Action funded by the European Union

EU4Environment

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

Towards a Green Economy in Georgia

Work in Progress – 2019-20



Action implemented by:

OECD BETTER POLICIES FOR BETTER LIVES | UNECE | UN environment programme | UNIDO | THE WORLD BANK IBRD • IDA | WORLD BANK GROUP



Towards a Green Economy in Georgia

EU4Environment Work in Progress – 2019-20

Since 2019, the EU-funded EU4Environment Programme has been supporting Georgia, along with the other five Eastern Partner (EaP) countries, in pursuing its path of green transformation. It helps 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.

During 2020, the work was considerably affected by the COVID-19 pandemic. Despite this unprecedented global challenge, the programme pursued its planned activities and generated several concrete results on the ground.

This brochure highlights activities under EU4Environment in 2019-20, showing concrete results in Georgia and at the regional level.

Greener decision making

- **Environmental Impact Assessment (EIA) guidelines for the hydropower sector:** EU4Environment supports the Ministry of Environmental Protection and Agriculture in developing guidelines on EIA in the hydropower sector, with a special focus on transboundary aspects.
- **In-depth Green Economy policy-making training course:** Twelve civil servants took part in a tailored online course. They learned how to review, analyse and integrate green economy, sustainable consumption and production approaches into policies and strategies at national and sectoral levels.

DID YOU KNOW? EIA and hydropower sector: Effective and environmentally sound application of EIA to hydropower projects is an important task for Georgia as a country with many transboundary river basins. In 2020, UNECE – the EU4Environment Implementing Partner – supported the Ministry of Environmental Protection and Agriculture in the preparation of draft EIA in the hydropower sector. Based on the provisions of the EU EIA Directive, the UNECE Convention on Environmental Impact Assessment in a Transboundary Context (Espoo Convention) and the country's Environmental Assessment Code, the guidelines provide a useful tool for ensuring a high degree of environmental protection and the sustainability of hydropower development.

Circular economy and new growth opportunities



- **Sustainable Public Procurement (SPP):** EU4Environment continues its engagement with the Georgian State Procurement Agency and the Environmental Information and Education Centre to elaborate the SPP legislation. It assisted the Agency in drafting sustainability provisions and relevant articles to the draft Law on Public Procurement, SPP-related by-laws and guidelines.
- **Promoting eco-labelling:** EU4Environment supported the preparation of the assessment on eco-labelling schemes and guides on eco-labels to be further presented to stakeholders during the training on eco-labelling planned for April 2021.
- **Promoting eco-innovation among small and medium-sized enterprises (SMEs):** EU4Environment helped SMEs to integrate a new business approach to reduce inputs, minimise waste and extend product life. Two trainings for SMEs were held to introduce eco-innovative business methods. Georgia is finalising an assessment of the sectors best positioned to implement the eco-innovation approach, with a view to begin providing technical advisory services to selected SMEs.
- **Six municipalities engaged to seek innovative solutions for SMEs:** The launch event on eco-innovation and Resource Efficient and Cleaner Production (RECP) gathered representatives of six municipalities. They discussed ways to improve use of resources and reduce industrial waste management in their regions from SMEs. The SMEs seek innovative solutions to strengthen their environmental performance and competitiveness.
- **Establishment of two new RECP Clubs:** Authorities of the Mtskheta municipality and Kakheti region co-hosted a number of peer coaching sessions for 16 manufacturing enterprises to promote sustainable use of natural resources.
- **Energy Management Systems training:** Over 30 RECP experts from Georgia and Armenia explored energy management issues faced by SMEs in meat, chocolate and metal processing sectors. It provided a platform for panel discussions on energy audits, showcasing the application of the RECP methodology in the EaP countries.
- **Gender sensitisation in greening national industries:** The training workshop promoted gender equity. It helped better understand gender stereotypes and their influence on decision making, introduced gender aspects in the field of RECP and circular economy, and presented basic statistics on Georgia in the field of gender equality.

