijan. (n.d.). Worlddata.info. <https://www.worlddata.info/asia/azerbaijan/inflation-rates.php>

23 Azerbaijan – United States Department of State. (2023, July 26). United States Department of State. <https://www.state.gov/reports/2023-investment-climate-statements/azerbaijan/>

In the second quarter of 2023, Azerbaijan had a trade surplus of USD 2,768,252.5 million. Over the past 25 years, Azerbaijan's balance of trade has averaged USD 2,466,274.2 million.<sup>24</sup>

## 1.2. Investment and access to finance

In the EaP region, SMEs can create jobs and stimulate economic expansion. However, obstacles such as restricted financial resources, onerous regulations, and difficulties in breaking into new markets hinder their advancement. Through promoting improved business rules, expanding trade opportunities, and facilitating better finance access, the EU supports SMEs, which in turn creates jobs, accelerates SME growth, and increases SME exports. The EU4Business Initiative contributes to a comprehensive overview of EU support for the private sector in the region by including both bilateral and regional EU projects. The 38 projects (€102.58 million) that comprise the EU4Business portfolio in Azerbaijan from June 2022 to June 2023 have a combined value.<sup>25</sup>

The amount of EU support disbursed remained largely unchanged in 2021 compared to 2020, despite COVID-related challenges such as national lockdowns, travel restrictions, and limitations on business and government office operations. Additionally, Azerbaijan saw an increase in budgets by over 98% dedicated to SME development in 2021. In 2021, the EU disbursed for access to finance was Euro 62.20 million while total spending for access to finance Euro 1.13 million which comprised 1.81%.<sup>26</sup>

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24 TRADING ECONOMICS. (n.d.). Azerbaijan balance of trade. <https://tradingeconomics.com/azerbaijan/balance-of-trade>

25 <https://eu4business.eu/news/eu4business-facility-releases-portfolio-figures-on-the-eu-support-to-private-sector-in-the-eastern/>

26 <https://eu4business.az/en/reports/eu4business-country-report-2022-azerbaijan/>

Foreign direct investment (FDI) in Azerbaijan amounted to \$3 billion in the first six months of 2023. Foreign direct investment in Azerbaijan's economy amounted to \$3.22 billion from January through June 2022. Thus, in the first half of 2023, FDI decreased by 7.5%. The total amount of FDI attracted to the non-oil sector is \$717 million (a year-on-year decrease of 35%). Two of the top five leading countries in terms of FDI in Azerbaijan's economy include the UK – \$896 million (up 6.3%) and Cyprus – \$385 million (down 16%). Several European in the top 10 countries in terms of direct investment in Azerbaijan also include the Netherlands – \$98.9 million, Hungary – \$95.3 million, and Norway – \$73.5 million.<sup>27</sup>

### **1.3. Enhanced transport interconnectivity**

Improving ties between the EU and Azerbaijan is especially crucial now, given the situation in Ukraine, as it highlights the significance of transport routes that pass south of Russia, like the Middle Corridor. As part of an expansion of the Trans-European Transport Network (TEN-T), a portion of this corridor also passes through Azerbaijan, particularly through the port of Baku on the Caspian Sea's shores. Thus, strengthening Azerbaijan's crucial role as a connectivity hub between Europe and Asia depends on the EU and Azerbaijan's transport cooperation advancing.<sup>28</sup>

Following the President of the Republic of Azerbaijan's Decree No. 1462, dated October 11, 2021, "On some measures to improve management in the field of maritime transport," a public legal entity known as the State Maritime and Port Agency was established under the Ministry of Digital Development and Transport of the Republic of Azerbaijan based on the State Maritime Agency under the Ministry of Transport, Communications and High Technologies of the Republic of

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27 <https://en.trend.az/azerbaijan/business/3795911.html>

28 <https://en.trend.az/business/transport/3778890.html>

Azerbaijan, as well as public legal entities of Navigation Safety Center and Transport & Technical Support Department under the State Maritime Agency. The goal of this decree is to enhance the management, regulation, and control mechanisms in the field of maritime transport, and optimization of the work carried out in this field.<sup>29</sup>

The Southern Gas Corridor, is a significant new transmission line that permits a safe, reliable, and competitive flow of gas from the Republic of Azerbaijan's Shah Deniz field to Europe. By supporting the operational connectivity of gas networks throughout Southern and Central Europe and further easing the integration of the European energy market, it advances the strategic objective of improving the energy security of European nations.<sup>30</sup> With the Southern Gas Corridor's extension, the European Union now has access to a vital supply line that produces more than 8 billion cubic meters of gas annually. And in a few years, its capacity will be increased to 20 billion cubic meters.<sup>31</sup>

As per relations with neighboring countries, negotiations are ongoing with Azerbaijan on the Common Aviation Area agreement.<sup>32</sup>

#### **1.4. Investing in people and knowledge societies**

Azerbaijan and the European Union have established a high-level working group on the EU's Economic Investment Plan in 2022. In the spirit of Team Europe, the new coordination body oversaw and determined which investments should be prioritized for delivery with the assistance of the European Union, the

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29 <https://mincom.gov.az/en/activity/maritime-transport>

30 [https://commission.europa.eu/news/joint-statement-seventh-ministerial-meeting-southern-gas-corridor-advisory-council-2021-02-11\\_en](https://commission.europa.eu/news/joint-statement-seventh-ministerial-meeting-southern-gas-corridor-advisory-council-2021-02-11_en)

31 [https://ec.europa.eu/commission/presscorner/detail/da/statement\\_22\\_4583](https://ec.europa.eu/commission/presscorner/detail/da/statement_22_4583)

32 [https://transport.ec.europa.eu/transport-modes/air/international-aviation/external-aviation-policy/common-aviation-area-eus-neighbours\\_en](https://transport.ec.europa.eu/transport-modes/air/international-aviation/external-aviation-policy/common-aviation-area-eus-neighbours_en)

European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD), and the development finance institutions of the EU Member States. This maximizes the potential of Azerbaijan's Economic and Investment Plan, which aims to mobilize investments in the amount of up to EUR 2 billion through the use of cutting-edge financial tools like guarantee and blending. The Eastern Partnership program of the European Union is supported by an investment component known as the Economic and Investment Plan, which is augmented by a governance pillar aimed at fortifying democratic institutions. Together, the two pillars bring economic investments and a stable business climate to people's lives, making real benefits possible. The EU's Global Gateway policy, which aims to provide reliable and sustainable global linkages for energy, transport, and digital infrastructure, is also supported by the Economic and Investment Plan.<sup>33</sup>

## **2. Together for accountable institutions, the rule of law and security**

### **2.1. Judicial Reform**

The 2021 Index found Azerbaijan in fifth place with a total 0.44 approximation score for democracy and good governance. Democracy index in 2022 for Azerbaijan was 134 among Eastern European countries with a score of 2.87.<sup>34</sup>

As part of the EU's response to the COVID-19 pandemic in Azerbaijan, the Rapid Response Mechanism of the Civil Society Facility funded three projects through small grants to CSOs. There are more than 4,500 registered CSOs in Azerbaijan, a relatively small number compared to other Eastern Partnership countries.

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33 [https://www.eeas.europa.eu/delegations/azerbaijan/eu-and-azerbaijan-step-cooperation-boost-investment-and-create-jobs\\_en](https://www.eeas.europa.eu/delegations/azerbaijan/eu-and-azerbaijan-step-cooperation-boost-investment-and-create-jobs_en)

34 <https://www.eiu.com/n/campaigns/democracy-index-2022/>



Funding under thematic programs continued to be channeled through international organizations, while direct grants to CSOs are being provided under bilateral sectoral programs in education and rural development. The President approved the 2020–2022 national action plan in February 2020. However, it has been implemented slowly and hasn't yet improved the operational space for CSOs or expanded public control and engagement. The Council of the same name was replaced in April 2021 by a presidential decree creating the Agency for State Support to NGOs. Unlike the Council, the Agency is a public legal body with more authority.

European Parliament states that the judiciary has a persistent lack of independence, impartiality, and effectiveness as well as systematic procedural flaws and a lack of transparency in its decision-making. They therefore call on Azerbaijan to reform the prosecution and judiciary systems to guarantee the judiciary's complete independence, including the Judicial-Legal Council, which must be free from interference from law enforcement organisations to boost public confidence in the legal system.<sup>35</sup>

## **2.2. Accountable, transparent, and efficient public administration**

The primary reforms in public administration center on putting the 2019–2025 civil service development agenda into practice. Following its third monitoring visit to Azerbaijan since the country's ratification of the European Charter of Local Self-Government, the Council of Europe prepared a report on decentralization in June 2021. The report noted that several factors continue to be of great concern regarding the development of local self-government.<sup>36</sup>

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35 [https://www.europarl.europa.eu/doceo/document/A-9-2023-0037\\_EN.html](https://www.europarl.europa.eu/doceo/document/A-9-2023-0037_EN.html)

36 [https://www.parlament.gv.at/dokument/XXVII/EU/108792/imf-name\\_11168392.pdf](https://www.parlament.gv.at/dokument/XXVII/EU/108792/imf-name_11168392.pdf)

### **2.3. Tackling fraud, corruption and economic crime**

Azerbaijan was placed 128th out of 180 nations in Transparency International's 2021 Corruption Perception Index, a modest improvement from 2020 when it was ranked 129th. In the 2022 Corruption Perception Index, Azerbaijan received a score of 23, placing it at position 157.<sup>37</sup>

One of the four national components of the Council of Europe/European Union Partnership for Good Governance (PGG) Programme "Fight against Corruption and fostering good governance/ Fight against money-laundering" is the Strengthening Capabilities to Fight and Prevent Corruption in Azerbaijan project, which falls under the umbrella of good governance partnerships. It is specifically designed to address Azerbaijan's needs in the area of fighting corruption.<sup>38</sup>

### **2.4. Combating organized crime and strengthening security**

One of the six projects that make up the third phase of the Partnership for Good Governance (PGG) program interventions between the European Union and the Council of Europe (EU/CoE) to support the Eastern Partnership countries in combating economic crime is "Preventing and fighting economic crime in Azerbaijan." The Project is specially designed to meet Azerbaijan's demands in the areas of asset recovery, money laundering, terrorism financing, and corruption prevention. This project is an extension of the efforts made in the nation during the first and second phases of the PGG program to boost anti-money laundering (2018 – February 2023) and fight and prevent corruption (2015 – 2017). The plan is intended to support the EU 2020 targets pertaining to the priority area of "Strengthening the rule of law and anti-corruption mechanisms," the UN Sustainable

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37 <https://www.transparency.org/en/cpi/2022>

38 <https://www.coe.int/en/web/corruption/completed-projects/pgg-azerbaijan>

Development Goal 16 on Peace, Justice, and Strong Institutions, the proposed Post-2020 Eastern Partnership Priorities, and the cooperation priorities noted in the Council of Europe Action Plan for Azerbaijan 2022-2025. By implementing institutional changes targeted at strengthening Azerbaijani authorities' capacities to prevent and combat corruption, money laundering, and terrorism financing following European and international norms, the Project will continue to support democracy and the rule of law.<sup>39</sup>

### **3. Together towards environmental and climate resilience**

#### **3.1. Benefits for people's health and well-being**

Considering the Energy Efficiency and Environmental Partnership for Eastern Europe, The Republic of Azerbaijan has received a sovereign loan of EUR 12.5 million for the benefit of the Ganja City Executive Power in 2022. By enhancing the City's street lighting system, the Project seeks to save a significant amount of electricity. Additionally, it reduces CO<sub>2</sub> emissions and maximizes the operational and maintenance costs of street lighting assets, raising requirements for public health and safety as well as service quality.<sup>40-41</sup>

#### **3.2. Circular economy, climate neutrality, and green growth**

Due to its unique geographic and physical features, Azerbaijan is extremely vulnerable to the negative consequences of climate change. It is anticipated that extreme weather events, including droughts, floods, and heat waves, will occur more frequently.

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39 <https://www.coe.int/en/web/corruption/projects/pgg-iii-azerbaijan>

40 <https://e5p.eu/azerbaijan/project-detail/115>

41 <https://www.ebrd.com/work-with-us/projects/psd/52419.html>

The coastal zone will be greatly impacted by climate change. The industries that are most at risk are forestry, tourism, water resources, human health, and agriculture.

According to Azerbaijan's 2030 National Priorities for Socio-Economic Development, the ecological environment must be harmonized with economic growth to ensure that water resources are effectively utilized and current resources are revitalized. There are plans to boost the use of renewable and alternative energy sources to meet the nation's energy needs effectively. Meanwhile, it's critical to support eco-friendly green technologies and raise the proportion of alternative and renewable energy sources in primary use while minimizing their contribution to global warming. Air quality and the environment may benefit from initiatives to promote ecologically efficient automobiles.

With an expected 6.11% annual growth rate, the cement production market was valued at approximately 322.9 billion EUR globally in 2022. But the process of making cement, a necessary component of concrete, is not without drawbacks and adverse effects, particularly in terms of the environment. The cement industry accounts for 7–8% of the world's CO<sub>2</sub> emissions, placing it as the fourth-largest contributor to greenhouse gas emissions globally if we were to look at the sector as a whole. Achieving carbon neutrality by 2050 requires taking climate initiatives that focus on reducing greenhouse gas emissions, particularly CO<sub>2</sub>. This is the main goal of the European Green Deal.<sup>42</sup>

### **3.3. Biodiversity and Economy's Natural Assets Base**

At the extraordinary meeting of the Environmental Policy Committee of the UN Economic Commission for Europe, held on October 3-4, the recommendations prepared in the framework

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42 <https://www.eu4environment.org/news/greening-the-industry-azerbaijani-cement-producers-lachin-1-shamkhal-86-and-norm-benefit-from-taking-part-in-the-eu4environment-company-assessments/>

of the 3rd period “Environmental Activity Overview Report” in Azerbaijan were discussed and accepted in 2022.<sup>43</sup>

### **3.4. Strengthening energy security and nuclear safety**

With a population estimated at 10.3 million in 2022, Azerbaijan makes up just 0.15% of the world’s total emissions of greenhouse gases (GHGs), with 6.2 t CO<sub>2</sub>e per person in 2019 when land use and forestry (LULUCF) activities were not conducted and 5.4 t CO<sub>2</sub>e per person when they were. Energy and agriculture are two industries with the biggest shares of greenhouse gas emissions.

On December 17, 2022, Azerbaijan, Georgia, Romania, and Hungary signed an agreement on a strategic partnership, which, among other things, provides for the construction of an energy bridge from the Caucasus region to Europe. Within the framework of the agreement, the construction of the Black Sea Energy submarine power cable with a capacity of 1,000 MW and a length of 1,195 kilometers is expected. The cable will be transported to Hungary and the rest of Europe to deliver green electricity produced in Azerbaijan to Romania via Georgia and the Black Sea.<sup>44</sup>

### **3.5. Accelerating the shift to sustainable and smart mobility**

Together, Azerbaijan and the Netherlands were developing and putting into practice creative and astute solutions for robust and sustainable lifestyles in Azerbaijan. Making Azerbaijan an ICT center for the Caucasus was the goal of the National Strategy for the Development of Information Society in Azerbaijan for 2016-2020 and the action plan that goes along with it, which consisted of 52 steps. Creating environmentally friendly jobs and eco-products was the first step towards making Azerbaijan’s

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43 <https://eco.gov.az/index.php?ln=az&pg=762>

44 <https://www.german-economic-team.com/en/newsletter/the-black-sea-submarine-cable-project-update-from-tbilisi/>

economy greener overall and more competitive. Dutch businesses might find value in adopting sustainable business strategies at a time when the nation was leading the way in smart city development. The goal of Azerbaijan was to advance the ideas of smart villages and cities. To work on this idea, a working group with representatives from different ministries was formed. Given that this was a novel and innovative idea for a post-Soviet nation like Azerbaijan, the nation was eager to collaborate with more developed nations in this field to benefit from their experience in both idea development and practical application. The government found it interesting to research and collaborate with the Dutch model of sustainable cities, which was predicated on multi-modal airport design, intelligent and sustainable building, and sustainable lighting.<sup>45</sup>

As of November 2019, the State Committee on Urban Planning and Architecture and BTA have collaborated to create an urban transport model. Numerous environmentally friendly initiatives, such as enhancing bike lanes and promoting pedestrianization, are among the goals. In this way, the nation can emulate the city of Barcelona, which promotes riding bikes as the go-to option for daily personal transportation. This method would reduce the amount of motorized transportation, which would reduce CO2 emissions. Although bicycles are not a very common form of transportation in Azerbaijan, the creation of bike lanes is one of the goals of Baku's general urban planning, according to the chairman of the Baku Transport Agency.<sup>46</sup>

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45 <https://www.netherlandsandyou.nl/web/azerbaijan/smart-and-sustainable-cities>

46 [https://www.ssoar.info/ssoar/bitstream/handle/document/87054/ssoar-caucasusad-2022-125-mukhtarova-Smart\\_Transportation\\_in\\_Azerbaijan\\_What.pdf?sequence=1&isAllowed=y&lnkname=ssoar-caucasusad-2022-125-mukhtarova-Smart\\_Transportation\\_in\\_Azerbaijan\\_What.pdf](https://www.ssoar.info/ssoar/bitstream/handle/document/87054/ssoar-caucasusad-2022-125-mukhtarova-Smart_Transportation_in_Azerbaijan_What.pdf?sequence=1&isAllowed=y&lnkname=ssoar-caucasusad-2022-125-mukhtarova-Smart_Transportation_in_Azerbaijan_What.pdf)

## 4. Together for a resilient digital transformation

### 4.1. Digital infrastructure

Through a variety of initiatives to advance important facets of the digital economy and society following EU standards and practices, the European Union’s EU4Digital Initiative supports Azerbaijan’s digital reform agenda and aims to bring about economic growth, create jobs, enhance people’s quality of life, and assist businesses. EU4Digital will enhance the efficiency of public institutions, increase economic diversification by fostering employment and growth, and enhance the quality of life for Azerbaijani inhabitants. Better online services at more affordable costs and with more options for everyone will be the outcome of the harmonization of digital markets under EU4Digital. Azerbaijan prioritizes the development of the digital economy, with a particular emphasis on the digitization of public services and the centralization of e-services. By 2024, Azerbaijan wants to see a rise in internet connectivity among its people. The created cybersecurity plan aims to promote the nation’s digitalization while focusing on data privacy legislation.

The EU funded an Administrative Agreement for the Azerbaijan Rapid Technical Assistance Facility (AZTAF) (2022) in close collaboration with the World Bank. “Smart Villages” and digital connection are two of the government’s priorities this three-year plan will address and assist.

Through a loan of up to USD 50 million funded by the Economic and Investment Plan for the Eastern Partnership, the EU and EBRD are assisting Azerbaijan in deploying cutting-edge broadband connectivity infrastructure to over 280,000 households. By supporting network expansion to increase speed, capacity, and bandwidth, this loan—given to Aztelekom by the Ministry of Digital Development and Transport—will help close the digital gap that exists between urban and rural areas.<sup>47</sup>

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47 <https://eufordigital.eu/countries/azerbaijan/>

Azerbaijan discussed the smart city and smart village concepts as well as the training of ICT specialists with the European Union. The Digital Development and Transport Minister of Azerbaijan noted that they had meetings with the British Ambassador to Azerbaijan Fergus Ould and the Head of the EU Delegation to Azerbaijan, Ambassador Peter Michalko. During the meetings, they discussed issues of current and future cooperation in transport and digital development, the development of the Middle Corridor, the concept of a smart city and smart village, and the training of specialists in ICT.<sup>48</sup>

#### **4.2. e-Governance**

To strengthen collaboration in various digitalization-related fields, including public service delivery and digital governance, Azerbaijan has inked memorandums of understanding (MOUs) with nations like Turkey, Belarus, Estonia, Great Britain, and Northern Ireland. The MOUs that have been signed demonstrate Azerbaijan's dedication to improving its digital infrastructure and processes as well as encouraging the growth of e-government and digitalization throughout the nation.<sup>49</sup>

#### **4.3. Digital Economy and Innovation**

In Azerbaijan, e-commerce is gradually growing on a modest basis. Online sales have been stimulated by domestic electronic payment systems like GoldenPay and online authentication methods like the "Asan Imza" electronic signature system. Most Azerbaijanis still choose to pay with cash, even in the face of electronic payment and authentication methods. If not, e-commerce is limited to purchases made overseas. The online sales portal AzExport.az offers a database of products made in Azerbaijan that can be bought online by customers from

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48 <https://report.az/en/infrastructure/azerbaijan-eu-discuss-smart-city-smart-village-concepts/>

49 <https://www.e-gov.az/en/international-cooperation>



anywhere in the globe for export sales. It provides safe ways to pay using major credit cards, as well as local and international shipping and logistics firms. To point prospective customers to its database of products, the website has also connected with other sizable international sales portals.<sup>50</sup>

## **5. Together for resilient, fair, and inclusive societies**

### **5.1. Civil Society and Youth Participation**

Azerbaijan's modern, innovative, and sustainable civil society will be supported by a new three-year project launched by the European Union (EU) and the United Nations Development Programme (UNDP) in 2021. Three million euros in support from the EU will enable CSOs to participate more actively in social innovation, local development, and policy-making processes. CSOs are effective allies who can promote change and play a key part in putting the 2030 Agenda into action. The European Union has observed that social entrepreneurship is becoming more prevalent globally in important development domains like women's empowerment, climate action, SME growth, and aiding the most vulnerable in coping with the COVID-19 pandemic. We are confident that this project will enhance ongoing initiatives in Azerbaijan in these areas. The European Union is providing all of the funding for this project, which will run until 2023.<sup>51</sup>

### **5.2. Independent media and fact-based information**

The EU-funded project EU4 Independent Media has announced an investigative journalism support program aiming to facilitate the production of impactful and compelling investigations on topics of high public interest. The target

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50 <https://www.trade.gov/country-commercial-guides/azerbaijan-ecommerce>

51 <https://www.undp.org/azerbaijan/press-releases/eu-funded-project-creates-new-opportunities-civil-society-organisations-azerbaijan>

countries for the scheme were Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine. The European Union funds it.

