

**THE EUROPEAN INVESTMENT BANK IN**

# GEORGIA



European  
Investment  
Bank

*The EU bank*



By financing projects crucial to Georgia's economic and social development, the European Investment Bank is bringing the country closer to the European Union and helping it use its geopolitical location to connect Europe with Asia. The Bank backs investments in transport connectivity, energy security, the private sector, and municipal and environmental infrastructure. These projects contribute to the inclusive growth and stable development of Georgia's economy for the benefit of all citizens.

**Vazil Hudák**

Vice-President of the European Investment Bank



It has been more than ten years since the EIB started its operations in Georgia. During this period, the progress of the country has been remarkable and this would not have been possible without the EIB's participation.

The EIB is a very important partner for Georgia. The Bank supports projects that are beneficial to the country and its relationship and connection with the European Union.

Georgia's top priority is to establish the country as a regional hub for transport and logistics, offering the closest maritime gateway to the land-locked Caucasus and Central Asian countries. The EIB plays a key role in this regard.

The EIB is also essential in financing projects for energy security, municipal and environmental infrastructure and for the private sector. We believe that increasing the Bank's private sector operations is as important as the EIB sovereign lending portfolio. We welcome the EIB's efforts to increase the volume of operations in the private sector, a key driver for growth, employment and innovation.

**Ivane Matchvariani**

Minister of Finance of Georgia



# GEORGIA'S ECONOMY AT A GLANCE

**T**he Republic of Georgia is a small, lower middle-income country with a GDP per capita of almost \$11 600 (purchasing power parity) and a total population of around 3.7 million. Between 2004 and 2008, Georgia achieved remarkable annual growth rates, averaging around 10%. Annual growth then decelerated considerably because of the global financial crisis in 2008-2009.

Continuous structural reforms have considerably improved competitiveness and the business climate, making Georgia the best performer in the region. Nonetheless, its current account position has been persistently negative, thus exposing the country to external shocks and fluctuations in international prices.

Trade, industry, construction and real estate activities, transport and communications, and the agricultural sector represent the lion's share of the Georgian economy. The agricultural sector generates 6.7% of GDP and 8% of value added, and accounts for around 40% of total employment.

Agriculture also contributes to Georgian exports, with nuts, wine and mineral waters. Moreover, the tourism sector has been booming in Georgia, with the number of international travellers reaching 8.7 million in 2018, a 10% increase year over year.



# GEORGIA AND THE EIB

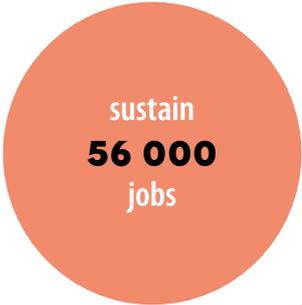
A strategic highway to link Europe and Asia, Georgia's largest hydroelectric power plant, a wastewater treatment plant, a fully refurbished children's medical clinic in the capital: the EIB has invested in 23 projects in infrastructure, the private sector and climate action since starting its operations in 2007. The same year, Georgia and the EIB signed a framework agreement that governs the EIB's activities in the country. In 2015, the Bank opened its regional office for the South Caucasus in Tbilisi.

With the 2014 Association Agreement and the Deep and Comprehensive Free Trade Area between Georgia and the European Union, the Bank stepped up its support, increasing its lending portfolio in the country to €1.83 billion. This has made Georgia the main EIB lending beneficiary per capita in the EU Eastern Neighbourhood region.



Total lending  
**€1.83 billion**  
since **2007**

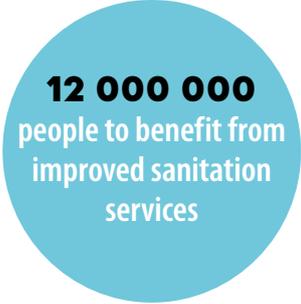
Over the last five years,  
we have helped:



