PUBLIC–PRIVATE PARTNERSHIP MONITOR
GEORGIA

OCTOBER 2024

ASIAN DEVELOPMENT BANK

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6 ADB Avenue, Mandaluyong City, 1550 Metro Manila, Philippines
Tel +63 2 8632 4444; Fax +63 2 8636 2444
www.adb.org

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Notes:
In this publication, “$” refers to United States dollars, “CHF” refers to Swiss francs, “GEL” refers to Georgia lari.
ADB recognizes “China” as the People’s Republic of China, “Korea” as the Republic of Korea, and
“Russia” as the Russian Federation.

On the cover: Some of the notable public–private partnership projects in Georgia are in transport infrastructure (e.g., airports, bridges, ports, rail, roads), energy, information and communication technology, and healthcare sectors.

Photos by Gia Chkhatarashvili (rehabilitated Zugdidi-Jvari-Mestia-Lasdili Road in Mestia, Samegrelo-Zemo Svaneti Region, Georgia); Tengo Giorbelidze (Lugar Research Center); Khatia Jijeishvili (the Bridge of Peace over the Kura River); and Eric Sales (Batumi Seaport on the southeast coast of the Black Sea; water treatment facility in Poti, Georgia; and construction of new train station under the Sustainable Urban Transport Investment Program).

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Foreword

The *Public–Private Partnership Monitor* is our flagship product and presents a detailed review of the current state of public–private partnership (PPP) enabling environment for select countries. We are honored to have the opportunity to work with the Georgian government on this product and hope that it contributes to discussions on further development of the PPP market.

The availability of adequate infrastructure is a measure of a country's ability to sustain its economic growth. For economies across Asia and the Pacific, the provision of basic infrastructure services, including water, sanitation, solid waste management, housing, health, energy, transportation, and communications is an important public sector activity. As demand for infrastructure has increased faster than government budgets, the public sector has increasingly considered partnerships with the private sector as an alternate modality for financing infrastructure.

The Asian Development Bank (ADB) estimates that Asia and the Pacific must spend $1.7 trillion a year on infrastructure until 2030 to maintain growth, meet social needs, and respond to the effects of climate change. That amount is expected to go up. The traditional sources of finance for infrastructure—the government's budgetary allocations—have not been enough to meet the demand. Prior to the coronavirus disease (COVID-19) pandemic, ADB estimated an annual infrastructure gap of $204 billion to be filled through private sector investment. That amount is also now expected to have increased with the fiscal constraints as well as additional needs that have become keenly apparent in the social infrastructure.

For the private sector, investment in infrastructure, whether through PPPs or otherwise, represents an investment avenue competing with various other investment options available. To compete and attract private capital into infrastructure, governments must provide conducive environments that establish and protect private investors' rights, with sufficient support to ensure every asset invested yields returns commensurate with risks.

The PPP Monitor provides the investment community with analysis of the enabling environment, policies, priority sectors, and deals to facilitate informed investment decisions. For ADB developing member countries (DMCs), the PPP Monitor serves as a diagnostic tool to identify gaps in their legal, regulatory, and institutional frameworks. ADB and other international development agencies can also benefit from the PPP Monitor as it could be useful in initiating dialogues to assess a country's readiness to tap PPPs as a means to develop and sustain its infrastructure as well as develop private sector.

Building on the success of the previous editions of the PPP Monitor, the new monitor is being brought online to widen its reach. More country reports and updates will be continually added. The monitor features an interactive online version, which allows users to compare the key parameters and features across DMCs. The online version may be accessed at http://www.pppmonitor.adb.org.

The PPP Monitor has been upgraded to provide a one-stop information source, derived from a consolidation of (i) the previous PPP Monitor; (ii) leading PPP databases of multilateral development banks like the World Bank and the International Finance Corporation, and organizations like the Economist Intelligence Unit (Infrascope) and the Global Infrastructure Hub (InfraCompass); (iii) reports from a national PPP unit; (iv) a country's legal framework; and (v) consultations with leading technical experts and legal firms as well as financial institutions.

The PPP Monitor includes more than 500 qualitative and quantitative indicators to profile the national PPP environment, the sector-specific PPP landscape (for eight identified infrastructure sectors), and the PPP landscape for local government projects. The COVID-19 pandemic pushed social infrastructure to the forefront of policy and planning. Hence, wherever possible, this PPP Monitor focuses more on social and municipal aspects like healthcare, education, and affordable housing.

The PPP market environment in most ADB DMCs is still emerging or developing. To accelerate infrastructure development, continuous regulatory reforms and institutional reinforcements are required to facilitate private sector investment in infrastructure and create a sustainable pipeline of bankable projects. Through the PPP Monitor, ADB provides the analytical basis for DMCs in addressing various infrastructure challenges, developing sustainable infrastructure projects, and delivering efficient and effective public services through PPPs. ADB also supports DMCs improve their investment climates, formulate sound market regulations, and build robust legal and institutional frameworks to encourage private sector participation in infrastructure through technical assistance, project development, advisory services, policy support, and investments.

We hope this PPP Monitor will pave the way for continued dialogue between the public and private sectors and stimulate the adoption of PPPs in Asia and the Pacific to close the infrastructure gap.

Adrian Torres
Director, Special Initiatives and Funds
Office of Markets Development and Public–Private Partnership
Asian Development Bank

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The *Public–Private Partnership Monitor* for Georgia was prepared by the Asian Development Bank (ADB) Office of Markets Development and Public–Private Partnership, in close coordination with the Georgia Resident Mission.

This effort has been led by a team of public–private partnership (PPP) specialists in the Office of Markets Development and Public–Private Partnership who developed, refined, and streamlined the analytical framework for capturing the national, subnational, and sectoral PPP-related landscape that has been used in this document.

The PPP Monitor uses data published by the governments of ADB developing member countries on their official websites and in reports, publications, laws, and regulations as well as data published by other multilateral development agencies and included in industry publications and databases such as those of the World Bank, Organisation for Economic Co-operation and Development, World Economic Forum, International Monetary Fund, Inframation Group, IJGlobal, Economist Intelligence Unit (Infrascope Index), Global Infrastructure Hub, TheGlobalEconomy.com, Bloomberg, S&P Global, Trading Economics, and the PPP Knowledge Lab.

ADB partnered with PwC Georgia, whose team shared their deep expertise on the Georgia PPP market and provided inputs in developing the monitor, with support from the Georgia PPP Agency and various government ministries.

Definition of Terms

Term	Definition
Public–private partnership (PPP)	Contractual arrangement between public (national, state, provincial, or local) and private entities through which the skills, assets, and/or financial resources of each of the public and private sectors are allocated in a complementary manner, thereby sharing the risks and rewards to seek to provide optimal service delivery and good value to citizens. In a PPP, the public sector retains the ultimate responsibility for service delivery, although the private sector provides the service for an extended time. Within Asian Development Bank operations, all contracts such as performance-based contracts (management and service contracts), lease–operate–transfer, build–own–operate–transfer, design–build–finance–operate, variants, and concessions are considered as various forms of PPP. Excluded are: (i) contracts involving turnkey design and construction as part of public procurement (engineering, procurement, and construction contracts), simple service contracts that are not linked to performance standards (those that are more aligned with outsourcing to private contractor staff to operate public assets); (ii) construction contracts with extended warranties and/or maintenance provisions of, for example, up to five years post-completion (wherein performance risk-sharing is minimal as the assets are new and need only basic maintenance); and (iii) all privatization and divestitures.
Affermage or lease contracts	Under a lease contract, the private sector developer is responsible for the service in its entirety and undertakes obligations relating to quality and service standards. Except for new and replacement investments, which remain the responsibility of the government contracting agency, the operator provides the service at their expense and risk. The duration of the leasing contract is typically 10 years and may be renewed up to 20 years. Responsibility for service provision is transferred from the public sector to the private sector and the financial risk for operation and maintenance is borne entirely by the private sector operator. In particular, the operator is responsible for losses and for unpaid consumer debts. Leases do not involve any sale of assets to the private sector.
Availability- and performance-based payments	Method of investment recovery in PPP projects when payments to the private party are made by the government contracting agency over the lifetime of a PPP contract in return for making infrastructure or services available for use at acceptable and contractually agreed performance standards.
Best and final offer	An incentive mechanism provided by the government contracting agency to the private sector developer initiating a PPP project through the unsolicited proposal route to be automatically shortlisted for the final bidding round and provide its best and final offer to match the other bidders' best offer.