DID YOU KNOW? RECP: Over 200 SMEs were engaged in the awareness- raising campaign that invited manufacturing industries to benefit from RECP assessments. Among those were enterprises from packaging and hazelnut production industrial clusters supported under the "EU Innovative Action for Private Sector Competitiveness in Georgia". Several enterprises from the latter cluster joined RECP Clubs organised in Mtskheta and Kakheti regions.

Sectoral policies for a Green Economy transition: Georgia has yet to develop a Sustainable Development or Green Growth strategy, but during 2020 the country prepared and approved several sectoral policies essential for the green transition. These include regulations on extended producer responsibility covering four waste streams (oils, car tires, batteries and electronic equipment); a new Forest Code adopted in 2020; amendments to the Air Protection Law; the Agricultural and Rural Development Strategy for 2021-27; and several laws on energy efficiency (law on energy labelling, law on energy efficiency and law on energy performance of buildings).. Draft law on environmental liability was submitted to the Georgian parliament for approval in 2021.

Ecosystem Services and Livelihoods



- **Biodiversity and sustainable forestry:** The European Union and the World Bank signed an agreement at the end of 2020 allowing the World Bank to join EU4Environment in 2021. This work will support ecosystem services and livelihoods in the six EaP countries, including Georgia. The activities will strengthen the Emerald Network and the management of existing protected areas and sites. They will also contribute to better forest conservation and sustainable use, prevention of illegal trade, and raising awareness about new green finance instruments for the sustainable management of forests and ecosystem services.

Environmental level playing field



- **General Binding Rules (GBRs) for the poultry sector:** EU4Environment supported the Georgian Ministry of Environmental Protection and Agriculture in developing a set of GBRs for the poultry sector that help reduce the environmental impact of SMEs without putting undue burden on their operations.
- **Assessing progress on greening SMEs:** The evaluation, part of the SME Policy Index, showed that Georgia has introduced a number of plans targeting SME greening, including the Third National Environmental Action Programme of Georgia and the SME Development Strategy of Georgia (2016-20). A new SME Development Strategy of Georgia (2021-25) is being developed with EU4Environment input on green growth.
- **Designing green public investment programme:** It equips the government officials and experts with know-how and practical skills on designing a green public expenditure programme to obtain adequate resources from the public budget and leverage international financing for its implementation.
- **Improving access to green finance for SMEs:** The publication (**English** | **Georgian**) addresses the challenges of green investments in SMEs in Georgia, focusing on the role of commercial banks in financing these projects. Its main findings were discussed at the national policy dialogue to showcase how different partners could co-operate to mobilise private finance more effectively for green, low-carbon and energy-efficient investments in the SME sector. E-cards (English | Georgian) were prepared within the campaign around World Environment Day to raise awareness of the benefit of green investments for SMEs.
- **Collection of 2010-19 data on fossil fuel subsidies for the OECD-IEA database:** The inclusion of Georgia, along with other EaP countries, in the OECD-IEA database on fossil fuel subsidies is an important milestone in achieving transparency in this area. It also recognises the efforts of EaP governments to disclose information on the size of government support provided to the energy sector in these countries.
- **Unlocking the potential of the green bond market:** The work analyses the possibility of using green bonds to raise additional resources for the transition to a low-carbon and resilient economy.
- **Strengthening the administrative capacity of the environmental sector:** The analysis was launched to assess administrative capacity for greening the economy, identify gaps and recommend reforms.

DID YOU KNOW? Data on fossil fuel subsidies for 2010-19 for the EaP countries, including Georgia, is available in the OECD-IEA database on fossil fuel subsidies and integrated into the OECD database on green growth indicators. For example, total fossil fuel support in Georgia in 2018 accounted for 0.09% of gross domestic product. About 25% of this support went to fossil fuel producers and about 75% to consumers. Visit: **https://stats.oecd.org/**



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Panorama view on picturesque streets and houses of the city of Sighnaghi Kakheti Georgia. Architecture of Sighnaghi city in Georgia

