

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

**STRATEGY FOR GEORGIA**

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

**2021**

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**ABBREVIATIONS AND ACRONYMS**

CAP	Common Agricultural Policy
CSOs	Civil Society Organisations
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
EU	European Union
GDP	Gross Domestic Product
GHG	Greenhouse Gas
HPP	Hydropower Plant
IFIs	International Financial Institutions
MRV	Measurement, Reporting and Verification
NBG	National Bank of Georgia
NDCs	Nationally Determined Contributions
NGOs	Non-Governmental Organisations
PIP	Public Information Policy
TCFD	Task Force on Climate-related Financial Disclosures
TVET	Technical and Vocational Education and Training
UN	United Nations

## 1. INTRODUCTION

The objective of this report is to summarise key comments received from stakeholders during the consultation period on the Bank's Strategy for Georgia and provide the Bank's management responses. 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 languages for 45 calendar days starting from 06 October 2021 until 20 November 2021. During the consultation period, no written comment was received by the EBRD.

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. The Communications Department also advertised the public consultation on social media. 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.

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 21 July 2021 to gather civil society's feedback during the preparatory phase for developing the draft Strategy. The consultation was virtually hosted by the Regional Office in Tbilisi and attracted 7 participants from 7 different civil society organisations. The EBRD was represented by the Head of the Resident Office; the Economic, Policy and Governance team; the Country Strategy Coordination team and the Civil Society Engagement Unit. The summary of the meeting and the list of CSO participants to the consultation process are provided in the Annex 1 to this report.

## 2. PUBLIC COMMENTS AND STAFF RESPONSES

Comment	EBRD Response
<b>2.1 Priority 1 - Improve productivity and resilience of the economy through enhanced competitiveness and access to finance</b>	
<b>Key objective:</b> <i>Expansion of competitive companies, supporting business environment conducive to the private sector, Improved business skills, standards and business sophistication; Strengthened role of SMEs in the economy, Increased variety and sophistication of financial products and services (local currency); Developed local capital market</i>	
<p>According to a conducted research, 40% of households does not have access to online education (due to lack of computers or internet) and also related to infrastructure expenditure. We all know that EBRD is having many projects, but are you planning to enter the education market or project?</p> <p>When it comes to non-formal education, 50% of pupils in EU goes to vocational education, while in Georgia it's 1%. The problem of the human capital lies not only on high degrees, but also depends on vocational education. "We don't have enough professionals in the labour market to conduct jobs. We see lack of professionals and lack of professions in Georgia"</p>	<p>Among the IFIs, we are having a clear understanding that we do not want to compete among each other, but be complementary. For example, EIB is working on such projects right now. EBRD is willing to help if support is needed.</p> <p>We have excellent cooperation across all the IFIs, and we are very good at coordinating with each other. We hope we will participate in that, if there is room for us in the project. In terms of families having access to computer, that is not in the core competence of the EBRD. This is not within the EBRD's activities, but rather more UN and World Bank related issues. On informal training – we really need to enhance and increase the number of people going to TVET education, but also job training. We have a project of training female bus drivers in Tbilisi. In every project we do, we make an assessment at project and sector level to see how the EBRD can intervene. The EBRD fully acknowledges all the issues raised, and needs to coordinate with the IFIs and with other donors as well.</p>
<p>Are there any ideas to include the necessity to increase activities towards formal and non-formal education in the next strategy of EBRD? Because the working force right now, is lacking skills, but the problem is not the lack of skills, but the fact the educational system is not specifically targeting to creating new skills, necessary for the 21<sup>st</sup> century.</p>	<p>Even though EBRD cannot do a complete review of the curricula of Georgia at all levels, it is well equipped in investing in special needs for the corporate sector or any other economic activity. EBRD is working with both very practical skills development and education like the nursing curriculum. We will try to maximize the impact we can have.</p> <p>EBRD is well aware of the issue of education and lack of skills and skill mismatch. This issue is analysed in detail and elaborated in country diagnostics, which will be publicly available later in the year. This brought enough to encompass all possibilities to address these issues under the auspices and competency of EBRD. Even though EBRD is not the Institution specializing in education issues, but some</p>

