

PUBLIC

**DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

**STRATEGY FOR
GEORGIA**

**REPORT ON THE INVITATION TO THE
PUBLIC TO COMMENT**

PUBLIC

1. INTRODUCTION

The objective of this report is to summarise key comments received from stakeholders during the consultation period dedicated to the Bank's strategy for Georgia and provide the Bank's management responses to these. The comments received during the public consultation period were reviewed by the Bank's management and reflected in the strategy as appropriate.

In accordance with the EBRD Public Information Policy (PIP), the draft strategy for Georgia was posted on the EBRD website in English and Georgian for 45 calendar days from 02 August 2016. The public was invited to submit comments on the draft strategy no later than 16 September 2016. For information, the previous strategy was also made available on the website in English and Georgian at

<http://www.ebrd.com/where-we-are/georgia/overview.html>.

Information about the public consultation process was posted on the EBRD's dedicated webpage "Have your say", which highlights the latest opportunities for the public to comment on the Bank's policies and strategies under review. In addition, targeted notifications of the consultation process were sent to local and international civil society organisations (CSOs) that have expressed interest in the Bank's work in the country.

Three comments on the draft strategy for Georgia were received during the public consultation period.

In line with the Bank's increased efforts to involve civil society at an early stage of country strategy development, the EBRD organised a consultative meeting with civil society organisations on 13 April 2016 in Tbilisi to gather civil society's feedback during the preparatory phase leading to the draft strategy. The consultation provided a platform for dialogue between civil society representatives and EBRD staff involved in the strategy preparation process, including senior management, senior political counsellors and economists. The consultative meetings were chaired by the Head of the EBRD Resident Office in Tbilisi. A summary of the meeting and a list of participating organisations are provided in the Annex to this report.

2. PUBLIC COMMENTS AND STAFF RESPONSES

Reference	Comment	EBRD Response
Operational environment		
Activities of international organisations and areas of cooperation and complementarity with EBRD	The draft strategy should be better aligned with the directions indicated in the EU's Single Support Framework, including in agriculture and regional development, as well as the sustainable transport sector.	The Bank has closely consulted with the EU Delegation in Georgia when developing this strategy, while the European Commission office at the EBRD has deemed the strategy well aligned with the EC's key objectives in Georgia. As mentioned under Priority 1, Agribusiness will be a sector of key focus for EBRD in the upcoming strategy period, while sustainable transport will be addressed both under the Bank's framework of "green cities" and climate change adaptation work, as spelled out under Priority 4.
Resource efficiency and climate change context	The Bank should enhance its policy dialogue efforts in order to encourage energy efficiency and sustainable energy planning, while ensuring complementarity with the efforts of other donors. In particular, the EBRD should support the development of a law on energy efficiency warranting the participation of CSOs in the process.	<p>The EBRD is supporting the Georgian Ministry of Energy and the Ministry of Economy and Sustainable Development in a comprehensive policy dialogue assignment with the objective to develop the first National Energy Efficiency Action Plan (NEEAP) in Georgia. Stakeholder consultation and coordination with International Financial Institutions (IFIs) on the draft document are part of this process. The formal consultation period on the NEEAP is expected to start in January 2017 and will include CSOs, donors, other IFIs, and relevant government stakeholders.</p> <p>The Bank may consider providing further support with NEEAP implementation and other policy dialogue work. The EBRD is committed to ensuring compliance with its stakeholder engagement and information disclosure requirements for the implementation of any current or future policy assignments, as per the its Environmental and Social</p>