sustain  
**56 000**  
jobs



**2 500 000**  
people to benefit from  
new or upgraded urban  
infrastructure

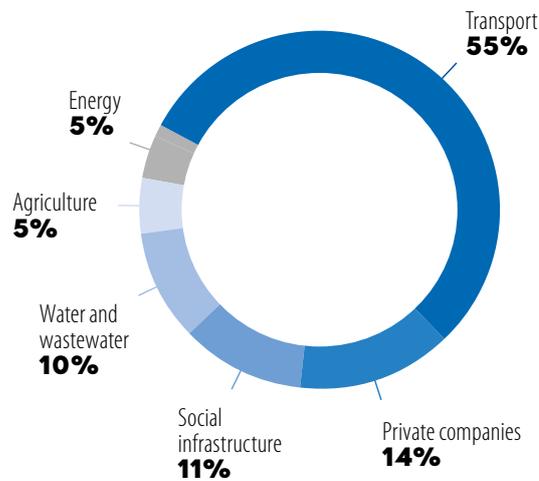
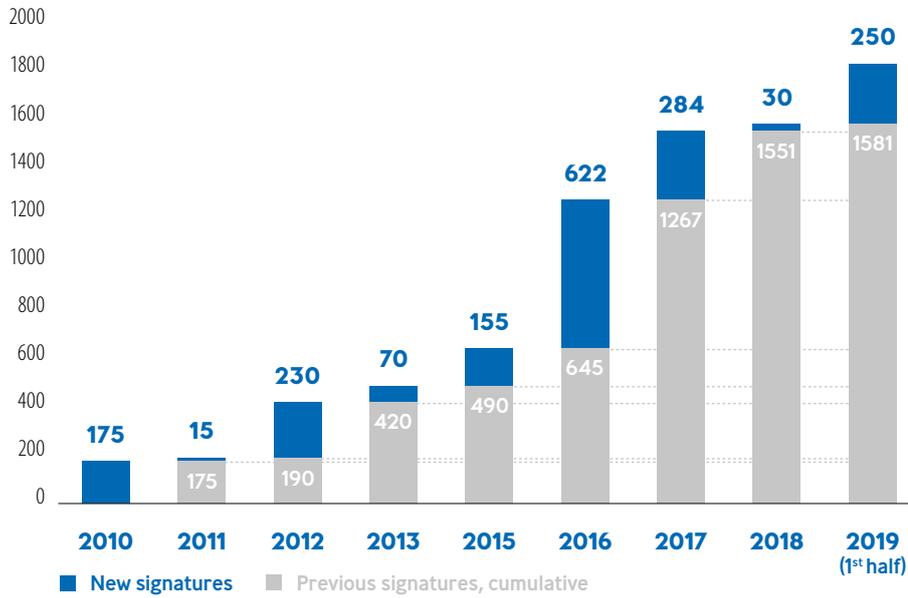


**12 000 000**  
people to benefit from  
improved sanitation  
services



save  
**14 400 MWh**  
via energy efficiency  
measures

## EIB lending in Georgia in € m (2007 – 1<sup>st</sup> half 2019)

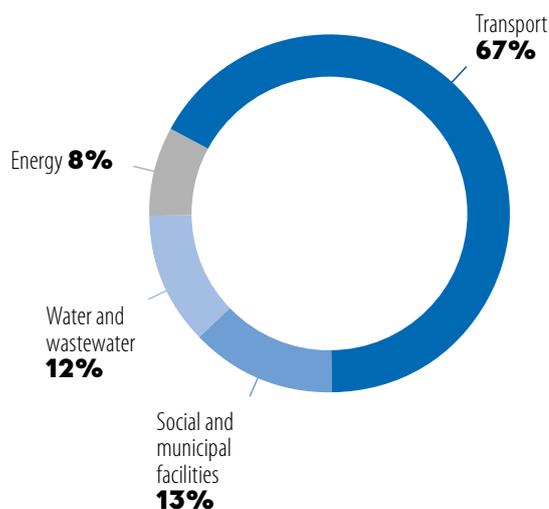


The EIB finances most projects in Georgia under the EU External Lending Mandate. This provides the EIB with a guarantee covered by the EU budget for projects in the fields of social and economic infrastructure, local private sector development and climate action.

