



### Program Summary Information

Date of Document Preparation: July 18, 2020

<b>Program Name</b>	Economic Management and Competitiveness Program: COVID-19 Crisis Mitigation
<b>Document Code</b>	PD000417-PSI-GEO
<b>AIIB member</b>	Georgia
<b>Sector/Subsector</b>	Others / Exceptions
<b>Status of Financing</b>	Approved
<b>Program Description</b>	<p>The operation is proposed under the COVID-19 Crisis Recovery Facility (the Facility) of AIIB and co-financed with the World Bank (WB) under a supplemental financing for the Economic Management and Competitiveness Development Program (EMCP) to help the Government of Georgia (GoG) cover an unanticipated financing gap that has arisen due to the impact of the COVID-19 outbreak and to sustain the momentum on the EMCP-supported reform program.</p> <p>On March 26, 2020, the WB approved an initial IBRD loan of EUR45 million in support of the EMCP under its Policy on Development Policy Financing (DPF Policy). The loan was disbursed in May 2020, and the EMCP has remained on track. However, the abrupt outbreak of the COVID-19 pandemic has created a large and unanticipated financing gap while significantly constraining the GoG's financing sources. In order to enable it to sustain the momentum of its EMCP, the GoG has therefore requested supplemental financing from the WB, as well as financing from AIIB. The WB Board approved a COVID-19 Supplemental IBRD loan of EUR45 million for the EMCP on June 30, 2020. AIIB will co-finance the WB's supplemental loan, thereby providing critically needed support to help the GoG to cover this financing gap.</p> <p>The financing of EUR45 million by AIIB under this operation is part of a broader AIIB – WB co-financed emergency package, which also includes the COVID-19 Emergency Response Project for which AIIB is providing USD100 million equivalent.</p>
<b>Objective</b>	<p>The Program's objective is to mitigate the significant negative economic and social impacts caused by the COVID-19 pandemic and sustain the momentum of the Economic Management and Competitiveness Program (EMCP) of reforms adopted by the Government of Georgia (GoG) prior to the pandemic. The EMCP's reforms are designed to sustain rapid growth, and ensure greater inclusion, job creation and resilience by:</p> <ul style="list-style-type: none"> <li>i) strengthening economic management through improving the efficiency of public resource use; and</li> </ul>

	<p>ii) enhancing competitiveness by introducing evidence-based policy making, promoting more competitive markets, diversifying the financial sector, improving teacher deployment and remuneration with a view to ensuring a more qualified workforce over the long term, and strengthening investment promotion.</p>
<b>Expected Results</b>	<p>The key results indicators are:</p> <ul style="list-style-type: none"> <li>a) Increase in the number of municipalities submitting financial statements to the State Audit Office (SAO) for audit within three months after the end of the financial year;</li> <li>b) Increase in the percentage of public investment projects that are screened, appraised and selected in compliance with the Public Investment Management (PIM) guidelines;</li> <li>c) Reduction in single source procurement, as a percentage of total procurement value;</li> <li>d) Increase in the number of Regulatory Impact Assessments (RIA) completed on laws and regulations, based on a methodology adopted for evidence-based policy-making;</li> <li>e) Increase in the number of cases (two-year average) examined by the Competition Agency of Georgia, to strengthen its governance;</li> <li>f) Increase in the number of telecommunication service providers using data transmission services through the electricity network, based on a draft Law on Telecommunication Infrastructure and Physical Infrastructure Sharing to support measures to reduce the cost of deploying high-speed electronic communications networks;</li> <li>g) Increase in the percentage of teachers with full workload;</li> <li>h) Increase in the percentage of female teachers with full workload;</li> <li>i) Increase in the number of investment funds established; and</li> <li>j) Increase in the number of targeted companies responding, regarding the strategy for attracting foreign direct investment.</li> </ul> <p>Eight 'prior actions' taken by the GoG across both pillars of the EMCP (Pillar A – Strengthening Economic Management and Pillar B – Enhancing Competitiveness) will be supported by the WB's Supplemental Loan and AIIB's Loan.</p>
<b>Environmental and Social Category</b>	<p>N/A (WB requires environmental and social analysis for DPF operations but does not categorize them)</p>
<b>Environmental and Social Information</b>	<p>The Loan will be a parallel co-financing with the WB as lead co-financier, and the Program's environmental and social (ES) risks and impacts have been assessed in accordance with the WB's Policy DPF Policy. AIIB's Environmental and Social Policy (ESP) was designed to apply to investment projects and has no provisions for its application to DPF operations. Therefore, as permitted by the decision of AIIB's Board of Directors set forth in the Decisions to Support the COVID-19 Crisis</p>