Term	Definition
Build–lease–transfer	A PPP type whereby a private sector developer is authorized to finance and construct an infrastructure or development facility and, upon its completion, hands it over to the government contracting agency on a lease arrangement for a fixed period, after which ownership of the facility is automatically transferred to the government contracting agency.
Build–own–operate	A PPP type whereby a private sector developer is authorized to finance, construct, own, operate, and maintain an infrastructure or development facility from which the private sector developer is allowed to recover its total investment, operating and maintenance costs, plus a reasonable return thereon by collecting tolls, fees, rentals, or other charges from facility users. Under this PPP type, the private sector developer, which owns the assets of the facility, may assign its operation and maintenance to a facility operator.
Build–operate–transfer	The build–operate–transfer and similar arrangements are specialized concessions in which a private firm or consortium finances and develops a new infrastructure project or a major component according to performance standards set by the government. Under build–operate–transfer contracts, the private sector developer provides the capital required to build a new facility. Importantly, the private operator now owns the assets for a period set by a contract sufficient to give the developer time to recover investment costs through user charges.
Build–transfer	A PPP type under which the private sector developer undertakes the financing and construction of a given infrastructure or development facility and, after its completion, hands it over to the government contracting agency, which pays the private sector developer, on an agreed schedule, its total investments expended on the project, plus a reasonable rate of return thereon. This arrangement may be employed in the construction of any infrastructure or development project, including critical facilities which, for security or strategic reasons, must be operated directly by the government contracting agency.
Commercial close	Indicates the signing of the PPP contract between the government contract agency and the identified private sector developer. Usually occurs after the terms and conditions of the draft PPP contract are negotiated and agreed between the government contracting agency and the identified private sector developer.
Competitive bidding	A process under which the bidders submit information detailing their qualifications and detailed technical and financial proposals, which are evaluated according to defined criteria, often in a multistage process, to select a preferred bidder. Competitive bidding may also include competitive negotiations and license schemes.
Concession	A PPP type which makes the concessionaire (established by the selected private sector developer) responsible for the full delivery of services in a specified area, including operation, maintenance, collection, management, construction, and rehabilitation of the system. Importantly, the private sector developer is responsible for all capital investment. Although the concessionaire is responsible for providing the assets, such assets are publicly owned even during the concession period. The public sector is responsible for establishing performance standards and ensuring that the concessionaire meets them. In essence, the public sector's role shifts from being the service provider to regulating the price and quality of service.
Currency conversion swap fee	A premium which is paid by the borrower to settle on a swap, in which the parties sell currencies to each other subject to an agreement to repurchase the same currency in the same amount, at the same exchange rate, and on a fixed date in the future.
Direct agreement	An agreement normally made between the concessionaire (established by the private sector developer), the government contracting agency, and the lenders. The agreement usually gives the lenders step-in rights to take over the operation of the key PPP contracts.
Direct negotiation	A type of PPP procurement under which the PPP contract is awarded on the basis of a direct agreement with a private sector developer without going through the competitive bidding process.

Term	Definition
Dispute resolution	A process to resolve any dispute between the government contracting agency and the private sector developer as agreed in the PPP contract. The possible dispute resolution mechanisms in a PPP contract could include resolution through discussion between both parties, a dispute resolution board, expert determination, mediation or conciliation, or arbitration.
Environmental impact assessment	A process of evaluating the likely environmental impacts of a proposed project or development, taking into account interrelated socioeconomic, cultural, and human health impacts, both beneficial and adverse.
Feed-in tariff	A policy mechanism designed to accelerate investment in renewable energy technologies by offering long-term purchase agreements for the sale of renewable energy electricity.
Financial close	An event whereby (i) a legally binding commitment of equity holders and/or debt financiers exists to provide or mobilize funding for the full cost of the project, and (ii) the conditions for funding have been met and the first tranche of funding is mobilized. If this information is not available, the construction start date is used as an estimated financial closure date.
Financial equilibrium	A mechanism in a PPP agreement for dealing with changes, when changes in specified conditions and circumstances trigger compensating changes to the terms of the agreement. Some civil law jurisdictions emphasize economic or financial equilibrium provisions that entitle a partner to make changes in the key financial terms of the contract to compensate for certain types of exogenous events that may impact returns. The partner is protected as the economic balance of the contract must be maintained and adequate compensation paid for damages suffered. Unexpected changes that merit financial equilibrium may arise from force majeure (major natural hazards or civil disturbances), government action, and unforeseen changes in economic conditions.
Force majeure	An event that is reasonably beyond the control of the affected party as a result of which such party's performance of its obligations under the PPP contract is prevented or rendered impossible. Force majeure events may include war, civil war, armed conflict, or terrorism; nuclear, chemical, or biological contamination unless the source or the cause of the contamination is the result of the actions of or breach by the concessionaire or its subcontractors; pressure waves caused by devices traveling at supersonic speeds, which directly causes either party (the "Affected Party") to be unable to comply with all or a material part of its obligations under the contract; or any other similar events that are beyond the reasonable control of the affected party and prevent or render impossible the performance by such party of its obligations under the PPP contract.
Government contracting agency	The ministry, department, or agency that enters into a PPP contract with the private sector and is responsible for ensuring that the relevant public assets or services are provided.
Government guarantee	Agreements under which the government agrees to bear some or all risks of a PPP project. It is a secondary obligation, which legally binds the government to take on an obligation if a specified event occurs. A government guarantee constitutes a contingent liability, for which there is uncertainty as to whether the government may be required to make payments, and if so, how much and when it will be required to pay. In practice, government guarantees are used when debt providers are unwilling to lend to a private party in a PPP because of concerns over credit risk and potential loan losses. Government guarantees can also be used to benefit equity investors in a PPP company when they require protection against the investment risks they bear.
Government pay (Offtake)	This represents the payment made by the government contracting agency to the concessionaire (established by the private sector developer) for the infrastructure assets provided and services delivered through a PPP project. These payments could be usage-based, that is, conditional on the availability of an asset or service to the specified quality and upfront subsidies based on achieving certain agreed milestones (for example, shadow tolls or output-based subsidies based on availability).

Term	Definition
Gross-cost contract	A type of PPP contract arrangement in the railway sector under which all revenues from fares and other sources are transferred to the government contracting agency and the risks absorbed by the developer are confined to those associated with the cost of operations.
Hybrid arrangement	A method of investment recovery in PPP projects when payments to the private party are made as a combination of user charges and availability payments over the lifetime of a contract, in return for making infrastructure or services available for use at acceptable and contractually agreed performance standards.
Independent power producer (IPP) scheme	A scheme whereby a producer of electrical energy, which is not a public utility, makes electric energy available for sale to utilities or the general public. A scheme whereby a producer of electrical energy, which is a private entity, owns and/or operates facilities to generate electricity and then sells it to a utility, central government buyer, or end-users. The IPP invests in generation technologies and recovers its cost from the sale of the electricity.
Institutional arbitration	An arbitration process in which a specialized institution intervenes and takes on the role of administering the arbitration process between the government contracting agency and the private sector developer for a PPP project-related dispute. This institution would have its own set of rules, which would provide a framework for the arbitration, and its own form of administration to assist in the process.
Interest rate swap fee	A premium paid by the borrower for a hedging contract to convert a floating interest rate into a fixed rate. The two parties agree to exchange interest rate payments based on a notional principal amount, with typically one paying a fixed rate and the other generally paying a floating rate.
Joint venture	An alternative to full privatization in which the infrastructure is co-owned and operated by the public sector and private operators. Under a joint venture, the public and private sector partners can either form a new company or assume joint ownership of an existing company through a sale of shares to one or several private investors. The company may also be listed on the stock exchange.
Lender's step-in rights	Lender's rights in project-financed arrangements to 'step in' to the project company's position in the contract to take control of the infrastructure project where the project company is not performing.
Management contract	A PPP type which expands the services to be contracted out to include some or all of the management and operation of the public service (i.e., utility, hospital, port authority). Although the ultimate obligation for service provision remains in the public sector, daily management control and authority are assigned to the private partner or contractor. In most cases, the private partner provides working capital but no financing for investment.
Material adverse government action	An action by the government which directly and materially affects the private party of a PPP project in performing its obligations under the relevant PPP contract, and which would reasonably be expected to result in a material adverse effect.
Net-cost contract	A type of PPP contract arrangement in the railway sector under which all revenues from fares and other sources are retained by the developer, and traffic and revenue risks are absorbed either fully or as per a contractually agreed portion.
Nominal interest rate	The nominal interest rate is the interest rate applicable to a borrowing before taking inflation adjustment into account. In certain cases, nominal interest rate also refers to the advertised or stated interest rate on a borrowing, without taking into account any fees or compounding of interest. Nominal interest rate = Real interest rate + Inflation rate