The following were only a few of the investigational subjects that will receive assistance under this call:

- corruption and financial crime, organized crime;
- public safety and security, democracy and human rights;
- environment and climate change, and healthcare.

All six Eastern partner countries' legally registered news organizations—including those operating in exile, non-profits dedicated to press freedom and journalism, independent content production firms, and teams of journalists and content producers working on behalf of any of these organizations applied. The project's maximum budget was €100,000.<sup>52</sup>

### 5.3. Democracy

Key areas of focus for EU action: The foundation of EU policy in Azerbaijan is the advancement and defense of fundamental freedoms and human rights, with the following priorities:

Enhancing the rule of law and democratic institutions: Within this context, the EU is backing efforts to create an autonomous, just, and effective legal system and the battle against corruption. Fostering a conducive atmosphere for civil society: The European Union assists civil society groups (CSOs) and actively advocates for the abolition of legal obstacles (such as registration requirements) that impede CSOs' ability to operate and participate in the nation. Encouraging freedom of expression: The EU opposes the prosecution of people for political reasons and is in favor of press freedom and the diversity of viewpoints.<sup>53</sup>

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52 [https://www.eeas.europa.eu/delegations/moldova/eu4-independent-media-support-production-investigative-journalism-eastern-partner-countries--\\_en](https://www.eeas.europa.eu/delegations/moldova/eu4-independent-media-support-production-investigative-journalism-eastern-partner-countries--_en)

53 [https://www.eeas.europa.eu/sites/default/files/documents/2023/2022%20EU%20Annual%20Human%20Rights%20and%20Democracy%20Country%20Reports\\_0.pdf](https://www.eeas.europa.eu/sites/default/files/documents/2023/2022%20EU%20Annual%20Human%20Rights%20and%20Democracy%20Country%20Reports_0.pdf)

#### **5.4. Protection of human rights and promotion of gender equality**

The Eastern Partnership initiative of the EU is centered around gender equality. It is critical to both the long-term democratic growth and the personal lives of both men and women. Through its partnership with Azerbaijan, the European Union fosters genuine transformation by empowering women in the business sector, offering access to high-quality education, and advocating for social justice. With the help of these programs, the following were achieved

Providing loans through local banks to women-led businesses: The National Fund of Assistance to Entrepreneurship offers loans to medium and large-sized businesses. At the same time, it does not set aside specific amounts for women-led businesses, it makes an effort to draw in female clients by providing them with favorable terms, Creating statistics based on gender, and considering gender issues in public initiatives.

Enacting and implementing laws against domestic abuse and discrimination. Providing a large selection of Erasmus+ exchange opportunities throughout Europe. Increasing young women's involvement through the EU4Youth initiative.<sup>54</sup>

EU4GE: supporting adolescents as agents of change for gender equality in Azerbaijan

The “EU 4 Gender Equality: Together against gender stereotypes and gender-based violence” (EU4GE) program, which is funded by the EU and is run by UNFPA and UN Women, aims to overcome harmful social perceptions and gender stereotypes, empower girls like Aytan to pursue their dreams and strengthen equal rights and opportunities for men and women.

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54 [https://neighbourhood-enlargement.ec.europa.eu/system/files/2018-10/factsheet\\_eu\\_support\\_to\\_gender\\_equality\\_azerbaijan.pdf](https://neighbourhood-enlargement.ec.europa.eu/system/files/2018-10/factsheet_eu_support_to_gender_equality_azerbaijan.pdf) <sup>1</sup>/<sub>2</sub>

UNFPA implemented the “Fantastic 4 Educational Programme” in 2021 as part of the EU4GE program in collaboration with two local NGOs, Azerbaijani Women in Science and Support for the Growth of Modern Youth Development. This cooperation aims to increase awareness about the value of education by training adolescent schoolgirls and their parents in four regions of Azerbaijan. As part of this curriculum, over 500 girls participated in 27 training sessions covering project creation, marketing, engineering, start-ups, and innovation. This led to the formation of 17 lady teams, each of which is now working on social entrepreneurship concepts related to sustainable development goals.<sup>55</sup>

### **5.5. Health resilience**

Results from the EU-funded Solidarity for Health Initiative, which has been running in tandem with the World Health Organisation (WHO) since 2020, have been showcased in Azerbaijan. The effort seeks to contribute to the development of long-term capacity to address potential pandemics in the future.<sup>56</sup>

Through a note exchange on December 22, 2021, the Partnership Priorities’ validity was extended until 2024. With this extension, the relevant legislation of the EU-Azerbaijan Cooperation Council now mentions public health.

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55 <https://azerbaijan.unfpa.org/en/news/eu4ge-supporting-adolescents-agents-change-gender-equality-azerbaijan>

56 <https://euneighbourseast.eu/news/latest-news/azerbaijan-eu-funded-solidarity-for-health-initiative-presents-its-results/>

# GEORGIA

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1. **Together for resilient, sustainable, and integrated economies**
2. **Together for resilient digital transformation**
3. **Together for environmental and climate resilience**
4. **Together for accountable institutions, the rule of law, and security**
5. **Together for resilient, gender-equal, fair, and inclusive societies**

## GEORGIA

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### 1. Together for resilient, sustainable, and integrated economies

#### 1.1. Trade and economic integration

Despite a decline in manufacturing activity, the World Bank's report indicates to Georgia's economic growth of 7.3% in the initial four months of 2023, primarily driven by the services sector. The World Bank predicts a moderation in growth to 4.4% in 2023, influenced by the anticipated deceleration among trading partners. Nevertheless, the country is expected to maintain stable growth of around 5% in the medium term.<sup>57</sup>

Georgia's trade relationship with the European Union (EU) has been marked by notable shifts in recent times. In the first half of 2023, Georgia's exports to the EU totaled USD 398 million, signifying an 8% decline compared to the previous year. This decrease can largely be attributed to reduced exports of copper ores and nuts, leading to the EU's share of Georgia's total exports standing at a modest 13%, a clear indication of the diminishing significance of Georgia's exports in the broader context of EU trade dynamics.<sup>58</sup>

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57 "World Bank Highlights Georgia's Economic Growth in Latest Report", Civil.ge, 16.06.2023, Available at: <https://civil.ge/archives/548417>

58 "Share Of The EU In Exports Down By 10 Percentage Points In The Last 5 Years", Business Media, 24.07.2023, Available at: <https://bm.ge/en/news/share-of-the-eu-in-exports-down-by-10-percentage-points-in-the-last-5-years/139253>

However, there is a silver lining in the form of an upswing in agricultural product exports to EU countries. According to the Ministry of Agriculture, the first quarter of 2023 saw a remarkable 21% year-on-year growth in this category. Data further reveals an overall surge of 29% year-on-year in agricultural exports. Specifically, Georgian wine exports have witnessed an astounding 129% increase since the inception of the free trade agreement with the EU in 2014. Furthermore, Georgian agricultural produce found markets in 96 countries, achieving 34% growth compared to the previous year.<sup>59</sup>

Anticipated inflation, which reached nearly 12% in 2022, is expected to decrease to 6% in 2023 and further to 4% in the subsequent year. This reduction is largely attributed to the implementation of monetary policies, decreased domestic demand, and improvements in supply chain dynamics. Investments are on the rise, projected to grow by 5.5% in 2023 and 3.5% in 2024, reflecting growing confidence among businesses. Simultaneously, the budget deficit is forecasted to contract, reaching 2.7% of GDP in 2023 and 2.5% in 2024.<sup>60</sup>

However, there are concerns about the current account deficit, which is expected to widen to 5% of GDP in 2023 and further to 6% in 2024 due to a deepening trade deficit. Export growth is predicted to decelerate, though it is anticipated to recover in 2024. A potential decline in money transfers, influenced by external migrant inflows, could impact the exchange rate.

In September 2023, the National Bank of Georgia (NBG) faced a crisis when it declined to implement US sanctions against a Georgian citizen named Otar Partskhaladze. This decision led to a division among the central bank's board and led to the

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59 "EU exports of Georgian agricultural products up 21% in Q1", Agenda.ge, 19.04.2023, Available at:<https://agenda.ge/en/news/2023/1534>

60 "Georgia's Economic Growth to Moderate in 2023 and 2024", Asian Development Bank, 04.04.2023, Available at:<https://www.adb.org/news/georgia-economic-growth-moderate-2023-and-2024-adb>

resignation of three vice-governors.<sup>61</sup> The crisis is alarming and threatens the economic stability of the country and its position vis-a-vis international sanctions.

## 1.2. Investment and access to finance

In the realm of economic and business development, notable progress is made in implementing strategies for small and medium-sized enterprises (SMEs). However, certain performance indicators have not been fully met, largely due to delays in adopting critical legislation in preceding years. These delays have been particularly evident in the enactment of pivotal laws.<sup>62</sup>

In Georgia, the landscape of financing options for start-ups is still in its early stages of development. Presently, government grants are crucial in providing essential financial support, especially during the initial phases of start-up development. However, as start-ups progress and require more substantial funding, there is a growing need to transition to equity financing. Despite the emergence of angel investors, their engagement in deals remains relatively limited.

Georgia has also taken measures to foster a conducive environment for technology-based companies. It has established favorable conditions such as zero corporate (profit) tax and value-added tax. Special incentives are extended to technology-focused firms serving international clients. Nevertheless, it is worth noting that start-ups do not widely utilize these incentives. While Georgia's technology start-up ecosystem is evolving, a recent report from the Asian Development Bank (ADB) underscores the need for further growth, refinement, and adaptation to reach its full potential.

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61 "Georgian Banks Respond to NBG Decision on Partskhaladze", Civil.ge, 20.09.2023, Available at: <https://civil.ge/archives/559965>

62 "European Union transfers GEL 60 million to Georgian treasury in support of key reforms", European Union Delegation to Georgia, 09.02.2023, Available at: [https://www.eeas.europa.eu/delegations/georgia/european-union-transfers-gel-60-million-georgian-treasury-support-key-reforms\\_en?s=221](https://www.eeas.europa.eu/delegations/georgia/european-union-transfers-gel-60-million-georgian-treasury-support-key-reforms_en?s=221)



Financial technology and e-commerce start-ups in Georgia have received more attention, overshadowing the development of what the report refers to as “high-impact” start-ups in sectors such as education, healthcare, agriculture, and environmental protection. Furthermore, in addition to government grant programs, international organizations, and private companies offer assistance to entrepreneurs and start-ups by providing special conditions for technology companies serving international clients. These advantages are not commonly utilized by start-ups.<sup>63</sup>

In 2023, Georgia’s ranking in the World Economic Forum Gender Gap Report stood at 76 out of 153 countries, reflecting a slight decline from its 2020 ranking, which was 74.<sup>64</sup>In collaboration with the European Bank for Reconstruction and Development (EBRD) and Sweden, the European Union (EU) is facilitating access to fresh funding for micro, small, and medium-sized enterprises (MSMEs) led by women in Georgia through TBC Bank. TBC Bank will receive a USD 20 million loan from EBRD, expanding its lending support to women-led businesses, specifically focusing on companies located outside the capital city. Borrowers will have the option to access funds in Georgian laris or US dollars.<sup>65-66</sup>

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63 “Georgia’s Tech Startup Ecosystem Needs to Develop”, Asian Development Bank, 09.03.2023, Available at:

<https://www.adb.org/news/georgia-tech-startup-ecosystem-needs-develop>

64 “Georgia Advances on Financial Inclusion and Enterprise Financial Transparency with the Support of the European Union and the World Bank”, Georgia Today, 28.09.2023, Available at:<https://georgiatoday.ge/georgia-advances-on-financial-inclusion-and-enterprise-financial-transparency-with-the-support-of-the-european-union-and-the-world-bank/>

65 “Georgia’s Tech Startup Ecosystem Needs to Develop”, Georgia Today, 09.03.2023, Available at:<https://georgiatoday.ge/georgias-tech-startup-ecosystem-needs-to-develop/>

66 “EU, EBRD and Sweden boost female entrepreneurship in Georgia”, European Commission, 20.09.2023, Available at:[https://neighbourhood-enlargement.ec.europa.eu/news/eu-ebrd-and-sweden-boost-female-entrepreneurship-georgia-2023-09-20\\_en](https://neighbourhood-enlargement.ec.europa.eu/news/eu-ebrd-and-sweden-boost-female-entrepreneurship-georgia-2023-09-20_en)

### 1.3. Enhanced transport interconnectivity

Georgia has adopted the Aviation Safety Plan of Georgia for 2022-2024<sup>67</sup> which presents the state's strategic approach to aviation safety management, encompassing various critical components: Development and Endorsement of NASP (National Aviation Safety Plan); Organizational and governance structure responsible for overseeing and implementing the NASP; Aviation incidents, accidents, and serious incidents that have occurred within Georgia's territory; overview of the state's existing safety oversight capabilities, including its capacity to ensure aviation safety; Georgia's approach to monitoring the execution of actions outlined in the NASP.<sup>68</sup>

In a different context, the European Union (EU) has strongly encouraged Georgia to align with the sanctions imposed on Russia, particularly concerning the lifting of the air travel ban between the two countries. Safety concerns have been raised, emphasizing the need for Georgia to exercise caution and prevent Russian aircraft from entering its territory. Particularly after the EU sanctions on the Russian aviation industry, which have resulted in a substantial portion of the Russian airplane fleet being unable to update and upgrade their aircraft to meet international technical and safety standards.<sup>69</sup>

Ministry of Economy has drafted the 2024-2025 action plan for national road safety. This plan's primary objective is to reduce road fatalities and serious injuries by 25% by 2025. The plan comprises five main objectives: Road Safety Management, Safer Road Users, Safer Infrastructure, Safer Vehicles, and Fast and Effective Emergency Services. Collectively, these objectives form

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67 "Aviation Safety Plan of Georgia 2022-2024", Georgian Civil Aviation Agency, Available at: <https://www.icao.int/safety/GASP/GASP%20Library/National%20aviation%20safety%20plans/Georgia%20NASP%202022-2024.pdf>

68 Ibid.

69 "EU Urges Georgia to Align with Sanctions on Russia Amid Air Travel Ban Lift", Civil.ge, 11.05.2023, Available at: <https://civil.ge/archives/541886>

a comprehensive strategy to enhance road safety throughout Georgia.<sup>70</sup>

Furthermore, Georgia has initiated a nationwide road safety campaign, “Better and Safer Roads for Georgia,” with support from the European Union and the European Investment Bank (EIB). This campaign aims to raise awareness about road safety issues and is funded through the Georgia Transport Connectivity project. This project not only seeks to improve Georgia’s connectivity to Europe but also places a strong emphasis on enhancing the safety and quality of the country’s road networks.<sup>71</sup>

#### **1.4. Investing in people and knowledge societies**

The Law of Higher Education in Georgia is structured to protect three essential educational freedoms: the freedom of research, the freedom of teaching, and the freedom of learning. These freedoms are established to foster accessibility and openness within the educational system. Nevertheless, despite the existence of a legal framework and substantial reform endeavors, various challenges still impede the full realization of these objectives. Addressing these challenges within Georgia’s education system is paramount to ensure equitable access to high-quality education and to cultivate a skilled workforce capable of meeting future demands.<sup>72</sup>

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70 “Road Safety in Georgia”, Transport Community, 23.03.2023, Available at:[https://www.transport-community.org/wp-content/uploads/2023/03/Road-Safety-in-Georgia-State-of-Play\\_Mr-Erekle-Kezherashvili.pdf](https://www.transport-community.org/wp-content/uploads/2023/03/Road-Safety-in-Georgia-State-of-Play_Mr-Erekle-Kezherashvili.pdf)

71 “Better and Safer Roads for Georgia”: Georgia launches nationwide road safety campaign with EU support, European Union Delegation to Georgia, 08.02.2023, Available at: <https://bitly.ws/Wwb5>

72 Yasmine Mitaishvili-Rayyis, “Educational Reforms in Georgia: Past Progress and Future Directions”, Georgian Foundation for Strategic and International Studies, 28.06.2023, Available at:<https://gfsis.org.ge/files/library/pdf/Eng-3530.pdf>

The European Union has been supporting the increasing employability of Georgian youth and strengthening their skills through the Skills Development and Matching for Labor Market Needs (Skills4Jobs) program, which showed progress in labor market reforms. This progress is evident through an increase in job placements facilitated by the Social Service Agency, along with an increase in state funding and student enrolment. However, there have been some delays in developing a methodology for monitoring job vacancies at the local level, leading to a partial disbursement of the allocated funds.<sup>73</sup>

## **2. Together for accountable institutions, the rule of law and security**

### **2.1. Judicial Reform**

Georgia's judicial system faced widespread criticism, primarily concerning issues related to equal treatment under the law and instances of politically motivated prosecutions. Notably, there was a lack of responsiveness from both the ruling party and key figures within the judiciary to both local and international calls for reforms.

Domestic Civil Society Organizations (CSOs) expressed reservations about the new judicial reform strategy and action plan introduced by Parliament as part of the Justice Reform Working Group. According to the Coalition for an Independent and Transparent Judiciary, the plan failed to address fundamental issues within the justice system, including concerns about power concentration and informal, clan-based influence.

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73 "European Union transfers GEL 60 million to Georgian treasury in support of key reforms", European Union Delegation to Georgia, 09.02.2023, Available at:[https://www.eeas.europa.eu/delegations/georgia/european-union-transfers-gel-60-million-georgian-treasury-support-key-reforms\\_en?s=221](https://www.eeas.europa.eu/delegations/georgia/european-union-transfers-gel-60-million-georgian-treasury-support-key-reforms_en?s=221)

Existing corruption and clan-based influence were exposed by the US State Department by sanctioning the Georgian judges. The Department of State instituted visa limitations on four eminent judges, namely Mikheil Chinchaladze, Levan Murusidze, Irakli Shengelia, and Valerian Tsertsvadze, citing their purported engagement in substantial corrupt practices. According to the official statement accompanying the decision, these judges were accused of exploiting their roles as presiding officers within the judiciary and as members of Georgia's High Council of Justice. This conduct was deemed to have had detrimental effects on the integrity of the legal system and eroded public confidence in Georgia's judicial apparatus, thus diminishing the adherence to the rule of law.<sup>74</sup>

The appointment of controversial judges to prominent judicial positions remained an ongoing concern in Georgia. For instance, the High Council of Justice appointed a controversial individual as the Tbilisi Court of Appeals chairperson, disregarding calls for alternative candidates. Furthermore, the election of two controversial judges to the High Council of Justice raised concerns about potential undue influence over Georgia's judiciary.