		Policy and Public Information Policy.
Strategic orientations		
Strategic directions	<p>The expansion of the PPP model to new sectors, in particular infrastructure development, should be reconsidered, in view of the Bank's previous experience with its PPP portfolio, in Georgia and other countries. Specifically, in the transport and connectivity sectors PPP projects should only be developed following an affordability assessment and ensuring thorough quality control.</p>	<p>The Bank considers well-structured PPPs to be a well-suited tool for delivering high-quality services while balancing the costs for the state budget. EBRD will only support PPP projects that are backed by reputable sponsors, ensuring highest levels of transparency and corporate governance as well as taking environmental considerations into account. The Bank also assesses affordability issues and in cases of risks of unaffordability requires mitigation measures to be put in place by clients.</p> <p>The Bank is also supporting the PPP regulatory framework in Georgia through an on-going advisory project, which contributes to the appropriate structuring of PPP projects.</p>
	<p>Comments received raised concerns about the Bank's past and envisaged investments in hydropower projects from environmental, social, transparency and diversification points of view. It suggested that the Bank should integrate lessons learned in a more transparent manner, and demonstrate a higher commitment to applying its Environmental and Social Policy in the hydropower sector. Cost-benefit analyses of alternatives at the national level should be undertaken for specific projects.</p>	<p>All EBRD projects are structured to comply with the Bank's Environmental and Social Policy (ESP), which includes the assessment of alternatives on the basis of relevant Strategic Environmental Assessments. The Bank monitors the effective management of its projects' impacts on local communities and corresponding mitigation measures. In response to lessons learned in previous projects, the EBRD will review due diligence information to ensure an adequate level of detail is provided in the Environmental and Social Impact Assessment (ESIA) on technical issues related to environmental decisions.</p> <p>The EBRD is fully committed to the principles of meaningful stakeholder participation processes, which are undertaken in compliance with the ESP. Where gaps are identified the Bank</p>

		<p>is working with its clients to put in place remedial actions.</p> <p>The assessment of cost-benefit analyses of alternatives at the national level is typically not done at the Project level, but can be supported by EBRD through policy dialogue and technical cooperation where appropriate.</p> <p>As per best practice, specific Project level issues raised in comments received will not be covered in detail in the Report on the Invitation to the Public to Comment, but will be addressed in a different format as appropriate.</p>
	<p>A national energy strategy including an energy needs assessment should be undertaken and serve a basis for the development of energy sector projects in line with Georgia's economic priorities taking into account social and environmental impacts, including cumulative impacts.</p>	<p>There is an existing national energy strategy which has been developed by the Georgian Government (www.energy.gov.ge/ministry.php?lang=geo&id_pages=12).</p> <p>The World Bank, with input from the EBRD, is supporting the Government of Georgia with the preparation of strategic development scenarios of Georgia's power sector. The assignment started recently and results are expected to be available in Q3 2017.</p> <p>Considerations related to cumulative environmental and social impacts are evaluated as part of the Bank's project appraisal process, and appropriate mitigation plans are put in place in line with the Bank's Environmental and Social Policy.</p>
	<p>Comments received expressed concerns about the non-disclosure of contracts and Memoranda of Understanding (MoUs) between the Government of Georgia (the Ministry of Energy) and Hydro Power Plant (HPP) developers, and urged the Bank to prioritise the transparency of energy sector agreements.</p>	<p>Transparency is a key principle guiding the work of the EBRD. Its commitment to enhancing the transparency of its activities is embodied in the Bank's Public Information Policy (PIP). Information will be made available in the absence of a compelling reason for confidentiality.</p> <p>MoUs signed between the Ministry of Energy of Georgia and developers are public, and more than 130 MoUs can be</p>

		<p>accessed at: http://www.energy.gov.ge/investor.php?id_pages=53&lang=geo</p> <p>Contracts between the Government and clients are considered confidential; the Bank is not party to these contracts and does not have the authority to disclose such confidential documents.</p>
	<p>In the context of support envisaged by the Bank for the development of renewable energy resources and the diversification of the state's energy mix, a CSO comment suggested that the balance of investments in hydropower plants versus exploration of opportunities in wind power generation and solar should be reconsidered in favour of the latter.</p>	<p>As outlined under Priority 4, the Bank will look for opportunities to support wind and solar power generation, in addition to its efforts in developing Georgia's hydropower potential. As an example, in 2016, the Bank provided financing for the first commercial wind power plant in the South Caucasus, which is expected to serve as a model for other investments in this sector and support the diversification of the country's renewable resources.</p>
<p>Environmental and Social Implications of Bank Proposed Activities</p>	<p>Welcoming the Bank's commitment to supporting private sector competitiveness through convergence with DCFTA standards, among others, a CSO comment encourages the Bank to engage in policy dialogue with the Government of Georgia and the Investors Council in order to address gender gaps, especially in the Labour Code of Georgia and in employment practices.</p> <p>A CSO comment also recommended that the Bank should define envisaged gender equality measures and targets in a more concrete manner in the country strategy. The CSO comment furthermore suggested that the Bank should support the establishment of a legal framework for safeguarding labour and gender rights.</p>	<p>Gender related issues have been mainstreamed within the Georgia Country Strategy Document. It is stated that EBRD "<i>will continue its efforts to ensure that clients' HR policies and labour practices are compliant with relevant ILO conventions as ratified by Georgia</i>". Thus any gender inequalities that are identified to be not in compliance with the ratified Conventions will be addressed with our clients. If necessary, policy /legislative reform will be undertaken.</p> <p>Gender equality measures and targets will be developed at the Project level and will be specific to the sector and Project.</p>