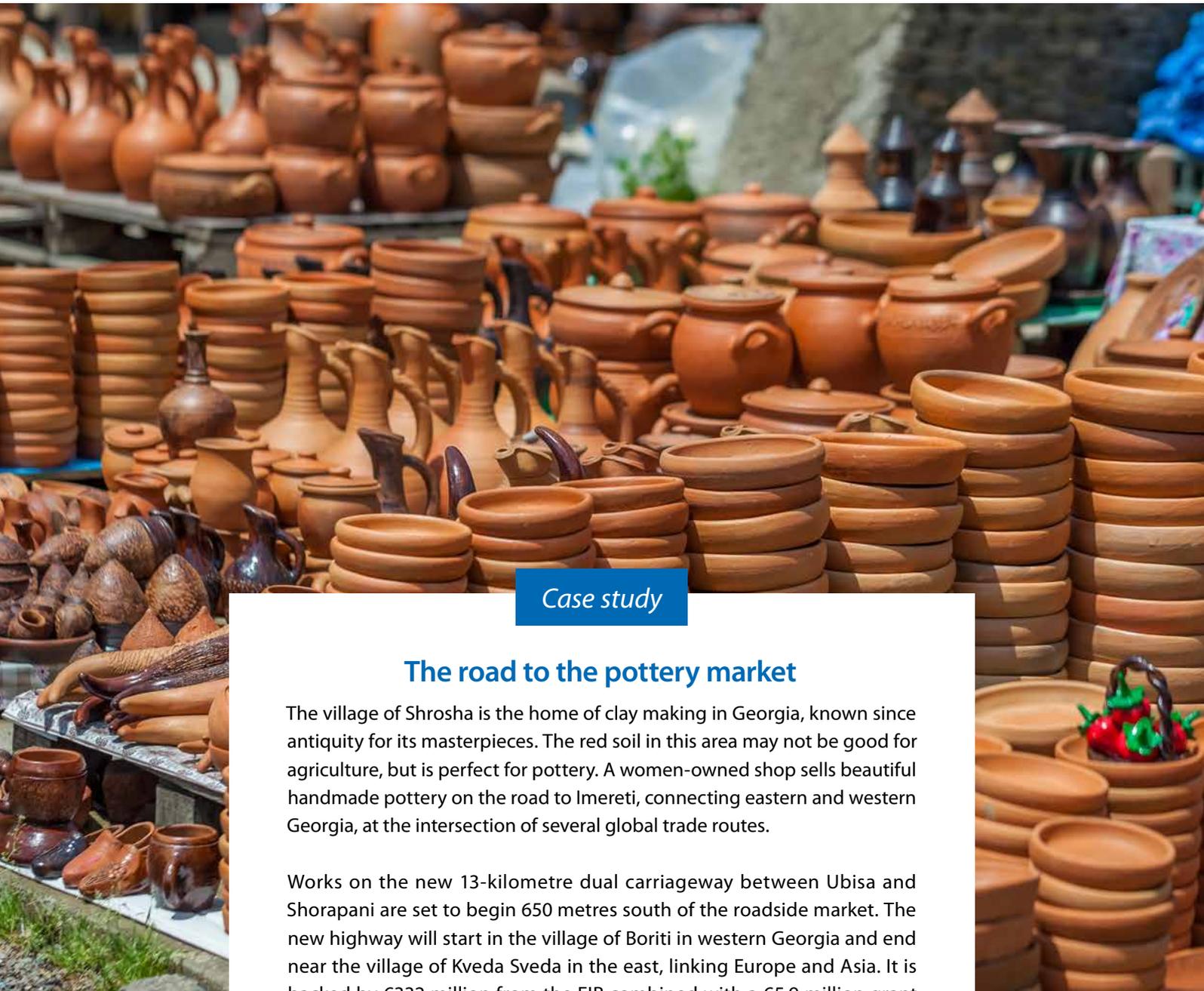
# PUBLIC SECTOR LENDING

Public infrastructure is the most important area of EIB lending in Georgia (79% of its operations). This includes projects in transport, energy, water and wastewater. Since 2016, the EIB has also committed funding to urban reconstruction and development and the upgrading of municipal infrastructure.

Infrastructure investment is key to strengthening the connectivity of Georgia to the global economy. This, in turn, enables the country to reap the benefits of the EU Association Agreement and improve the daily lives of its citizens. The EIB has supported 11 projects in the areas of transport connectivity, energy security, and municipal and environmental infrastructure with loans totalling €1.48 billion. This investment delivers tangible results for the Georgian population and the country's economy, making the EIB one of the major public sector financiers in Georgia.



Georgia, a tourism hub, is at the crossroads of several global trade routes. Upgrading its strategic transport infrastructure is essential to boosting the country's growth and competitiveness. Improved road networks enhance local mobility and increase safety, reduce the costs of accessing markets and services, and generate direct economic and business development opportunities.



