

## DEVELOPMENT COORDINATION

### A. Major Development Partners: Strategic Foci and Key Activities

1. Development partners are quite active in supporting Georgia's energy sector reforms, which have as their major strategic focus fulfilling Georgia's obligations under the European Energy Community (EEC) accession agreement;<sup>1</sup> development partners are complementing and supporting each other's efforts in support of this goal. While meeting the obligations under the agreement is itself a challenge, the energy sector also faces the issue of poorly performing state-owned transmission companies. To achieve the government's reform agenda and meet its investment needs, development partners are providing technical and financial assistance through various projects. Support includes funding for much-needed transmission lines and substations, technical assistance (TA) for implementation of reforms, and budgetary support to meet the developing needs of the country.

2. Primary development partners and their support include: (i) German development cooperation through KfW via a policy loan based on a 4-year trigger matrix, which supports reforms in energy market development and liberalization, and energy efficiency; (ii) the International Monetary Fund (IMF), through their economic reform program supported by a 3-year extended arrangement under an extended fund facility, which supports reforms relating to Georgia's fiscal risk, public debt sustainability, and contingent liabilities; (iii) the EEC, through their EU4Energy TA program, which assists the government in developing legal and regulatory policy documents required for fulfilling obligations under the European Union's (EU's) third energy package; (iv) Agence Française de Développement (AFD), which is co-financing the KfW program loan and helping to evaluate the social impact of market reforms on the vulnerable population of Georgia; and (v) the United State Agency for International Development (USAID), through a TA grant that supports numerous studies, including regulatory impact assessment of the newly approved energy and water Law. The World Bank and KfW have ongoing infrastructure investment projects for developing transmission capacity and gas storage. ADB also provided a loan for network rehabilitation and construction of a new substation,<sup>2</sup> which was completed successfully in 2017. Currently, ADB is providing TA for developing and implementing key transmission sector reforms.

### Major Development Partners

Development Partner	Project Name	Duration	Amount (\$ million)
<b>Energy Sector (credit)</b>			
<b>Loans</b>			
AFD	Credit Facility Agreement (Support of Georgia's Energy Sector Reform I)	2018–2019	29.0
AFD	Credit Facility Agreement (Support of Georgia's Energy Sector Reform II)	2019–2020	66.0
AFD	Credit Facility Agreement (Support of Georgia's Energy Sector Reform III)	2020–2020	132.0
EBRD	Jvari–Khorga Transmission Line	2013–2020	34.78
EBRD	Enguri Hydro Power Plant Rehabilitation Project - Climate Resilience Upgrade	2018–2021	45.6
EBRD	Georgia Power Grid Enhancement Project	2020–2026	105.3
EIB	Vardnili and Enguri Hydro Rehabilitation Project - B	2017–2017	3.9

<sup>1</sup> Energy Community. 2016. [Protocol Concerning the Accession of Georgia to the Treaty Establishing the Energy Community](#).

<sup>2</sup> ADB. 2012. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to Georgia for the Regional Transmission Enhancement Project*. Manila.

Development Partner	Project Name	Duration	Amount (\$ million)
KfW	Open Programme Extension Transmission Network Georgia (Jvari)	2013–2020	48.
KfW	Open Programme Extension Transmission Network Georgia II (500 kV OHL Tskhaltubo–Akhaltsikhe–Tortum)	2017–2022	132.5
KfW	Open Programme Energy Sector (Kakheti)	2019–2026	113.0
KfW	Energy Sector Reform I	2018–2019	56.9
KfW	Energy Sector Reform II	2019–2020	66.0
KfW	Energy Sector Reform III	2020–2020	99.0
NEFCO	Energy Efficiency Improvements in Public Buildings and Use Renewables and Alternative Energy in Georgia	2018–2021	3.27
World Bank	Energy Supply Reliability and Financial Recovery Project (Jvari-Tskaltubo 500 kV)	2019–2024	70.70
World Bank	Transmission Grid Strengthening Project – 220 kV Akhaltcihe–Batumi	2014–2021	60.0
<b>Grants</b>			
ADB	Preparing the Georgian State Electrosystem Corporatization and Electricity Market Reforms Program	2018–2021	0.85
EBRD	Support to the Development and Implementation of the Electricity Trading Platform	2016–2017	0.2
EBRD	Support for a team of reform support experts	2020–2020	0.44
EBRD	Establishment of the Enguri Hydrology Initiative	2020–2022	0.5
EBRD	Support for the implementation of renewable energy auctions	2020–2022	0.44
KfW	Open Programme Energy Sector (Kakheti)	2018–2020	1.2
KfW	Georgian Energy Sector Reform Program	2020–2024	9.3
Japan	Clean Energy by Solar Electricity Generation project	2015–2016	4.8
NEFCO	Energy Efficiency Improvements in Public Buildings and Use Renewables and Alternative Energy in Georgia	2018–2020	2.2
NIF	Jvari Khorga Transmission Line	2013–2018	8.8
NIF	Open Programme Extension Transmission Network Georgia II (500 kV OHL Tskhaltubo–Akhaltsikhe–Tortum)	2017–2022	10.5
NIF	Enguri Hydro Power Plant Rehabilitation Project - Climate Resilience Upgrade	2018–2021	8.4
NVE	Institutional Cooperation with the Kingdom of Norway	2018–2023	4.0
IEA	EU4 Energy Governance Project	2017–2020	4.4
USAID	USAID Energy Program	2018–2020	7.5
DANIDA	Support for the Development of Energy Efficiency and Sustainable Energy Projects in Georgia	2015–2019	4.4
LIETUVA	Installation of Solar Panels in the Public Schools in Batumi	2020–2022	0.4

