

REGULATORY COMPLIANCE AND LEGAL RISK ASSESSMENT FOR NON-PROFIT ORGANIZATIONS IN GEORGIA

Introduction

If your Georgian non-profit organization receives, or plans to receive, cross-border support to finance its work, staying compliant with local regulations is essential.

Recent legislative developments in Georgia have introduced increased regulation and governmental scrutiny around foreign funding. Whether your organization relies on international grants, donations, crowdfunding, or technical assistance, understanding your compliance obligations is key to mitigating legal risks. The following normative acts could apply to your organization depending on the type of activities, funding, etc.:

- (i) **Law of Georgia on Grants** - establishes general principles governing the issuance, receipt and use of grants in Georgia and therefore applies when an organization receives or uses a grant;
- (ii) **Transparency Law** - regulates registration of entities as organizations pursuing the interests of a foreign power and transparency of their activities, including where the statutory threshold or other criteria for registration are met; and
- (iii) **Foreign Agents Registration Act** - regulates registration and disclosure obligations applicable to entities acting on behalf of foreign principals in the circumstances specified by the Act.

What this guide covers:

- Key compliance requirements for foreign-funded NPOs in Georgia
- Potential legal risks and regulatory obligations
- Practical steps to ensure your organization remains compliant

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This document provides a general overview and should not be treated as a substitute for legal advice. The relevant legislation, implementing practices, and enforcement approaches may change. Each organization should obtain an individual assessment based on its activities, funding arrangements, governance structure, and relationships with foreign donors and partners.

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Requirements Under the Law of Georgia on Transparency of Foreign Influence

[The Law of Georgia on Transparency of Foreign Influence, adopted in May 2024](#) (the “Transparency Law”), establishes a public registry for certain entities receiving financing from foreign sources.

Under Article 2 of the Transparency Law, a non-entrepreneurial non-commercial legal entity may be classified as an “organization pursuing the interests of a foreign power” where more than 20% of its total non-commercial income received during a calendar year originates from a foreign power¹. Certain categories of entities specified by law, specifically the National Sports Federation of Georgia as provided for by the Law of Georgia on Sports, or a blood establishment as provided for by the Law of Georgia on the Quality and Safety of Human Blood and Its Components are excluded from this definition.

For the purposes of the Transparency Law, income may be treated as originating from a foreign power where:

- (a) it is received directly or indirectly from a foreign power;
- (b) it is received directly or indirectly from a legal entity that has itself received the relevant income from a foreign power; or
- (c) the source of the income cannot be identified.

Income includes money and other tangible assets with a property value, including movable and immovable property calculated at its current market value.

The term “foreign power” generally includes foreign state authorities, individuals who are not Georgian citizens, legal entities established outside Georgia, and organizations or associations established under foreign or international law.

As a result, international grants, donations from foreign individuals or entities, and certain cross-border crowdfunding contributions may be counted toward the statutory 20% threshold.

When an organization’s foreign-source income reaches the applicable threshold, it may be required to apply for registration with the Public Registry in January of the following year. Following registration, the organization may also be required to submit annual financial declarations until its foreign-source income falls below the statutory threshold and the organization becomes eligible to apply for deregistration.

The State Audit Office is authorized to monitor entities that fall within the scope of the Transparency Law and to identify potential violations.

Liability

Failing to meet reporting deadlines or registration rules under the Transparency Law carries steep financial sanctions:

- **Failure to Register / Submit Declarations:** Fine of **GEL 25,000** for missing the required timeframe.
- **Other Compliance Violations**, such as:

¹ Foreign power is defined as: a) an entity within the government system of a foreign state; b) a natural person who is not a citizen of Georgia; c) a legal person that has not been established under the legislation of Georgia; d) an organizational entity (including a foundation, an association, a corporation, a union, or other type of organization) or other form of association of persons, which has been established under the law of a foreign state and/or international law.

- **Failure to Submit the Required Application:** Failure to comply with the requirement under Article 4(2) of the Transparency Law to electronically complete and submit the application to the State Audit Office, in the prescribed form, within 10 business days of being granted access to the relevant website, may result in a fine of **GEL 10,000**.
- **Failure to Remedy Identified Deficiencies:** Failure to remedy deficiencies in an application or financial declaration within the timeframe prescribed by the State Audit Office may result in a fine of **GEL 10,000**. Where the same violation continues within one month following the imposition of the preceding administrative penalty, a fine of **GEL 20,000** applies.
- **Failure to Provide Requested Information:** Failure to provide information requested by the State Audit Office pursuant to the Transparency Law may result in a fine of **GEL 5,000**. This may include failure to provide information requested by the State Audit Office for the purposes of examining an application or financial declaration or conducting monitoring.
- **Failure to Submit an Application Following Monitoring:** Where an entity meeting the statutory criteria has avoided registration and is subsequently registered by the State Audit Office as a result of monitoring, failure to complete and submit the required application within 10 business days may result in a fine of **GEL 10,000**.

Important Enforcement Note:

Administrative liabilities can be imposed within statutory time limits under the Administrative Offences Code of Georgia. As a general rule, administrative liability may generally be imposed within 3 months from the date of the administrative offence, or in the case of a continuing offence, within 3 months from the date of its detection. However, please note that the applicable period may vary depending on the circumstances of the relevant administrative offence and any specific statutory provisions governing it.