To address concerns and align with expectations for an independent judiciary, the Georgian Dream party submitted a draft law on judicial reform to the Venice Commission. However, the Commission noted that the proposed law did not provide a comprehensive overhaul of the judiciary, including the High Council of Judges. It reiterated that previous recommendations had been ignored.<sup>75</sup>

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74 US Embassy in Georgia, 05.04.2023, Available at: <https://ge.usembassy.gov/public-designations-of-four-individuals-associated-with-the-georgian-judiciary-due-to-involvement-in-significant-corruption/>

75 "Tracking Georgia's Reforms: An Analysis of 12 EU Conditionalities", Civil.ge, 20.04.2023, Available at: <https://civil.ge/archives/538119>

## **2.2. Accountable, transparent, and efficient public administration**

The Georgian Government has recently approved several strategic documents, including the 2023 Action Plan for Georgia’s Development Strategy and the 2023-2026 Strategy for Public Administration Reform, along with its corresponding Action Plan for 2023-2024.<sup>76</sup> Revaz Javelidze, the head of the Government Administration, emphasized that this phase of public administration reform was developed in collaboration with the European Union, one of Georgia’s key partners. The primary goals of this reform initiative are to establish a “results-oriented” approach to policy planning and management, strengthen the public service sector, improve government accountability through increased transparency, and streamline service delivery to citizens.

Furthermore, a study commissioned by the European Union and the United Nations Development Programme (UNDP) under the European Union Neighbourhood Programme for Agriculture and Rural Development (ENPARD) identified gaps in delivering public services to the private sector. The study offers recommendations to service providers and local authorities. The findings highlight that while public services for the private sector are accessible in many rural areas, their quality tends to be lower compared to national-level services. Additionally, the utilization of digital technology in municipalities is limited, and these services are not adequately tailored to meet the needs of individuals with special requirements.<sup>77</sup>

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76 “Gov’t approves strategic documents on state development, public administration reform”, Agenda.ge, 15.02.2023, Available at:<https://agenda.ge/en/news/2023/649>

77 “Georgia: Public service delivery for the private sector in rural areas”, EU Neighbours East, 15.03.2023, Available at: <https://euneighbourseast.eu/news/publications/georgia-public-service-delivery-for-the-private-sector-in-rural-areas/>

Georgia has progressed in providing tax services in a digital format and remains committed to improving services for taxpayers. The government’s strategic plan for 2012-2024 focuses on simplifying taxpayer services through the integration of digital and modern technological solutions. Digitization is not only viewed as a means of introducing new services and simplifying taxpayer compliance but also as a crucial tool for preventing tax evasion and fostering a fair and competitive business environment.<sup>78</sup>

### **2.3. Tackling fraud, corruption, and economic crime**

Corruption continues to pose a significant challenge in Georgia, with a noticeable prevalence of medium and large-scale corruption activities. Interestingly, the incidence of bribery and small-scale corruption in the country is relatively lower compared to the global average. To combat high-level corruption, there have been calls to strengthen key institutions such as Georgia’s Anti-Corruption Agency, Special Investigation Service, and Personal Data Protection Service, with European Union (EU) recommendations.

The 2022 Corruption Perceptions Index from Transparency International sheds light on the profound impact of political influence on Georgia’s state and business sectors, indicative of a phenomenon known as state capture. Over the past three years, Georgia’s TI index score has steadily declined, reaching 41 by the end of 2022. This decline underscores the institutionalization and structural embedding of high-level corruption within the country.<sup>79</sup>

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78 “Finance Minister: Georgia “always been leader” in digital tax services”, Agenda.ge, 28.06.2023, Available at:<https://agenda.ge/en/news/2023/2529>

79 “Corruption Perceptions Index”, Transparency International, 2022, Available at:<https://www.transparency.org/en/cpi/2022>

One partially fulfilled priority in addressing corruption has been the establishment of the Anti-Corruption Bureau, tasked with overseeing anti-corruption policies and strategies. While the Head of the Bureau was appointed through a competitive process, there are concerns about the lack of democratic accountability. Furthermore, corruption investigations remain under the jurisdiction of various investigative entities rather than being consolidated within a single agency. Additionally, the Anti-Corruption Bureau remains under the purview of the State Security Service, posing challenges to its independence and effectiveness in combating corruption.<sup>80</sup>

#### **2.4. Combating Organized Crime and Strengthening Security**

The European Union (EU) has set expectations for the Georgian government to intensify its efforts in combating organized crime and to establish mechanisms for accountability and oversight within law enforcement agencies. The Defense and Security Committee of the Parliament has adopted a comprehensive document containing 76 specific steps, complete with designated responsible entities and guidelines for their implementation. Additionally, the parliament has given its approval to an Action Plan aimed at tackling organized crime for the period spanning from 2022 to 2024.

However, it is worth noting that discussions on amending the parliament's rules of procedure to address issues related to the accountability and oversight of law enforcement agencies have not yet taken place. Consequently, challenges persist in ensuring effective oversight and accountability within these agencies.<sup>81</sup>

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80 "Tracking Georgia's Reforms: An Analysis of 12 EU Conditionalities", Civil. ge, 20.04.2023, Available at:<https://civil.ge/archives/538119>

81 "Tracking Georgia's Reforms: An Analysis of 12 EU Conditionalities", Civil. ge, 20.04.2023, Available at:<https://civil.ge/archives/538119>



Regarding gender equality and the fight against violence targeting women, some improvements have been made. The parliament has endorsed amendments to gender equality laws, with broad-based support from multiple political parties. Moreover, the government has issued a decree that offers compensation to victims of domestic violence, removing the previously imposed requirement of “victim status” as a precondition for accessing state services.

Currently, efforts are underway within the Parliament to align the definition of rape with the standards outlined in the Istanbul Convention. It is expected that this research will be completed in 2023. Importantly, these proposed changes enjoy support not only from opposition parties but also from civil society organizations, reflecting notable progress in this important area.<sup>82</sup>

### **3. Together towards environmental and climate resilience**

#### **3.1. Benefits for people's health and well-being**

Georgia has also embraced environmental initiatives, participating actively in global climate endeavors. The nation is taking steps to reduce emissions through improved recycling and waste management practices, enhanced forest management, and the promotion of green tourism.<sup>83</sup>

The Government of Georgia has recently given its approval to a comprehensive plan aimed at managing air quality in the Central Zone of the country for the period spanning from 2023 to 2025. A strong emphasis is on improving air quality in the central-eastern city of Rustavi, as well as the municipalities of

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82 Ibid.

83 “Georgia’s Economic Growth to Moderate in 2023 and 2024”, Asian Development Bank, 04.04.2023, Available at:<https://www.adb.org/news/georgia-economic-growth-moderate-2023-and-2024-adb>

Marneuli and Bolnisi. It encompasses a range of activities, such as expanding air quality monitoring infrastructure, in-depth assessments of air pollution's impact on human health, and extensive public awareness campaigns.

Furthermore, Georgia has recently formulated its Fourth National Environmental Action Programme (NEAP-4) for the period from 2022 to 2026. NEAP-4 outlines the country's environmental priorities during this timeframe and seeks to enhance environmental conditions and governance. These priorities encompass a wide range of aspects, including the protection of water resources, management of atmospheric air, land, and waste, preservation of forest resources, conservation of biodiversity and protected areas, attainment of good environmental status in the Black Sea and marine environment, ensuring nuclear and radiation safety, and promoting environmental education and sustainable development.<sup>84</sup>

Georgia's journey towards environmental and climate change initiatives is still in its nascent stages. The country faces challenges, particularly in the realms of administrative and financial aspects, in implementing and enforcing these initiatives. Meeting the obligations associated with EU membership in these sectors is also a formidable task.

Georgia has yet to achieve its desired pollution levels. This indicates a pressing need for additional policy measures. There are concerns that the enforcement mechanism for technical inspections may require revision. Moreover, the adoption of electric and hybrid cars remains limited despite the rising ownership of automobiles. This underscores the importance of urban transport policies and practices in curbing car ownership growth and promoting the use of public transport. In addition to car-related challenges, the thriving construction sector in

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84 MakaTsereteli, "EU Green Deal Implication for Georgia", Greens, 2023, Available at: <https://www.greens.ge/storage/publications/June2023/cuna-j0O9GJuhVmtuOqUv.pdf>

Georgia has been replacing green spaces, resulting in elevated levels of airborne dust.<sup>85</sup>

As the European Union’s *acquis* continues to expand and deepen with the European Green Deal, disparities in legislative alignment have widened. Substantial efforts are needed to strengthen institutions in terms of administrative, financial, and organizational capacity. This entails additional expertise, capacity-building activities, and the acquisition of necessary equipment to fully implement environmental protection and green transition legislation.

### **3.2. Circular economy, climate neutrality, and green growth**

The screening process in Georgia has identified 14 sectors with the potential to adopt circular practices. These sectors were thoroughly analyzed in 2023, considering factors like material flows, waste generation, recycling rates, and recycling potential. The assessment revealed that Georgia presently operates at a circularity level of only 1.3%, leaving a considerable circularity gap of 98.7%. However, there is significant room for improvement, with the potential to elevate the circularity rate to 6.6% within the next 5 to 10 years. Certain sectors, such as agribusiness, hold even more promise, with the potential to achieve rates as high as 25%.<sup>86</sup>

On April 24, 2023, Georgia formally approved its Long-Term Low Emission Development Strategy 2050 (Lt-LEDS), underscoring the country’s dedication to attaining carbon neutrality and providing a comprehensive blueprint for

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85 “Air Quality in Georgia: Need for Urgent Policy Solutions”, Georgia Today, 16.02.2023, Available at:<https://georgiatoday.ge/air-quality-in-georgia-need-for-urgent-policy-solutions/>

86 Dariusz Edward Prasek, Dr Medgar Tchelidze, “Circularity Mapping for Georgia”, Forbes Georgia, 17.01.2023, Available at:<https://forbes.ge/en/circularity-mapping-for-georgia-by-dr-dariusz-edward-prasek-and-dr-medgar-tchelidze/>

sustainable, low-emission economic growth. The Lt-LEDS aligns with the Paris Agreement's fundamental principles and considers Georgia's unique national circumstances. It serves as a pivotal roadmap, furnishing essential guidance for curtailing greenhouse gas emissions and presenting targeted actions tailored to a range of sectors, including energy, construction, transportation, industry, agriculture, waste management, and land use, including forestry.<sup>87</sup>

### **3.3. Biodiversity and Economy's Natural Assets Base**

The Environmental Protection and Natural Resources Committee has recently approved the 2023 Action Plan. The strategic priorities for the upcoming year predominantly revolve around environmental preservation and conservation, as well as the promotion of low-emission and climate-resilient urban and rural development.<sup>88</sup>

This commitment to environmental sustainability is not limited to domestic initiatives but extends to international partnerships as well. The European Bank for Reconstruction and Development (EBRD) has committed €19 million to support the enhancement of waste management and disposal practices in the Adjara region of western Georgia, which lies along the Black Sea coast. This investment is geared towards improving waste management in the region, thereby addressing pressing environmental and public health concerns related to waste disposal.<sup>89</sup>

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87 "Georgia's Long-Term Low Emission Development Strategy 2050", 13.06.2023, Available at: <https://bitly.ws/WtTK>

88 "The Environmental Protection and Natural Resources Committee Endorsed the Action Plan for 2023", Parliament of Georgia, 15.02.2023, Available at: <https://parliament.ge/en/print/news/garemos-datsvisa-da-bune-brivi-resursebis-komitetma-2023-tslis-samushao-gegma-daamtkitsa>

89 "EBRD allocates €19 mln for better waste management, disposal in Georgia's Black Sea region of Adjara", Agenda.ge, 13.03.2023, Available at: <https://agenda.ge/en/news/2023/1024>

In the context of renewable energy development, Georgia has taken significant strides. The Georgian government, in July 2023, approved the first auction of renewable energy projects, resulting in 27 companies securing winning bids. These projects encompass various renewable energy infrastructure, including ten solar power plants, two wind farms, and fifteen hydropower plants.<sup>90</sup>

Furthermore, Enterprise Georgia has unveiled plans to extend financial support to projects aimed at electricity generation through renewable energy sources. These projects aim to focus on small-scale hydropower plants with a capacity under 0.5 megawatts, harnessing sources such as solar, wind, or hydro energy, incentivizing the development of clean and sustainable energy production in Georgia.<sup>91</sup>

In June 2023, the Parliament of Georgia engaged in a comprehensive discussion and subsequently adopted the Draft Law on Water Resource Management, along with the associated legal package, during its third reading. This legislative endeavor introduces novel principles, systems, and standards for the management of water resources within the nation. These legal modifications mark a pivotal moment in Georgia's approach to water resource management.<sup>92</sup>

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90 "Gov't approves first auction of renewable energy projects with 27 winning companies", Agenda.ge, 03.07.2023, Available at:<https://agenda.ge/en/news/2023/2608>

91 "Enterprise Georgia to finance renewable energy production", Agenda.ge, 07.09.2023, Available at:<https://agenda.ge/en/news/2023/3277>

92 "Parliament adopted the draft law on water resource management and the deriving legal package for the III reading", Parliament of Georgia, 30.06.2023, Available at:<https://parliament.ge/en/media/news/parlament-ma-mesame-mosmenit-tsqlis-resursebis-martvis-shesakheb-da-misgan-ga-momdinare-sakanonmdeblo-paketi-miigho>

### **3.4. Strengthening energy security and nuclear safety**

The Black Sea Submarine Cable Project has become a prominent topic of conversation in Georgia and among its international allies. This initiative carries the potential to enable the export of renewable energy from the Caucasus region to the European Union, garnering strong political backing. The proposed cable, spanning approximately 1,200 kilometers, mainly submerged beneath the sea, is designed to link Georgia with Romania. However, a major concern revolves around the project's vulnerability, as its planned route takes it within 150 kilometers of Crimea's southernmost point, currently under Russian occupation. This proximity to a conflict zone brings up security and geopolitical issues that require meticulous consideration during the project's planning and implementation.<sup>93</sup>

### **3.5. Accelerating the shift to sustainable and smart mobility**

The residents of Tbilisi have been facing persistent challenges concerning the city's public transportation system, air quality, traffic congestion, and limited accessibility to schools and workplaces. In response to these issues, there has been a surge in urban activism in recent year. The combination of public pressure and mounting evidence highlighting urban planning policies that prioritize automobiles over people has prompted City Hall to initiate a process aimed at revising outdated urban planning practices and reforming Tbilisi's public transportation system.<sup>94</sup>

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93 "Economy Minister: Black Sea submarine electricity cable to change Georgia's role in region, international arena", Agenda.ge, 18.12.2022, Available at:<https://agenda.ge/en/news/2022/4933>

94 "Urban public transport reform in Tbilisi", 29.09.2022, Available at:<https://euagenda.eu/upload/publications/2022-09-29-tbilisi-urban-public-transport-reform.pdf>

This reform effort encompassed a comprehensive transformation of the public bus fleet, substantial enhancements to the metro lines, the establishment of a taxi licensing system, and the introduction of a unified card system for all modes of public transportation. Additionally, the reform included the creation of dedicated lanes on major roads for both bicycles and buses.

Furthermore, all the newly acquired buses meet the rigorous Euro 6 emissions standards and primarily run on compressed natural gas (CNG) fuel, as there is a lack of widespread electric charging infrastructure in the city.<sup>95</sup>

## 4. Together for a resilient digital transformation

### 4.1. Digital infrastructure

The ongoing Log-in Georgia project, conducted in collaboration with the World Bank, aims to implement the national strategy for the years 2020-2025. This strategy is focused on expanding broadband internet access, promoting the concept of a digital corridor connecting Europe and Asia, and establishing a digital hub within the country.<sup>96</sup>

In 2022, Georgia's Information and Communication Technology (ICT) sector witnessed significant growth, with a real GDP growth rate of 49.9%. Consequently, there has been an increase in employment opportunities, wages, and the demand for workers within Georgia's ICT sector. In the first half of 2023,

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95 "A transport revolution in Tbilisi", Euro Cities, Available at:<https://eurocities.eu/stories/a-transport-revolution-in-tbilisi/>

96 "Economy Ministry pledges "very high" involvement of international partners in Georgian economy's digital transformation policy", Agenda.ge, 11.04.2022, Available at:<https://agenda.ge/en/article/2022/9>

the Information Technology (IT) sector in Georgia achieved an all-time high of \$430 million in foreign revenue.<sup>97</sup>

The country has made significant strides in terms of ICT connectivity and affordability. The percentage of the population using the internet has surged from 27% in 2010 to 76% in 2021. Furthermore, the proportion of households equipped with internet access at home has risen from 23% in 2011 to 86% in 2021. Similarly, the percentage of households utilizing a computer at home has grown from 18% in 2010 to 64% in 2021.

Despite these advancements, there is still room for improvement regarding ICT skills in Georgia. Achieving the goal of “universal and meaningful digital connectivity” by 2030 necessitates that over 70% of the population aged 15 and above possess basic digital skills, with 50% having intermediate skills. Currently, Georgia is facing the challenge of working towards meeting these targets.<sup>98</sup>

#### **4.2. e-Governance**

In September 2023 interim parliamentary and mayoral elections were organized in Gori, Kaspi, and Gurjaani, where an electronic voting system was employed for the selection of both a majoritarian member of Parliament and the mayor. This represents an advancement in the modernization of Georgia’s electoral procedures, with an anticipated 90% of voters embracing electronic voting during the 2024 parliamentary elections. Ongoing initiatives aim to enhance public awareness and guarantee the effective integration of electronic technologies

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97 “IT Sector Of Georgia Received A Record Foreign Earned Income Of USD 430 MLN In 1H2023”, Business Media, 04.10.2023, Available at: [https://bm.ge/en/news/it-sector-of-georgia-received-a-record-foreign-earned-income-of-usd-430-mln-in-1h2023?fbclid=IwAR1VipvFKZLUZQkcodg-czhMzjLnJ\\_PpgNS-Lq0tzYpdYUvr5rRinBDggd50](https://bm.ge/en/news/it-sector-of-georgia-received-a-record-foreign-earned-income-of-usd-430-mln-in-1h2023?fbclid=IwAR1VipvFKZLUZQkcodg-czhMzjLnJ_PpgNS-Lq0tzYpdYUvr5rRinBDggd50)

98 “Information and Communications Technology Sector in Georgia”, PMCG, 03.04.2023, Available at: <https://pmcg-i.com/publication/information-and-communications-technology-sector-in-georgia/>



into the electoral framework.<sup>99</sup> Nevertheless, questions remain about the credibility of the new system.

### **4.3. Digital economy and innovation**

The e-commerce industry in Georgia has undergone substantial expansion, with an estimated market size exceeding GEL 1,300 million in 2022. This reflects a remarkable 82% increase compared to the previous year, underscoring the rising preference for online shopping within the country. The burgeoning e-commerce sector signifies a transition toward digital retail and implies that a growing number of consumers are embracing online purchasing.

Notwithstanding the growth of the e-commerce landscape in Georgia, domestic businesses still constitute a relatively small portion of the overall transaction volume when contrasted with cross-border acquisitions. This implies that numerous products and services remain inaccessible in the local market, prompting customers to favor foreign websites due to factors like convenience and price differentials.<sup>100</sup>

## **5. Together for resilient, fair, and inclusive societies**

### **5.1. Civil Society and Youth Participation**

Despite Georgia's strong public support for EU and NATO membership, certain representatives of the ruling party have frequently disregarded remarks, assessments, or recommendations from Western partners. The ruling party has been criticized for suggesting that the West exerts undue

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99 “90% of Voters Will Vote Electronically in 2024 Parliamentary Elections”, Civil.ge, 07.02.2023, Available at:<https://civil.ge/archives/524496>

100 “Georgian e-commerce market recorded 82% growth in 2022”, Business Media, 21.08.2023, Available at:<https://bm.ge/en/news/georgian-e-commerce-market-recorded-82-growth-in-2022>

pressure on Georgia to involve itself in international conflicts or contributes to social and political polarization within the country. Concurrently, the ruling party has accused opposition parties, CSOs, and the media of engaging in activities deemed “anti-EU,” indicating a tendency to shift blame. These statements raise concerns about the aggressive campaigns conducted by officials against CSOs, ultimately undermining democratic standards and public oversight of governance in Georgia.<sup>101</sup>

According to a recent study conducted by Friedrich-Ebert-Stiftung South Caucasus in 2023, young people’s reported political participation remains low, with a significant majority, at least 75%, indicating that they have not been involved in any specific political activities (e.g., volunteering, making donations, signing petitions, participating in demonstrations, etc.) in the past six months. The most commonly mentioned form of participation among young people was assisting in resolving community or neighbor-related problems, with 17% of respondents engaging in this activity.