Term	Definition
Nonrecourse/limited recourse project financing	The financing of the development or exploitation of a right, natural resource, or other assets where the bulk of the financing is to be provided by way of debt and is to be repaid principally out of the assets being financed and their revenues.
Output-based aid (OBA)	Refers to development aid strategies that link the delivery of public services in developing countries to targeted performance-related subsidies. OBA provides a way in which international financial institutions can directly structure their financing to benefit poor people, even when the service provider is a private company. OBA is the use of explicit, performance-based subsidies funded by the donor agencies to complement or replace user fees. It involves the contracting out of basic service provision to a third party such as private companies, nongovernment organizations, community-based organizations, and even public service providers with subsidy payments tied to the delivery of specified outputs. This means that targeted and valuable subsidies to disadvantaged populations are funded through donor funds. The private partner, meanwhile, can only recover this funding by achieving specific performance outcomes.
Project bond financing	An alternative source of financing infrastructure projects by placing bonds.
Project development	Indicates the stage of the PPP project life cycle including PPP project identification, preparation, structuring, and procurement up to commercial close between the government contracting agency and the private sector developer.
Project development fund (PDF)	A fund dedicated to reimbursing the cost of feasibility studies, transaction advisers, and other costs of project development, to encourage contracting agencies to use high-quality transaction advisers and best practices. PDFs provide the specialized resources needed to conduct studies, design, and structure a PPP and then procure the PPP.
Real interest rate	The real interest rate is the interest rate applicable to a borrowing that takes the inflation rate into account. Real interest rate = Nominal interest rate - Inflation rate
Regulatory framework	A framework encompassing all laws, regulations, policies, binding guidelines or instructions, other legal texts of general application, judicial decisions, and administrative rulings governing or setting precedent in connection with PPPs. In this context, the term 'policies' refers to other government-issued documents, that are binding on all stakeholders, are enforced like laws and regulations, and provide detailed instructions for the implementation of PPPs.
Rehabilitate–operate–transfer	A PPP type whereby an existing facility is handed over to the private sector developer to refurbish, operate, and maintain for a franchise period, at the expiry of which the legal title to the facility is turned over to the government contracting agency.
Risk allocation matrix	Matrix indicating the allocation of the consequences of each risk to one of the parties in the PPP contract or agreeing to deal with the risk through a specified mechanism, which may involve sharing the risk.
Service contract	A PPP type under which the government contracting agency hires a private company or entity to carry out one or more specified tasks or services for a period, typically 1–3 years. The government contracting agency remains the primary provider of the infrastructure service and contracts out only portions of its operation to the private partner. The private partner must perform the service at the agreed cost and must typically meet performance standards set by the government contracting agency. Government contracting agencies generally use competitive bidding procedures to award service contracts, which tend to work well given the limited period and narrowly defined nature of these contracts.
Social impact assessment	Includes the processes of analyzing, monitoring, and managing the intended and unintended social consequences, both positive and negative, of planned interventions (policies, programs, plans, and projects) and any social change processes invoked by those interventions. Its primary purpose is to bring about a more sustainable and equitable biophysical and human environment.

Term	Definition
Social infrastructure	Covers social services, including hospitals, schools, universities, prisons, housing, and courts.
State-owned enterprise	A company or enterprise owned by the government or in which the government has a controlling stake.
Swiss challenge	A process in public procurement when a government contracting agency that has received an unsolicited bid for a project publishes details of the bid and invites third parties to match or exceed it.
Tax holiday	A government incentive program that offers tax reduction or elimination to projects and/or businesses. In the context of a PPP project, tax holidays are provided to exempt the concessionaire from making any tax payments during the initial demand period to make the project financially viable.
Unsolicited bid	A proposal made by a private party to undertake a PPP project. It is submitted at the initiative of the private party, rather than in response to a request from the government contracting agency.
User charges	A method of investment recovery in PPP projects when payments to the private party are fully derived from tariffs paid by users or offtakes over the lifetime of a PPP contract in return for making infrastructure or services available for use at acceptable and contractually agreed performance standards.
Viability gap fund	A scheme wherein projects with low financial viability are given grants or other financial support from the government up to a stipulated percentage of the project cost, making them financially viable as PPPs.

Abbreviations

ADB	Asian Development Bank
EBRD	European Bank for Reconstruction and Development
EIA	environmental impact assessment
ESCO	Electricity System Commercial Operator
EU	European Union
GCAA	Georgian Civil Aviation Agency
GDP	gross domestic product
GNCC	Georgian National Communications Commission
GNERC	Georgian National Energy and Water Supply Regulatory Commission
GOGC	Georgian Oil and Gas Corporation
GSE	Georgian State Electrosystem
HPP	hydropower plant
ICT	information and communication technology
IFC	International Finance Corporation
IMF	International Monetary Fund
JSC	Joint Stock Company
km	kilometer
LEPL	Legal Entities Under Public Law
m^2	squater meter
MDF	Ministry of Regional Development
MEPA	Ministry of Environmental Protection and Agriculture
MOESD	Ministry of Economy and Sustainable Development

MOF	Ministry of Finance
MRDI	Ministry of Regional Development and Infrastructure
MW	megawatt
PCN	project concept note
PPA	power purchase agreement
PPP	public–private partnership
SDG	Sustainable Development Goal
SNG	subnational government
TEU	twenty-foot equivalent unit
TWh	terawatt-hour
VAT	value-added tax
WSS	water supply and sanitation

Guide to Understanding the Public–Private Partnership Monitor

The *Public–Private Partnership Monitor* (PPP Monitor), a flagship publication of the Asian Development Bank (ADB), profiles PPP-enabling environments in ADB's developing member countries (DMCs) across Asia and the Pacific. The PPP Monitor features, for the first time, a data-driven, interactive online version that allows users to compare and contrast the key PPP parameters and attributes across the featured DMCs. While the featured countries are a small sample, more countries will be continually added to the PPP Monitor, which is expected to become a knowledge base for assessing a country's PPP environment for the government and the business community. The new PPP Monitor builds on the success of the first and second editions of the PPP Monitor.

The PPP Monitor provides a snapshot of the country's overall landscape. This downloadable guide also assesses more than 500 qualitative and quantitative indicators that have been structured per topic (the national PPP landscape, the sector-specific PPP landscape for eight identified infrastructure sectors, and a separate section for other sectors), and the PPP landscape for local government projects. The PPP Monitor also captures the critical macroeconomic and infrastructure sector indicators, including the Ease of Doing Business scores, from globally accepted sources.

Qualitative and quantitative indicators characterize each of the topics and associated subtopics presented below. Qualitative indicators take the form of a question to which 'Yes,' 'No,' 'Not Applicable,' or 'Unavailable' answers can be given. Quantitative indicators are represented in the form of numbers, ratios, investment value, and duration.

The information and data are organized along the following topic clusters for each of the developing member countries covered.

Overview

Topic	Subtopics
Overview	• Overview of the public–private partnership (PPP) legal and regulatory framework • Number of PPP projects reaching financial close from 1990 to the end of 2023 across sectors • Total investments made in PPPs from 1990 to 2023 across sectors • Features of past PPP projects including the number of PPPs procured through various modes • Number of PPP projects under preparation and procurement • Number of PPP projects supported by government • Payment mechanism for PPPs • Foreign sponsor participation in PPPs from 1990 to 2023 • Major sponsors active in the infrastructure sector in the country • Challenges associated with the PPP landscape in the country

National Public–Private Partnership Landscape Indicators

To profile the national PPP landscape, the indicators are grouped into three major categories: national PPP-enabling framework, government support for PPP projects, and maturity of the PPP market.

Topic	Subtopics
National PPP legal and regulatory framework	Details on the legal and regulatory framework applicable to PPPs and their evolution since the introduction of PPPs in the country. Details on the other supporting laws and regulations governing PPPs in the country.
PPP types	Details on the PPP types allowed to be used as per the legal and regulatory framework. In case the legal and regulatory framework does not specify the PPP types, this section provides the details on the specific types which have been adopted for various projects at various stages of the PPP life cycle.
Eligible sectors	Details on various infrastructure sectors for which projects could be procured through the PPP route as per the legal and regulatory framework.
PPP institutional framework Entities responsible for PPP project identification, approval, and oversight Entities responsible for PPP project monitoring	Details on the institutional framework including the availability of a PPP unit, the functions of the unit, the principal public entities associated with PPPs and their respective functions, and the details of the public entities responsible for PPP project identification, appraisal, approval, oversight, and monitoring.
PPP process	Details on the various stages of the PPP process including project identification, preparation, structuring, procurement, and management as per the PPP legal and regulatory framework in the country.
PPP standard operating procedures, tool kits, templates, and model bid documents	Details on the standard operating procedures and standard templates or model bidding documents available for PPPs (if any). Details on the key clauses in a PPP agreement based on the review of selected agreements already executed and/or a review of the PPP legal and regulatory framework.
Lender's security rights	Rights of lenders, including the charge of project assets.
Termination and compensation	Definition on whether the private player is eligible for compensation in case of PPP project termination for various reasons.
Unsolicited PPP proposals	Details on the possibility of submission of unsolicited proposals and their treatment, including potential advantages provided to the unsolicited proposal proponent at the procurement stage.
Foreign investor participation restrictions	Definition on whether there are any statutory restrictions on foreign equity investments and ownership in PPP projects.
Dispute resolution	Definition of the dispute resolution process and the mechanisms available in the country.
Environmental and social issues	Details on whether the legal and regulatory framework governing PPPs stipulates a mechanism for managing the environmental and social impact of a PPP project, including the potential environmental and social issues which could be caused by a PPP project.
Land rights	Definition of the various mechanisms through which landownership and/or land-use rights could be provided to the private partner in respect of the project site for a PPP project. Details on land records and registration which could be provided to the private partner.

