

The impact of ‘foreign agent law’ on civic space and the enabling environment for sustainable development in Georgia

Background: Suppressing civil society, stifling rights, and embracing authoritarianism

The ruling party in Georgia has escalated its crackdown on civil society, independent media, and political opposition as the country approaches its parliamentary elections on October 26, 2024. Simultaneously, the Georgian Dream government has ramped up disinformation and smear campaigns against key partners, including the United States and the European Union, while cosying up to authoritarian regimes like Russia, China, Iran, and Hungary. This shift weakens Georgia’s longstanding dedication to European integration, which has played a central role in its developmental framework and strategy, fostering advancements in governance, competitiveness, and human and environmental rights over the last few decades.

In recent months, **the government has ramped up its legislative push to tighten control, erode checks and balances, and weaken human rights and environmental protections.** In June 2024, the Parliament passed the ‘Law on Transparency of Foreign Influence,’ which forces media and civil society organisations receiving over 20% of their funding from abroad to register as ‘organizations implementing interests of a foreign power’. The law aims to stigmatise dissent and silence opposition to the government. Simultaneously, it restricts citizens’ civic space and limits their opportunities to shape their own development agenda. The Venice Commission, the Council of Europe’s advisory body, has warned that the law restricts freedom of expression, association, and privacy.¹ The government met months-long widespread protests against the

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¹Venice Commission, [Urgent Opinion on the Law on Transparency of Foreign Influence](#), Council of Europe, 21 May 2024



‘foreign agent law’ with police force, arbitrary fines, arrests, and a wave of intimidation and defamation campaigns.²³

The ruling party has also pursued an aggressive homophobic, anti-LGBTIQ agenda and adopted a bill, ‘On Protection of Family Values and Minors’, as well as a set of amendments to 18 existing laws, to demonstratively prohibit a number of rights that are already unavailable to queer people in Georgia.⁴ The move comes after years of hatemongering and government-sanction pogroms of LGBTIQ rallies and events and exploits existing prejudices to rally far-right support ahead of the October elections.⁵

Georgia’s governance and competitiveness have long been undermined by a lack of judicial independence, with the government also weaponising the country’s anti-corruption bureau.⁶ Further, in 2024, the Georgian government amended the tax code to allow offshore companies with subsidiaries in Georgia to transfer assets tax-free, potentially facilitating an influx of illicit funds and helping ruling party founder Bidzina Ivanishvili and its allies evade Western sanctions.⁷ Another amendment gave the Prime Minister overreaching control over the Pension Fund, enabling its use for riskier political projects while reducing oversight.⁸ Changes to the National Bank’s management structure also allowed a vice president to shield an associate of oligarch Ivanishvili from sanctions, leading to the IMF suspending its stand-by arrangement with Georgia.⁹

The ramifications: current and potential fallout of Georgia’s strategic shift

Georgia’s key strategic partners, including the EU, its member states, and the U.S. have reassessed their relations with the Georgian government while maintaining support for the Georgian people. The European Council has paused Georgia’s EU accession process. Additionally, along with France and Germany, it has suspended some of its bilateral aid.¹⁰ Meanwhile, the U.S. announced a comprehensive review of U.S.-Georgia relations, halting direct assistance and announcing its sanctions package targeting the Georgian Dream leadership, its associates, and key figures taking part in violent attacks on the anti-foreign agent law protests in 2024 and queer protest actions in 2021 and 2023.¹¹

Following the passage of the ‘foreign agent bill’, Georgia’s currency, GEL, depreciated by 7 per cent against the U.S. dollar while shares of the country’s two largest banks plummeted on the London Stock Exchange.¹²

² Front Line Defenders, [‘Defamation and Intimidation Attacks against Human Rights Defenders in Georgia must be investigated’](#), *Front Line Defenders*, 10 May 2024.

³ Human Rights Watch, [‘Georgia: ‘Foreign Influence’ Bill Threatens Rights’](#), *Human Rights Watch*, 9 May 2024.