Highlights of COVID-19 green responses in Georgia

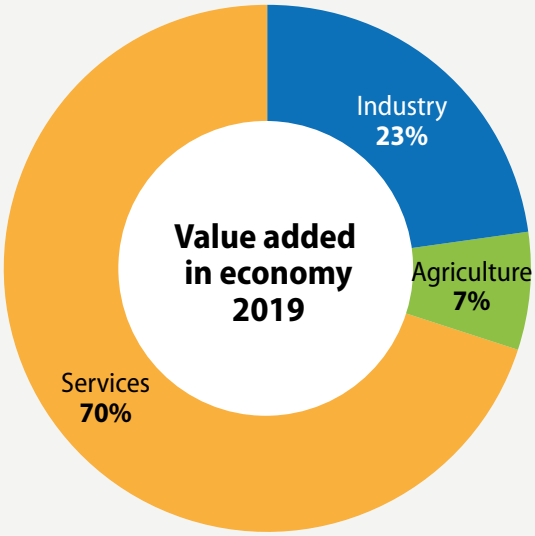
The year 2020 was marked by the unprecedented global challenge of the COVID-19 pandemic whose health and socio-economic impacts affected all countries around the world. Georgia has the largest share of services in the national economy in the region (70%), which led to a relatively large direct impact from lockdown measures. The drop in remittances due to lockdown measures and increased unemployment in migrant-receiving countries has had a negative impact on Georgia, where remittances account for 13% of gross domestic product (GDP). The high unemployment rate (11.6% in 2019) and a large informal sector (around 50%) further exacerbate the socio-economic impact of the pandemic. Based on International Monetary Fund estimates, GDP of Georgia was expected to fall to -5% in 2020 compared to 5.1% in 2019 before reaching 5% in 2021.

In response to the economic downturn, Georgia took emergency measures to mitigate the socio-economic consequences of the pandemic. Some of these measures, highlighted below, aim at advancing environmental objectives:

- **Mitigating impact:** Anti-crisis measures in Georgia focus on minimising economic impact on business and support the most vulnerable groups. Several support programmes, with more targeted and sector-oriented actions, were launched to help diversify the economy. The state programme for SMEs, "Produce in Georgia", was redesigned to ease pressure on business, with an increased budget of GEL 350 mln (about EUR 88 mln). Another programme aims to support agriculture and promote domestic production with a budget of GEL 300 mln (about EUR 75 mln).
- **Supporting business:** Enterprise Georgia supports small firms with a focus on green, innovative and eco-friendly businesses under the "Micro and Small Business Support Program", by increasing grant amounts from GEL 20 000 up to GEL 30 000 and decreasing the co-financing requirement from 20% to 10%. The budget was increased to GEL 40 mln (about EUR 10 mln). Tbilisi was added to the target territorial units.

SOCIO-ECONOMIC CONTEXT

Population 2019: **3 997 min.**
Real GDP per capita 2019: **13 404** USD 2015



- **Supporting farmers:** Georgia introduced several programmes to support farmers. "Plant the Future", for example, provides co-financing for installation of irrigation systems for perennial crops.
- **Developing rural regions:** The government, with the European Union and United Nations Development Programme, launched a grant programme of GEL 9 million (about EUR 2.3 mln). The programme aims to help rural regions mitigate the socio-economic impacts of the COVID-19 crisis. It provides up to GEL 170 000 (about EUR 43 000) per project to non-agricultural start-ups/growing enterprises and up to GEL 30 000 (about EUR 7 500) to businesses to improve energy efficiency.
- **Preventing waste:** Georgia increased fines for pollution with construction and medical waste by 25 times for individuals and by 10 times for legal entities.
- **Improving energy efficiency:** Parliament adopted legislation on energy efficiency and energy performance of buildings, bringing it closer to EU standards.
- **Awareness raising on environment and health:** The Ministry of Environment Protection and Agriculture of Georgia, with EU support, has launched the EU Green Week Campaign under the slogan "Together for Better Environment". It targeted the general public to highlight the importance of the environment to people and their health.

To support Georgia in these efforts, EU4Environment held a **virtual country consultation** with government officials. Participants reviewed the country's situation in light of COVID-19 and discussed how to tailor EU4Enviroment activities to support green recovery from the crisis more effectively.

DID YOU KNOW?

EU4Environment has revamped its **website**. It provides an extensive overview of its work on the implementation of green policies in EaP countries.

As of 31 December 2020, EU4Environment counted 329 newsletter subscribers and reached out to 150 000 people on social media.

