



Project Summary Information

Date of Document Preparation: May 28, 2020	
Project Name	Supplemental Economic Management and Competitiveness Development Policy Operation (DPO) for COVID-19 Crisis Mitigation
Document Code	PD000417-PSI-GEO
AIIB member	Georgia
Sector/Subsector	Others / Exceptions
Status of Financing	Under Preparation
Project Description	<p>The operation is proposed under the COVID-19 Crisis Recovery Facility (the Facility) of AIIB and co-financed with the World Bank (WB) in supplemental financing for the Economic Management and Competitiveness Development Policy Operation (EMC DPO) 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 EMC DPO-supported reform program.</p> <p>On March 26, 2020, the WB's Board approved the €45 million EMC DPO, the development objective of which is to sustain rapid growth, and ensure greater inclusion, job creation, and resilience. The Supplemental DPO will be linked to the prior actions and reforms undertaken by the government.</p> <p>The GoG's request for supplemental financing is consistent with the WB Policy on Development Policy Financing (DPF Policy) and is proposed in light of continued compliance with the program, the robustness of the GoG's response to the COVID-19 crisis, and the significant financing gap that has resulted.</p> <p>The proposed financing of \$50 million by AIIB is part of a broader AIIB – WB emergency package, which also includes the COVID-19 emergency response project of USD 180 million.</p>
Objective	<p>The objective of the proposed WB DPO is to support the GoG to mitigate the significant negative economic and social impacts caused by the COVID-19 pandemic and ensure smooth implementation of the original DPO, the objectives of which were: supporting the GoG's program of reforms to sustain rapid growth, and ensuring greater inclusion, job creation and resilience by:</p> <ul style="list-style-type: none"> i) strengthening economic management through improving the efficiency of public resource use and

	<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 toward ensuring a more qualified workforce over the long term, and strengthening investment promotion.</p>
Expected Results	<p>The key results indicators are:</p> <ul style="list-style-type: none"> a) Increase in the number of municipalities submitting financial statements to State Audit Office (SAO) for audit within 3 months after end of the financial year b) Increase in the percentage of public investment projects that are screened, appraised and selected in compliance with the Public Investment Management (PIM) guideline requirements c) Reduction in single source procurement, as a percentage of total procurement value d) Increase in the number of Regulatory Impact Assessments (RIA) completed on laws and regulations e) Increase in the number of examined cases (2-year average) to strengthen the governance of the Competition Agency of Georgia f) Increase in the number of telecommunication service providers using data transmission services through electricity network g) Increase in the percentage of teachers with full workload h) Increase in the percentage of female teachers with full workload i) Increase in the number of investment funds established j) Increase in the number of targeted companies responding
Environmental and Social Category	<p>N/A (WB requires environmental and social analysis for DPL/DPO operations but does not categorize them)</p>
Environmental and Social Information	<p>The Loan will be co-financed with the WB as lead co-financier, and the program's environmental and social risks and impacts have been assessed in accordance with the WB's 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 Recovery Facility, AIIB will apply the DPF Policy 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>The activities included in the project 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 project activities 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 environmental and social assessments for public investment projects.</p> <p>The prior action on the PIM framework is expected to result in more effective implementation of the PIM guidelines, which would also include its requirement for environmental assessments to be undertaken for proposed public investment projects. The prior action on introduction of RIA will have a positive impact on the environment, given that in line with the June 2019 amendments to the Law on Normative Acts, the RIA is required to also include an assessment of the impact of proposed policies on the environment. The assessment requirements are regulated by the 2017 Environmental Assessment Code, which overall, is aligned with EU policies. Environmental Impact Assessment (EIA) is required for infrastructure investments with the conclusions becoming part of the construction permit. This procedure includes disclosure and public consultation and is usually followed through. The Code also introduces Strategic Environmental Assessment (SEA) for strategic documents (e.g. sectoral or regional development programs); this is a major improvement, however, more clarity on the scope of using the SEA tool and stronger requirements for integrating its outcomes into the considered strategic documents would further enhance effectiveness of the SEA process. In addition, the prior action on investment promotion could indirectly have positive impact as one of the criteria for investment attraction in the overall government's Socio-Economic Development Strategy (SDS) has been the environmental sustainability of the technology. Finally, the Law on Infrastructure Sharing, is expected to lower the environmental impact of deploying telecommunication infrastructure as providers will be able to use existing infrastructure rather than deploy their own.</p> <p>Social Aspects. In the immediate term, the financing will help fund the Government's robust health, social protection and economic response, thus helping protect lives and livelihoods. This will help some of the poorest and more vulnerable Georgians 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 services emergency programs.</p> <p>Implementation of the program is expected to contribute to gender equality in Georgia in the medium and longer terms. Prior actions across both pillars (Strengthening Economic Management and Enhancing Competitiveness) aim at better integrating gender impacts in key government processes. For example, improving Public Financial Management (PFM) arrangements at the local level will result in greater compliance with the requirements of the program budgeting methodology, including gender-sensitive budgeting. It will also allow (through the RIA reforms) policy makers to better anticipate and consider any positive or negative gender equality impact of new regulations and policies. The PIM guidelines would serve a similar function</p>
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	for new larger public investments. Also, a financially more secure and competent teaching cadre will help build assets and opportunities for teachers, who are mostly female, and help narrow the wage gap.			
Cost and Financing Plan	The total cost of the supplemental DPO is estimated to be USD 100 million. The indicative financing plan is shown in the table below:			
	Loans		Amount (USD million)	
	IBRD		50	
	AIIB		50	
	Total		100	
	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), and the Kreditanstalt für Wiederaufbau (KfW).			
Borrower	Georgia			
Implementing Entity	Ministry of Finance (MOF), Ministry of Economy and Sustainable Development (MESD) together with a wide range of government agencies.			
Estimated date of loan closing (SBF)	March 31, 2021			
Contact Points:	AIIB	World Bank	Borrower	Implementing Entity
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Estimated Date of Concept Decision	June 2020
Estimated Date of Appraisal Decision	June 2020
Estimated Date of Financing Approval	Q2 2020

Independent Accountability Mechanism	AIIB's Policy on the Project-affected People's Mechanism (PPM) addresses issues raised under AIIB's ESP, which does 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 non-compliance with the WB's operational policies and procedures, including the DPF Policy.
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