Topic	Subtopics
Government financial support for PPP projects	Details on the various mechanisms of government financial support available to make PPP projects financially viable. Salient features of government financial support mechanisms available.
Project development funding support	Details on the various sources through which funding could be availed for the development activities (preparation, structuring, and procurement) of a PPP project. Details on stages of the PPP project development during which such funding could be availed and used, including payments to transaction advisers.
PPP project statistics	Details on the key PPP statistics in the country such as the availability of (i) a database showing distribution of PPP projects across sectors and across various stages of the PPP life cycle, and (ii) a national PPP project pipeline and its alignment with the national infrastructure plan for the country.
Sources of PPP financing	Details on the sources of financing for PPP projects in the country. Details on typical key financing terms for various sources of financing, banks active in project finance for the last 24 months, active PPP project sponsors in the country for the last 24 months, availability of a derivatives market, and availability of credit rating agencies in the country.

Sector-Specific Public–Private Partnership Landscape Indicators

To profile the sector-specific PPP landscape, the indicators are grouped into five major categories: (i) sector-specific PPP contracting agencies, (ii) sector laws and regulations, (iii) sector master plan (including sector-specific PPP pipelines), (iv) features of past PPP projects in the sector, and (v) sector-specific challenges for PPPs. The sectors that do not appear consistently across the featured countries are covered under the Other Sectors category in the sector-specific PPP landscape.

Topic	Subtopics
Contracting agencies in the sector	Details on which government agencies could act as the contracting agencies for a public–private partnership (PPP) project.
Sector laws and regulations	Details on the applicable sector laws and regulations for PPP projects, including the sector regulators and their respective functions.
Foreign investment restrictions in the sector	Details on the maximum allowed foreign equity investment in greenfield PPP projects in the sector.
Standard contracts in the sector	Specification on whether standard contracts are available for PPP projects in the sector.
Sector master plan	Details on the master plan and/or road map adopted for infrastructure development in the sector by the national government and the corresponding line ministry. Details on the pipeline of PPP projects for the sector aligned with this sector master plan and/or road map. Details on the PPP projects under preparation and procurement in the sector.
Features of past PPP projects	Features of the past PPP projects based on supporting indicators in terms of the number and value (where applicable) of PPP projects for each supporting indicator.

Topic	Subtopics
Tariffs applicable to the sector	Details on the indicative tariffs applicable in the sector based on the examples of selected PPP or other projects operational in the sector.
Typical risk allocation for PPP projects in the sector	Details on the typical risk allocation between the government contracting agency and the private partner based on examples of selected PPP projects that have achieved commercial close.
Financing details for PPP projects in the sector	Typical financing details based on past PPP projects on the lines of the supporting indicators.
Challenges associated with PPPs in the sector	Details on the PPP-related and sector-specific challenges faced by PPP projects in the sector.
Typical sector-specific infrastructure indicators for the country	Details on select sector-specific infrastructure indicators for the country.

Local Government Public–Private Partnership Landscape

To profile the PPP landscape for local government projects, the indicators are grouped into seven major categories: (i) local governance system, (ii) infrastructure development plans for local governments, (iii) sectors in which local governments can implement PPPs, (iv) revenue sources for local governments, (v) borrowings by local governments, (vi) budgetary allocation to local governments, and (vii) credit rating of local governments.

Topic	Subtopics
Key indicators related to local governments in the country	Details on the local governments using selected key indicators on (i) the number and levels of local governments, (ii) the typical expenditure profile and heads, (iii) the typical revenue profile and heads, (iv) the typical debt profile and heads, and (v) grants and transfers from the higher levels of government.
Local governance system	Details on the local governance system in the country, including the various levels of local governments, their roles, responsibilities, and functions and the devolution of powers from the higher levels of government to the various levels of local governments.
Infrastructure development plan for local governments	Details on the infrastructure development plans prepared by the local governments based on their capital investment projects in the pipeline, and the coverage of such infrastructure development plans.
PPP-enabling framework for local governments	Details on the PPP-enabling framework applicable to local government PPP projects, including the legal and regulatory framework, policy framework, and institutional framework.
Eligible sectors for PPPs for local governments	Details on the eligible sectors in which PPPs could be undertaken by the local government as the government contracting agency.
Revenues for local governments	Details on the typical sources of revenue for local governments.
Borrowings by local governments	Details on the typical sources of debt financing available for local governments, the purpose for which borrowed funds can be used, the terms of such borrowings, and the borrowing exposure of select local governments.
Budgetary allocation to local governments	Details on the budgetary allocations and transfers to the local governments from the higher levels of government.

Topic	Subtopics
Credit rating of local governments	Details on the precedence of local governments being rated by credit rating agencies in the country and the details of credit ratings obtained by selected local governments in the past.
Case study on a local government PPP	A case of a PPP project undertaken by a local government in the past covering details on the project background, project assets, project structure, risk allocation among the parties for the project, project finance and project revenue details, and key learnings from the project.

Critical Macroeconomic and Infrastructure Sector Indicators

This section captures the critical macroeconomic and infrastructure sector indicators, including the Ease of Doing Business scores, from globally accepted sources.

Topic	Subtopics
Critical macroeconomic and infrastructure sector indicators	Details of the selected key macroeconomic and infrastructure indicators for the country.
Ease of Doing Business	Details on the various Ease of Doing Business parameters for the country based on the World Bank's Ease of Doing Business publication.

Time Periods

The research was carried out in 2023–2024 to reflect the status as of the end of 2023. Therefore, some indicator data may have changed between this period and the publication date of this report. In country-level and sector-level sections, quantitative data in relation to the number of projects reflect the cumulative number of projects over the periods 1990–2017, 1990–2018, 1990–2019, and 1990–2023. Otherwise, the data represents the status at each individual year. For sector-specific infrastructure indicators and Appendix 1, the year in brackets indicates the latest available data for that parameter.

Currency Equivalents

As of 26 June 2024

Currency unit US dollar ($)

$1.00 = GEL2.81

GEL1.00 = $0.36

I. Overview

Georgia is a small country in the South Caucasus, offering a strategic geographic location that facilitates uninterrupted trade flows and a liberal business environment that provides efficient regulation and taxation to promote long-term business development. At the crossroads of Asia and Europe, the country is striving to become a regional transport and logistics hub and aspires to achieve enhanced participation in regional and global value chains. Due to its small and open economy, Georgia is vulnerable to regional geopolitical shocks. Nevertheless, the Georgian economy has displayed remarkable resilience, demonstrating solid growth in the post-pandemic years. Economic growth in 2021 and 2022 amounted to 10.6% and 11%, respectively. The trend continued in 2023, albeit slower than in previous years, but still reflecting a high average growth of 7.5%.

The government has prioritized steps to ensure macroeconomic stability and manage fiscal risks, promote green and efficient transport for improved connectivity, and invest in renewable energy sources while seeking decarbonization and strengthened disaster risk resilience. The government also focuses on improving basic urban services delivery and developing municipal infrastructure, focusing on private sector involvement in policy planning and formulation. Georgia pursues strategies and policies aimed at greater social orientation and institutional and sector reforms.[1]

The government has approved the National Development Strategy and Vision 2030, which aims to diversify the economy, boost exports, and transform the country into a hub for renewable energy trade, multimodal transit, tourism, logistics, and finance. It sets four priorities: (i) foreign policy, peaceful settlement between Georgia and the Russian Federation, and public security; (ii) economic development; (iii) social policy and human capital development; (iv) and public administration.

The Economist Intelligence Unit's Infrascope Index 2020 ranks Georgia's public–private partnership (PPP) enabling environment at 57th out of 71 countries, 11th in terms of overall investment and business climate, 63rd in terms of institutions, 32nd in terms of financing environment, 37th in terms of regulations, and 60th in terms of market maturity.[2]

Infrastructure Investment Needs in Georgia

According to the Vision 2030 document, to fully use Georgia's location, logistics potential, and regional hub capabilities, in the long term the Georgian government will continue to take care of basic

1 Asian Development Bank. 2024. *Country Partnership Strategy: Georgia, 2024–2028. Developing a Green and Inclusive Regional Gateway*. https://www.adb.org/sites/default/files/institutional-document/951006/cps-geo-2024-2028.pdf.

2 The Economist Intelligence Unit. Infrascope 2020: Georgia Country Profile. https://infrascope.eiu.com/.

infrastructure, such as the development of highways, water supply systems, waste management, and municipal infrastructure.[3]

Transport Infrastructure

Transportation remains a critical focus for infrastructure development in Georgia. In 2023, substantial investments were directed toward improving road and rail networks. The ongoing development of the East–West Highway, which connects the Caspian and Black Seas, is a flagship project aimed at enhancing trade routes and regional connectivity. Additionally, efforts to modernize the railway system continue, with significant investments in both infrastructure and rolling stock to shift more freight and passenger traffic from road to rail, supporting Georgia's decarbonization goals. The government has also prioritized the maintenance of existing road infrastructure to ensure safety and reliability.