A substantial majority of young people, specifically 63%, believe that their interests are either not represented at all or poorly represented in national politics. However, despite this perception, the majority (80%) indicate that they are unlikely to (18%) or would not consider taking on a political role themselves (62%).<sup>102</sup>

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101 Independent Media rating, Freedom House, Available at: [https://freedom-house.org/country/georgia/nations-transit/2023#footnote9\\_oj3a3af](https://freedom-house.org/country/georgia/nations-transit/2023#footnote9_oj3a3af)

102 “Youth study generation of independent Georgia: in between hopes and uncertainties”, FES, 2023, Available at: [https://southcaucasus.fes.de/fileadmin/Publications/2023/FES-GEORGIA-Web-EN-2023-07-20\\_\\_1\\_.pdf](https://southcaucasus.fes.de/fileadmin/Publications/2023/FES-GEORGIA-Web-EN-2023-07-20__1_.pdf)

## 5.2. Independent media and fact-based information

In the span of just one year, from 2022 to 2023, Georgia's standing in the Independent Media category experienced a troubling decline, moving from a rating of 3.50 down to 3.25.<sup>103</sup> This shift signals a concerning deterioration in the country's media freedom and independence, as assessed by the Independent Media rating.

This decline in Georgia's media environment can be attributed to several deeply concerning trends that unfolded during 2023. Firstly, there was a noticeable increase in harassment and violence directed at journalists, painting a bleak picture for those seeking to report the truth. Additionally, the media landscape became increasingly polarized and politicized, eroding the once-respected editorial independence that was vital for a vibrant media ecosystem.

Another disconcerting trend was the restricted access of the media to public information, impeding accountability for government bodies and hindering the media's capacity to report effectively on critical matters. Additionally, the spread of disinformation, both online and through broadcasts, compounded the challenges, while reports of verbal and physical assaults on media representatives, especially those from government-critical TV and regional media outlets, added to the growing concerns.

Despite some efforts to address these media-related challenges, such as amending the Broadcasting Law to align it with EU standards, these amendments faced backlash for potentially undermining media freedom. Ongoing issues included the imprisonment of Nika Gvaramia. However, in June 2023, opposition journalist Nika Gvaramia was released from prison. His release came as President Salome Zurbishvili granted him a pardon, a move widely seen as a response to widespread criticism, including condemnation from the United States and

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103 Freedom House, op.cit.

the European Union, who viewed his conviction as politically motivated.<sup>104</sup>

### 5.3. Democracy

In 2023, Georgia encountered persistent challenges in its journey toward democratic advancement and its pursuit of European Union integration. Despite making efforts to attain EU candidate status, the nation grappled with enduring structural issues in vital domains like judicial autonomy, media freedom, uneven electoral environment, selective and politicized justice, and informal governance (influence of oligarchic interests, predominantly that of Bidzina Ivanishvili). These critical problems remained largely unresolved, hindering progress in both democratic governance and the EU integration process.

Concerning local self-governance, 2023 was characterized by persistent issues such as corruption, a lack of division of powers, and instances of authority abuse. An imbalance tilted in favor of the ruling party within city councils created significant obstacles to effective decision-making. The blurred boundaries between the state and GD at the local level allowed representatives of the ruling party to assert that local institutions lacked the authority to challenge the central government. Accusations of political pressure on opposition figures at the local level frequently went unaddressed by law enforcement, underscoring the deeply polarized political atmosphere in local governance.

While some aspects of electoral and institutional reforms were enacted, not all recommendations received attention. The government initiated changes to parliamentary rules of procedure related to democratic oversight and the electoral code, including the introduction of an electronic ballot counting system, all of

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104 “Prominent Georgian Opposition Journalist Released From Prison After Presidential Pardon”, Radio Free Europe, 23.06.2023, Available at: <https://www.rferl.org/a/georgia-opposition-journalist-released-pardon/32472251.html>

which were endorsed by the Georgian Dream party. Nevertheless, the government's accountability to parliament remained weak, as per assessments by civil society organizations.<sup>105</sup>

In the interim assessment regarding the implementation of EU reforms in Georgia, Ukraine, and Moldova, the European Commissioner for Neighbourhood and Enlargement, in June 2023, stated that Georgia has met only three of the 12 priorities set by the European Union as prerequisites for obtaining candidate status for EU membership.<sup>106</sup> Josep Borrell, EU High Representative of the European Union for Foreign Affairs and Security Policy during his visit to Georgia stressed on the importance of fulfilling 12 priorities as crucial for gaining candidate status.<sup>107</sup>

#### **5.4. Protection of human rights and promotion of gender equality**

The Council of Europe's evaluation of human rights conditions in Georgia revealed several notable concerns. These encompassed pervasive discrimination directed towards the LGBT+ community and religious minorities, manifesting in both online and real-world contexts, as well as a perception of impunity surrounding human rights violations. Furthermore, the assessment underscored the imperative need to fortify safeguards and regulations related to labor rights and environmental protection.<sup>108</sup>

On December 29, 2022, The People's Power, a faction aligned with the ruling Georgian Dream party, introduced a draft law.

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105 "Tracking Georgia's Reforms: An Analysis of 12 EU Conditionalities", Civil.ge, 20.04.2023, Available at:<https://civil.ge/archives/538119>

106 Georgia "fulfilled" 3 of EU priorities, "achieved some progress" in others, 22.06.2023, Available at: <https://agenda.ge/en/news/2023/2445>

107 Delegation of the European Union to Georgia, 07.09.2023, Available at: [https://www.eeas.europa.eu/delegations/georgia/interview-josep-borrell-eu-high-representative-european-union-foreign-affairs-and-security-policy\\_en](https://www.eeas.europa.eu/delegations/georgia/interview-josep-borrell-eu-high-representative-european-union-foreign-affairs-and-security-policy_en)

108 "Georgia should ensure effective implementation of the anti-discrimination legislation", Council of Europe, 15.07.2022, Available at: <https://bitly.ws/WtYG>

This proposed legislation aimed to create a registry for identifying “agents of foreign influence,” offering a specific definition for such agents and outlining state intervention in favor of entities with foreign funding. Numerous members of the Georgian Dream party voiced their support for these proposals.

Nevertheless, these legislative initiatives stand in opposition to international human rights standards, which safeguard fundamental freedoms of expression and association. If enacted, these bills would not only limit the activities of critical groups and vital media but also contravene Georgia’s international commitments. They would likely exert a profound chilling effect on individuals and organizations dedicated to upholding human rights, democracy, and the rule of law. In response to widespread public protests and significant international criticism, Georgia’s ruling party has announced its intention to retract these contentious draft laws.<sup>109</sup>

### **5.5. Health resilience**

Georgia has witnessed a significant increase in public health spending, surging to GEL 2.0 billion between 2014 and 2022, almost tripling its previous levels. This surge in expenditure has resulted in a notable drop in out-of-pocket payments, from 66% to 51% of the overall healthcare costs within the country.

However, in comparison to the European Union (EU), where out-of-pocket payments constitute only 16% of the total healthcare expenditure, and when juxtaposed with other countries in the region sharing similar economic characteristics, Georgia still maintains a relatively high ratio of 51%.

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109 Jake Cordell, Why is Georgia in turmoil over a “foreign agents” law?, Reuters, 09.03.2023, Available at:<https://www.reuters.com/world/us/why-is-georgia-turmoil-over-foreign-agents-law-2023-03-09/>

To bridge this gap, the Georgian government has established a goal of reducing the proportion of out-of-pocket health expenditures to 30% of the total by 2030. This initiative is aimed at enhancing the affordability and accessibility of healthcare services for the population, bringing Georgia’s healthcare system more in line with international standards and practices.<sup>110</sup>

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110 “Overview of Georgia’s Healthcare Sector”, Business Media, 24.05.2023, Available at:<https://bm.ge/en/news/overview-of-georgias-healthcare-sector/134690>

# MOLDOVA

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1. **Together for resilient, sustainable, and integrated economies**
2. **Together for resilient digital transformation**
3. **Together for environmental and climate resilience**
4. **Together for accountable institutions, the rule of law, and security**
5. **Together for resilient, gender-equal, fair, and inclusive societies**



## MOLDOVA

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### 1. Together for resilient, sustainable, and integrated economies

#### 1.1. Trade and economic integration

Moldovan authorities have tried to maintain macroeconomic stability in a difficult economic environment caused by the consequences of the COVID-19 pandemic, Russia's war in Ukraine, and a global crisis. National Bureau of Statistics informs that in January-September 2023 exports of goods amounted to 3014,9 million USD, which is 8,0% less than in 2022. In the same period, imports summed up 6411 million USD, which is less than in 2022 by 4,8%. Exports of goods to EU countries increased compared to last year by 4.7%, and those to the CIS – by 1.7%. Imports from the EU also increased by 2.8%, and those from the CIS decreased by 7.1%.<sup>111</sup>

In 2023, Moldova mostly exported the following groups of goods: machines and electrical devices (15.4%); petroleum (11.6%); cereals (9.9%); vegetables and fruits (8.1%); clothing and accessories (7.3%); seeds and oleaginous fruits (6.5%); vegetable fats and oils (6.4%); alcoholic and non-alcoholic beverages (5.0%);

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111 International trade with goods of the Republic of Moldova in September 2023 and in January-September 2023 // [https://statistica.gov.md/ro/comertul-international-cu-marfuri-al-republicii-moldova-in-luna-9539\\_60798.html](https://statistica.gov.md/ro/comertul-international-cu-marfuri-al-republicii-moldova-in-luna-9539_60798.html)

furniture (3.6%); articles from non-metallic minerals (2.8%); yarns, fabrics, textiles (2.1%); road vehicles (1.8%). The European Union is Moldova's main trading partner, accounting for two-thirds of exports, which have increased significantly in the past years, particularly following the signing of the Association Agreement in 2014 and the Deep and Comprehensive Free Trade Area (DCFTA) in 2016. Between January and June 2023, the volume of trade with the EU was 3.4 billion, accounting for 52% of the country's total foreign trade.

To facilitate economic integration, the Moldovan Parliament ratified an agreement with the European Union regarding the participation of the Republic of Moldova in the EU Single Market Program. In this way, the capacity and compliance standards to the EU internal market will be increased and the competitiveness and resilience of SMEs will be strengthened. The program will ensure the efficient functioning of trade by introducing high European and international quality standards and, therefore, high levels of consumer protection and product safety.

## **1.2. Investment and access to finance**

Moldova relies heavily on foreign trade and remittances to spur economic growth. The government views foreign direct investments (FDI) as vital for fuelling sustainable economic growth and poverty reduction. The total volume of FDI in Moldova at the end of the first half of 2023 amounted to \$5 billion 282.76 million, up by 6.8% (+\$336.06 million), compared to the situation at the end of 2022. EU investors accounted for \$2 billion 860.6 million of investments at the end of H1 2023 (+8.6%, compared to the end of 2022), or 84.8% of the total volume. An analysis of direct investment accumulated at the end of H1 2023, by sectors, shows that the largest volume of direct investments was in the following sectors: financial activities and insurance – 35%; wholesale and retail trade, repair of motor vehicles – 25.6%; manufacturing industry – 18.1%; information and communication – 4.9%;

transportation and storage – 4.5%; electricity, heat, gas, hot water, and air conditioning – 2.8%; real estate operations – 2.1%; agriculture, forestry, and fishing – 1.8%; construction – 1.2%.<sup>112</sup>

SMEs' access to finance is largely provided by commercial banks, which are supervised by the National Bank of Moldova (NBM), as well as by nonbank credit organizations and savings and lending associations. In 2023, Moldova has made a decisive step towards the development of the capital market. It is essential for any economy to deepen and broaden the access to financing for all economic agents. As a result, on September 27, 2023, for the first time, the Ministry of Finance placed on the Moldovan market 10-year Bonds in the total amount of 227.5 million MDL, which was 130% of the initially announced volume. Thanks to the new 10-year bond, there is now a new instrument available in the market for investors.

In February 2023, the Strategy for the Development of Public Finance Management for the years 2023-2030 was approved. The document contains strategic intervention directions aimed at improving the fiscal framework, strengthening the process of planning, execution, and reporting of public finances, increasing revenues, strengthening the public procurement system, and improving internal control by increasing transparency and accountability.

### **1.3. Enhanced transport interconnectivity**

Moldova has made limited progress in implementing transport policies. In the European integration perspective, the Community acquis in the transport sector is very important. This is an essential component of the general acquis. In the coming years, there is a lot of work to be done on the legislative approximation of the policy coherence between the Republic of Moldova and the EU.

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112 InfoMarket 03.10.2023 // <https://infomarket.md/en/analytics/326797>

Moldova has become the first country from outside the EU to join the Connecting Europe Facility (CEF) – the most important instrument for infrastructure projects from the European Union. This agreement will enable Moldovan project promoters to apply for EU funding for projects of common interest in the transport, energy, and digital realms, improving the country’s connectivity with its EU neighbors.<sup>113</sup> This way, the Republic of Moldova will gain access to European funds totaling €26 billion for modernizing transport, energy, and digital infrastructure.<sup>114</sup> The European Commission welcomed the signing of 3 grant agreements within the CEF in the transport sector, worth almost 45 million euros, to improve transport links between Moldova and Romania via the Trans-European Transport Network (TEN-T). These projects will modernize the transport infrastructure at the Ungheni, Albita-Leuseni, and Reni-Giurgiulesti-Galati road border crossing points.<sup>115</sup>

On general transport, Moldova is currently preparing a Mobility Strategy for 2023-2030. The concept of the Mobility Strategy defines the Government’s policy in the field of transport and transport infrastructure, in order to develop an accessible, sustainable, interoperable, and safe transport system. The purpose of the Strategy is to outline the objectives that will ensure the sustainable development of the transport sector and an efficient management of the field in order to improve the efficiency of passenger and cargo transport, improve the infrastructure, the connectivity of the strategic transport network of the Republic

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113 Connecting Europe Facility (CEF) // [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_23\\_2611](https://ec.europa.eu/commission/presscorner/detail/en/ip_23_2611)

114 European Interconnection Mechanism in Moldova // [https://www.ipn.md/en/moldova-joins-european-interconnection-mechanism-as-full-fledged-member-7965\\_1096812.html](https://www.ipn.md/en/moldova-joins-european-interconnection-mechanism-as-full-fledged-member-7965_1096812.html)

115 Trans-European Transport Network (TEN-T) <https://infomarket.md/en/analytics/328801>

of Moldova to the networks international transport networks, especially the Trans-European Transport Network (TEN-T), with a minimal impact on the environment.<sup>116</sup>

#### **1.4. Investing in people and knowledge societies**

Educational digital centers in the Republic of Moldova are meeting an essential need, by building on the YMCA educational programs and institutions, youth clubs, and refugee establishments.<sup>117</sup> Within the “Higher Education in Moldova” project, implemented by the Ministry of Education and Research and financed by the World Bank, 5 universities in the country will benefit from laboratories and technologies, platforms connected to artificial intelligence, and modern bachelor’s and master’s study programs.

The project “Education for Democracy in the Republic of Moldova II”<sup>118</sup> is implemented by the Council of Europe in cooperation with the Ministry of Education and Research of the Republic of Moldova from January 2023 to December 2026. The objectives of the project are to contribute to an inclusive, peaceful, and democratic Moldovan society with engaged citizens by strengthening further the capacity of the Moldovan education system to develop competencies for life in democratic and inclusive societies through formal education.

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116 Moldova’s Mobility Strategy for 2023-2030 // <https://www.moldpres.md/en/news/2023/03/16/23002107>

117 Educational digital centres in the Republic of Moldova <https://www.ym-caeurope.com/educational-digital-centres-in-moldova/>

118 Education for Democracy in the Republic of Moldova II <https://www.coe.int/en/web/education/education-for-democracy-in-the-republic-of-moldova-ii>

## 2. Together for accountable institutions, the rule of law and security

### 2.1. Judicial Reform

Justice reform represents one of the most sensitive commitments undertaken by the Republic of Moldova on its way to joining the European Union. In its Opinion regarding the application for the accession of the Republic of Moldova to the European Union, the European Commission identified 9 recommendations that need to be implemented in order to proceed with the accession process. Judicial reform is the first recommendation, and according to the evaluation reports developed by various institutions and civil society organizations, the Republic of Moldova has made some progress in this direction but still needs to work to eliminate the backlog in the justice sector.

The overview of judicial reform progress in 2023 represents the following achievements:

**Enhancement of Judicial Inspection and Disciplinary Liability** – reinforcement of judicial integrity through Law No. 5/2023<sup>119</sup>. This law strengthened the Judicial Inspection and refined the disciplinary mechanisms for judges.

**Institutional Merger for Judge Selection and Performance Evaluation.** The Ministry of Justice formulated a concept to merge two pivotal bodies: the College for Selection and Career of Judges and the College for Evaluation of Judges' Performances<sup>120</sup>. This merger was legislated on June 9, 2023, with the law coming into effect on June 21, 2023<sup>121</sup>.

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119 LP5/2023 (legis.md)

120 3\_concept\_colegii\_consultare\_suplimentara\_pt\_site.pdf (gov.md)

121 Proiecte de acte legislative (parlament.md)

**National Institute of Justice (NIJ) Reforms.** Furthering transparency, Law No.228/2022<sup>122</sup> was passed, amending the National Institute of Justice’s statutes. It introduced mandatory declarations of assets and personal interests for NIJ candidates.

**Prosecution Law Amendment.** Finally, Law No. 280/2022<sup>123</sup> was enacted, amending the Law on Prosecution. This was aimed at implementing the Venice Commission’s recommendations (Opinion no.1058, December 13, 2021)<sup>124</sup>.

**Law No. 26/2022 and Pre-Vetting.** The enactment of Law No. 26/2022 aimed at the extraordinary evaluation of SCM and SCP candidates, known as pre-vetting, laid the groundwork for a more rigorous selection process<sup>125</sup>. This was a critical step to ensure the integrity and capability of judicial appointees.

**Completion of Candidate Evaluations.** By 2023, the evaluation of the majority of candidates for both councils had been completed. This included both judges and non-judges for the SCM and most candidates for the SCP.

**Appointments and Elections to the SCM.** On March 30, 2023, Parliament appointed three non-judge members to the SCM following successful pre-vetting. Subsequently, on April 28, 2023, the General Assembly of Judges elected four-judge members to the SCM from among the courts. With these elections, the SCM became operational in April 2023.

Potential shortcomings include:

**Delays in Candidate Evaluations.** The deadline for evaluating candidates for the SCM and SCP, initially set for December 2022, was missed and consequently extended to June 2023. This delay stemmed from inefficient procedures adopted by the Pre-Vetting Commission.

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122 LP228/2022 (legis.md)

123 LP280/2022 (legis.md)

124 default.aspx (coe.int)

125 LP26/2022 (legis.md)

**Incomplete Appointments to the SCM.** Out of the required 12 SCM members, only half have been appointed due to the stringent pre-vetting process. The shortfall includes two-judge members from the courts of appeal and the CSJ, hindering key judicial decisions, including the reconfirmation of judges after their initial term.

**Stalled Initiatives and Lengthy Appeal Processes.** The CSJ's delay in examining the appeals of non-selected SCM candidates has caused a standstill in initiating competitions for the SCM positions from the courts of appeal and the CSJ. The appeals took six months to process, significantly exceeding the legal maximum of 10 days. The primary reasons were the resignation of CSJ judges, constitutional appeals by unsuccessful candidates, and judge disqualifications, which were not fully resolved until April 2023.

**Continued Delays and Lack of Functional Independence.** As of May 2023, the CSJ had yet to decide on the pending appeals. Additionally, the evaluation for nine non-judge SCM candidates began on May 19, 2023. This further delay in the pre-vetting process impacts the formation and functionality of the boards responsible for selecting and evaluating judges and prosecutors.

**Pending Competition for Judicial Boards.** By June 27, 2023, the SCM had only announced competitions for the Selection and Performance Evaluation Board of Judges and the Disciplinary Board of Judges. The competition for the prosecutor's boards is anticipated to be announced after the formation of the new CSP in fall 2023.

**Non-Compliance with Venice Commission Recommendations.** The prosecutor's office activities have not been adjusted to align with the Venice Commission's recommendations (Opinion no. 1086, June 20, 2022)<sup>126</sup>,

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126 Venice Commission :: Council of Europe (coe.int)



particularly concerning the verification mechanism for asset and interest declarations by NIJ candidates and the lack of a consistent internal integrity check for judges and prosecutors throughout their careers.

At the end of October 2023, a competition for the Prosecutor General position was also launched, with only 2 candidates being registered. Earlier on September 26, President Maia Sandu issued the decree of dismissal from office of the suspended Prosecutor Alexandr Stoianoglo. It is crucial that the appointment of the new Prosecutor General is ensured through a merit-based and transparent process.

## **2.2. Accountable, transparent and efficient public administration**

In order to ensure a transparent and efficient public administration, a significant number of new public positions were created, as well as a support mechanism for the personnel which is involved in accomplishing the requirements for EU accession. A law on increasing salaries for certain public servants was also approved, which will contribute to strengthening their capacity-building and enhance personal motivation. However, it is important to mention the increasing gap between the incomes of central and local public authorities, as well as between implementing bodies and ministries. The difference in incomes might determine a staff migration of underpaid public servants to ministries and agencies and leave important institutions without skilled personnel.