⁴ Shota Kincha, [Explainer | What’s in Georgia’s new anti-queer bill?](#), *OC Media*, 20 June 2024.

⁵ Sophiko Megrelidze, Dasha Litvinova, [Georgia’s anti-LGBTQ+ measures raise fears of hate crimes in the conservative South Caucasus nation](#), *AP News*, 26 September 2024.

⁶ Civil.ge, [Breaking: TI Georgia Won’t be Able to Observe October Elections Under Its Name](#), *Civil.ge*, 30 September 2024.

⁷ Tata Shoshiashvili, [‘Georgian Dream eliminates taxes on offshore assets brought to Georgia’](#), *OC Media*, 19 April 2024.

⁸ Civil.ge, [‘Parliament Adopts Changes to Pension Legislation Fueling Fears Over Citizens’ Savings and Corruption’](#), *Civil.ge*, 27 June 2024.

⁹ Tornike Mandaria, [Georgia’s National Bank president confirms suspension of IMF programme](#), *BNL intellinews*, 28 September 2023.

¹⁰ Sophiko Megrelidze and Lorne Cook, [EU halts Georgia’s accession to the bloc, freezes financial aid over much-criticized law](#), *AP News*, 9 July 2024.

¹¹ Treasury Sanctions Georgian Officials and Extremists for Serious Human Rights Abuse, [US Department of the Treasury](#), 16 September 2024.

¹² Brawley Benson, [Georgia: Market reaction shows ‘foreign agents’ law is bad for business](#), *Eurasianet*, 17 May 2024.

Fitch downgraded Georgia’s outlook from Positive to Stable, maintaining a ‘BB’ rating,¹³ and the IMF warned that worsening governance indicators ‘pose downside risks’.¹⁴

Georgia’s increasing alignment with authoritarian regimes and use of state institutions to serve private interests, notably those of oligarch Bidzina Ivanishvili and his associates, threaten the country’s governance, economic stability, and the sustainability of investments. This authoritarian shift also risks destabilising the geopolitical balance in the South Caucasus and poses challenges to the EU-backed Middle Corridor initiative. The recent decision to build the strategic Anaklia Deep Sea Port through a China-led consortium highlights the growing influence of Georgia’s strategic partnership with China.

Responses: what can international financial institutions do?

International financial institutions have played a major role in Georgia’s development, with the World Bank managing 13 active projects worth USD 1.4 billion. At the same time, ADB and EBRD’s portfolios total up to USD 2 billion. However, their objectives – boosting competitiveness, infrastructure, human capital, and digital innovation – are at risk due to governance failures, which could trigger outward migration of skilled labour, increasing inequality, unemployment and poverty levels. A set of actions must be considered:

- Ensure a comprehensive review of the World Bank’s country partnership framework (CPF) for Georgia by ensuring the involvement of civil society in the CPF preparation and considering emerging risks such as shrinking civic space, state capture and geopolitical realignment;
- Enhance coordination among all development partners and donors on future actions;
- Openly inform the government and the Georgian public about the potential impact of recent legislative changes, including the anti-queer and ‘foreign agent’ laws on investment sustainability and the business environment;
- Communicate positions on repressive and unsustainable legislation during bilateral discussions with the government and share these views with national civil society and the media;
- Suspend all public sector support for Georgia due to the heightened risk of projects failing to meet performance standards because of restricting opportunities for meaningful stakeholder participation;
- Establish clearance procedures for private sector loans concerning politically exposed individuals and connections with the ruling Georgian Dream party;
- Seek investments and opportunities that will provide tangible benefits for the Georgian people and the broader public.

¹³ Fitch, [Fitch Revises Georgia's Outlook to Stable: Affirms at BB](#), Fitch, 21 June 2024

¹⁴ IMF, [Georgia: 2024 Article IV Consultation-Press Release: Staff Report: and Statement by the Executive Director for Georgia](#), IMF, 24 May 2024