Energy Infrastructure

Energy infrastructure is another critical area, with substantial investments planned in renewable energy sources such as hydropower, wind, and solar. Since 2017, investment in the sector has slowed down as a result of the power purchase agreement (PPA) moratorium. The introduction of new support mechanisms is expected to stimulate the sector. The Black Sea Submarine Cable Project, expected to launch in 2029, aims to establish an underwater high-voltage transmission network connecting the electric power systems of Georgia and Europe. This will enable Georgia and Azerbaijan to capitalize on expanded export and transit opportunities.[4]

Water and Wastewater Sector

The water supply in the regions of the country is one of the important challenges due to damaged and in some cases nonexistent infrastructure. Not all regions have a functioning infrastructure network and water quality control mechanism. Due to damaged infrastructure, there are large losses of extracted water, as well as frequent network breakages and supply interruptions. Therefore, investment in water and wastewater infrastructure is critical for ensuring access to clean water and sanitation across Georgia. Projects aimed at modernizing water supply systems and expanding wastewater treatment facilities are necessary to meet growing demand and environmental standards. These investments are crucial for public health and sustainable urban development.

Information and Communication Technology

Information and communication technology (ICT) infrastructure is fundamental for modernizing Georgia's economy and integrating it into the global digital landscape. Expanding high-speed broadband access, especially in rural and underserved areas, is essential for enhancing connectivity, supporting e-government services, and fostering innovation. Investments in ICT infrastructure will enable Georgia to improve public service delivery, support business growth, increase competitiveness and, most importantly, achieve its goals of positioning itself as a digital hub with global connectivity.

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3 Government of Georgia. 2022. Vision 2030: Development Strategy of Georgia. https://www.gov.ge/files/428_85680_321942_khedva-2030-saqarthvelos-ganvitharebis-strategia-1.pdf.

4 TBC Capital. 2024. *Georgian Electricity Sector - Future Perspectives.* April. https://tbccapital.ge/en/publications/all-publications/singleview/30006268-georgian-electricity-sector-future-perspectives.

The World Bank supports Georgia's national strategy 2020–2025 regarding broadband development and is financing the Log-in Georgia project, which aims to increase access to high-speed broadband connectivity for populations in rural areas, promote the use of digitally enabled services (including digital public services) among connected populations, and improve the affordability of broadband services across the country.

The government announced that $2.47 billion would be spent on infrastructure projects across the country in 2024.[5]

Overview of the Public–Private Partnership Legal and Regulatory Framework

Georgia has a nascent but developing ecosystem for PPPs. ADB has been involved in developing the PPP program in Georgia for many years by facilitating the establishment of the PPP legal framework in the country. Until 2018, PPPs in Georgia were implemented in an unstructured manner and on an ad hoc basis, without a well-defined institutional, policy, and legal and regulatory framework. There were several PPP projects in port, airport, energy, information and communication technology (ICT), and healthcare sectors that were implemented before the PPP Law was adopted. The Concession Law, adopted in 1996, provided the guidelines and procedures for issuing concessions to companies and governed the majority of projects in the energy sector. Renewable energy projects were governed by a separate government decree specific to the renewable energy sector projects. The contractual matters also used to be negotiated on a case-by-case basis at an individual PPP contract level.[6]

However, the government realized the importance of PPPs as an alternative way of financing infrastructure investments and has been developing a PPP institutional, policy, and legal and regulatory framework. In 2016, government Decree 245, established an overall institutional structure and identified the areas for public–private cooperation through PPPs. Decree 245 states that PPPs in Georgia shall be implemented following the preliminarily defined process and regulations. Subsequently, in 2018, the Law of Georgia on Public–Private Partnerships, also known as the PPP Law, was adopted. This was followed by a package of bylaws related to the introduction and implementation of PPPs in Georgia. The PPP Law establishes the legal and regulatory framework for PPPs, including the rules and procedures governing the development and implementation of PPPs. It also defines the relevant institutions and other regulatory bodies related to PPPs.[7]

The PPP Law and the secondary legislation provide the legal basis for procuring and managing PPPs in Georgia. It covers both concession and non-concession types of PPPs. It provides the definition and eligibility criteria for PPPs, the various stages for project development and management, and the relevant entities involved in PPP project identification, screening, preparation, procurement, and management, including their functions. It also establishes the process for dispute resolution and the identification and management of contingent liabilities.

[5] *Georgian Public Broadcaster*. 2023. PM: 2024 Budget to be Balanced from Fiscal and Economic Perspectives. November. https://1tv.ge/lang/en/news/pm-2024-budget-to-be-balanced-from-fiscal-and-economic-perspectives/.

[6] CCI Française en Georgie. 2019. *Public Private Partnership in Georgia*. 21 June. https://www.ccifg.ge/news/n/news/public-private-partnership-in-georgia.html.

[7] World Bank. *Doing Business. Ease of Doing Business Rankings*. https://www.doingbusiness.org/en/rankings (accessed 29 April 2024). This ranking has not been updated since 2019.

The PPP Law and the secondary legislation also require the establishment of a formal PPP institutional structure including a PPP Agency, which has been set up under the Office of the Prime Minister of Georgia, and a related risk and fiscal management function under the Ministry of Finance. The PPP Agency became operational in 2019 and guidelines for identifying, appraising, procuring, implementing, and monitoring PPPs have been developed to support the PPP Law and the supporting secondary legislation.[8]

The PPP institutional framework in Georgia consists of the public entities responsible for procuring the PPP project, the PPP Agency, the Ministry of Finance, the Georgian State Procurement Agency, the Ministry of Economy and Sustainable Development (MOESD), and sector-specific line ministries (footnote 3).

Overview of Financial Framework

In Georgia, the local banks have been the major source of funding for infrastructure PPPs. However, the availability of long-term financing from commercial banks is limited. The issuance of corporate and/or project bonds for raising funds for PPPs can be a more viable option as they offer more flexibility and the ability for the issuer to set its preferred terms. Generally, the domestic capital market in Georgia is in the early stages of development. The underdeveloped capital market could be a hindering factor for PPPs. In addition, the instability of the local currency (GEL) creates currency risks for projects that receive long-term funding in a foreign currency and generate project revenues in the local currency. The costs associated with the use of hedging instruments for managing the risk of foreign exchange rate fluctuations and volatility are relatively high.

Therefore, domestic capital market development is currently a priority at the national level. The national government, together with the national bank, representatives of the private sector (including the Stock Exchange of Georgia), experts, and consultants of the ADB have prepared a capital market development strategy for 2023–2028 and a 2023–2024 action plan.[9]

The old strategy did not have a specific implementation period, but within the framework of the two-year action plan (which covered 2016 and 2017 only), several important measures were implemented. One such measure was related to a pension system reform to mobilize long-term capital and savings. The reform resulted in the formation of the pension agency. The former is also important for providing access to domestic long-term financing for PPP projects (footnote 5).

Public–Private Partnership Projects Reaching Financial Close From 1990 to 2023

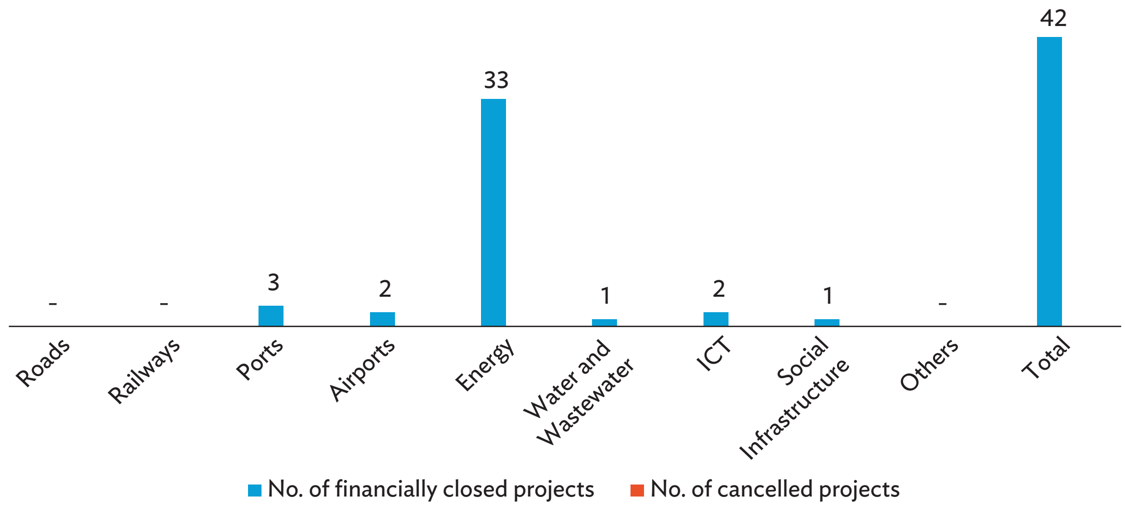
From 1990 to 2023, about 42 PPP projects from different sectors (e.g., airports, energy, ICT, water and sewerage, and social infrastructure) successfully achieved financial closure (Figure 1). The total investment made in these projects is approximately $4 billion.[10]

8 The Economist Intelligence Unit. 2018. *Evaluating the Environment for Public–Private Partnerships in Asia: The 2018 Infrascope.*

9 Capital Market Development Strategy of Georgia, 2023–2028. https://www.economy.ge/uploads/files/2017/reformebi/kapitalisbazris_strategia/2023/cmds_sakartvelos_kapitalis_bazrebis_ganvitarebis_strategia_2023_2028.pdf.