In 2023, the Government approved the Strategy for Public Administration Reform for the years 2023-2030, as well as the Programme for the implementation of the Strategy. Moreover, in May 2023, the draft law on the voluntary amalgamation of administrative-territorial units was approved by the Moldovan Parliament, which represents an important step in the institutionalisation of the principles of voluntary amalgamation.

The activity of the Joint Commission for Decentralization was also resumed, after a break of more than 5 years. The Commission ensures the equal representation of the members from the central and local public administration authorities and facilitates the dialogue between them.

Other progress in ensuring efficient public administration includes:

**Strengthening Policy-Making Units.** The government advanced decisions to bolster policy-making units across central public administration authorities (CPAA). This initiative included increasing staff limits for all ministries, except for the Ministry of Health, the Ministry of Agriculture, and the newly formed Ministry of Energy.

**Restructuring the State Chancellery.** A decision was approved to restructure the State Chancellery, indicating a reorganization aimed at enhancing administrative efficiency and policy coordination<sup>127</sup>.

**Support Mechanism for EU Accession.** Furthering the nation's European Union accession aspirations, Government Decision No. 5/2023 established a support mechanism for public authority personnel. This mechanism is designed to assist in managing priority tasks relevant to the EU accession requirements.

**Decentralization and Local Democracy Enhancements.** In alignment with the revised Roadmap CG/MON(2021)18-04, Moldova has made noteworthy progress in several areas:

- **Tax Base Strengthening for LPA I:** Implementing measures to solidify the financial autonomy of local public authorities, including the allocation of 100% of road use taxes, the removal of caps on property and land taxes, and sharing 50% of natural resource taxes.

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127 HG5/2023 (legis.md)

- **National Fund for Local and Regional Development:** Establishing a fund to support local and regional development initiatives.
- **Local Council Empowerment:** Granting local councils the authority to award monthly allowances of up to 40% of the salary to LPA staff to incentivize performance.

Among the remaining shortcomings, the following should be highlighted:

**Single Service Centres (CUPS) and Delimitation Programme Delays.** The full deployment of all 63 Single Service Centres (CUPS) has been postponed. Additionally, the State Programme for the delimitation of public immovable property is behind scheduled. These delays may impede public administration reform efforts, particularly those promoting voluntary amalgamation and prospective administrative-territorial reorganization.

**Financial Autonomy of LPAs.** While there has been some progress in enhancing the fiscal capacity of Local Public Authorities (LPAs), their financial independence and resources remain constrained. This limitation could affect the overall effectiveness of decentralization.

**Transfer of Hospitals and Decentralisation Efforts.** The transfer of hospitals from LPAs to Provincial Council Authorities (PCAs) is viewed as contradictory to the decentralization objectives outlined in the roadmap. It suggests a centralization of control that may work against efforts to strengthen local governance.

### **2.3. Tackling fraud, corruption, and economic crime**

Combatting corruption and implementing the commitment to “de-oligarchisation” are 2 of the 9 recommendations identified by the European Commission for Moldova’s EU accession. The country has made certain progress in this direction, but the Commission is of

the opinion that Moldova should still strengthen its anticorruption institutions and continue implementing the de-oligarchisation plan. The investigation of high-profile and long-running corruption cases is stalling, and the recommendations of the National Anti-Corruption Center (NAC) are not entirely implemented. A verdict has been handed down in the case of two fugitive oligarchs.

On 14 April 2023, the Parliament adopted amendments to the Code of Criminal Procedure to provide for the separation of competencies between the NAC and the Prosecutor's Office (PO). However, in the process of preparing the implementation and the transfer of competencies on corruption cases, the authorities decided to keep the prosecution of minor corruption cases within the competence of the NAC. Public debates between NAC and PO on the mechanism of collaboration and the fulfillment of their mandates emerged. A new head of the NAC was appointed in October 2023.

An important development is the adoption, in July 2023, of the law regarding the implementation of the new mechanism for criminal investigation, trial, and sentencing in absentia of persons who evade participation in the criminal investigation. Moreover, a new Law on whistle-blowers was promulgated, which streamlined the methods of disclosing violations of the law, also transposing EU Directive 2019/1937 on the protection of whistle-blowers.<sup>128</sup> A de-oligarchisation plan was adopted by the Government, which seeks to exclude the normative gaps and practical deficiencies that led to the use of state institutions and resources in the interest of some criminal groups and also proposes a mechanism for periodic monitoring of the implementation of the measures proposed by public institutions.<sup>129</sup>

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128 Law on whistle-blowers approved by the Government // <https://gov.md/ro/content/legea-privind-avertizorii-de-integritate-aprobata-de-guvern>

129 A de-oligarchisation plan for Moldova was approved by the National Committee for EU Integration // <https://www.jurnal.md/ro/news/aa2ba61c7b8ba8e6/un-plan-de-deoligarhizare-a-r-moldova-a-fost-adoptat-de-comisia-nationala-pentru-integrare-europeana.html>

## 2.4. Combating Organized Crime and Strengthening Security

Fighting organized crime is the 5th commitment of the 9 recommendations presented by the European Commission. Moldova has registered certain progress in this area, and the Commission considers that this step was completed.

In December 2022, the National Asset Recovery Program for the period 2023-2027 and the related Action Plan were adopted. Assets belonging to three prominent oligarchs were seized. In order to ensure compliance with the Financial Action Task Force (FATF) standards, the adoption of amendments to the Criminal Procedure Code, the Criminal Code, and the Enforcement Code were adopted. The legislative amendments provide for the confiscation of assets transferred by the convicted person to third parties in order to avoid confiscation, as well as the confiscation of assets in the absence of the accused person.

In the field of security, the Strategy for the development of the field of internal affairs for the years 2022-2030 was adopted. The document establishes the vision for the strategic development of the internal affairs system in a sustainable and functional way, based on law enforcement, protecting the citizen's interest and providing quality services. Cooperation with EU Member States, the European Border and Coast Guard Agency (Frontex), Europol, and the EU Agency for the Training of Public Order Forces (CEPOL) was extended with the help of a guide provided by the Support Center of EU for Moldova in the field of internal security and border management.<sup>130</sup> The National Program for the consolidation and implementation of anti-terrorist protection measures of critical infrastructure objectives for the years 2022-2026 was also approved, with the aim of strengthening the national mechanisms in the segment of terrorism prevention, identifying and eliminating possible risks for national critical infrastructure.

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130 MIA has a development strategy for next 9 years, focused on the needs and demands of the citizens // <https://www.mai.gov.md/ro/node/7160>

### **3. Together towards environmental and climate resilience**

#### **3.1. Benefits for people's health and wellbeing**

Moldova is at an early stage of preparation in the area of the environment and climate change. Some progress was achieved in cross-cutting environmental legislation, nature protection, and industrial emissions regulation. From September 16, 2023, the Regulation on waste transfers entered into force. The given regulation provides measures to protect the environment and people's health by preventing or reducing the negative effects that can be caused by waste transfers. It establishes procedures and control regimes for waste transfers, depending on the origin, destination, and route of the transfer, the type of waste transferred, and the type of management operation applied to the waste at the destination.

The National Climate Change Adaptation Programme until 2030 and its Action Plan were approved by the Government of the Republic of Moldova on 30 August 2023. The Programme was developed with the support of the UNDP Moldova project "Advancing Moldova's national climate change adaptation planning", funded by the Green Climate Fund. According to the Minister of Environment, Iordanca-Rodica Iordanov, by the adoption of the program, the Republic of Moldova has aimed to align with the global efforts to limit the negative impact of climate change.<sup>131</sup>

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131 National Climate Change Adaptation Programme // <https://www.undp.org/moldova/press-releases/moldova-has-national-climate-change-adaptation-programme-developed-support-undp>

### **3.2. Circular economy, climate neutrality, and green growth**

In the circular economy, Moldova put in place a number of the key parts of legislation relevant to the EU acquis. To promote the circular economy, in April 2023, the Government approved the Regulation on ecological labeling. The regulation on ecological labeling establishes the requirements, the procedure for verifying the conformity of products and services, the criteria for granting the ecological label, as well as the procedure for monitoring ecologically labeled products and services. The application of the ecological label will ensure that consumers are informed about the quality of the products and will contribute to doubling the volume of exports of domestic ecological products and services on the EU market. Moreover, the Program for the promotion of the green and circular economy for the years 2023-2027 is in the process of being drawn up.

On climate neutrality and green growth, a law on fluorinated gases was adopted in March 2023. From January 2024, the import and use of fluorinated gases will gradually decrease in favor of greener, energy-efficient options, as per the EU standards.

### **3.3. Biodiversity and Economy's Natural Assets Base**

The government of the Republic of Moldova is considering revising environmental legislation in the country to increase the liability of polluters for environmental damage. The National Forest Extension and Rehabilitation Program (NFERP) for 2023-2032 was adopted on 17 February 2023. This was the new environment-focused policy document approved by Moldova's government, underscoring the important role healthy forest ecosystems play on the country's development agenda and affirming its green ambition. The newly adopted NFERP aims to support the country's needs in forest products and services and increase resilience to climate change in the long term through the conservation and sustainable development of national forest

resources. It will help protect Moldova's water and soil resources, provide forest products, and boost ecosystem services.<sup>132</sup>

As part of a project called "Green justice for stronger environmental protection and communities in Moldova (Green Justice Steps)", which runs from 2021-2025 and is financed by Sweden, the EcoContact NGO in Moldova plans to support the government with transposing the EU Environmental Liability Directive (ELD).<sup>133</sup> EU4Environment advances Moldova's sustainability agenda through Eco-Industrial Parks (EIPs).

The Ministry of Environment is currently working on the development and approval of the draft amendment to the Water Law No. 272/2011 to improve water resources management; and the development and approval of national legislation on the protection of water against nitrate pollution from agricultural sources.

### **3.4. Strengthening energy security and nuclear safety**

Moldova has reached relative stability related to energy supplies, but the prices still remain quite high when taking into consideration population incomes. Thanks to the support of Ukraine and Romania, the Moldovan authorities managed to counter the repetitive attempts by Gazprom to create a gas shortage and to undermine electricity generation. The IFIs provided the necessary financial assistance in order to facilitate the acquisition of gas from other suppliers.<sup>134</sup> However, the electricity generated at the Transnistrian MGRES power station is still based on Russian gas supplies.

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132 National Forest Extension and Rehabilitation Program // <https://www.eu4environment.org/news/how-the-european-union-jointly-with-the-world-bank-helps-moldova-green-its-landscapes/>

133 Developing environmental liability legislation in the Republic of Moldova // <https://www.eu4environment.org/app/uploads/2023/10/Report-Developing-environmental-liability-legislation-in-the-Republic-of-Moldova-final.pdf>

134 Energy security scoreboard Report 2023 // <https://watchdog.md/wp-content/uploads/2023/05/Energy-security-scoreboard-2023-1-1-2.pdf>



Following the challenges related to energy security, in February 2023 the Ministry of Energy was established under the new Governmental structure. The Ministry's areas of activity include energy security and efficiency, renewable energy sources, electricity and thermal energy, natural gas and petroleum products, digitization, and energy transition. It also aims to increase energy security by strengthening the power system and the degree of interconnection with Romania, the creation of the Energy Efficiency Fund, as well as the facilitation of investments in energy storage technologies and balancing units. A priority remains the development of the competitive electricity market and the preparation for integration into the internal market of the European Union.

Nevertheless, many risks and challenges remain. Moldova needs to push forward on the path towards greater energy security by further expanding its own electricity generation from renewable sources, building up more resilient energy infrastructure, and reducing demand through energy efficiency measures. Concurrently, any disruption or additional reduction of gas supply from Russia could upset this balance. The energy infrastructure represents another potential source of risk. A considerable portion of the cross-border electricity transmission lines run through the MGRES power plant, which means that the Transnistrian region could in theory disrupt transmission flows to right-bank Moldova. Furthermore, the Moldovan electricity system is also connected to the Ukrainian electricity grid, where imbalances caused by the destruction of infrastructure have already led to blackouts in Moldova during the past year.

The development of a more resilient energy infrastructure thus remains one of the priorities for Moldovan energy policy. This includes a new cross-border transmission line with Romania already under construction, which would allow Moldova to import electricity from Romania and eventually other EU suppliers without being dependent on the MGRES power plant located in

the Transnistrian region. For gas, Moldova is building up storages in Romania and Ukraine, which could help to mitigate additional energy crises if Russia disrupts or reduces supplies.

In the medium term, Moldova also needs to focus on building up its own electricity generation capacities. Such efforts should focus on renewable sources of electricity generation such as wind and solar. So far, the share of renewable energy sources in electricity generation is only about 4%. One priority for the government should thus be the launching of the planned auctions for large renewable energy projects, which could significantly advance the development of this sector.

Another important issue is energy efficiency in the building sector. Both public and residential buildings in Moldova have low energy efficiency and often use gas for heating. Thus, the potential for increasing energy efficiency is large and would relieve not only the financial burden of consumers caused by high gas tariffs but also reduce the dependence on gas.<sup>135</sup>

### 3.5 Accelerating the shift to sustainable and smart mobility

In the Republic of Moldova, improved waste management and sustainable mobility have been identified as strategic priorities through which citizens can actively minimize environmental degradation while improving their health and wellbeing.<sup>136</sup> On transport networks, the current strategic framework for transport infrastructure is set out in the 2030 national strategy for development.

A solar tree was launched in Valeni village, Cahul district, the first of this kind in a rural community in the Republic of Moldova and even in the whole of Eastern Europe. SMART Solutions for

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135 Moldova is making some progress on energy security // <https://www.german-economic-team.com/en/newsletter/moldova-is-making-some-progress-on-energy-security/>

136 Urban mobility in Moldova // <https://eu4moldova.eu/sustainable-life-style-from-waste-management-to-urban-mobility-promoted-by-eu4environment-green-economy-in-moldova/>

SMART communities project aims to boost local development and create a point of interest. The solar tree launching event took place in the context of World Environment Day.<sup>137</sup>

In the Republic of Moldova, the first electric bus with dynamic charging has been produced, which can travel autonomously for 70 kilometers and complies with all international standards in the field. The electric bus was assembled by engineers from the company “Inforbusiness,” specialized in manufacturing electronic equipment for transportation, which is exported to over 170 cities worldwide.<sup>138</sup>

## 4. Together for a resilient digital transformation

### 4.1. Digital infrastructure

According to the data for 2020, 98% of the territory of Moldova has 4G coverage, and 58.8 out of 100 inhabitants have permanent access (subscription) to mobile Internet, and another 17.8 out of 100 inhabitants have a fixed Internet subscription. The price of an Internet subscription in Moldova is relatively affordable, being below the European average.

There is a well-developed mobile phone infrastructure in the country, which offers solid potential for the ICT market, but household access to high-speed broadband is still difficult. Soft infrastructure is well developed in the capital and two new infrastructure elements are being developed in the regions, but a large part of the country remains underserved.

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137 Smart village in Moldova // <https://www.moldpres.md/en/news/2023/06/19/23004882>

138 The first electric bus, produced in Moldova // <https://mded.gov.md/en/the-first-electric-bus-produced-in-moldova-deputy-prime-minister-dumitru-alaiba-the-automotive-industry-is-gaining-a-new-breath/>

## **4.2. e-Governance**

The Government approved the Digital Transformation Strategy of the Republic of Moldova for the years 2023-2030 in September 2023. The document establishes the vision of the Ministry of Economic Development and Digitization for the digital development of the country until 2030 and reconfirms the determination of the authorities to build a modern society, focused on citizens and aligned with the European integration agenda. The Ministry set out to create a fully digital future, so that, in a short time, all public services will be available in digitized format. Currently, 44% of online public services for entrepreneurs and 34% for citizens are registered.

The Government approved the Concept of the “e-Monitoring” Information System in November 2023. The “e-Monitoring” system will serve as a common digital platform for public authorities in the country, which will ensure an increase in the speed of data exchange and processing. The new tool, developed on the basis of cutting-edge technological solutions, will allow real-time monitoring of the implementation of association commitments with the EU, but also of national commitments, which support the realization of the European integration agenda. Therefore, the transition from traditional ways of manual document processing to extensive digitization will be ensured. Simplifying processes and reducing bureaucracy will contribute to more efficient implementation of public policies and, as a result, to improving the quality of life of citizens.

## **4.3. Digital economy and innovation**

In the field of the digital economy, the most pressing problems include the lack of a financing mechanism for IT startups; the insufficiency of IT solutions for the local market; local IT companies are focused on outsourcing services, customization, development of foreign companies’ solutions, to the detriment of their own IT projects; the rules governing e-commerce contain

a number of loopholes, especially in the area of online payments and logistics. Although there is a significant increase in cashless payments and the number of electronic commerce platforms, the field of innovation in Moldova lags behind European standards.

Electronic commerce is poorly developed in Moldova. E-commerce is not attractive even for the Moldovan business community, especially because of outdated regulatory provisions. Among them, the buyer's way of giving consent to the processing of personal data, and the remote identification of service users.

## **5. Together for resilient, fair, and inclusive societies**

### **5.1. Civil Society and youth participation**

Improving the cooperation with civil society organizations (CSOs) and facilitating the involvement of CSOs in decision-making at all levels represents another recommendation of the European Commission. A series of actions have been undertaken in this direction, and the Commission considers that the participation of CSOs in public consultations and maintaining a transparent agenda setting of the Parliament should be further ensured.

In 2023, the Government approved the Civil Society Organizations Development Program for the period 2024-2027. The authorities will improve the state's cooperation mechanisms with CSOs, develop communication and coordination platforms, and diversify CSOs funding sources. At the same time, the capacities of the associative sector are to be increased, including addressing social problems and promoting the Europeanization agenda.<sup>139</sup>

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139 <https://gov.md/sites/default/files/document/attachments/subiect-18-nu-843-cs-2023.pdf>

Regarding the participation of youth in the political and social processes of the country, there are still many shortcomings that need to be addressed. The participation of young people in electoral processes remains low. In the November 2023 local elections, only 6.09% of the 18-25 age group participated. Youth centers are not sufficiently visible and equipped. The civic and social participation of young people is low also because the authorities do not allocate enough resources for them. Young people with disabilities face big challenges, in particular. In 2023, Moldovan authorities have adopted the “Youth 2030” Youth Sector Development Strategy, which outlines interventions focused on the activity of associative structures and initiative groups of young people, youth workers, and public and private institutions as elements of policy realization pursuing the objectives of development and activation of young people.

## **5.2. Independent media and fact-based information**

Moldova ranks 28th out of 180 countries in the ranking of the “Reporters without Borders” on media freedom for the year 2023<sup>140</sup>, which is an improvement compared to last year when it only ranked 40th. However, the media landscape in the Republic of Moldova can be characterised by excessive ownership concentration and lack of transparency as to its financial sponsorship. Moreover, the media are extremely polarised and divided between pro-Western and pro-Russian camps. Disinformation, especially spread by Russian-language media outlets, is a serious issue. The topics that are targeted by disinformation include the energy crisis, Russia’s military aggression against Ukraine, the rights of minorities, the LGBTQ+ community and religious values, electoral campaigns, and external affairs.

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140 Reporters without borders – Moldova // <https://rsf.org/en/country/moldova>

In order to deal with disinformation and facilitate strategic communication at an inter-institutional level, the Center for Strategic Communication and Combating Disinformation was created in July 2023. The Center will coordinate and implement strategic communication, develop measures to ensure the security of the information space, and implement actions to increase the population's resilience to disinformation campaigns. Moreover, on July 7, 2023, the Parliament voted on the project approving the National Media Development Program for the years 2023-2026 and the Action Plan for its implementation. The documents are intended to strengthen the role of the media in ensuring the right to information and in building a democratic society.

### **5.3. Democracy**

In 2023, Moldova encountered several challenges on its path toward democratization and consolidation of the rule of law. Despite making efforts to reach the EU standards, structural issues like justice, corruption, the rule of law, informal governance (influence of oligarchic interests and interference in internal affairs), troubled electoral environment, and selective media freedom hinder the progress in democratization.

The Republic of Moldova is in the category of countries with “hybrid regimes”, which, despite an “uneven evolution” in 2022, have a common denominator: Russia’s unprovoked aggression in Ukraine which “clearly showed that the EU is their only viable option”. Moldova managed to improve its score which reflects the state of democracy in general, from 3.11 to 3.14 due to the progress made in the “democratic governance at the national level” chapter. “Moldova’s political leaders have demonstrated their ability to govern,” the report says, “against the backdrop of a national security crisis” caused by the war in neighboring Ukraine, “strained relations with the opposition and deep corruption.” As a result, Moldova is rated as “partly free” and scores 62 points out of 100 in the Global Freedom Score.