	aspects are addressed and will be addressed in the future.
<p>Challenges in Corruption:</p> <p>While Georgia's results in fighting low and mid-level corruption leading to a good regional ranking in perception indexes, high-level elite corruption remains a serious issue.</p> <p>The essence of the problem is that the agencies responsible for preventing and dealing with corruption-related crimes in Georgia for the most part do not respond to corruption cases that involve high-ranking public officials in the central government or persons with close ties to the ruling party.</p> <p>In 2017-2021, TI Georgia gathered 58 alleged cases of high-level corruption which are still uninvestigated and no one was punished.</p> <p>The surest way to address this problem is the establishment of an Independent Anti-Corruption Agency, equipped with adequate resources and authority to investigate corruption-related violations that take place at the highest level of the government.</p> <p>A relevant draft law prepared with the involvement of Transparency International Georgia was registered in the Parliament in August 2020, but the parliament did not discuss the draft.</p>	Comment Noted
<p>Challenges in Public Procurements: The connection between contract winning companies and donors of the ruling party.</p> <p>For example, last year, during the state of emergency period, donors of the ruling party received 35% of the total amount spent through simplified procurements (without competition).</p> <p>During last years, simplified procurements have decreasing share in total procurements, but according to the latest data its share is 21% and needed to be further reduced. Sometimes the basis of a simplified procurement is not relevant.</p>	Comment Noted

<p>Procurements without competition are a good ground for corruption.</p>	
<p>Challenges in Public Finance:</p> <p>Increased budget deficit and government debt (more than 60% of GDP). Efficiency of the budget expenses</p> <p>Georgia has a program budget, but the expected outcomes and indicators of the programs envisaged by the budget are not part of the main text of the Law on State Budget.</p> <p>By the budget transparency Georgia holds 5th place in the world (by Open Budget Index), but public participation in the budgeting process is very low. There is no mechanism for CSOs to participate in the budget formulation process.</p>	<p>Public debt of Georgia was on a moderate level of 40% of GDP in 2019. Covid-19 disruption of economic activity, caused fall of output (6.8%), deepening of budget deficit (9.2%) and depreciation of currency, all of which contributed to increase of public debt to 60% at the end of 2020. With the normalisation of activity, reduced need of covid-19 fiscal response and currency stabilization, budget deficit is being reduced to 6.5% in 2021 and further to around 3% in three following years. Therefore, public debt is expected to decline to around 54% this year and continue this trend further. There is room to improve efficiency of budget expenditures by strengthening public investment management, and implementing a comprehensive state-owned enterprise reform strategy to manage and mitigate fiscal risks.</p>
<p>Can you elaborate on the question of household debts?</p>	<p>In developed economies, household debt to GDP is going over 100% of GDP. In Georgia, this is much beyond this level, but the trend is upward, and this is typical for the countries EBRD is operating, that are in early stage of transition, and this percentage will be growing in the coming period. Of course, it is a financial stability issue that monetary authorities and banking regulators have to keep in mind this and take care of excessive leverage of the households. We are confident that NBS is doing a good job in this area, and we do not expect to see worsening of the situation about the household debt.</p>
<p>Can you elaborate on the access to finances part? It is usually the most challenging and problematic for any new small business, and quite often donor funds simply go to already developed larger business.</p>	<p>This is a very common problem. The start-up scene in Georgia is very problematic. We are trying to address it in a number of ways, mainly through advisory services at this point, because very often it is a question about how to write an application for a loan or financial arrangement. We call it financial literacy. Sometimes we are having discussion with companies that are having great potential, are very sophisticated, but because they are visionaries, entrepreneurs, they are having a little bit of an issue putting their plans on paper. The other issue is that many companies are “asset light”. If it is an asset company, they do not have anything to pledge. Even though there is no clear solution right now, we are certainly aware of the issue and it is something that needs to be addressed.</p>

<b>2.2 Priority 2 - Promote equal opportunities through better inclusion and regional development</b>	
<b>Key objective:</b> <i>Increased access to skills development opportunities contributing to reduction of skill mismatch (gender, age, regions), Increased access to finance and services (gender, youth, regions), Improved quality and connectivity of sustainable infrastructure for efficient economic interactions</i>	
How to give easier access to finance to youth and young people living in regions	Right now, our general definition of marginal groups is people in the regions, women and youth. We know that if you belong to any of these groups or all of these groups, you have worse access to finance than others do. We work actively on this. We have the “women in business” Programme; we are having a pilot programme, where we do a lot of training for the people in the regions to provide support to the tourism sector, which has a very good impact on job creation. Any marginalized groups would be in our agenda.
Do you consider some targeted support (in terms of access to finances) to the social business/social enterprises that may play a considerable role in promoting inclusion?	We, as EBRD have in our toolbox “women in business” programmes for Financial Institutions. We hope we will be able to roll out in Georgia such programmes and could envisage anything like youth in business (people up to 35, entrepreneurs). Something to not make people feeling intimidated approaching a bank, just because they do not know how to. We are very happy to consider anything that has to do with access to finance in the country.
Will there be any programs targeting specifically elimination of poverty in Georgia’s poorest regions?	This is outside of EBRD’s activities. If we would participate – this would take the form of infrastructure project in a poor region, which would create many jobs that do not require lots of knowledge and prior skills. For example, a water project. We would be happy to work on poverty alleviation, but we not have poverty alleviation programmes as such.
Is the EBRD working on Economic Empowerment of Women? Is the EBRD involved in the politics? One thing that needs to be mentioned is pay gap in Georgia in all sectors, state institutions and municipalities. Women are paid less in the same position. The municipal budget is not spent on women. In particular it is only 1% of the Budget is spent on Women Agenda Equality projects.	If we talk about the approach, the EBRD is having the gender and the diversity projects. All projects we are implementing, we make sure that the outcomes are for different groups. We look at the sector, and the company level, see the challenges of each group, and of course, women and the youth within the company. We make sure that the environment is friendlier, inclusive; have access to the services or products the companies are providing. In terms of separate priorities of the inclusiveness and skills development, we have projects that are specifically targeting separate groups, for example, youth engagement internships or any other type of the initiative, women. There are two directions: Specific programmes that are empowering specific groups and the mainstream