10 World Bank. *Infrastructure Finance, PPPs and Guarantees. Country Snapshots. Georgia*. https://ppi.worldbank.org/en/snapshots/country/georgia (accessed 29 April 2024); and ADB. 2019. *Public–Private Partnership* Monitor. Second Edition. https://www.adb.org/sites/default/files/ publication/509426/ppp-monitor-second-edition.pdf.

Figure 1: Public–Private Partnership Projects Financially Closed and Canceled, 1990–2023



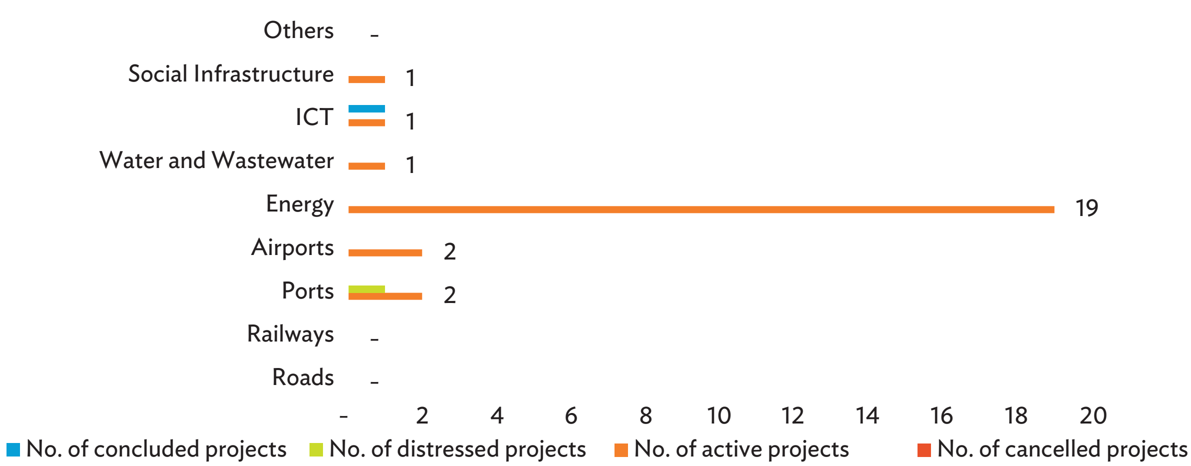
ICT = information and communication technology.

Notes:
1. Total includes active, canceled, distressed, and concluded projects. The hyphen (-) means there are no projects in the sector or data is not available or not applicable according to the database.
2. No updated information available.

Sources: Asian Development Bank. 2019. *Public–Private Partnership Monitor.* Second Edition. https://www.adb.org/ sites/default/files/ publication/509426/ppp-monitor-second-edition.pdf; and World Bank. *Infrastructure Finance, PPPs, and Guarantees. Country Snapshots. Georgia*. https://ppi.worldbank.org/en/snapshots/country/georgia (accessed 29 April 2024).

Figure 2 shows the status of various PPP projects that have been awarded from 1990 to 2023.

Figure 2: Status of Public–Private Partnership Projects Across Sectors, 1990–2023

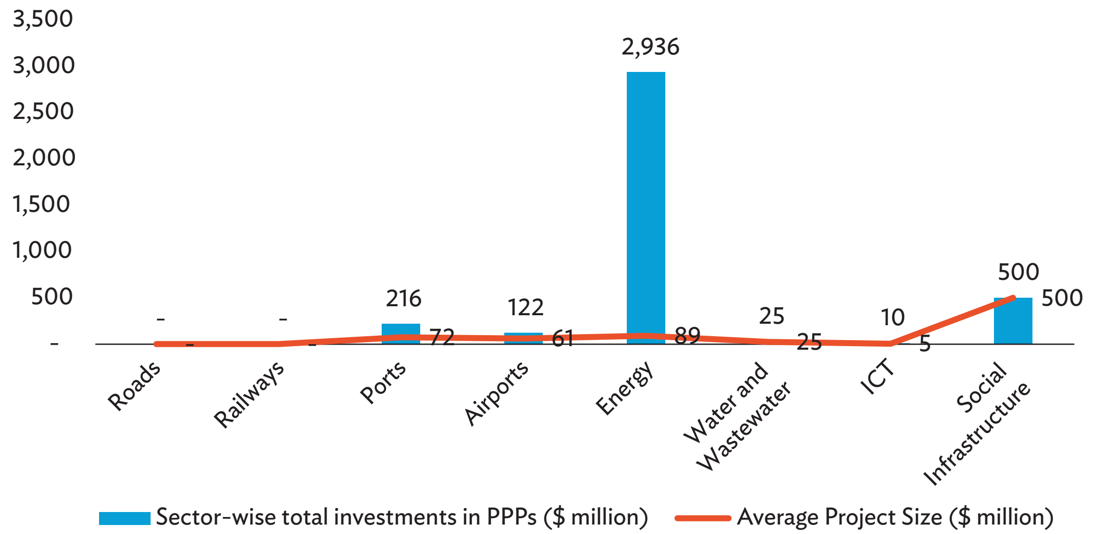


ICT = information and communication technology.

Sources: Asian Development Bank. 2019. *Public–Private Partnership Monitor*. Second Edition. https://www.adb.org/ sites/default/files/ publication/509426/ppp-monitor-second-edition.pdf; and World Bank. *Infrastructure Finance, PPPs and Guarantees. Country Snapshots. Georgia. https://ppi.worldbank.org/en/snapshots/country/georgia* (accessed 29 April 2024).

The energy sector has been the most dominant in terms of the number of PPPs adopted. This sector saw investments of $2,936 million, with an average project cost of $89 million. Figure 3 shows the total investment in each sector from 1990 to 2023 and the average size of a PPP project in each.[11]

Figure 3: Investments in Public–Private Partnerships by Sector, 1990–2023



ICT = information and communication technology, PPP = public–private partnership.

Sources: Asian Development Bank. 2019. *Public–Private Partnership Monitor*. Second Edition. https://www.adb.org/ sites/default/files/publication/509426/ppp-monitor-second-edition.pdf; and World Bank. Infrastructure Finance, PPPs and Guarantees. Country Snapshots. Georgia. https://ppi.worldbank.org/en/snapshots/country/georgia. (accessed 29 April 2024).

Table 1 outlines the top private sector investors in Georgia.

Table 1: Major Active Investors in the Infrastructure Sector

Private Sponsor	Country of Origin
Wondernet Express Investment Group	United States
SOCAR Midstream Operations	Azerbaijan
FCC Aqualia	Spain
Hualing international special economic zone	People's Republic of China
Tbilisi Energy Group	Marshall Islands
EP Georgia Supply	Czech Republic
KazTransOil	Kazakhstan
Tbilisi Electricity Supply Company (TELMICO)	Netherlands
TAV Urban Georgia	United Kingdom/Türkiye

continued on next page

11 No updated information available.

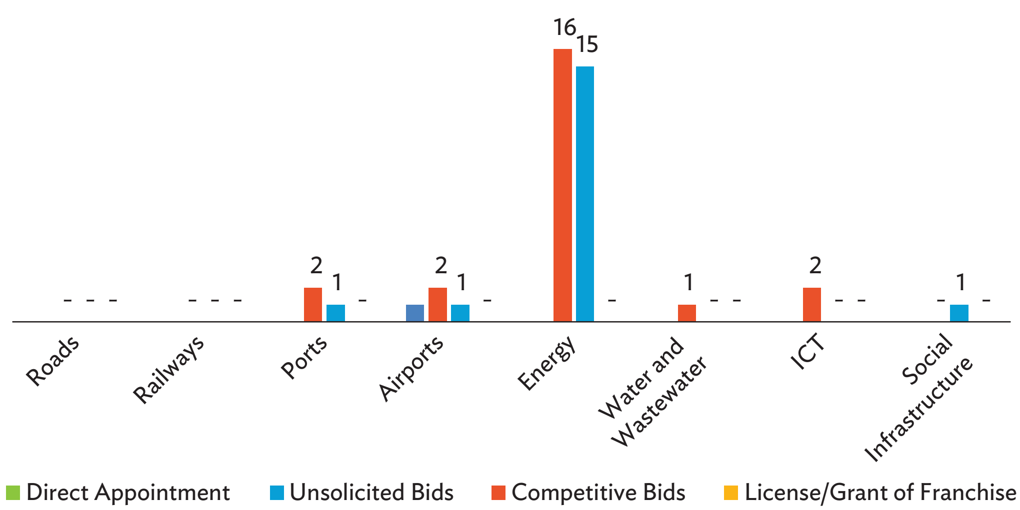
Table 1 *continued*

Private Sponsor	Country of Origin
APM Terminals Poti	Denmark
Black Sea Terminal	Cyprus
Gebruder Weiss LLC	Austria
Energo-Pro a.s.	Czech Republic
Multiplex Solution	Switzerland
Anadolu Endustri Holding A. S.	Türkiye
AP Moller-Maersk Group	Denmark
Unified Energy System of Russia (RAO UESR)	Russian Federation
Clean Energy Group	Norway
Tata Enterprises	India
Inter RAO UES	Russian Federation
PACE Group	Georgia

Source: Enterprise Georgia. Top 200 Investors in 2022. Database (accessed 29 April 2023); and World Bank. Infrastructure Finance, PPPs and Guarantees. Country Snapshots. Georgia. https://ppi.worldbank.org/en/snapshots/country/georgia (accessed 29 April 2024).