Please note that **filing an appeal against a fine does not automatically suspend its enforcement** - the penalty may still be collected while the legal challenge is pending.

2. Requirements Under the Foreign Agents Registration Act

Unlike the percentage-based threshold established under **the Transparency Law**, [the Foreign Agents Registration Act](#), introduced in April 2025 (the “Agents’ Law”), applies criteria related to the nature of the relationship between a Georgian entity and a foreign principal.

Under the Agents’ Law, a local non-profit may be targeted if it is seen as acting on behalf of - or under the control, direction, or request of - a foreign principal (such as an international donor, foreign government, or overseas partner).

Entities or individuals that meet the statutory definition of a foreign agent may be required to register with the State Audit Office.

The term “foreign principal” is defined as follows:

- a.) a government of a foreign country or a foreign political party;
- b.) a person outside of the territory of Georgia, unless such person is a citizen of Georgia and is domiciled within the territory of Georgia, or such person is not a natural person, but it is established and organized in accordance with the legislation of Georgia and its principal place of business is in the territory of Georgia;
- c.) a group of partners, an association, a corporation, an organization or other combination of natural persons whose activities are regulated by the law of a foreign country or whose principal place of business is in the territory of a foreign country.

Does receiving foreign funds automatically make you an agent?

No. Simply receiving or using international funding does not automatically mean you are acting on behalf of a foreign entity.

The key factor is control and direction: Is there an agreement where the donor directs or influences your specific activities? Because every grant agreement is different, whether a project falls under the law depends on the exact terms of your contract and donor relationship.

In the event that the organization triggers the agency criteria set out above, a separate registration statement must be submitted to the State Audit Office within ten days of establishing the foreign relationship. This framework mandates bi-annual financial disclosures, updated every six months.

Liability

Violations of the requirements set out under the Agents' Law carry severe legal consequences, including significant financial penalties and criminal liability.

Statutory Penalties:

- Fines of up to 10,000 GEL
- Imprisonment for up to 5 years

Recommendation for NPOs: Given these serious consequences, organizations should carefully assess all agreements and working arrangements with foreign donors, partners, or affiliated entities before undertaking relevant activities.

3. Requirements Under the Law of Georgia on Grants

Following major legislative changes in **April 2025**, Georgia's framework for cross-border funding was completely restructured. Receiving foreign support is no longer a simple private agreement between a donor and an NPO—it now requires **formal prior authorization from the state**.

What Counts as a "Grant"?

The legal definition of a grant has been significantly expanded. It now includes both monetary funding and in-kind support (such as equipment, software, or technical assistance/expert training) from a foreign entity if it is intended to:

- Influence state institutions or public opinion
- Execute public interest projects

Note: Even purely humanitarian or non-political activities may fall under state oversight due to the broad wording of the law.

How the Approval Process Works

- **Donor-Led Application:** The foreign donor must formally apply to the Government of Georgia (GoG) for approval *before* signing the grant agreement, submitting the draft contract, full budget, and project timelines.
- **Review Timeline:** State review takes **1 to 3 months**.
- **If Denied:** Funds remain blocked even if the decision is appealed in court.

Enforcement & Oversight

The **State Audit Office** supervises compliance and has broad authority to inspect financial records, request internal data, and audit unauthorized foreign grants.

Liability

Severe Penalties for Non-Compliance

Receiving or using an unauthorized foreign grant carries severe legal consequences under Georgian law, including criminal liability.

Under Article 3191 of the Criminal Code of Georgia, it is illegal to:

- Receive or use foreign grant funds (directly or indirectly) without prior state consent.
- Use foreign grant funds for political or public interest activities outside the purpose specified in the approved documentation.

Penalties include:

- Fines of at least **GEL 100,000** for a legal entity (*50 times the minimum fine of GEL 2,000 applicable to an individual*). However, the exact amount is determined by the court based on the severity of the offence, benefit obtained from the offence, and the entity's financial condition;
- 300 to 500 hours of community service;
- Imprisonment for up to 6 years.

How to Protect Your Organization

Transitioning to foreign grants or international crowdfunding introduces strict compliance requirements. To mitigate legal risks and avoid severe penalties, organizations should take the following precautionary measures:

- **Track Your Funding Ratios:** Implement internal financial tracking to monitor the exact proportion of foreign versus domestic funding.
- **Verify Donor Pre-Approval:** Ensure your foreign donor completes the mandatory state approval process *before* you sign any agreement or receive funds.

- **Review Agreements Early:** Assess all partnerships, contracts, and donor expectations prior to launching international projects.²

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Other available resources:

[European Banking Guide](#) - This series of guides on banking conditions in European countries is a resource for CSOs that wish to open a bank account in select countries or compare banking conditions between countries. You can also use the [PILnet Banking HelpDesk](#) as a resource to navigate challenges with banks in the EU.

[Employment Compass](#) - legal regulations of employment, service, or volunteering agreements.

² Note that every agreement and every arrangement is unique in its way. The general recommendation is to assess the source of funding within the framework of the agreement and if the transaction may in any way qualify as a foreign grant, have it approved by the Government.

Please keep in mind that in practice, the processing of applications for approval may take unreasonably long.