ADB = Asian Development Bank, AFD = Agence Française de Développement, DANIDA = Danish International Development Agency, EBRD = European Bank for Reconstruction and Development, EIB = European Investment Bank, IEA = International Energy Agency, IMF = International Monetary Fund, KfW = Kreditanstalt für Wiederaufbau, kV = kilovolt, NEFCO = Nordic Environment Finance Corporation, NVE = Norwegian Water Resources and Energy Directorate, OHL = Overhead Line, USAID = United States Agency for International Development.

Source: Asian Development Bank.

## B. Institutional Arrangements and Processes for Development Coordination

3. All reforms are coordinated and led by the Ministry of Economy and Sustainable Development (MoESD). A policy unit at the ministry is responsible for coordinating and monitoring reform implementation. MoESD monitors sequencing of energy sector reforms and coordinates development partners activities to complement or build upon other development partner's assistance. MoESD also leads donor coordination meetings, with all donor-funded projects developed in consultation with MoESD.

4. ADB's policy level engagement is in line with the government's Energy Sector Strategy<sup>3</sup> and its commitments under the EEC accession agreement (footnote 1). AFD, KfW and the EU are focusing on the establishment of an electricity market, and ADB is complementing their efforts by supporting the sustainability and security of electricity transmission companies. Similarly, the IMF has highlighted state-owned enterprises (SOEs) as a key burden requiring increased government borrowing and subsidies; to complement the IMF's efforts ADB's policy program focuses on improvements to the financial and corporate governance of two energy sector SOEs that are among the six top contributors to government debt. ADB's program is a coordinated effort that (i) complements and leverages other energy sector reforms, especially the IMF's program, by improving the governance of SOEs and lessening their reliance on government support; (ii) supports obligations under the ECC accession agreement relating to the operational and financial sustainability of the transmission network and supports open and competitive trading, thereby enhancing reforms carried out under KfW's electricity market development program; and (iii) constitutes a reform framework to coordinate and maintain momentum in implementing ongoing challenging reforms of the electricity transmission sector.

5. The sector is undergoing major restructuring to meet Georgia's obligations under the EU's third energy package,<sup>4</sup> and ADB plans to conduct another sector assessment, in consultation with other development partners, following the establishment of the electricity market that will determine the scope and focus of the future sector programming. The sector assessment will determine the need for further reforms based on the outcomes of ongoing sector restructuring, a sectorization study conducted by IMF, the effect of trading on contingent liabilities, and the resilience of SOEs to the new electricity market structure.

6. ADB regularly interacts with other development partners in Georgia and coordinates with the IMF on ongoing and future programs. The IMF has requested that ADB cooperate closely to further assessing contingent liabilities and in implementing their recent sectorization study.

### **C. Achievements and Issues**

7. Developing and implementing a program that has strong linkage and complements other development partner programs has benefits and challenges. While complementing other donor programs brings strong government ownership and ensures continuity, the government's weak capacity to coordinate the efforts of many development partners results in coordination challenges and a risk of some overlap.

### **D. Summary and Recommendations**

8. ADB has effectively partnered with other development partners to (i) continue its strategic role in meeting the government's sector priorities, with a focus on energy availability, affordability, and sustainability; (ii) synergize interventions; and (iii) capitalize on best practices. Maintaining coordination and synergy are crucial to ensure the relevance, efficiency, and effectiveness of investments and reforms.

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<sup>3</sup> Government of Georgia. 2015. *State Policy in Energy Sector*. Tbilisi.

<sup>4</sup> The EU's [Third Energy Package](#) comprises legislation related to the opening of the EU's gas and electricity market. It was adopted by the European Parliament and the Council of the European Union in July 2009.