From 1990 to 2023, one PPP project was procured through direct appointment, 23 through unsolicited bids, and 18 through a competitive bidding process across various infrastructure sectors (Figure 4).

Figure 4: Modes of Procuring Public–Private Partnership Projects, 1990–2023



ICT = information and communication technology.

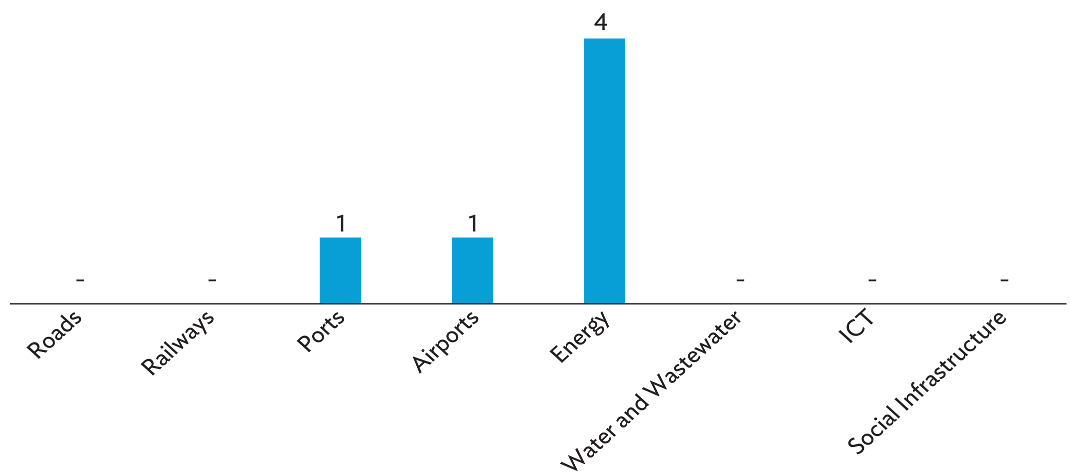
Note: No updated information is available.

Sources: World Bank. *Infrastructure Finance, PPPs and Guarantees. Country Snapshots. Georgia*. https://ppi.worldbank.org/en/ snapshots/country/georgia (accessed 29 April 2024); and Asian Development Bank. 2019. *Public–Private Partnership Monitor*. Second Edition. https://www.adb.org/sites/default/files/publication/509426/ppp-monitor-second-edition.pdf.

Most projects under preparation are through unsolicited proposals in the energy sector. The sector data presented in Figure 5 shows energy projects under preparation in 2023. According to the PPP Agency's annual report, 32 energy projects successfully passed the pre-feasibility stage in 2023. PPP liabilities as of 1 January 2022, amount to GEL384,576,908 (including Nenskra at GEL297,102,908 and Tbilisi Airport at GEL87,474,000). One of the largest energy infrastructure projects currently under preparation is the Black Sea submarine cable, an international project that aims to create a new transmission route to deliver green energy from the South Caucasus to Europe.

In addition, the Tbilisi Airport project is currently under preparation (ADB has announced the tender for consultancy works to develop a new masterplan) and in early 2024, the MOESD announced an international tender for the design and construction of the marine infrastructure of the Anaklia Deep Sea Port. Affordable Housing Project Concept has been developed for the 1000 units targeting income groups and professionals. The project is currently at the initial feasibility stage.

Figure 5: Public–Private Partnership Energy Projects under Preparation and Procurement, 2023



ICT = information and communication technology.
Note: All projects are in the preparation stage.
Source: PPP Agency.

Government Support for Infrastructure Development

The Municipal Development Fund of Georgia is a Legal Entity Under Public Law (LEPL) with the objective to enhance institutional and financial capacities of local self-governmental bodies, make investments in local infrastructure and services, and improve economic and social conditions for the local population. The fund is cooperating with all large investment banks and financial institutions operating in Georgia. It is coordinated by the Supervisory Board approved by the Government of Georgia and the Ministry of Regional Development and Infrastructure (MRDI) and Infrastructure.

The Ministry of Regional Development (MDF) implements significant infrastructure projects such as urban renovation of cities, arrangement of infrastructure at tourist and cultural heritage monuments, construction and rehabilitation of schools and kindergartens, improvement of infrastructure aimed at preventing disasters, creation of a sustainable economic base for internally displaced persons, rehabilitation of the water supply and sanitation system, construction of shelters for homeless animals, arrangement of cable ways, renovation of sports infrastructure, and enhancing the component in support of State and Private Sector Investments (PPI).[12]

According to the 2024 budget submitted to the Parliament of Georgia, GEL3.7 billion should be spent on implementing infrastructure capital projects. This includes financing of ongoing and new projects. A total of 62 projects will be implemented, on which GEL18 billion has already been spent, and GEL14 billion is expected to be spent in 2024–2027. These projects are fully or partially financed by international donors.

Below is a list of the 10 projects with the largest spending from the state budget in 2024. Sixty-two percent of the 3.7 billion GEL to be spent next year will come from these 10 projects:[13]

(i) Construction of the East–West Highway (GEL515 million). The project is implemented by the Eurasian Transport Corridor Investment Center and financed by ADB, the European Investment Bank, the World Bank, and the European Union (EU). More than GEL4 billion has already been spent on this project, GEL515 million in 2024, and GEL170 million should be spent in 2025–2027. This amount does not include the construction costs of the completed sections of the highway. This is only the financing of ongoing construction.

(ii) Construction of the Mtskheta–Stefantsminda–Lars Highway (GEL250 million). The project is implemented by the Road Department of Georgia and LLP Eurasia Transport Corridor Investment Center. Financing is from ADB, the European Bank for Reconstruction and Development (EBRD), and internal resources of the state budget. GEL925 million has already been spent on this project, GEL350 million will be spent in 2024, and GEL602 million should be spent in 2025–2027.

(iii) Construction of the Tbilisi–Bakurtsikhe–Lagodekhi Highway (GEL295 million). The project is implemented by LSI Eurasia Transport Corridor Investment Center. Financing is from the World Bank, ADB, and internal resources of the state budget. GEL366 million has already been spent on this project and GEL295 million will be spent in 2024, and GEL180 million should be spent 2025–2027.

(iv) Educational and scientific infrastructure development program (GEL292 million). The program is implemented by the LSI Educational and Scientific Infrastructure Development Agency. Financing is from internal resources of the state budget (1.4 billion GEL has already been spent on this project), GEL292 million in 2024, and GEL2 billion should be spent in 2025–2027.

(v) Program of measures to support infrastructure projects in the regions (GEL250 million). The program is implemented by the Ministry of Regional Development and Infrastructure. Financing is from internal resources of the state budget (GEL807 million has already been spent on this project), GEL250 million will be spent in 2024, and GEL1,352 million should be spent 2025–2027. The measures are mostly related to the rehabilitation of water supply and sanitation systems and the construction of wastewater facilities.

(vi) Construction-rehabilitation program of preschool education institutions (GEL225 million). The program is implemented by the MDF, and the source of financing is the internal resources of the state budget (GEL100 million has already been spent on this project), GEL225 million will be spent in 2024, and GEL745 million should be spent in 2025–2027.

[12] LEPL Municipal Development Fund of Georgia. *About Fund*. http://mdf.org.ge/?site-path=fund/about/&site-lang=en.

[13] *Forbes Georgia*. 2023.10 Largest Infrastructure Projects in the 2024 Budget. 24 October. https://forbes.ge/10-umskhvilesi-inphrastruqturuli-proeqti-2024-tslis-biujetshi/.

(vii) Tourism infrastructure improvement program (GEL150 million). The program is implemented by the MDF. Financing is from internal resources of the state budget (GEL200 million has already been spent on this project), GEL150 million will be spent in 2024, and GEL1,050 million should be spent in 2025–2027. The project includes the urban renewal of the central areas in the municipalities, the creation and development of tourist-attractive spaces, and the rehabilitation of various buildings.

