



Action funded by the European Union

EU4Environment

Armenia, Azerbaijan, Belarus, Georgia, Republic of Moldova, Ukraine

A partnership for green development in Georgia



Action implemented by:





A partnership for green development in **Georgia**

Greening Georgia's economy is urgently needed as the current models of growth continue to erode the stocks of natural assets and undermine the integrity of ecosystem services on which economic activity depends. This decade is decisive for boosting the resilience of societies and economies in the context of urgent climate and environmental challenges. The shift becomes even more pertinent in the context of the global health emergency of the coronavirus (COVID-19) pandemic.

The EU-funded "EU4Environment" Action, launched in 2019, helps Georgia, as well as five other partner countries – Armenia, Azerbaijan, Belarus, the Republic of Moldova and Ukraine - preserve their natural capital and increase people's environmental well-being, by supporting environment-related action, demonstrating and unlocking opportunities for greener growth, and setting mechanisms to better manage environmental risks and impacts.

EU4Environment integrates in a single strategic framework initiatives to achieve: greener decision making, sustainable economy and green growth, smart environmental regulations, ecosystem protection and knowledge sharing.

How can Georgia benefit from greener growth?

As part of its co-operation with the European Union, Georgia has made commitments to green economy. This is reflected in the Eastern Partnership Summit Declarations and in the Association Agreement with the EU (2014). In Chapter 3 (Title VI) of the Association Agreement, Georgia commits to strengthen cooperation on environmental issues, thereby contributing to the long-term objective of sustainable development and greening the economy.

Investing into greener growth will bring benefits to Georgia while failure to adequately manage natural capital will result in increasing costs of substituting the services it provides:

Reducing air pollution will make people healthier:

Currently, welfare costs associated with air pollution by fine particles (PM2.5) represent about 6% of GDP equivalent in Georgia, compared to 3.8% on average in the EU. The mean population exposure to PM2.5 exceeds the WHO guideline by more than twice (22 vs 10 $\mu\text{g}/\text{m}^3$).

A less wasteful, more resource-efficient approach will make the economy more competitive: Georgia ranks the highest among EaP countries in renewable energy production (25% of total energy supply) due to significant hydropower generation. However, despite some improvements, Georgia's CO₂ and energy productivity remains below that of its neighbours' – Armenia and Azerbaijan and the EU levels – indicating room for improvement in energy efficiency and production processes.

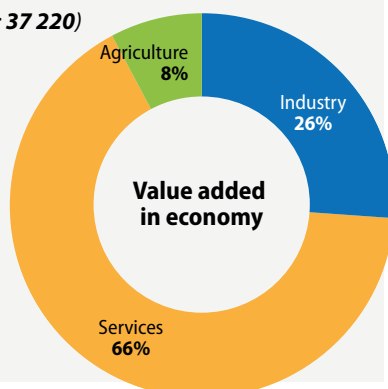
Greening will open new employment and economic growth opportunities: With a population of 3.73 million, the

SOCIO-ECONOMIC CONTEXT

Real GDP per capita, 2010 USD,
2018: **9 268** (EU average: **37 220**)

Labour tax revenue,
% of total, 2018: **31**
(EU average: **56**)

Population density,
inhab./km², 2018: **57**
(EU average: **116**)



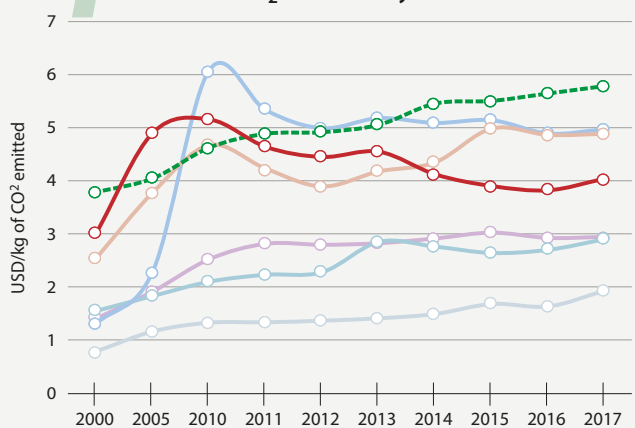
country faces one of the highest unemployment rates among EaP countries (about 14%). The Georgian economy relies heavily on Small and Medium-Sized enterprises (SMEs), which provide more than 67% of employment and about 62% of gross value added. However, SMEs also generate a considerable aggregate environmental footprint. There are opportunities for making Georgia's agriculture more environmentally aware as Georgia's big export market is the EU where consumers increasingly take environmental considerations into account.