	approach, meaning, that whenever we implement we are looking at different levels of engagement.
<p>As economic development, peace and stability in the country is very dependent on women's economic empowerment, it is crucially important to contribute to creating an enabling environment for women's engagement in economic/business activities through:</p> <ul style="list-style-type: none"> <li>- Contribute in reducing the barriers to women's entrepreneurship through encouraging financial institutions to provide low interest credits for women business activities.</li> <li>-More actively engage with and support government authorities, civil society organizations and trade unions to promote gender sensitive labour market reforms and facilitate women's entry into business, through developing child-care services for working women and the gender sensitive business development services, such as providing support to women-oriented business projects through business- grants in combination with continuous business skills development services and vocational trainings; support establishment of women-dedicated business incubators;</li> <li>-Invest more in creating livelihood opportunities for IDP and conflict affected women and their families, living in rural areas close to the conflict dividing line. Due to lack of livelihood and employment opportunity, proper infrastructure for economic development, lack of agricultural land plots available for IDPs forces mainly women to leave villages and leads them to labour migration abroad or within the country, where women tend to occupy jobs within the informal sector which is not covered by any labour legislation or social protection, making them even more vulnerable;</li> <li>-Support economic cooperation between the conflict-divided population though investing in existing financial instrument "Peace Fund for better future" established within the initiative of the state minister of reconciliation and civic equality of Georgia - "step to better future", that enables conflict-divided societies to make joint business (trade and other economic activities) and serves as an effective mechanism for</li> </ul>	Comment noted.

<p>confidence building and reconciliation. Interest of conflict divided societies to cooperate is very high, however scarcity of funds leaves many important business ideas unimplemented and hampers people to people communication and cooperation. Investment in business projects across the conflict divide will force sustainable development of the population and contribute to peace and security in the region.</p>	
<p><b>2.3 Priority 3 - Accelerate Green Transition through increased investments and better governance</b></p>	
<p><b>Key objective:</b> <i>Increased renewable energy generation, Increased energy and resource efficiency; Reduction of GHG emissions, Strengthened governance practices supporting green transition</i></p>	
<p>The discussion showed that there is a need for substantial discussion of the situation in sustainable energy and climate.</p> <p>It is very important, to give more attention to the development of responsible and sustainable approaches within companies. This is directly linked with competitiveness, resilience of businesses. It is of utmost importance for Georgia in this phase of our development to fulfil the TCFD requirements access the western markets, to develop trade and so on”.</p>	<p>When EBRD works with corporates, we are keen to help them make green choices. For example, for any piece of machinery you buy with our support, we will help with energy efficiency and lifetime considerations, and material efficiency. We are having consultants, engineers that are helping to make these choices. Being a great entrepreneur does not mean that you are an energy efficiency specialist, so it is important to have access to the right advisors.</p>
<p>The major problem with policymaking priority is related to poor governance, poor capacity, and poor knowledge and information. The governance does not really relate to country government, and that is where we have the problem.</p> <p>What are the leverages of EBRD in getting involved in these directions? What is the possibility of EBRD to engage through improving governance through capacity building, education in the field of renewable and energy efficiency and climate?</p> <p>We had a wonderful programme on Green Energy Efficiency financing in different countries. EBRD can have an impact.</p> <p>Renewable energy has completely stopped right now. Energy efficiency is slowly developing as part of the adopted legislations.</p>	<p>In terms of governance, it depends on the company we work with, what we do. If we work with a state-owned enterprise, we would provide technical assistance to improve and enhance governance standards. If we are working with corporate, the support might be different. However, we have a number of tools and we are working on these kind of issues in every of our projects.</p> <p>Regarding renewable energy – there is a bit of a standstill in terms of public protests. Georgia has a very good potential both in wind and solar projects. There is a clear need to diversify.</p> <p>On energy efficiency – EBRD works in phases. If there is a client, the cooperation may start with a small project and add more gradually. For implementation purposes, we try not to put absolutely everything in the first project. EBRD’s approach is gradual, serious and ambitious.</p>