### Case study

## The road to the pottery market

The village of Shrosha is the home of clay making in Georgia, known since antiquity for its masterpieces. The red soil in this area may not be good for agriculture, but is perfect for pottery. A women-owned shop sells beautiful handmade pottery on the road to Imereti, connecting eastern and western Georgia, at the intersection of several global trade routes.

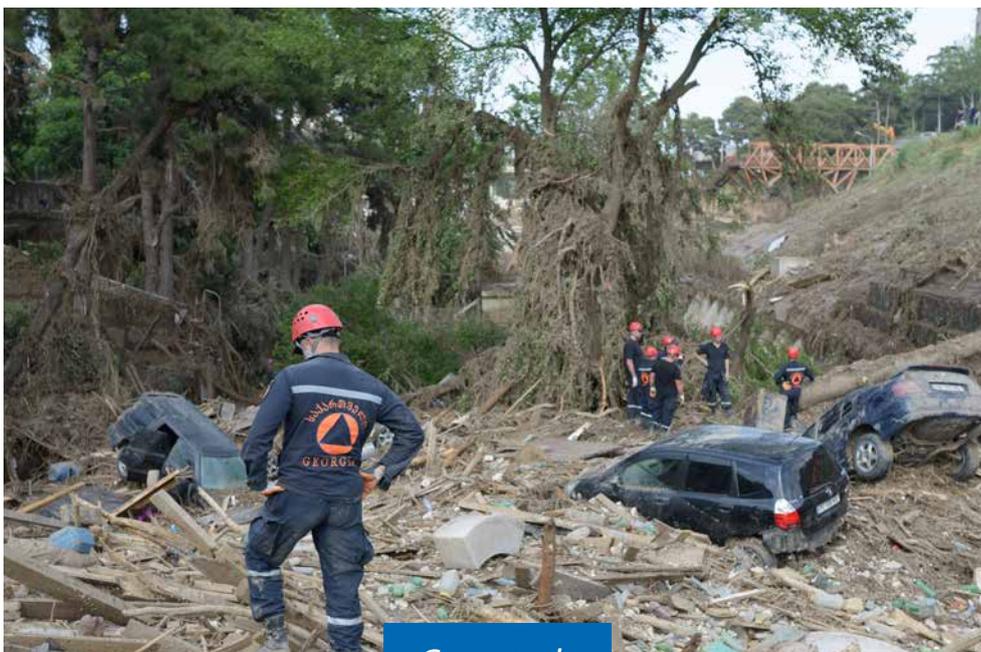
Works on the new 13-kilometre dual carriageway between Ubisa and Shorapani are set to begin 650 metres south of the roadside market. The new highway will start in the village of Boriti in western Georgia and end near the village of Kveda Sveda in the east, linking Europe and Asia. It is backed by €332 million from the EIB combined with a €5.9 million grant from the European Union under the EIB Georgia Transport Connectivity Framework Loan.

This project will also create an access road from the new highway to the pottery market. Getting to the market will be easier and safer thanks to pedestrian crossing facilities and an improved road layout.

The EIB has committed **€1.48 billion**, mobilising over **€3.47 billion** since 2007

for **11** public sector projects

The EIB is also supporting the upgrading of municipal infrastructure in several Georgian cities and environmental projects such as the repair and modernisation of municipal wastewater facilities. The EIB's approach allows the local authorities to better align and plan their investment needs over a six to seven-year period. These investments enable the municipalities to upgrade local infrastructure and improve service delivery for local residents.



*Case study*

### Tbilisi infrastructure rehabilitation

In 2016, the European Investment Bank quickly mobilised €100 million in financing for the repair of infrastructure damaged by the floods in Tbilisi. The project improved municipal and tourism infrastructure, including a specific component for emergency reconstruction after the floods in 2015.

## Case study

### Building strategic links

Located between the Black Sea and the Caspian Sea, Georgia is ideally placed to form a transit region in the Middle Corridor, a multimodal route between Europe and Asia. Cargo enters and exits the European Union via the Black Sea or Turkey, and crosses the Caspian Sea towards Kazakhstan, where it continues by rail to China.

The East-West Highway in Georgia is part of the multimodal route and allows the transport of people, products and goods such as oil, gas and dry cargo. To develop this corridor, EIB loans backed the rehabilitation/extension of different road sections of the East-West Highway<sup>1</sup>, the building of 14.1 kilometres of new highway along the E60 between Zemo Osiauri and Chumateleti, and the construction of associated access roads. The EIB also provided investment grants via the Neighbourhood Investment Platform (NIP), as well as technical assistance via the Eastern Partnership Technical Assistance Trust Fund (EPTATF).