	<p>Recovery Facility, the WB's DPF Policy will apply to this operation in lieu of AIIB's ESP. This will ensure a harmonized approach to addressing the environmental and social risks and impacts of the Program.</p> <p>In accordance with the DPF Policy, the WB has reviewed the measures under the Program to determine whether they are likely to have significant negative social impacts or result in increased poverty (especially for the poor and vulnerable groups) or to cause significant negative effects on the country's environment, forests and other natural resources. The activities included in the Program are expected to yield positive social impacts in the medium to long-term. Improved fiscal risk management and more transparent public procurement and investment systems are amongst the expected social benefits. The Program's actions are not expected to carry environmental risk; on the contrary, some actions are expected to have positive impacts on the environment. More effective policy implementation is expected with stronger requirements for ES assessments for public investment projects and introduction of regulatory impact assessments requiring an assessment of the impact of proposed policies on the environment.</p> <p>In the immediate term, the Loan will help to finance the Government's robust health, social protection and economic response, thus helping to protect lives and livelihoods. This will support some of the poorest and most vulnerable Georgians to cope and recover from the current health and economic crisis. By preserving the reform momentum, over the medium to long term, gains from improved economic management are expected to increase fiscal space that could be allocated to address emerging priorities, enhance fiscal stability, and improve access to public service emergency programs. Implementation of the Program is expected to contribute to gender equality in Georgia in the medium and longer term by including a series of measures to reduce economic disparities between women and men.</p>								
<b>Financing Plan</b>	<p>The indicative financing plan is shown in the table below:</p> <table border="1" data-bbox="506 1038 1563 1193"> <thead> <tr> <th data-bbox="506 1038 1032 1078"><b>Loans</b></th> <th data-bbox="1032 1038 1563 1078"><b>Amount (EUR million)</b></th> </tr> </thead> <tbody> <tr> <td data-bbox="506 1078 1032 1114">IBRD</td> <td data-bbox="1032 1078 1563 1114">45</td> </tr> <tr> <td data-bbox="506 1114 1032 1153">AIIB</td> <td data-bbox="1032 1114 1563 1153">45</td> </tr> <tr> <td data-bbox="506 1153 1032 1193"><b>Total</b></td> <td data-bbox="1032 1153 1563 1193"><b>90</b></td> </tr> </tbody> </table> <p>Development partners have pledged significant amounts to help Georgia meet the unanticipated fiscal gap, with this supplemental financing being an important part of that partnership. This includes stepped-up support from the International Monetary Fund (IMF), the Asian Development Bank (ADB), Agence Française de Développement (AFD), the European Union (EU), and the Kreditanstalt für Wiederaufbau (KfW).</p>	<b>Loans</b>	<b>Amount (EUR million)</b>	IBRD	45	AIIB	45	<b>Total</b>	<b>90</b>
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<b>Borrower</b>	Georgia			
<b>Implementing Entities</b>	Ministry of Finance (MOF), Ministry of Economy and Sustainable Development (MESD) together with a wide range of government agencies.			
<b>Estimated date of loan closing (SBF)</b>	March 31, 2021			
<b>Contact Points:</b>	<b>AiIB</b>	<b>World Bank</b>	<b>Borrower</b>	<b>Implementing Entity</b>
<b>Name</b>	Mehek Marwaha	Mariam Dolidze / Evgenij Najdov	Nikoloz Gagua	Nikoloz Gagua & Ekaterine Mikabadze
<b>Title</b>	Investment Operations Specialist	Senior Economists	Deputy Minister Ministry of Finance, Georgia	Deputy Ministers Ministry of Finance (MOF) & Ministry of Economy and Sustainable Development (MESD)
<b>Email Address</b>	mehek.marwaha@aiib.org	mdolidze@worldbank.org; enajdov@worldbank.org	publicdebt@mof.ge	<a href="mailto:n.gagua@mof.ge">n.gagua@mof.ge</a> ; <a href="mailto:emikabadze@moesd.gov.ge">emikabadze@moesd.gov.ge</a>
<b>Date of Concept Decision</b>	June 09, 2020			
<b>Date of Appraisal Decision</b>	June 09, 2020			
<b>Date of Financing Approval</b>	July 16, 2020			
<b>Independent Accountability Mechanism</b>	<p>AiIB's Policy on the Project-affected People's Mechanism (PPM), which addresses issues raised under AiIB's ESP as applicable to investment projects, will not apply to this operation. Submissions to the PPM under the Program would, therefore, not be eligible for consideration by the PPM. The WB's independent accountability mechanism addresses issues raised by persons adversely affected by a WB-financed operation and allows them to report alleged noncompliance with the WB's operational policies and procedures, including its DPF Policy.</p>			