Subscribe to our monthly **newsletters** and follow us on **Facebook**.

Highlights of regional activities

- **Sub-regional workshop on the practical application of SEA and transboundary EIA:** More than 40 representatives of environmental authorities from the EaP countries, including Georgia, exchanged experiences in the development of national environmental assessment systems. In addition, they received guidance and targeted training on applying environmental assessment tools and good international practice.
- **Transboundary EIA procedures/Espoo Convention video:** It raises awareness on EIA procedures and promotes related benefits for the EaP countries.
- **Regional training on Environmental Management Systems (EMS):** More than 50 experts from the EaP countries took part in this hands-on training. Using the example of an Austrian chocolate producer, participants worked on its full production cycle – from cacao beans to the final product. They also analysed and develop the key stages of the EMS application – from stakeholders' analysis to conformity monitoring standards.
- **Regional workshop on the implementation of eco-industrial parks:** More than 140 participants from EaP and Central Asian countries reviewed the operations of eco-industrial parks. They used international best practices, such as improving socio-economic and environmental performance of park residents, promoting resource efficiency and circular economy, and creating innovative avenues for responsible business practices.
- **Regional seminar on Best Available Techniques (BAT):** More than 50 participants reviewed progress in applying the BAT approaches in the EaP countries, including Georgia. They discussed challenges and accomplishments, while learning from the experiences of peer countries and EU members on approaches to support implementation.
- **Regional seminar on risk-based approaches to environmental compliance assurance:** About 50 officials and experts, including from Georgia, shared experiences and learned best practices in using risk-based approaches to environmental compliance assurance in the EU and EaP economies. The EU Network for the Implementation and Enforcement of Environmental Law (IMPEL) also participated.
- **Two EU4Environment Regional Assembly meetings** reviewed progress with EU4Environment implementation and agreed on plans. The meetings also provided a platform for regional knowledge sharing and dissemination of best practices.

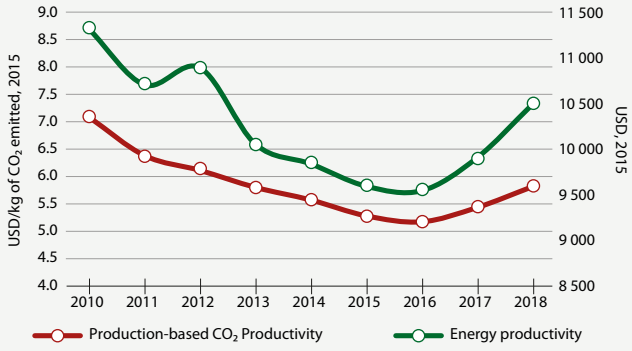


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Wind power plants near the city of Gori, Georgia. Sunset, summer 2019

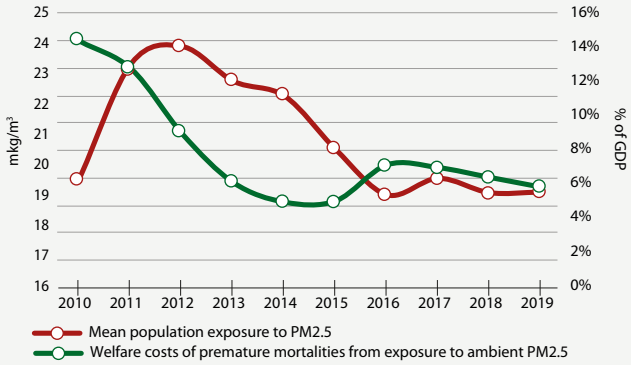
Four dimensions of green growth

GREEN GROWTH INDICATORS IN GEORGIA: WHAT DO THEY TELL US?