The East-West highway is part of the extended TEN-T network in Georgia. It has received nearly €1 billion of EIB long-term financing since 2012, combined with several grants from the EU Neighbourhood Investment Platform for a total of €25.5 million.

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<sup>1</sup> Samtredia /Grigoleti: 52 km, Grigoleti /Kobuleti Bypass: 14 km, Chumateleti/Khevi: 11.6 km, F3 Ubisa/Shorapani: 13 km





€**200**<sub>m</sub>

**EIB loans for municipal  
infrastructure**

€**1**<sub>bn</sub>

**public infrastructure  
investments in the  
transport sector**

€**180**<sub>m</sub>

**water and wastewater  
infrastructure**

€**105**<sub>m</sub>

**energy security**



**Over €60m**

**of technical assistance and investment grants,  
supporting energy efficiency, municipal  
infrastructure and transport projects**

# PRIVATE SECTOR LENDING

The private sector is the key driver of economic growth, job creation and innovation in Georgia. Small businesses are its backbone, accounting for over 90% of enterprises and 40% of business sector employment. Private sector development, and in particular the growth of these businesses, is a key objective of the EIB in Georgia.

The EIB offers credit lines to address the scarcity of long-term funding for small and medium-sized enterprises in Georgia. Financial partners benefit from funding made available by the EIB on favourable terms.

In addition, the EIB provides direct investment loans to Georgian businesses. An example is the €21.5 million long-term loan to Tbilisi's water utility, Georgian Water and Power, to support its water and wastewater infrastructure, upgrade its network to reduce water losses and improve energy efficiency.

The EIB will continue to prioritise access to finance for small businesses by ensuring the availability of intermediated financing. The Bank will also scale up its risk-sharing products and capacity-building activities, primarily through two new programmes now available in Georgia: Deep and Comprehensive Free Trade Area (DCFTA) and InnovFin – EU Finance for Innovators. For more information about these programmes, please see pages 15 and 16.

EIB loans for small businesses and mid-caps in a wide range of sectors are currently available through Bank of Georgia, ProCredit Bank Georgia, Credo Bank and TBC Bank. Over the 2007-2019 period, EIB loans to local banks translated into attractive financing for close to 1 300 sub-projects of eligible businesses. This number is growing.



### *Case study*

## **Barambo: business expansion**

Barambo is a Georgian chocolate maker. Founded in 2009, the firm is well known in the Georgian market. An EIB-backed loan of around €2 million from TBC Bank enabled the purchase of equipment to expand its production.



### *Case study*

## **GlobalMed: investment in medical services**

Founded in 2012, the GlobalMed Children's Clinic provides emergency and elective surgery, includes an outpatient department, an inpatient facility and a rehabilitation department. A €170 000 EIB loan from ProCredit Bank Georgia enabled the company to acquire new premises and modern equipment. The project also benefited from an interest rate subsidy under the EU4Business SME Finance Facility.

The EIB has committed **€348 million**,  
mobilising over **€1 620 billion** since 2007

for more than  
**1 300**  
projects of eligible  
small businesses,  
mid-caps and  
corporates



*Joint initiative*

## DCFTA Initiative East

The Deep and Comprehensive Free Trade Area (DCFTA) Initiative East strengthens economic development by providing financial and technical support to small and medium-sized businesses in the countries that have signed an Association Agreement with the European Union – Georgia, Moldova and Ukraine.

Under the EU4Business programme, the European Investment Bank has joined forces with the EU's Neighbourhood Investment Facility to provide a comprehensive package of instruments that will address market needs and support the objectives of the DCFTAs. This initiative will strengthen the capacity of the private sector to compete in local and international markets by improving access to finance for micro-enterprises and small businesses through risk capital, guarantees and technical assistance. Ultimately, it will remove trade barriers and help align the SME sector with EU standards.

Support under this initiative includes:

- A \$4.2 million loan to Credo Bank, supporting microfinance services for income-generating activities, granted to micro and small enterprises in both urban and rural areas. This includes the self-employed, sole proprietorships and micro-enterprises.
- Two loan guarantees to ProCredit (€2.4 million) and TBC Bank (€2.4 million), improving access to finance for riskier businesses through better financing terms and reduced collateral requirements.