A safeguarded ecosystem, restored land and forests will provide economic and ecological services: Many environmental problems in Georgia are related to past economic development patterns under the Soviet Union, but today's fast urbanisation, as well as growing transportation and mining operations, are contributing to a degradation of natural capital, land and forests. Tourism is a very rapidly growing sector which relies on rich natural features and landscapes.

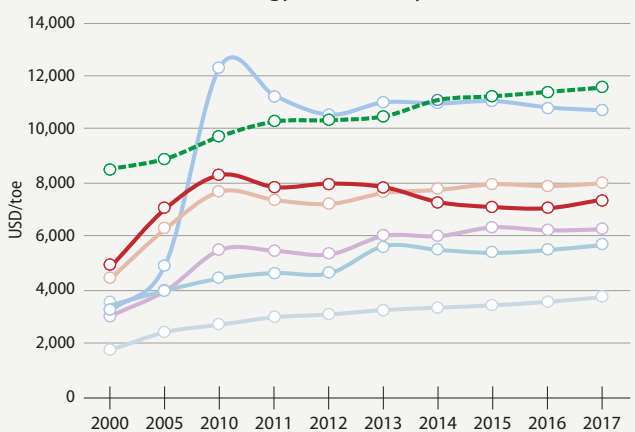
FOUR DIMENSIONS OF GREEN GROWTH

1 Environmental and resource productivity, 2017

CO₂ Productivity



Energy Productivity



2 Natural asset base

CROPLAND, 2015: 35% of total land area
(EU average: **41%**)

WATER, 2015: 0.6% of total land area
(EU average: **3%**)

Total renewable water resources: **15 832 m³**
per inhab./year (countries under **1 700 m³** are
considered water-stressed)

FOREST STOCK, 2015: 455 mln. m³
(EU average: **950 mln. m³**)



3 Environmental dimension of quality of life

Deaths from PM_{2.5}, 2017: **557** per 1 mln inhab.
(EU average: **402**)



Welfare cost associated with PM_{2.5} pollution,
2017: **6%** of GDP (EU average: **3.8%**)

Population with access to improved drinking
water sources, % of total, 2017: **80%**
(Euro area average: **98.1%**)

4 Economic opportunities and policy responses

Environment-related technologies, 2016: **24%** of
total (EU average: **10.8%**)



Fossil-fuel subsidies, 2014: **1.4%** of GDP

* To support policies in aligning economic and environmental
priorities and to monitor progress towards green economy,
the OECD developed a measurement framework which
consists of a set of green growth indicators that can capture
progress in four areas of green growth: <https://www.oecd.org/greengrowth/green-growth-indicators/>



How does the EU help?

Areas of cooperation within EU4Environment in Georgia



Greener decision making

OBJECTIVE: Make political leaders, civil servants and the general public aware and supportive of green growth and promote economic and environmental policy integration.

This work is implemented by UNEP and UNECE.



WHAT IS THE BASELINE IN 2019?

- Development of National Green Economy Strategy and Action Programmes for Forestry and Waste Sectors for 2021-2030 launched
- Legislative approximation under the EU Association Agreement well advanced
- An array of reference framework, manuals and tools for green economy transition developed
- Environmental Assessment Code adopted (2017)

WHAT WILL BE ACHIEVED BY 2022?