#### **5.4. Protection of human rights and promotion of gender equality**

One of the Commission's recommendations for EU accession refers to strengthening the protection of human rights, an area in which Moldova has recorded significant achievements. An important step was achieved by ratifying and applying the Istanbul Convention for combating violence against women and domestic violence. Moreover, the capacities of the Ombudsman have been reinforced at the recommendation of the Venice Commission. The amendments provide for more independence of the institution and limit the possibilities of external interference. The Government approved the Program on gender equality in the Republic of Moldova for the years 2023-2027 and the National Program for the prevention and combating of violence against women and family violence for the years 2023-2027.

People belonging to minorities, people with disabilities, LGBTIQ+ people, and Roma, in particular, continue to face discrimination, including in the labour market. Detention conditions in prisons are among the worst in the region and need to be improved.

Moldova scores 19th place out of 146 countries in the Global Gender Gap Report 2023, being one among the highest-ranking countries in the region.<sup>141</sup> The Partnership for Development Center (CPD) estimated the 2023 Gender Equality Index of Moldova at 63 points.<sup>142</sup> The equality score decreased for the domains: of politics, access to resources, health, and perceptions and stereotypes. The gender representation in the Parliament was fluctuating, and the number of female deputies decreased from

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141 Global Gender Gap Report 2023 // [https://www3.weforum.org/docs/WEF\\_GGGR\\_2023.pdf](https://www3.weforum.org/docs/WEF_GGGR_2023.pdf)

142 Gender equality index 2023 // [https://progen.md/wp-content/uploads/2023/03/CPD\\_IEG-2023.pdf](https://progen.md/wp-content/uploads/2023/03/CPD_IEG-2023.pdf)



41 female deputies in 2021 to a number of 39 female deputies in 2023. In terms of access to resources, the difference in women's and men's incomes are estimated at 13.6%.

The overall backsliding in achieving gender equality is largely caused by worsening public perceptions of the roles of women and men. Compared to the previous year, the score accumulated in the field of perceptions and stereotypes decreased by exactly 4 points, reaching 59 points on the scale from 0 to 100. Specifically, the share of the population that considers the presence of women in politics inappropriate and that the latter do not have the capacity to hold management positions increased.

### **5.5. Health resilience**

In Moldova there are 21 health protection institutions financed from the public budget. The budget of the mandatory health care insurance funds in 2023 is over 14 million lei. Respectively, about 1.6 million people are insured by the state. In the field of health protection, over 16 million lei were allocated in 2022, i.e. 5.41% of Moldova's GDP. Expenditure on health and medical services per capita in 2023 constituted 5137.5 lei.

In June 2023, the Government approved the "Health 2030" National Strategy. The document foresees the complex transformation of the health system. The following areas of activity have been established as priorities: public health, integrated and quality medical services for everyone, accessible medicine and medical devices, governance, and leadership, motivated and well-trained medical personnel, digitized but also financially sustainable health system.

The Government approved a draft law ratifying the country's association with the European Union's EU4Health program. Participation in EU4Health will give access to EU funding to strengthen Moldova's health system, including aspects related to digital transformation. This will contribute to strengthening the capacities of the health system by increasing its resilience

and the efficient use of resources, including improving the level of preparedness for emergency situations. The Moldovan Government anticipates that EU4Health participation will also improve the capacity to prevent diseases – especially cancer, strengthen the health workforce, facilitate access to medicines and medical products, and contribute to digital transformation.<sup>143</sup>

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143 Moldova's government approves law ratifying association with EU4Health  
// <https://eufordigital.eu/moldovas-government-approves-law-ratifying-association-with-eu4health/>

# UKRAINE

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1. **Together for resilient, sustainable, and integrated economies**
2. **Together for resilient digital transformation**
3. **Together for environmental and climate resilience**
4. **Together for accountable institutions, the rule of law, and security**
5. **Together for resilient, gender-equal, fair, and inclusive societies**

## UKRAINE

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### 1. Together for resilient, sustainable, and integrated economies

#### 1.1. Trade and economic integration

Ukraine’s economic performance in 2023 has remained strongly affected by the full-scale war of aggression that Russia launched against Ukraine in February 2022. According to Ukraine’s State Statistics Service (Ukrstat), real GDP rebounded by 19.5% year-on-year in the first half of 2023, but against the extremely low statistical base set by active military actions, the occupation, extensive military pollution, damaged or destroyed assets, extensive migration, and logistic constraints. Overall, in 2023, the real GDP is expected to grow by about 4%,<sup>144</sup> remaining about one-fifth lower than in 2021.

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144 Betliy O., Kravchuk V. (2023) Economic growth supports resilience. GET Ukraine Newsletter 180, October 2023. <https://www.german-economic-team.com/en/newsletter/economic-growth-supports-resili-ence/>

One of the peculiar characteristics of 2023 is the faster-than-expected slowdown of inflation. According to Ukrstat, in September 2023, consumer price inflation slowed to 7% year-on-year. The factors behind the trend include better harvest, deceleration of global food prices, a stable exchange rate, and still constrained household demand. The lower inflation allowed the NBU to reduce its policy rate from 25% per annum (p.a.) set in 2022 to 16% p.a. in October 2023 in three steps.

The current account balance has turned into a deficit in 2023 and is expected to reach about 6% of the GDP by the end of the year. Compared to the pre-war situation, the structure of the current account has significantly changed. Since March 2020, Ukraine's balance of service trade has turned negative due to accelerated imports of travel, fueled by refugees that left the country due to the Russian full-scale aggression. While 2021 travel imports were USD 6 million, in 2022, they reached USD 20 million, thus more than tripling. According to the National Bank of Ukraine (NBU), in the first nine months of 2023, travel imports amounted to USD 14 billion, starting to decelerate gradually since spring. The second pronounced change is the increased role of secondary income inflows, primarily the grants from the USA, in the current account structure.

In 2023, another critical current account development has been the growing deficit of trade in goods. While imports were restored after the February 2022 shock, exports of goods continued falling under the continuous stress of logistic constraints. According to the NBU, goods exports amounted to USD 26 billion (-15% year-on-year) in January-September 2023, while imports increased to USD 47 billion (+19%). As a result, the trade deficit in goods reached USD 21 billion in the nine months of 2023 compared to USD 9 billion a year ago.

2023 has been another year of tightening economic integration between the EU and Ukraine and, simultaneously, the year of emerging new tensions. According to the NBU, the

trade in goods with the EU accounted for 53% of the total trade turnover, with exports to the EU being at 63% of the total exports and imports at 47%. In May 2023, the Council of the EU adopted the prolongation of autonomous trade liberalization measures for Ukraine, initially adopted in May 2022 for another year.<sup>145</sup>

At the same time, the reorientation of trade flows towards the EU, especially the reorientation of grain exports, resulted in a major trade conflict with neighbors, namely Poland, Hungary, Slovakia, and Bulgaria. In mid-April, Poland introduced a unilateral ban on imports of Ukrainian agro-food products, presumably due to security concerns (the threat of social unrest due to farmers' protests). Hungary, Slovakia, and Bulgaria immediately followed the decision. In early May, the European Commission (EC) convinced these countries to substitute the individual protectionist measures with the exceptional temporary restrictions imposed on four Ukrainian products (wheat, maize, rapeseed, and sunflower seed).<sup>146</sup> The measures envisaged the ban on imports into five EU member states neighboring Ukraine but free access to the rest of the EU. The measures lasted until September 15 and then were abolished by the EU as "market distortions" were eliminated.<sup>147</sup> However, Ukraine made voluntary commitments to establish a control mechanism

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145 Council of the EU (2023) Ukraine: Council adopts renewal of temporary trade liberalisation and other trade concessions. 25 May 2023. <https://www.consilium.europa.eu/en/press/press-releases/2023/05/25/ukraine-council-adopts-renewal-of-temporary-trade-liberalisation-and-other-trade-concessions/>

146 European Commission (2023) Commission adopts exceptional and temporary preventive measures on limited imports from Ukraine. 2 May 2023. [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_23\\_2562](https://ec.europa.eu/commission/presscorner/detail/en/ip_23_2562)

147 European Commission (2023) Following the expiry of the restrictive measures on Ukrainian exports of grain and other foodstuff to the EU, Ukraine agrees to introduce measures to avoid a renewed surge in EU imports. 15 September 2023. [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_23\\_4497](https://ec.europa.eu/commission/presscorner/detail/en/ip_23_4497)

to prevent further distortions and avoid a rapid increase in grain exports to these markets in the future. Despite the EC decision and the prompt proposal of the control mechanism, three countries – Poland, Hungary, and Slovakia – reintroduced unilateral bans and even expanded the list of products. In turn, Ukraine has required consultations under the WTO Dispute Settlement Body.<sup>148</sup> This crisis has not been resolved yet.

## 1.2. Investment and access to finance

The EaP economic cooperation agenda envisages EU support in strengthening the countries' SMEs by providing them with better access to funding and ensuring a level playing field through structural reforms and the fight against corruption. In the case of Ukraine, this agenda has been complemented with extensive macroeconomic support, especially after the Russian full-scale military aggression erupted in February 2022.

In 2022, Ukraine received USD 8 billion from the EU and another USD 3.5 billion from the EU member states and the European Investment Bank for funding state budget needs.<sup>149</sup> These amounted to 36% of total international funding, making the EU and its members the second largest international donors after the USA (38%). In 2023, the EU role has considerably strengthened, with the explicit commitments to provide EUR 18 billion for Ukraine's short-term fiscal needs over the year.<sup>150</sup>

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148 WTO (2023) Ukraine initiates WTO dispute complaints against Hungary, Poland and Slovak Republic. 21 September 2023. [https://www.wto.org/english/news\\_e/news23\\_e/ds619\\_620\\_621rfc\\_21sep23\\_e.htm](https://www.wto.org/english/news_e/news23_e/ds619_620_621rfc_21sep23_e.htm)

149 Ministry of Finance of Ukraine (2023). Sources of the State Budget Financing. [https://mof.gov.ua/uk/news/ukraines\\_state\\_budget\\_financing\\_since\\_the\\_beginning\\_of\\_the\\_full-scale\\_war-3435](https://mof.gov.ua/uk/news/ukraines_state_budget_financing_since_the_beginning_of_the_full-scale_war-3435) (accessed on November 5, 2023)

150 European Commission (2022) Commission proposes stable and predictable support package for Ukraine for 2023 of up to €18 billion. 9 November 2022. [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_22\\_6699](https://ec.europa.eu/commission/presscorner/detail/en/ip_22_6699)

As of November 2, 2023, the EU provided USD 16 billion to Ukraine's state budget or about 47% of the total international funding received, while the USA share was 31%, as the inflow of the US funding stalled in the fall due to the severe disagreements in the US Congress regarding the support for Ukraine. Another noteworthy change is that the EU member states have mostly stopped funding Ukraine's fiscal needs in 2023 while the EU funding intensified.

In June 2023, the European Commission offered to establish a new instrument, the Ukraine Facility.<sup>151</sup> It aims to ensure predictable financing of Ukraine's short-term fiscal needs and a medium-term reconstruction and modernization in 2024-2027. Ukraine Facility is expected to amount to up to EUR 50 billion, of which EUR 39 billion will cover current fiscal spending. Through marking a positive change in the predictability of funding, the Ukraine Facility envisages much lower support of current budgetary needs in 2024-2027 than in 2022 (EUR 9.75 billion on average per year). The Ukraine Facility also envisages EUR 8 billion for reconstruction, a positive step toward attracting USD 411 billion that, according to the World Bank estimates, Ukraine needs for the reconstruction.<sup>152</sup>

Despite the incredible macro-financial assistance to Ukraine, the EU has also continued implementing its preset targets. From 2022 to June 2023, EU4Business had 42 SME-related projects in Ukraine, amounting to EUR 246 million or 26% of the total

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151 European Commission (2023) Questions and Answers – A new Ukraine Facility. 20 June 2023. [https://ec.europa.eu/commission/presscorner/detail/da/qanda\\_23\\_3353](https://ec.europa.eu/commission/presscorner/detail/da/qanda_23_3353)

152 World Bank (2023) Updated Ukraine Recovery and Reconstruction Needs Assessment. 23 March 2023. <https://www.worldbank.org/en/news/press-release/2023/03/23/updated-ukraine-recovery-and-reconstruction-needs-assessment#:~:text=The%20RDNA%20assessment%20finds%20the,the%20country's%20estimated%202022%20GDP.>



project budget in five EaP countries.<sup>153</sup> Of these EUR 245 million, 52% is related to access to finance projects, 29% to better business development services, and the rest to improving the business environment.

Moreover, under close supervision from the EU, Ukraine has continued focusing on the fight against corruption, named among seven recommendations the European Commission specified as needed for the accession talks launch.

### **1.3. Enhanced transport interconnectivity**

The full-scale Russian aggression has made the issues of transport connectivity the paramount importance for Ukraine. Its airspace has remained closed to civil aviation, while land transportation is possible only with the EU and Moldova.

In May 2022, the EU launched the so-called Solidarity Lanes initiative, primarily aiming to facilitate food exports from Ukraine in the seaport blockade.<sup>154</sup> The initiative named short-term priorities (additional freight rolling stock, vessels, and lorries; capacity of transport networks and transshipment terminals; facilitated customs operations and other inspections; and provision of storage of goods on the territory of the EU) and medium-term measures (increasing the infrastructure capacity of new export corridors and establishing new infrastructure connections).

One of the significant achievements under Solidarity Lanes' auspices was the conclusion of a temporary agreement on road transportation, opening the EU market for Ukrainian road freight

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153 EU4Business (2023) EU4Business Facility releases portfolio figures on the EU support to private sector in the Eastern Partnership countries in 2023. 30 October 2023. <https://eu4business.eu/news/eu4business-facility-releases-portfolio-figures-on-the-eu-support-to-private-sector-in-the-eastern/>

154 European Commission (2022) European Commission to establish Solidarity Lanes to help Ukraine export agricultural goods. 12 May 2022. [https://transport.ec.europa.eu/news-events/news/european-commission-establish-solidarity-lanes-help-ukraine-export-agricultural-goods-2022-05-12\\_en](https://transport.ec.europa.eu/news-events/news/european-commission-establish-solidarity-lanes-help-ukraine-export-agricultural-goods-2022-05-12_en)

carriers by abolishing permits.<sup>155</sup> The agreement was concluded in June 2022 for a year and then prolonged for another year. However, the agreement has caused a growing discontent among Polish carriers. In late October 2023, they announced their intention to block road crossing points with Ukraine for freight transport unless the access of the Ukrainian carriers to the EU market is restrained and the system of permits is restored.<sup>156</sup>

According to the European Commission, Ukraine exported 60% of the grains through the Solidarity lanes between March 2022 and October 2023, while the Black Sea Grain Initiative (BSGI) arbitrated by Turkey and the UN Ukraine allowed shipping 40%.<sup>157</sup> In July 2023, Russia unilaterally withdrew from the BSGI and started intensive shelling of Danube ports, making Ukraine and the EU search for other routes. Several alternatives have been developed: new land transit corridors for Ukraine's grains to seaports in the EU member states like Croatia<sup>158</sup> and Lithuania<sup>159</sup> and alternative sea routes from Odesa ports into the territorial waters of Bulgaria. The latter has been critical as it also allowed the shipping of non-food products like metals and

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155 European Commission (2022) Agreement between the European Union and Ukraine on the carriage of freight by road. 29 June 2022. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:22022A0706%2801%29>

156 Interview with Sergiy Derkach, Deputy Minister of Infrastructure of Ukraine. 1 November 2023. <https://forbes.ua/money/bilshist-vimog-divni-ta-v-printsipi-nevikonuvani-polski-vodii-pogrozhuyut-zablokuvati-nam-kordoni-do-kintsya-roku-chomu-voni-povstali-intervyu-zastupnika-ministra-infrastrukturi-01112023-16992>

157 European Commission (2023) EU-Ukraine Solidarity Lanes. [https://eu-solidarity-ukraine.ec.europa.eu/eu-assistance-ukraine/eu-ukraine-solidarity-lanes\\_en](https://eu-solidarity-ukraine.ec.europa.eu/eu-assistance-ukraine/eu-ukraine-solidarity-lanes_en) (accessed on November 5, 2023)

158 Ukrainian grain is now exported through Croatian ports. 7 September 2023. <https://www.pravda.com.ua/eng/news/2023/09/7/7418819/>

159 Lithuania opens corridor for Ukrainian grain to Baltic ports. 3 October 2023. <https://english.nv.ua/business/lithuania-opens-corridor-for-ukrainian-grain-to-baltic-ports-news-50358030.html>

iron ores. Moreover, in November, the first import shipments occurred.<sup>160</sup>

#### 1.4. Investing in people and knowledge societies

Personal mobility has remained one of the critical elements of the current Ukraine-EU relations. According to Eurostat, as of August 2023, 4.1 million Ukrainian refugees were registered in the EU under the temporary protection scheme, including 1.1 million persons in Germany and 1.0 million in Poland. In March 2022, the EU provided the coverage of the Temporary Protection Directive for Ukraine's citizens. That gave displaced people fleeing the war rights to work, education, social and medical care in the EU. As the war continues, in September 2023, the Council of the EU agreed to extend the temporary protection duration until March 2025.<sup>161</sup>

While the temporary protection scheme is an exceptional case, Ukraine continues actively participating in programs like ERASMUS+ and EU4Skills, which had been modified to meet the new challenges related to the full-scale Russian aggression against Ukraine. For instance, ERASMUS+ introduced “flexible procedures and exceptional measures” for academic mobility projects.<sup>162</sup> European School Education Platform and EPALE platform for adult education opened their resources to Ukrainians. EU4Skills, initially aiming at

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160 Vessels with imported goods began to enter the ports of Great Odesa. 2 November 2023. <https://traffic.od.ua/news/fleet/1253549>

161 Council of the EU (2023) Ukrainian refugees: EU member states agree to extend temporary protection. 28 September 2023. <https://www.consilium.europa.eu/en/press/press-releases/2023/09/28/ukrainian-refugees-eu-member-states-agree-to-extend-temporary-protection/#:~:text=The%20temporary%20protection%20mechanism%20was,automatically%20extended%20by%20one%20year>

162 National Office ERASMUS+ (2022) Erasmus+ during the war against Ukraine. <https://erasmusplus.org.ua/en/opportunities/erasmus-during-the-war-in-ukraine/>

supporting VET education and training reform in Ukraine, set new priorities, including assistance to VET schools used as hubs for internally displaced persons, supporting the continuation of learning through online courses and strengthening educational authorities and institutions' capacity to address skill needs in Ukraine's rebuilding process.<sup>163</sup>

## **2. Together for accountable institutions, the rule of law and security**

### **2.1. Judicial Reform**

Despite the Russian war of aggression, Ukraine continued to deliver justice services and made good progress on the implementation of the 2021 reform of the judicial governance bodies focused on integrity and professionalism. In May 2023, the President of Ukraine approved a comprehensive strategic plan for the reform of law enforcement bodies for 2023-2027.<sup>164</sup>

The High Council of Justice and the High Qualification Commission of Judges were re-established following a transparent process with the meaningful involvement of independent experts. The credibility and competence assessment of 301 HQCJ candidates by the Selection Committee, consisting of three domestic and three global specialists, concluded in March 2023. It will allow the government to start filling more than 2 000 judicial vacancies again and evaluating (vetting) the qualification of some 1 900 sitting judges, which was suspended in 2019.<sup>165</sup>

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163 EU4Skills (2022) About EU4Skills. <https://eu4skills.info/en/pro-eu4skills/>

164 <https://zakon.rada.gov.ua/laws/show/273/2023#Text>

165 [https://ec.europa.eu/commission/presscorner/detail/en/QANDA\\_23\\_5631](https://ec.europa.eu/commission/presscorner/detail/en/QANDA_23_5631)

In correspondence with the EU's and the Venice Commission's requirements related to the judicial reform and following the Venice Commission offered additional recommendations, primarily concerning the appeal process for AEG (Advisory Group of Experts) decisions, on July 27, 2023, the provisions for the competitive selection of Constitutional Court judges were accepted<sup>166</sup> in the second reading, and the law came into effect on August 20, 2023. In September 2023, following the official request of the Government, the Venice Commission and the global donors, including the EU, put forward their selections of members and alternatives for the Advisory Group of Experts. In October 2023, the Cabinet of Ministers officially designated them.