*Joint initiative*

## **InnovFin**

InnovFin – EU Finance for Innovators is a joint initiative launched by the EIB Group (European Investment Bank and European Investment Fund) in cooperation with the European Commission under the EU Research and Innovation Programme Horizon 2020. InnovFin consists of financing tools and advisory services offered by the EIB Group, covering the entire value chain of research and innovation to support investments by small and large firms.

In 2017 and 2018, the European Investment Fund signed InnovFin guarantee agreements with ProCredit Bank JSC and TBC Bank in Georgia. The agreements will enable the two banks to provide €60 million and €50 million worth of loans respectively to innovative small businesses and mid-caps. By the end of 2018, €43 million of loans to 86 firms had already been disbursed.

# CLIMATE ACTION

The European Investment Bank supports low-carbon and climate-resilient growth in Georgia. It backs energy efficiency and renewable energy projects. It also invests in equity and debt funds.

**€85 million**  
disbursed since 2007,  
contributing to  
climate change  
mitigation and  
adaptation

## Case study

### Enguri hydropower plant

The EIB plays a key role in unlocking the renewable energy potential of Georgia and ensuring its energy security, notably by financing the rehabilitation works at the Enguri and Vardnili cascade of hydropower plants, which account for 40% of Georgia's total energy production, and the construction of high-voltage power transmission lines. The €23.5 million EIB loan was financially backed by a €5 million EU grant from the Neighbourhood Investment Platform.

## **Green for Growth Fund (GGF)**

Created by the EIB and Kreditanstalt für Wiederaufbau (KfW), a German state-owned development bank, GGF attracts various multilateral and private institutional investors to projects fostering energy efficiency and renewable energy generation and promoting efficiency in water and waste management in the Southeast Europe region, the European Neighbourhood region and the Middle East and North Africa. This contribution is made predominantly through the provision of dedicated financing to businesses and households via partnerships with financial institutions and direct financing. The fund's portfolio in Georgia, with current exposure of around €56 million, includes hydropower and wind energy projects as well as credit lines to local financial institutions. More information is available at [www.ggf.lu](http://www.ggf.lu).



## **Global Energy Efficiency and Renewable Energy Fund (GEEREF)**

Advised by the EIB, GEEREF is an innovative fund-of-funds attracting private sector capital to clean energy projects in developing countries and economies in transition. In Georgia, GEEREF has committed \$13 million to the Caucasus Clean Energy Fund, a private equity fund investing in small and medium-scale hydropower plants across the country. More information is available at [www.geeref.com](http://www.geeref.com).

# TECHNICAL ASSISTANCE

## **EIB-backed assistance**

A number of EIB lending operations benefit from consultancy services funded by the EIB for project identification, preparation, implementation and operation/maintenance assistance.

## **The EU Neighbourhood Investment Platform**

Launched in 2008, the Neighbourhood Investment Platform (NIP) helps the EU neighbouring countries achieve better governance and economic and social development, through loans from European financing institutions backed by EU grants. By providing both investment grants and technical assistance grants, the NIP supports infrastructure projects in energy, transport and the environment and the development of the private sector. Technical assistance grants improve the implementation of financed projects and enhance policy coherence between project decisions, country and sectoral economic reforms and overall European Neighbourhood policy objectives. On top of the recent DCFTA Initiative East, the NIP has provided almost €43 million of investment and technical assistance grants to support the implementation of EIB-funded projects in Georgia since 2008.

## **Eastern Partnership Technical Assistance**

The Eastern Partnership Technical Assistance (EPTATF) facility was established in 2010 to enhance the quality and development impact of EIB operations in Eastern Partnership countries, through support for project preparation and implementation. The EPTATF donors are Austria, France, Germany, Latvia, Lithuania, Poland, Sweden and the United Kingdom. They have made available some €35 million to Eastern Partnership countries.

To date, the EPTATF has approved 29 operations for a total of €33.2 million, of which €5.1 million has been allocated to Georgia. The priority sectors are:

- the development of social and economic infrastructure,
- climate change mitigation and adaptation, and
- local private sector development, in particular support for small and medium-sized businesses.

The **European Investment Bank** is the European Union's bank, owned by the EU Member States. In 2018, the EIB Group provided nearly **€80 billion** for investments in and outside Europe. We are the **world's largest multilateral borrower and lender**.



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