- Green Growth Strategy and Action Plan for Georgia adopted, with sectors of economy defined for "green intervention"
- A functional green planning and decision-making system developed, including regular inter-ministerial and cross-sectoral policy coordination meetings
- 4 million people reached across the EaP region by communication campaigns
- Strategic Environmental Assessment (SEA) and Environmental Impact Assessment (EIA) in the transboundary context regular applied to new policies and projects



DID YOU KNOW? Georgia is currently not a Party to the UNECE Convention on EIA in a Transboundary Context (Espoo Convention), nor to its Protocol on SEA. Reinforcing structures and procedures to carry out environmental assessments is one of the objectives in the EU Georgia Action Plan and is in line with "20 Deliverables for 2020". Georgia's policy commitments identified in the revised Association Agenda 2017-20 include as priorities both the implementation of the new legislation on EIA and SEA and advancement of preparations to become a Party to the Espoo Convention and the Protocol on SEA.



Circular economy and new growth opportunities

OBJECTIVE: Scale-up public and private action on circular economy and sustainable production and lifestyles.

This work is implemented by UNEP and UNIDO.



WHAT IS THE BASELINE IN 2019?

- Promotion of "green practice" among SMEs defined as a priority in the SME Development Strategy
- Resource Efficient and Cleaner Production (RECP) clubs established in Rustavi, Kakheti, Kaspi and Kutaisi
- National Waste Management Strategy for 2016-2030 and the Action Plan for 2016-2020 adopted

WHAT WILL BE ACHIEVED BY 2022?

- Resource savings of up to 15% in water and energy use and 2-3% in raw materials reached by SMEs which apply RECP approach
- Pilot public tenders for new sustainable products carried out
- Action plan for national waste management and industrial waste maps developed
- Reforms in a priority waste sector launched in line with Plastic Waste Reduction and Waste Prevention Programmes
- SMEs trained on eco-innovation and RECP approaches



DID YOU KNOW? Public procurement makes up around 30% of GDP in Georgia. Over GEL 4 bln (about EUR 1.4 bln) were provided by contracting authorities in 2018 for the procurement of goods, services and infrastructure construction works. Shifting public spending towards more sustainable goods and services can help drive markets in the direction of innovation and sustainability and foster the transition to a green economy.



Environmental level playing field

OBJECTIVE: Improve incentives and governance mechanisms that aim at correcting market failures related to the environment, thus ensuring a level playing field in the context of intensified economic exchange with the EU.

This work is implemented by the OECD.



WHAT IS THE BASELINE IN 2019?

- The approximation of its legislation with the EU Directives on Industrial Emissions and Medium Combustion Plants advanced under the Association Agreement
- “Green” components in the SME Development Strategy incorporated
- First comprehensive inventory of energy subsidies conducted (2018)
- Environmental management reformed as part of a merger between the Ministry of Environment and Natural Resources Protection and the Ministry of Agriculture

WHAT WILL BE ACHIEVED BY 2022?

- General Binding Rules for regulating SMEs’ environmental management developed
- Environmental compliance assurance system strengthened and equipped with more effective compliance promotion instruments and non-compliance responses
- Inventory on subsidies updated and data published on line in the OECD Fossil-Fuel Subsidies Database
- Debt capital financing for green investments (including through green bonds) mobilised
- Administrative capacity of public environmental administration strengthened and new capacity building activities designed and carried out



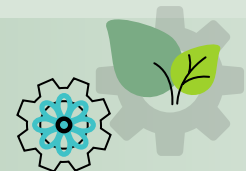
DID YOU KNOW? Small and Medium-sized Enterprises (SMEs) play an important role in Georgia’s economy. Although the environmental footprint of individual SMEs may be low, their aggregate impact in many respects exceeds that of large businesses. Commercial banks have an important role to play in providing access to green finance, particularly for SMEs. The analysis was conducted to review the experience with green lending in the SME sector in Georgia, the identified challenges and possible solutions published in an OECD report “Access to Green Finance for SMEs in Georgia” (2019).



Monitoring progress at environment-economy nexus

OBJECTIVE: Facilitate regional knowledge sharing and coordination, monitor progress towards green economy.

This work is implemented by the OECD.



WHAT IS THE BASELINE IN 2019?

- Increasing demand for green growth indicators as a measurement tool to assess progress towards green economy

WHAT WILL BE ACHIEVED BY 2022?