Despite these advancements, challenges persist, with the ongoing formation of the judges' selection commission and potential threats to the process's politicization (including the attempts to prevent a temporary yet decisive role for independent experts nominated by international donors, including the EU), raising concerns about the appointment of judges with questionable integrity to the Constitutional Court.

## **2.2. Accountable, transparent and efficient public administration**

Good governance is one of the key drivers of a country's competitiveness, development of economy as well as pre-requisite for the European integration. To ensure effective performance of the Cabinet of Ministers of Ukraine in building public policies in various sectors, it is central to establishment of a professional, efficient, effective, and accountable system of central executive bodies.

The establishment of 17 policy directorates within ministries and the hiring for reform support positions to bridge the existing shortcomings and offer technical assistance in executing crucial

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166 <https://zakon.rada.gov.ua/laws/show/3277-20#Text>

reforms remains unfinished. As of the conclusion of 2022, fewer than 750 reform support positions had been occupied out of the planned 3,000 posts, and this downward trend continued into 2023.<sup>167</sup>

There are no established formal criteria or consistent procedures for overseeing the execution of policies and laws. The monitoring of the mid-term action plan and the yearly action plan by the Cabinet of Ministers' Secretariat is predominantly carried out in an ad hoc manner.

### **2.3. Addressing fraud, corruption, and economic crime**

Despite the conflict, Ukraine persists in pursuing reforms. The representatives of civil society and the authorities share a unified perspective regarding the openness of the recovery and operation of state processes overall.

NABU and SAPO leaders were designated through transparent competitions, earning recognition from the Group of States Against Corruption (GRECO) for Ukraine's substantial progress in anti-corruption endeavors. NABU and SAPO aspire to enhance their institutional capability, including the expansion of the staff of employees directly involved in the investigative process. The presence of high-profile anti-corruption investigations, of course, indicates the active work of anti-corruption bodies

Responding to civil society and Western Allies' influence, the compulsory asset e-declaration for officials, initially halted after February 24, 2022, has been reinstated. Additionally, Ukraine introduced its State Anti-Corruption Programme for 2023-2025<sup>168</sup>, officially approved in March 2023 with a two-month delay.

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167 [https://neighbourhood-enlargement.ec.europa.eu/system/files/2023-11/SWD\\_2023\\_699%20Ukraine%20report.pdf](https://neighbourhood-enlargement.ec.europa.eu/system/files/2023-11/SWD_2023_699%20Ukraine%20report.pdf)

168 <https://zakon.rada.gov.ua/laws/show/220-2023-%D0%BF#Text>

Moreover, According to the Deputy Prime Minister, against the backdrop of russia's full-scale military aggression, when a significant share of Ukraine's state budget revenues is generated by external revenues, in particular from the EU, the issue of ensuring effective protection of the financial interests of partners is becoming more acute.<sup>169</sup>

#### **2.4. Combating organized crime and strengthening security**

Ukraine has established a dedicated strategic and institutional framework to combat organized crime, coupled with robust international collaboration, notably through growing joint operations with EU Member States. Initiatives are underway to address challenges like the illegal trafficking of firearms, human trafficking, and cybercrime. Immediately after the war started, a joint anti-trafficking plan was implemented to prevent human trafficking and to identify and assist victims of trafficking in cooperation with the Ukrainian authorities and international organizations. European countries and Europol have also been working with their Ukrainian counterparts and have set up special centres to reduce arms trafficking in the region following the proliferation of arms and ammunition amassing in Ukraine.<sup>170</sup>

The introduction of the e-case management system in the criminal justice chain has been initiated, complemented by the adoption of a national asset recovery strategy. These efforts signify a comprehensive approach to counter various facets of organized crime.

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169 <https://www.kmu.gov.ua/en/news/ukraina-posyliuie-robotu-nad-pravovy-my-mekhanizamy-protydii-shakhraistva-z-fondamy-ies>

170 <https://reliefweb.int/report/ukraine/stronger-together-can-responses-war-ukraine-pave-way-further-international-cooperation-organized-crime>

Nevertheless, the legal structure and operational capability to combat organized crime remain weak. Procedural deficiencies, jurisdictional overlaps, prevalent corruption, and undeveloped IT infrastructure are also impeding the efficient struggle against organized crime. Further enhancement of inter-agency coordination is imperative.<sup>171</sup>

### **3. Together towards environmental and climate resilience**

#### **3.1. Benefits for people's health and wellbeing**

Russia's armed aggression against Ukraine negatively affects the state of the environment, and, accordingly, the health and well-being of the population. First of all, it is pollution and lack of access to drinking water, pollution of atmospheric air and soil with hazardous chemical substances. The issue of access to safe drinking water became especially acute after Russia blew up the Kakhovska HPP.

In 2023, work began in Ukraine on the creation of the National Pollutant Release and Transfer Register in accordance with the law adopted in 2022<sup>172</sup>. Work continues on the draft law on industrial pollution, the IED BAT conclusions are being translated for various industries with the support of GIZ<sup>173</sup>.

In January 2023, the Law of Ukraine "On Sewage and Wastewater Treatment" was adopted<sup>174</sup>. The law is aimed at providing citizens with high-quality centralized and non-

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171 [https://neighbourhood-enlargement.ec.europa.eu/system/files/2023-11/SWD\\_2023\\_699%20Ukraine%20report.pdf](https://neighbourhood-enlargement.ec.europa.eu/system/files/2023-11/SWD_2023_699%20Ukraine%20report.pdf)

172 <https://mepr.gov.ua/v-ukrayini-startuye-reyestratsiya-ustanovok-u-natsionalnomu-reyestri-vykydiv-ta-perenesennya-zabrudnyuvachiv/>

173 <https://mepr.gov.ua/mindovkilliya-publikuye-nastupni-perekladeni-dovidkovi-referentni-dokumenty-z-ndtm-brefs-dlya-vyrobnnytstva-skla-ta-keramiky/>

174 <https://zakon.rada.gov.ua/laws/show/2887-20#Text>



centralized drainage services, as well as reducing the negative impact of wastewater on the environment. Work is being carried out on the development of river basin management plans in Ukraine<sup>175</sup>, re-election of basin councils.

The issue of returning nature to cities remains relevant. Those cities that have not been significantly affected by war and have ambitious plans for a green transformation continued to work in this direction, in particular through the inclusion of this component in their strategic plans or through individual initiatives on greening the cities.

Currently, there are difficulties with the collection and publication of environmental statistics: not all enterprises and institutions have the opportunity to submit their data to the relevant state authorities in a timely and qualitative manner. Therefore, available statistics may be fragmentary and inaccurate. In addition, access to a number of data, in particular in the field of the environment, remains closed due to the martial law restrictions in Ukraine.

In 2023, the Ministry of Environment prepared and published reports<sup>176</sup> on the implementation of the National Action Plan for Environmental Protection in 2021-2022 and the Operational Plan for the Implementation of the Strategy for Environmental Security and Adaptation to Climate Change, but a comprehensive report on the implementation of environmental strategy, including the indicators for achieving the goals of environmental policy has not yet been made public.

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175 <https://mepr.gov.ua/v-ukrayini-vzhe-rozrobleni-9-planiv-upravlinnya-ric-hkovymy-basejnamy-nastupnyj-etap-provedennya-strategichnoyi-ekolog-ichnoyi-otsinky-dokumentiv/>

176 <https://mepr.gov.ua/diyalnist/novyny-departamentiv/>

Ukrainians better understand the problem of climate change: according to an all-Ukrainian public opinion poll<sup>177</sup>, 91.1% of respondents consider climate change a serious problem. Despite the war, environmental protection continues to be important for 95% of Ukrainians (in 2018, this figure was 93%). The share of Ukrainians who believe that environmental problems have a direct impact on their daily life and health remains high (87.4%).

Russian aggression has a significant impact on the daily behavior and practices of citizens. In particular, 76.4% reduced energy consumption, 38.7% reduced water consumption. The opinion of citizens regarding environmental problems in the context of war demonstrates their concern about the impact of war on the environment, especially the mining of territories and the waste of war (debris of buildings, destroyed military equipment).

### **3.2. Circular economy, climate neutrality and green growth**

Russia's armed aggression against Ukraine also has a serious impact on the climate, not only for Ukraine, but also in a global context. According to the Initiative for Accounting for Greenhouse Gas Emissions Due to the War, greenhouse gas emissions during the twelve months of the war amounted to 120 million tons of CO<sub>2</sub> eq.<sup>178</sup> Experts estimate the total emissions of greenhouse gases from hostilities at 21.9 million tons of CO<sub>2</sub> eq., where the largest share is fuel consumption by Russian troops (14.1 million tons) and Ukrainian troops (4.7 million tons). As part of the 28th Conference of the Parties to the UNFCCC, it is expected to present an updated report on the climate change consequences of Russian aggression, in particular, on emissions related to the post-war reconstruction of Ukraine.

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177 <https://www.rac.org.ua/uploads/content/674/files/how-the-war-changed-ukrainiansfinalua.pdf>

178 <https://ecoaction.org.ua/wp-content/uploads/2023/07/vplyv-ros-viyny-na-klimat-2023.pdf>

Nevertheless, Ukraine continues its efforts to work on the climate governance architecture: preparations for the next conference of the parties to the Paris Agreement are underway; a Climate Office was opened in Kyiv<sup>179</sup>, which will assist the Ministry of Environment with the development and implementation of climate policy; a plan of measures for the implementation of the Updated Nationally Determined Contribution of Ukraine to the Paris Agreement for the period up to 2030 was developed and published<sup>180</sup>. Among the government's immediate plans is work on the development and implementation of the ETS in Ukraine, which is connected with the need to implement the EU acquis in the field of climate and with concerns of businesses regarding the application of CBAM to their goods.

In 2023, the new Energy Strategy of Ukraine was adopted<sup>181</sup>. The strategy has not been made public for security reasons, however, according to the Ministry of Energy, it sets the goal of achieving climate neutrality in Ukraine's energy sector by 2050, which corresponds to the goals of the European Green Deal. Currently, Ukraine is working on the development of the National Energy and Climate Plan.

Work continues on planning adaptation to climate change at the local level (conducting trainings, assessing the vulnerability of cities to climate change, developing adaptation strategies for pilot regions), in particular within the framework of the Convent of Mayors.

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179 <https://interfax.com.ua/news/general/942668.html>

180 <https://mepr.gov.ua/povidomlennya-pro-oprylyudnennya-doopratsovanogo-proyektu-rozporyadzhennya-kabinetu-ministriv-ukrayiny-pro-shvalennya-planu-zahodiv-z-realizatsiyi-onovlenogo-natsionalno-vyznachenogo-vnesku-ukrayiny-d/>

181 [https://biz.ligazakon.net/news/219259\\_rozvitok-bezpechno-atomno-generats-ta-vidnovlyuvanikh-dzherel-energi-uryad-skhvaliv-energetichnu-strategyu-do-2050-roku](https://biz.ligazakon.net/news/219259_rozvitok-bezpechno-atomno-generats-ta-vidnovlyuvanikh-dzherel-energi-uryad-skhvaliv-energetichnu-strategyu-do-2050-roku)

Work on reforming the field of waste management continues. On June 9, 2023, the Law of Ukraine “On Waste Management”<sup>182</sup>, adopted in 2022 for the purpose of implementing the requirements of EU law, entered into force. Currently, the development and adoption of the necessary by-laws and regulatory legal framework is ongoing. In particular, the resolutions of the government of Ukraine were adopted regarding the announcement of the termination of the status of waste, the procedure for the development and approval of regional waste management plans, the procedure for holding a competition for the implementation of operations for the collection and transportation of household waste, rules for the provision of household waste management services and standard contracts for the provision of household waste management services. The Government also approved the Classification Procedure and the National List of Waste.

However, a number of laws in the field of waste management are still pending, in particular on packaging and packaging waste, electronic and electrical equipment waste, batteries and accumulators, mining waste, etc.

The issues of decarbonization and climate neutrality are currently closely related to the planning of post-war recovery and reconstruction of Ukraine. Work is currently underway on the development of the Ukraine Plan for the purposes of obtaining funding from the EU within the framework of the proposed financial instrument ‘Ukraine Facility’. The plan will consist of 4 blocks: macroeconomic scenarios, basic reforms (public administration reform, fight against corruption, reform of the justice system), economic reforms, key sectors of the economy (energy sector, agricultural sector, logistics, IT, critical materials, processing industry). The plan will also contain 3 cross-cutting areas: European integration, digital transformation, and green

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182 <https://zakon.rada.gov.ua/laws/show/2320-20#Text>

transition. The draft Regulation on the Ukraine Facility<sup>183</sup>, according to which financing will be provided, also includes requirements for decarbonization and establishes green requirements for financing projects.

### **3.3. Biodiversity and economy's natural assets base**

Biodiversity, nature reserves, water bodies, in particular the Black Sea, are subject to an unprecedented impact from military actions. Great damage was caused by Russia's destruction of the Kakhovska power plant in the summer of 2023. Ukraine tries to fix all violations and estimates the damages. Nevertheless, the issue of restoring nature will be one of the most difficult after the end of the war. The International Working Group on Environmental Consequences of War was created and is working. In October 2023, the international forum "United for Justice. United for Nature"<sup>184</sup> took place in Kyiv. During the event, the draft of the International Environmental Declaration<sup>185</sup> was presented, which offers the world a single tool for assessing environmental damage and bringing aggressors to justice.

In 2023, the Strategy for the Development of the Fisheries Industry of Ukraine for the period until 2030 and the operational plan of measures for its implementation in 2023-2025<sup>186</sup> were approved in order to ensure the sustainable development of the industry and the preservation of natural reserves of aquatic biological resources. One of the objectives of the strategy is to bring the regulatory framework of the industry in line with the principles of the European Green Deal and the EU Common Fisheries Policy.

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183 [https://neighbourhood-enlargement.ec.europa.eu/system/files/2023-06/COM\\_2023\\_338\\_1\\_EN\\_ACT\\_part1\\_v6.pdf](https://neighbourhood-enlargement.ec.europa.eu/system/files/2023-06/COM_2023_338_1_EN_ACT_part1_v6.pdf)

184 <https://mepr.gov.ua/united-for-justice-united-for-nature-v-ukrayini-obgovoryly-mehanizmy-prytyagnennya-rf-do-vidpovidalnosti-za-zlochyny-proty-dovkillya/>

185 <https://drive.google.com/drive/folders/1s2Gs4OPYesOIaOfjOpU3sLfN-bJ8Q4JU9>

186 <https://zakon.rada.gov.ua/laws/show/402-2023-%D1%80#Text>

### 3.4. Strengthening energy security and nuclear safety

In 2023, Ukraine was actively working to restore critical energy infrastructure damaged by Russian shelling. The Zaporizhzhia NPP continues to be under Russian occupation, and the destruction of the Kakhovska HPP in the summer of 2023 led to significant economic losses and unprecedented damage to the environment of Ukraine.

In 2023, the Law on the Development of Highly Efficient Cogeneration<sup>187</sup> was adopted, which will provide guarantees of the origin of electrical energy, which will allow reducing the consumption of energy resources, which will ultimately lead to a decrease in energy costs and a reduction in greenhouse gas emissions.

The Parliament adopted the Law of Ukraine “On Amendments to Certain Laws of Ukraine Regarding the Restoration and “Green” Transformation of the Energy System”, which, among other things, provides for the provision of guarantees of the origin of electricity, the right of renewable energy producers to independently sell electricity on the market, introduces Net Billing options for households, maintains incentives for wind turbines and solar plants until the end of 2023.

At the Ukraine-EU summit, the government of Ukraine and the European Commission concluded a Memorandum on strategic partnership in the fields of biomethane, hydrogen and other synthetic gases with the aim of deepening cooperation in the development of renewable energy, in particular, environmentally clean, stable gases and their derivatives, as well as synchronizing efforts to accelerate “green” transition.<sup>188</sup>

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187 <https://www.rada.gov.ua/news/razom/233593.html>

188 <https://www.mev.gov.ua/novyna/uryad-ukrayiny-ta-yevropeyska-komisiya-uklaly-memorandum-shchodo-stratehichnoho-partnerstva>

In January 2023, the State Energy Efficiency Agency completed the development of Ukraine's first registry of guarantees of origin in renewable energy, namely the biomethane registry<sup>189</sup>.

In April 2023, the Parliament of Ukraine adopted a law<sup>190</sup> providing for the creation of the State Fund for Decarbonization and Energy-Efficient Transformation. The funds will be used to finance energy efficiency programs and measures.

In 2023, with the financial support of the EU, a program of exchanging incandescent lamps for energy-saving LED lamps was carried out in Ukraine with the aim of reducing electricity consumption.

A lot of attention is paid to energy efficiency issues in the process of rebuilding destroyed or war-damaged housing. In particular, the "VidnovyDIM"<sup>191</sup> program is in place, which aims to finance construction works to restore residential buildings damaged as a result of the Russian military aggression against Ukraine. Ukraine and Germany have started the implementation of the project "Renewable energy sources for a sustainable Ukraine – R2U"<sup>192</sup> for Ukrainian communities with the aim of conducting an energy audit of buildings of critical infrastructure for further equipping with RES. Since September 2023, the selection of projects within the framework of the financial agreement "Energy efficiency of public buildings in Ukraine" between Ukraine and the European Investment Bank with the aim of introducing energy-efficient measures in public buildings, including the repair of damage caused by Russia's military

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189 <https://www.sae.gov.ua/uk/pressroom/4794>

190 <https://www.kmu.gov.ua/news/prezydent-pidpysav-zakon-shchodo-stvorenia-derzhavnoho-fondu-dekarbonizatsii-ta-enerhoefektyvnoi-transformatsii>

191 <https://eefund.org.ua/programa-vidnovidim-die-dopomoga-u-vidbudovi-poshkodzhenikh-budinkiv>

192 <https://greentransform.org.ua/ukrayina-ta-nimechchyna-roz-pochynayut-osnashheniya-ob-yektiv-krytychnoyi-infrastruktury-vde/>

aggression, as well as a grant competition for enterprises in within the scope of the project “Support for energy modernization of enterprises in wartime”.<sup>193</sup>

### **3.5. Accelerating the shift to sustainable and smart mobility**

Russia’s armed aggression caused significant damage to the transport infrastructure, including as a result of targeted attacks on its elements. In addition, as a result of the aggression, international transportation underwent deep changes, in particular, in the direction of reducing sea and increasing land<sup>194</sup>, especially road transportation, the corresponding infrastructure is developed<sup>195</sup>. In fact, rail transit transportation through international corridors between Asia and Europe ceased to function, the airspace was completely closed. With the support of the EU, in 2022, the so-called lines of solidarity were created for the transportation of agricultural products<sup>196</sup>. Transportation through the Danube canals became especially important.

In 2023, the Action Plan for the Implementation of the National Strategy for Creating a Barrier-Free Space in Ukraine was adopted<sup>197</sup>. This, among other things, includes the development of new standards and regulations for accessibility of transport and barrier-free transport infrastructure.

The issue of introducing smart and sustainable mobility is currently mostly considered at the level of individual cities: through the implementation of individual components in the

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193 [https://dixigroup.org/wp-content/uploads/2023/10/2023\\_q7\\_egdmonitor\\_ua.pdf](https://dixigroup.org/wp-content/uploads/2023/10/2023_q7_egdmonitor_ua.pdf)

194 <https://www.epravda.com.ua/columns/2023/07/24/702529/>

195 <https://ports.ua/%D1%94brr-pogodiv-finansuvannya-modernizaczi%D1%97-avtoshlyahu-lviv-rava-ruska-v-koridori-ten-t/>

196 <https://www.dw.com/uk/linii-solidarnosti-es-alternativa-zernovij-ugo-di/a-66334877>

197 <https://zakon.rada.gov.ua/laws/show/372-2023-%D1%80#Text>



development strategy, the development of strategies regarding certain elements of sustainable mobility (for example, regarding the development of electric transport), or through the implementation of individual initiatives. Nevertheless, some cities continue to choose environmentally harmful and unsustainable solutions despite the general trend and movement of Ukraine towards the EU.

## 4. Together for a resilient digital transformation

### 4.1. Digital infrastructure

Several immediate supporting activities were implemented in Ukraine to support the resilience of telecommunications under war conditions:

- National roaming was launched among the three mobile operators, without changing SIM cards or tariffs;
- The EU Member States agreed to apply Ukrainian national tariffs instead of regular roaming tariffs to the mobile communications of Ukrainians residing in EU countries<sup>198</sup>;
- The Ukrainian government accelerated legal processes of strengthening the telecommunication system by adopting Law No. 2078-IX<sup>199</sup>, which simplifies the allocation of land for base stations, both under martial law conditions and in post-war reconstruction. (in addition, Law No. 7487 has cancelled redundant approvals for re-establishing communications after de-occupation of the Ukrainian territories).