Summary of EBRD meeting with civil society on 13 April in Tbilisi

As part of the public consultation process, the EBRD held a consultation meeting on 13 April 2016 in Tbilisi with local civil society organisations. The consultation provided an opportunity to discuss strategic aspects of the forthcoming strategy for Georgia and was attended by seven civil society representatives.

The Bank's envisaged approach for the forthcoming strategy period in Georgia and planned strategic priorities were broadly supported by the civil society organisations who participated in the consultation process. In particular, CSO representatives positively commented on the Priority Areas 1 (Support private sector competitiveness through innovation, enhanced value added and convergence with DCFTA standards and obligations), 2 (Deepen financial intermediation and develop local currency and capital markets to enable access to finance), and 4 (Support renewable energy, resource efficiency, and climate change adaptation to enhance competitiveness and resilience of the economy). CSOs expressed their endorsement of EBRD's business model, including the Bank's work in the area of policy dialogue.

Strategic directions

In relation to Priority Area 1, CSOs commended the suggested operational focus and associated policy dialogue initiatives. Representatives welcomed the EBRD's support to the Investors Council, which is a key platform for effective dialogue between the public sector and the private sector on business environment issues. They also recommended to the Bank to put a stronger emphasis on strengthening the role of competition authorities and to design support in a manner that is carefully taking local conditions into account. CSOs pointed out that continued support should be provided to achieve convergence with DCFTA standards/obligations, e.g. through policy dialogue that would enhance the communication of DCFTA requirements and potential impacts to businesses. Furthermore, innovation and the knowledge economy were mentioned as key opportunities for supporting private sector competitiveness, where an emphasis should be placed on strengthening research activities and supporting private sector participation in the information technologies sector.

Regarding Priority Area 2, civil society representatives praised the Bank's work on local currency lending (local currency bonds) and suggested that there was an ongoing necessity to improve access to finance, including enhancing conditions for women borrowers.

With regards to Priority Area 4, CSO representatives reiterated the need for a close and strategic consideration of environmental and social impacts, including tariffs and affordability considerations, in relation to hydropower projects. CSOs also urged the Bank to support transparency in the Georgia's energy sector. The Bank's assistance in the preparation of the county's first Energy Efficiency Action Plan was welcomed, requesting that its implementation should cover the hydropower sector and that it should be disclosed for public consultation. CSOs strongly endorsed the promotion of energy efficiency / renewable energy and suggested that more support in this regard should be given to small municipalities and for the development of solar energy. According to CSOs, sustainable forestry could represent an area for the EBRD to consider in terms of expansion of its activities. Finally, CSOs pointed out that for the creation of a more competitive agricultural sector, it is important to consider the impacts of solid waste contamination and possible implications for food safety and human health.

General remarks

In terms of cross-sectoral objectives and structural reform orientation, CSO representatives requested that the Bank continues and reinforces its support to SMEs, e.g. through an infrastructure mapping to be undertaken by the Government that would help locate gaps in terms of SME development. One

CSO representative also expressed the view that EBRD should consider providing direct support to SMEs at preferential rates.

Finally, CSOs suggested that the EBRD should put an even stronger emphasis on women in business programmes and provide more targeted support to women-owned enterprises, such as special grant schemes for women-led start-ups, including in rural areas. Furthermore, CSOs recommended that capacity building and knowledge/skills transfer should be provided to different stakeholders including the Government, SMEs, local farmers and CSOs.

List of CSO represented at the consultation meeting

- Association European Studies for Innovative Development of Georgia
- Association “Green Alternative”
- CENN-Caucasus Environmental NGO Network
- Energy Efficiency Centre
- Georgian Association “Women in Business”
- Georgian Society of Nature Explorers “Orchis”
- Transparency International Georgia