- Policy makers equipped with up-to-date regular measurement tools to assess progress in greening the economy
- The public engaged in evaluating greening the economic growth of Georgia



DID YOU KNOW? Although there is no green growth strategy in Georgia, environmental issues are addressed through a number of overarching and sector-specific strategic documents: Social-economic Development Strategy “Georgia 2020” (2014), Third National Environmental Action Programme for 2017-2021 (2018), Energy Efficiency Strategy (drafted in 2017) and National Waste Management Strategy 2016-2030.

In June 2016, Georgia hosted the 8th Environment for Europe ministerial conference in Batumi. This was a crucial milestone for cooperation among Pan-European countries and led to endorsement of the Pan European Strategic Framework for Greening the Economy, as well as launch of the Batumi Initiative on Green Economy and the Batumi Action for Cleaner Air.

About

EU4Environment

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● **Budget:** about EUR 20 million for the six EaP countries (with EUR 19.5 EU contribution)

● **Duration:** 2019-2022

● **Implementing agencies:** OECD, UNECE, UNEP, UNIDO and the World Bank.

● **Overall guidance:** European Commission.

● **Key national partners in Ukraine:** Ministry of Environment Protection and Agriculture and Ministry of Economy and Sustainable Development.

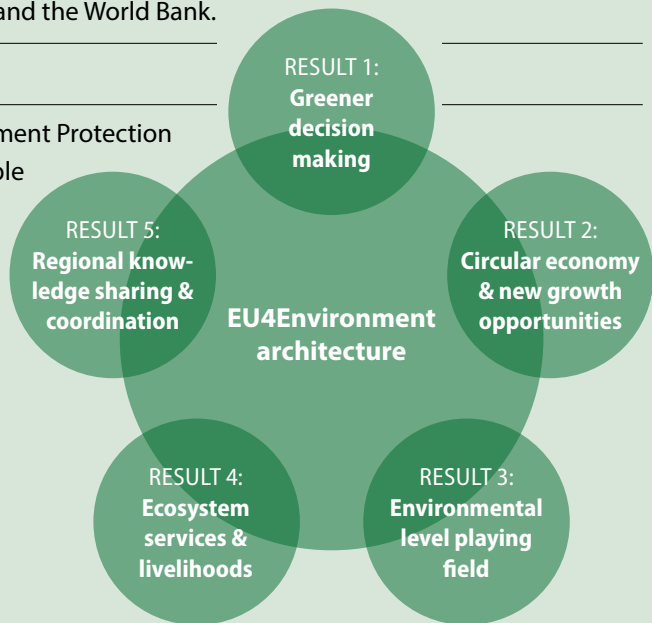
By bringing together environmental and economic actors, EU4Environment helps to deliver policy and legislative changes, making planning and investment greener, stimulating the uptake of innovative technologies, adopting new business models, and creating green jobs. It also promotes better environmental governance, improved management of protected areas and forests, and sustainable trade.

The scope of the Action was defined in cooperation with all partner countries. It targets both public and private sector actors, aiming at creating a critical mass of capacity for greener growth.

It ensures continuity of engagement of the European Union within the Eastern Partnership and builds on political engagements of the partner countries since the Eastern Partnership's establishment in 2009 and the results achieved.

It also provides a vehicle for implementing the European Green Deal, a new green growth strategy that aims to transform the EU into a fair and prosperous society, with a modern, resource-efficient and competitive economy as well as the Joint Communication "Eastern Partnership Policy Beyond 2020: Reinforcing Resilience – An Eastern Partnership that Delivers for All".

The EU4Environment Programme builds on important achievements of past cooperation programmes, such as Greening Economies in the Eastern Neighbourhood (EaP GREEN), the Forest Law Enforcement and Governance (FLEG), and the Emerald Network, which were completed in 2017-18. See more in [EaP GREEN brochure](#) and [Infographic](#).



Sources: OECD Green Growth Indicators database, Environment at a Glance – OECD Indicators, World Bank Development Indicators database, Eurostat, EU4Business, Green Growth Knowledge Platform, EU4Environment inception report, EUWI+ inception report, EaP GREEN Brochure, OECD report *Inventory of Energy Subsidies in the EU's Eastern Partnership Countries (2018)*, OECD report *Measuring green transformation of the economy: Guide for EaP countries (2016)*.

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