<p>When does the EBRD organize public /stakeholder consultations on implementing infrastructure/energy projects?</p>	<p>As part of the Consultation of the Country Strategy for Georgia, we are open to discuss the type of transactions EBRD is planning in areas of infrastructure and energy projects. For the general strategic issues, now is the right time to discuss these questions. When it comes to EBRD's general energy strategy – there was a recently approved document and consultations. When it comes to individual transactions, projects which are planned – these questions are handled by the according operational leaders. There is a three-pillar system: energy sector, infrastructure strategy consultations, country strategy and individual transaction consultations.</p>
<p>The diversification of renewable energy sources is a sensitive issue. The hydropower stations are not considered sustainable because of the highly negative impact on the environment and the society. What is the specific type of support you foresee for different types of renewable energy sources like solar and wind? In addition, do you consider any support to the smaller hydro power stations?</p>	<p>We are very happy to work with small hydros. It is easier and quicker. On the solar and wind – the ministry of economy is preparing tenders, launched with our technical support. Once these tenders are launched, this will be an international competition bidding, we are happy to work to provide a pre-agreement.</p>
<p>Mitigation mainstreaming underway although weakly supported by sound policies NDC, CAP.</p> <p>Adaptation virtually non-existent lacking research for prioritization, national strategy and action plans</p> <p>E.g. HPP and water resource management, climate forecasting and adaptation measures etc. The Domestic MRV is underdeveloped</p> <p>Major Driver - International obligations – Energy Community, EU Green Deal</p>	<p>Comment noted.</p>

<p>No financial, political and brain resource allocation from the government. The Ministry of Energy is closed, the EE Agency not created, and the analytical professional support virtually non-existent.</p> <p>Low activity and effectiveness of NGOs - much more is needed on the ground, low involvement of academia and research institutions, research and educational programs to be aligned with Green Agenda.</p>	
<p>EBRD's role (suggestions)</p> <p>Continue the successful programs – Energy Credit, Municipal initiatives, strengthen the information and capacity building components, support the Energy and Sustainability awareness raising, education, research, sound policy making and outreach, promote new young grassroots creative NGOs delivering the concrete result, encourage the government to allocate resource for Green agenda</p>	

## EBRD Strategy for Georgia

Consultation with civil society, 21 July 2021, (Online)

### Summary of key messages from CSOs:

#### Good Governance and Transparency

- Civil society highlighted the lack of skills in Georgia's working force, lack of professionals and professions and limited access to online education. They underlined that the educational system is not targeting to creating new skills necessary for the 21<sup>st</sup> century and the challenge of the human capital depends among other on vocational education.
- Among others, some of the key-issues raised was poor governance, poor capacity, poor knowledge and information, and diversification of renewable energy

#### Gender Equality and Economic Inclusion

- CSOs expressed their concerns regarding household debts, access to finances for new small businesses and donor funds, the promotion of inclusion, marginal groups, elimination of poverty, and the Economic Empowerment of Women.
- Questions included EBRD's help in providing easier access to finance to youth and young people living in regions, and the Bank's programmes targeting the elimination of poverty in Georgia's poorest regions.
- The CSOs highlighted the pay gap in all sectors, state institutions and municipalities, and the unequal salaries between men and women.

#### Sustainable Energy and Resources

- CSOs focused on the phase of integrating sustainability into businesses' activities and having responsible business conduct (good governance, social and environmental issues)
- Renewable energy has completely stopped; the energy efficiency is slowly developing as part of the adopted legislations and the hydropower stations are not considered sustainable due to the highly negative impact on the environment and the society.

**List of CSOs participating to the consultation process**

CSO  
Participants  
[7 present]

1. Transparency International
2. Europe-Georgia Institute (EGI)
3. Institute for Development of Freedom of Information (IDFI)
4. Cultural-Humanitarian Fund 'Sukhumi'
5. Women in Europe for a Common Future (WECF) Georgia
6. World Experience for Georgia
7. Center for Strategic Research and Development of Georgia (CSRDG)