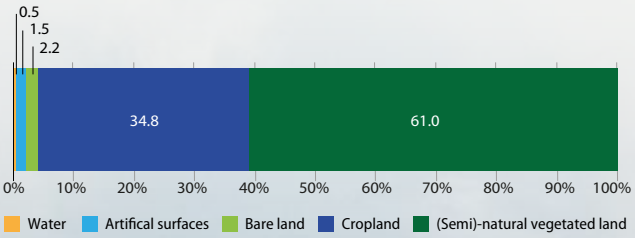
1 **Environmental and resource productivity:** Higher CO_2 and energy productivity means a less polluting, more resource-efficient economy, and a better climate and environment



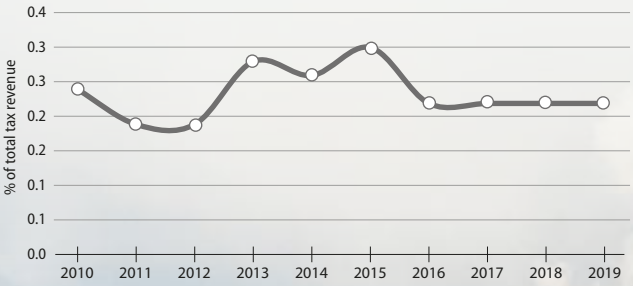
2 **Environmental dimension of quality of life:** Lower exposure to fine particles means cleaner air and healthier people, and is less costly for the government



3 **Natural asset base:** Stable stocks of natural resources ensure sustainable use, which is essential for green economy transition



4 **Economic opportunities and policy responses:** Removing fossil fuel subsidies can reduce fiscal deficits, make renewable energy more competitive, and lower carbon and air pollution





About

EU4Environment

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

- **Budget:** about EUR 20 million for the six EaP countries (with EUR 19.5 EU contribution)
- **Duration:** 2019-2022
- **Implementing agencies:** Organisation for Economic Co-operation and Development (OECD), United Nations Economic Commission for Europe (UNECE), United Nations Environment Programme (UNEP), United Nations Industrial Development Organization (UNIDO) and the World Bank
- **Overall guidance:** European Commission
- **Key national partners in Georgia:** Ministry of Environmental Protection and Agriculture; Ministry of Economy and Sustainable Development

EU4Environment at a glance: EaP countries in 2020

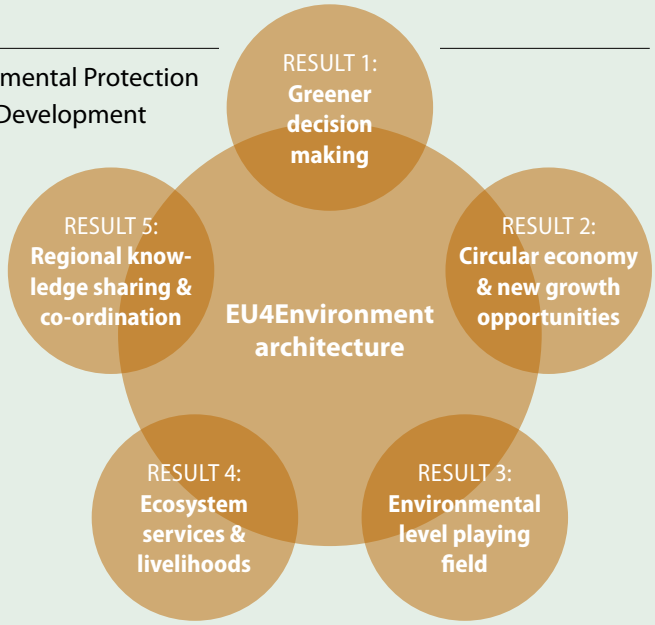
7 000 views of our new look website since its launch in mid-October

Over **250** experts trained on RECP

Over **190** participants trained on SEA

Over **100** people took a new Green Economy course

Over **90** SMEs consider RECP as a part of COVID-19 recovery



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http://eepurl.com/gUNbg1

Contact us:

eu4environment@oecd.org

Sources: OECD Statistics on green growth indicators (population, real GDP, economic structure, GGIs); World Bank database (remittances); IMF World Economic Outlook (GDP and unemployment projections); OECD paper "COVID-19 crisis response in EaP countries" (remittances, informality, extractives data, COVID-19 green responses); ILO paper "Women and men in the informal economy: A statistical picture" (informality); interventions by the country representatives at the EU4Environment country consultations (COVID-19 green responses); inputs by the National Action Co ordinators and the Implementing Partners.

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