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198 <https://digital-strategy.ec.europa.eu/en/library/joint-statement-eu-and-ukrainian-operators-help-refugees-ukraine-stay-connected>

199 <https://zakon.rada.gov.ua/laws/show/2078-20#Text>

On 9 July 2023, the European Commission welcomed the twelve-month prolongation of the operators' agreement allowing displaced refugees from Ukraine to stay connected across borders<sup>200</sup>. The Commission has facilitated the agreement between 22 European and seven Ukrainian operators to prolong the agreement, which was first signed in April 2022, to mutually lower the rates they must sustain to connect calls across borders. The initial agreement was signed in April 2022. The Body of European Regulators for Electronic Communications (BEREC) monitors the impact of the agreement. The latest data demonstrates that the agreement has been efficient in allowing operators to provide affordable calls across borders.

In parallel, the Commission has been preparing to integrate Ukraine into the EU Roaming area, which would provide a more stable and longer-term solution. In April 2023, the EU-Ukraine association committee adopted the Commission's proposal<sup>201</sup> for Ukraine to join the EU Roaming rules. The next step is for Ukraine to fully align their legislation with that of the EU and then for the Council of the European Union to adopt the final decision. Bringing Ukraine into the EU free roaming area is one of the key actions of the revised Priority Action Plan. This plan is the roadmap for the full implementation of the EU-Ukraine Deep and Comprehensive Free Trade Area (DCFTA) and Ukraine's further integration into the EU Single Market.

#### **4.2. e-Governance**

The new European Union funded project (which is the largest project support for Ukraine's digital transformation since 2016) creates very important preconditions for supporting and developing Ukrainian e-Governance sector. The "Digital

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200 <https://ec.europa.eu/newsroom/dae/redirection/document/97301>

201 [https://ec.europa.eu/transparency/documents-register/detail?ref=COM\(2023\)90&lang=en](https://ec.europa.eu/transparency/documents-register/detail?ref=COM(2023)90&lang=en)

transformation for Ukraine” (DT4UA)<sup>202</sup> project launched at the end of 2022 with a budget of 17.4 million euro aimed at improving the efficiency, security and accessibility of public services for citizens and businesses in Ukraine in line with EU requirements. It will also provide rapid response to the needs caused by the war and empower daily governance. The Estonian e-Governance Academy leads the implementation of the DT4UA project budget and activities. The project will be realised in collaboration with the Ministry of Digital Transformation of Ukraine and other stakeholders.

The DT4UA project focuses on four priority areas:

1. Developing digital services and a services provision environment for the ‘Diiia’ e-governance web portal and mobile application.
2. Improving security and data exchange between authorities’ electronic registers and service providers.
3. Developing the eID infrastructure in line with the eIDAS regulation, technical prerequisites for the recognition of Ukrainian trust services (digital identity and digital signature) in EU countries.
4. Developing a secure, safe e-Case management system, enabling more efficient and transparent processing of criminal cases.

In this context and to simplify electronic interactions for doing business with European partners and using qualified signatures obtained in the EU when using various services – Ukraine’s Law 2801-IX “On electronic trust services and electronic identification”<sup>203</sup> was adopted (signed by the President of Ukraine) and will enter into the force on 31.12.2023. This law accelerates the ability of Ukraine to integrate with the EU Digital

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202 <https://ega.ee/project/dt4ua/>

203 <https://zakon.rada.gov.ua/laws/show/2801-20#Text>

Single Market and brings the provisions of national legislation closer to the EU norms in the areas of electronic identification and electronic trust services. Approximately 90 legal acts of Ukraine on electronic trust services and electronic identification services will be brought in line with European standards. According to the Law, Ukraine will recognise the status of European qualified providers, status of qualified electronic signatures used by European qualified providers in the provision of electronic trust services, and a list of trust lists of EU member states – information about which is published by the European Commission.

During 2023 Ukraine has made good progress in being able to recognise the EU's Qualified Trust services and is currently testing the eIDAS<sup>204</sup> node. Also, Ukraine has become the first country to be included in the European Commission's Third Countries Advanced Electronic Signature/seal List of Trusted Lists (TC AdES LOTL<sup>205</sup>), enabling the verification of Ukrainian electronic signatures and seals using the EU infrastructure. Appropriate pilots are expected to be launched to test cross-border authentication between participating countries and Ukraine that will allow testing of operational readiness, compatibility and the use of eID in specific areas before widespread adoption, while also identifying potential breakthrough areas for eID and electronic service implementation.

Meanwhile, the eCustoms activity of the EU4Digital project became as one of the solutions for trade facilitation within the EU-Ukraine Solidarity Lanes initiative<sup>206</sup> (which provides alternative logistics routes via rail, road and inland waterways that were established following the start of Russia's war of aggression towards Ukraine). The EU4Digital eCustoms pilot to establish systematic cross-border data exchange mechanisms

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204 <https://www.eid.as/#article23>

205 <https://eid.as.europa.eu/efda/tl-browser/#/screen/tc-tl>

206 [https://eu-solidarity-ukraine.ec.europa.eu/eu-assistance-ukraine/eu-ukraine-solidarity-lanes\\_en](https://eu-solidarity-ukraine.ec.europa.eu/eu-assistance-ukraine/eu-ukraine-solidarity-lanes_en)

was very timely and well aligned with the objectives of the trilateral cooperation between the EU, Ukraine and the Republic of Moldova within Solidarity Lanes initiative. This will help establishing digital transport corridors operationally complementing the TEN-T network in future.

Another positive precursor for further development of digital transport corridors in EaP region is the selection of Ukraine (together with Moldova and Azerbaijan) to another EU4Digital Facility pilot which aims to provide targeted countries with tailored roadmaps for deploying electronic freight transport information (eFTI) exchange. The roadmaps will be created in line with the European Union's eFTI Regulation<sup>207</sup>, set to come into effect in December 2025, which will simplify and digitise information exchange between shippers, carriers, authorities and other stakeholders involved in the transportation of goods. Implementing an eFTI-like approach in Eastern partner countries will aid their integration into the EU eFTI ecosystem and benefit their authorities and business operators. Ukraine has shown a progress to date in electronic freight transport data exchange on national level, including because of the fact that is currently implementing a national electronic consignment notes management system in road transport (eTTN).

### **4.3. Digital economy and innovation**

In 2023 EU4Digital Facility Phase II initiated a new eCustoms pilot between State Customs of Ukraine and the Romanian Customs Authority, which focused on piloting mechanisms for data exchange between bordering customs administrations. The aim of the Ukraine-Romania pilot was to facilitate customs-to-customs data exchange and introduce more advanced customs risk management processes. The pilot utilises innovative systems, i.e. Systematic Electronic Exchange of Data (SEED).

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207 <https://eur-lex.europa.eu/EN/legal-content/summary/electronic-freight-transport-information.html>

The selected solution is oriented towards automated, advanced ways of exchanging information between countries. This could facilitate the rapid increase of trade flows by targeting high-risk consignments and identifying low-risk ones, thus simplifying customs controls and speeding up border-crossing times. The pilot tested the systematic cross-border exchange of data (during 12-19 June 2023) and served as the impetus for building potential larger scale customs data exchanges in future, between the two countries and beyond.

Basing on Ukraine-Romania pilot EU4Digital Facility kicked off new eCustoms pilot activities. The new pilots planned between participating customs authorities of Ukraine, Moldova and Romania. These pilots are part of a wider programme of EU4Digital eTrade activities to develop cross-border trade in the Eastern Partnership and feature trilateral eCustoms activities between the three countries with the aim to strengthen customs-to-customs data exchanges and introduce advanced customs risk management processes, utilising existing IT solutions. The pilots were designed based on more than eleven years of experience in using the Systematic Electronic Exchange of Data application in the Western Balkans. The Customs Service of the Republic of Moldova, the State Customs Service of Ukraine and the Romanian Customs Authority are all involved simultaneously. This will contribute to the facilitation of trade and streamlining of exports from Ukraine in the context of the Solidarity Lanes programme. Another new aspect of the upcoming pilots is participation of the three countries' phytosanitary authorities, which ensure the health of plants in compliance with the requirements of international trade in agricultural goods. They will also lead to the development of recommendations for each party regarding the required legal, organisational, and technical adjustments needed to enable SEED use at all the border crossing points.

In terms of developing cross-border eCommerce, Ukrainian SMEs and business actors were invited to participate in several relevant initiatives.

EU4Digital eCommerce accelerator<sup>208</sup> was launched on the beginning of 2023 and offers solutions and benefits to participating SMEs through three key activity tracks: (1) update the eCommerce ecosystem, legal and standards recommendations to improve the basis for eCommerce development and create safer and faster online shopping experiences; (2) test a national pavilion account solution on a selected major EU marketplace in two selected Eastern partner countries where SMEs can try starting and selling online (participating stakeholders can test the solution free of charge and get recommendations on its further use); (3) provide eCommerce training and individual consultations for SMEs and develop a sustainable eCommerce training package, strengthening skills for selling on major international marketplaces.

Ukrainian stakeholders were subsequently involved to National Pavilion Account pilot activity<sup>209</sup> which aims to provide small and medium-sized enterprises (SMEs) from participating countries with an opportunity to test their products in the EU market, increase cross-border sales, and potentially create a base for further project development in their respective countries by creating government-owned national pavilion accounts on major EU eCommerce marketplaces and support SMEs from participating countries in using those accounts without further registration, documentation or other requirements from the marketplaces. The first milestone reached was the selection of Armenia and Ukraine as the National Pavilion Account pilot countries. Two successful eCommerce platforms, “Buy

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208 <https://eufordigital.eu/eu4digital-e-commerce-accelerator-kicks-off-activities-for-eap-smes/>

209 <https://euneighbourseast.eu/news/latest-news/eu4digital-e-commerce-accelerator-kicks-off-pilot-initiative-in-armenia-and-ukraine/>

Armenian” in Armenia and “Made with Bravery”<sup>210</sup> in Ukraine, were chosen as the pilot National Account Owners. The next step for the pilot – to select the Product Owners (SMEs) from each country to create the accounts on the marketplaces and register for VAT in the EU, and finally to start selling products on the marketplaces.

Following the above, Ukrainian SMEs were invited to apply for ITC-supported EU4Digital eCommerce consultations centre programme. Involved Ukrainian stakeholders began the eCommerce consultations centre programme in April and successfully completed activities<sup>211</sup>. In the eCommerce consultations centre programme, these companies learned how to register and start selling on EU marketplaces.

In terms of developing startups ecosystem Ukrainian business has significantly intensified its activities on the basis of the EaP Startups ecosystem platform<sup>212</sup> that was launched by EU4Digital Facility in partnership with Dealroom. More than 1,400 verified startups from Ukraine are already registered on the platform. This platform helps in seeing the whole palette of startups investment opportunities and mapping particular ecosystem landscapes.

At the same time, Ukraine’s Ministry of Digital Affairs is actively working on the draft strategy for development of the country’s innovation ecosystem<sup>213</sup>. The strategy, announced in early April, was created with inputs from a wide range of stakeholders and defines priority areas and packages of initiatives. The draft strategy defines the following priority innovation

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210 <https://shop.brave.ua/>

211 <https://eufordigital.eu/eu4digital-and-itc-boost-cross-border-ecommerce-of-ukrainian-smes/>

212 <https://eapstartups.co/>

213 <https://www.kmu.gov.ua/news/rozvyvaiemo-tsyfrovu-derzhavu-do-luchaitesia-do-obhovorennia-stratehii-rozvytku-ekosystemy-innovatsii-v-ukraini>



areas: Defence Tech, Artificial Intelligence, FinTech, Green Tech, AgriTech, Cybersecurity, and Industry 4.0. It consists of 10 packages of initiatives in various spheres of activity. These include the development of a culture of innovative entrepreneurship, programmes for the incubation and acceleration of start-ups, the innovative transformation of small and medium-sized businesses, and high-tech exports.

#### **4.4. Cyber resilience – Cybersecurity**

Importance of building resilience in Ukraine's digital transformation for tackling Russian hybrid threats and cyberattacks was acknowledged by the EU and enhanced cybersecurity cooperation between Ukraine and the EU was highlighted during the 24th EU-Ukraine Summit in February 2023<sup>214</sup>.

Following this the Cabinet of Ministers of Ukraine adopted a resolution<sup>215</sup>, which defines the country's cybersecurity procedure for responding to cyber-incidents and cyber-attacks. As the number of cyber-attacks against Ukraine has grown since the conflict with Russia began, the new resolution aimed to make it possible to react in time and plan cyber-defence measures.

The determined order in Ukraine's new procedure enables the country's cyber-resilient response to:

- quickly identify and defend against cyber incidents or cyber-attacks;
- report on risks, prevent negative consequences or minimise them;
- identify and fix vulnerabilities;

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214 [https://www.consilium.europa.eu/en/press/press-releases/2023/02/03/joint-statement-following-the-24th-eu-ukraine-summit/?utm\\_source=dsms-auto&utm\\_medium=email&utm\\_campaign=Joint%20statement%20following%20the%2024th%20EU-Ukraine%20Summit](https://www.consilium.europa.eu/en/press/press-releases/2023/02/03/joint-statement-following-the-24th-eu-ukraine-summit/?utm_source=dsms-auto&utm_medium=email&utm_campaign=Joint%20statement%20following%20the%2024th%20EU-Ukraine%20Summit)

215 <https://www.kmu.gov.ua/news/posyliuiemo-kiberbezpeku-uriad-zat-verdyv-mekhanizm-reahuvannia-na-kiberataky>

- restore the stability and reliability of the functioning of information systems, electronic communication systems, information and communication, technological systems and other objects of cyber protection.

The procedure for responding to cyber-attacks and cyber-incidents includes several stages: preparation, detection and analysis, containment, elimination, recovery, and analysis of the effectiveness of the response measures. The resolution also defines the criticality of cyber-attacks and cyber-incidents.

The document was developed in terms of the implementation of the Cyber Security Strategy Implementation Plan of Ukraine<sup>216</sup> that declares active cooperation with EU Agency for Cybersecurity and relevant EU institutions.

## **5. Together for Resilient, Fair, and Inclusive Societies**

### **5.1. Civil Society and Youth Participation**

Ukraine has established various strategic documents to enhance civil society engagement, such as the 2021-2026 national strategy for promoting civil society development (September 2021), the national barrier-free strategy, and the national human rights strategy. Despite the challenges posed by Russia's war of aggression and the imposition of martial law, the implementation of these documents has persisted. Furthermore, in February 2023, the action plan for executing the national civil society strategy until 2024 was officially endorsed.

Ukraine's youth policy is guided by the law on basic principles of youth policy, the strategy for the development of youth policy until 2030, and the state-targeted social program "Youth of Ukraine" for 2021-2025.

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216 <https://www.president.gov.ua/documents/372022-41289>

The EU will also increasingly focus on youth participation and leadership. The Erasmus+ and European Solidarity Corps programmes will empower the young generation by contributing to the establishment of inclusive and evidence-based youth policy, developing skills, supporting volunteering and cooperation projects.

## **5.2. Independent Media and Fact-Based Information**

According to the MFA of Ukraine protecting freedom of speech, free expression and creating a favorable environment for journalists have always been integral components of Ukrainian society.

A Ukrainian media law aligns Ukraine's legislation with the EU audio-visual media services directive and empowers the independent media regulator. This legislation envisages the legal framework for the operation of media entities in Ukraine, along with outlining the principles governing state administration, oversight, and regulation in this domain. Council of Europe provided an expert opinion on the compliance of the Law "On Media" with the EU Directive 2018/1808 on audiovisual media services (AVMSD) which says that the law "On Media" complies with the Directive and standards of the Council of Europe.

However, although the majority of Ukrainian journalists believe that freedom of speech is preserved in Ukraine even under martial law, they also consider that the united news telethon should be stopped and that it is a form of censorship. The majority of media workers (78%) say that the Russian invasion has resulted in a bigger number of self-censorship cases. Among the reasons that force journalists to self-censor, three are key: fear of making a mistake or difficulties in verifying information and personal beliefs (45% each) and fear of losing a job (44%). Thus, regarding whether censorship exists in Ukraine, 26% of respondents point to its systemic nature, 38% answered that it exists in some mass media, and 31% believe that censorship exists only in isolated cases.

### **5.3. Democracy**

Despite Russia's full-scale invasion in February 2022 and the ongoing war of aggression, Ukraine has persistently made strides in democratic and rule of law reforms. The awarding of EU candidate status to Ukraine in June 2022 has spurred a heightened pace in reform efforts. Legislative tasks are systematically executed, establishing the foundation for an uninterrupted democratic decision-making process.

However, Ukraine would normally hold presidential elections every five years, meaning that in normal circumstances the next election should take place in March 2024. A parliamentary election should have been held in October 2023. But the Ukrainian constitution states that elections cannot take place while the country is under martial law. Ukrainian officials and civil society leaders say no effective elections can be held amid a Russian invasion that now occupies about 18 percent of Ukraine's territory and has uprooted at least 11 million Ukrainians from their homes. OPORA, a Kyiv-based, non-partisan civic organization that promotes government accountability and monitors elections circulated a letter among civil society organizations declaring that "elections and full-scale war are incompatible;" any attempt to hold national elections amid Russia's invasion "is extremely dangerous and will lead to the loss of legitimacy of both the process and the elected bodies, and with a high probability of significant destabilization of the state."

### **5.4. Protection of Human Rights and Promotion of Gender Equality**

In December 2022, Ukraine enacted new legislation addressing national minorities, receiving positive feedback despite some perceived ambiguity in language rights. The law aligns with conventions on minority protection, to which Ukraine is a signatory. Some EU member states, particularly Hungary and Romania, criticized the law, advocating for amendments

to educational language policies. Ukraine aims to engage in constructive dialogue with these nations, considering revisions to gain EU approval for accession negotiations.

On September 21, 2023 the Parliament, approved amendments to the law on national minorities. The changes newly adopted by the Parliament updated the definition of national minorities, stipulating that “a national minority (community) of Ukraine is a stable group of citizens of Ukraine who are not ethnic Ukrainians, reside within the internationally recognized borders of Ukraine, are united by common ethnic, cultural, historical, linguistic, and/or religious characteristics, identify themselves as such, and express a desire to preserve and develop their linguistic, cultural, and religious identity.”

The law now also allows holding public and cultural events and publishing advertisements fully in the language of national minorities within the given community. This does not apply to the language of an aggressor country, specifically the Russian language.

The number of registered discriminations against minorities, including against LGBTIQ persons and national minorities as well as antisemitic acts, has strongly decreased.

In August 2022, the Cabinet of Ministers adopted the 2030 state strategy to ensure equal rights and opportunities for men and women. This comprehensive document addresses gender inequality and promotes women’s participation in public institutions, the economy, and environmental issues, among other crucial aspects. However, this legislation is generally declarative in nature. According to the Ministry of Economy of Ukraine, the gender pay gap in Ukraine stands at 18,6% compared to 13% in the European Union.

In early May 2023, the Government of Ukraine, with the personal support of Olena Zelenska, the First Lady of Ukraine presented the National Strategy and Action Plan to reduce the gender pay gap in the country. In addition to constituting equal

opportunities, pay equity is also a means to the recovery and post-war reconstruction of Ukraine as the country urgently needs to increase female participation in the labour force. The ILO provided technical assistance to the drafting of the strategy. The initiation of the strategy and action plan, collaboratively orchestrated by the ILO and UN Women, took place on 11 May in Kyiv under the patronage of Olena Zelenska. This signifies a significant advancement in the endeavor for gender equality in Ukraine.

Meanwhile, Russian full-scale invasion of Ukraine has had a disproportionate effect on women and girls. They represent the great majority of refugees, and internally displaced.

### **5.5. Health Resilience**

Ukraine is actively implementing its 2023 public health strategy, showcasing progress in the adoption of the Law on Public Health and its related legislation.

According to the WHO's findings Ukraine's health system remains resilient and that overall access to health services remains fairly high. However, results also show that more than half of those who sought various types of health care faced at least one problem, with the main barriers being the cost of medicines and treatment, and challenges relating to time and transport.

Despite the introduction of the e-health system (The project involves development of the Ukrainian national health system to ensure the availability of high-quality medical data in real time through REST API. The system employs electronic digital signatures and blockchain-like algorithms to ensure data integrity and security. It's one of the world's largest HL7 FHIR-based projects in production, with over 35 million users. The system was built to meet the high-load demands (1 000 RPS current system load)), issues persist, such as fragmentation in health data and the absence of a comprehensive health information system strategy. The current legal framework also requires further development.





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