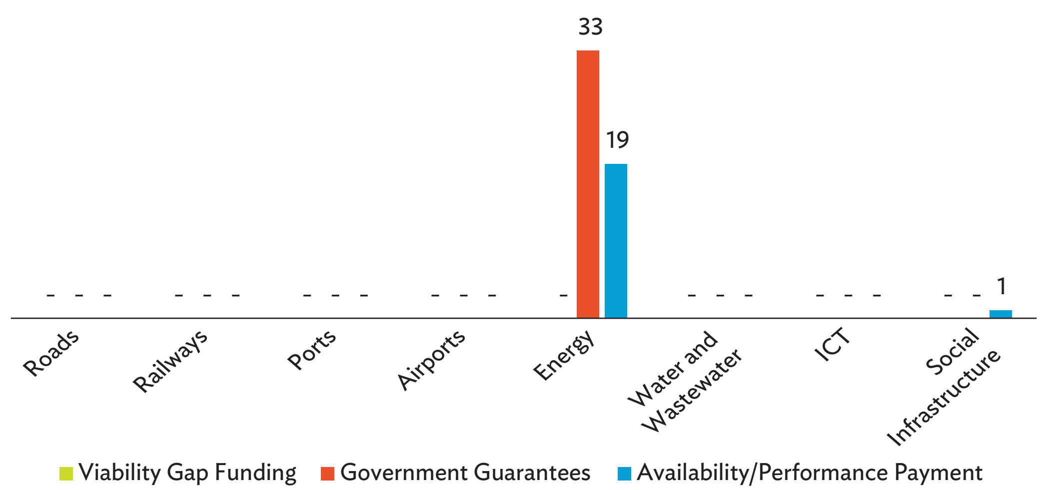
(viii) Renewed Regions Program (GEL100 million). The program is implemented by the MDF. Financing is from internal resources of the state budget (GEL600 million has already been spent on this project), GEL100 million will be spent in 2024, and GEL50 million should be spent in 2025. This project includes the rehabilitation of various types of buildings, recreation parks, and public squares in 63 municipalities of Georgia, urban renewal of central areas, and arrangement of new tourist spaces.

(ix) Innovation, inclusiveness, and quality project (GEL85 million). The project is implemented by the MDF with funding from the World Bank (GEL64 million has already been spent on this project), GEL85 million will be spent in 2024, and GEL46 million should be spent in 2025–2027. The project includes rehabilitation and construction of 60 public schools and the improvement of general educational infrastructure.

(x) Urban service improvement program (GEL80 million). The project is implemented by the Ministry of Regional Development and Infrastructure. The financier is ADB (GEL1.2 billion has already been spent on this project), GEL80 million in 2024, and GEL11 million should be spent in 2025. The project includes the construction of four wastewater treatment facilities in Gudauri Township, the construction of a wastewater treatment plant in Marneuli Municipality, the ongoing construction of the water supply and wastewater network, and the ongoing work on the sewage system and sewage treatment plant in Poti Municipality.

From 1990 to 2023, 33 projects have been supported through government guarantees and 20 through availability payments (Figure 6).

Figure 6: Public–Private Partnership Projects with Government Support, 1990–2023

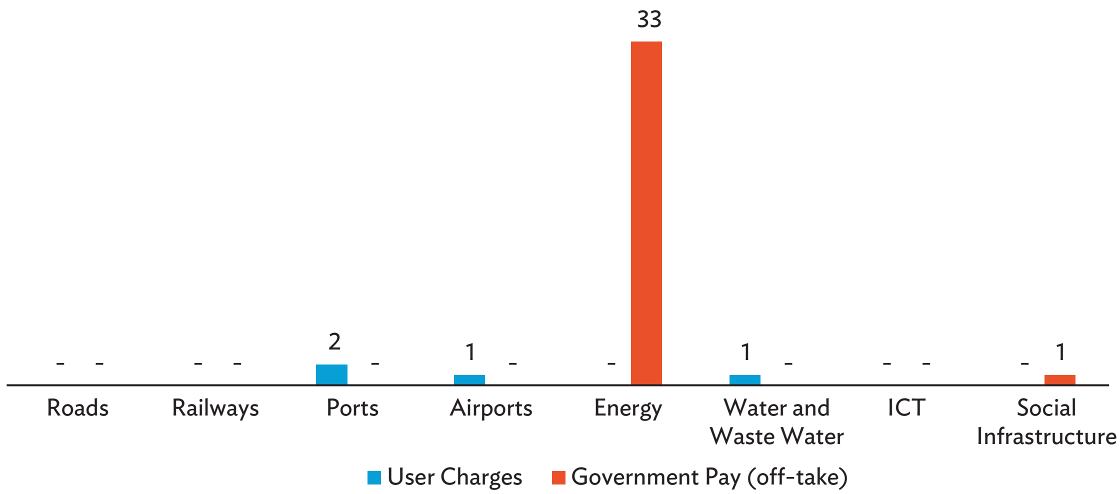


ICT = information and communication technology.

Source: World Bank. *Infrastructure Finance, PPPs, and Guarantees. Country Snapshots. Georgia.* https://ppi.worldbank.org/en/ snapshots/ country/georgia (accessed 29 April 2024).

Based on available data, from 1990 to 2023, there are four PPP projects based on user charges and 34 based on government pay (offtake) (Figure 7).

Figure 7: Payment Mechanism for Public–Private Partnership Projects, 1990–2023



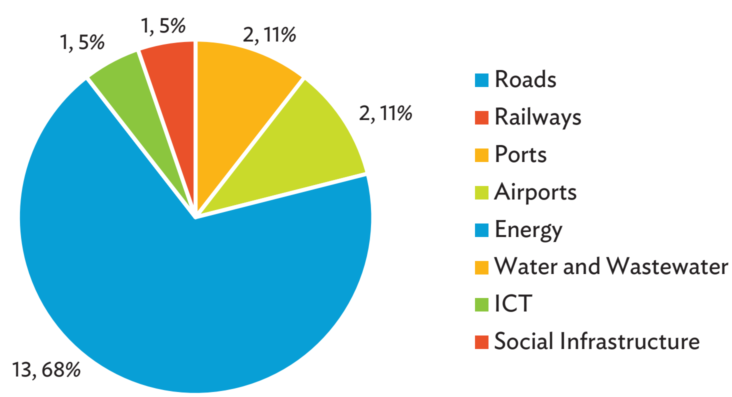
ICT = information and communication technology.

Sources: Asian Development Bank. *2019. Public–Private Partnership Monitor*. Second Edition. https://www.adb.org/sites/default/files/publication/509426/ppp-monitor-second-edition.pdf; and World Bank. *Infrastructure Finance, PPPs and Guarantees. Country Snapshots.* Georgia. https://ppi.worldbank.org/en/snapshots/country/georgia (accessed 29 April 2024).

Foreign Sponsor Participation

Based on available data, from 1990 to 2019, 19 PPP projects in Georgia have included participation from foreign sponsors. Figure 8 shows the distribution of these projects across various infrastructure sectors, including roads, railways, ports, airports, energy, water and wastewater, ICT, and social infrastructure.

Figure 8: Foreign Sponsor Participation, 1990–2019



ICT = information and communication technology.

Sources: Asian Development Bank. 2019. *Public–Private Partnership Monitor*. Second Edition. https://www.adb.org/sites/default/files/publication/509426/ppp-monitor-second-edition.pdf; and World Bank. *Infrastructure Finance, PPPs and Guarantees. Country Snapshots. Georgia*. https://ppi.worldbank.org/en/snapshots/country/georgia (accessed 29 April 2024).

Challenges in the Public–Private Partnership Landscape

Significant progress has been made in improving the PPP landscape, especially in establishing the regulatory framework and with recent PPP training programs instigated by the PPP Agency. However, there is no pipeline of viable projects and significant challenges remain to be addressed.[14]

Low awareness of PPPs. PPPs are at the early stages of development, and the concept is still new in Georgia. Therefore, awareness of PPPs and interest in the opportunities they present among the public and the business sectors is generally low.

Limited staff capacity of central and local government officials. According to the PPP Agency, the lack of institutional and technical capacity is a problem in most institutions and agencies in Georgia. This is generally due to the limited availability of professional staff. In addition, in the area of PPPs, even small-scale projects are screened by the Ministry of Finance and require the government's approval, which makes PPP processes more complex and time-consuming. There is also a lack of institutionalized value-for-money analysis to determine appropriate procurement approaches.

Lack of PPP initiatives at the local and national levels. Although 5 years have passed since the enactment of the legislative and institutional framework, PPPs are mainly limited to energy projects. This may be due to complex procedures that are both bureaucratic and require the engagement of numerous centralized parties. There is no single line ministry responsible for PPPs and the low staffing and the currently defined role of the PPP Agency does not allow it to act as the major proponent of PPPs. In addition, the relatively small scale of projects which are proposed makes it difficult to identify initiatives of interest to the private sector and there is a lack of large-scale projects in the market.

Historic reliance on unsolicited proposals in the energy sector. In response, the government has moved toward considering auctioning as a means of price determination, while at the regulatory level, there is an observed initiative to gradually terminate the use of unsolicited proposals as a tool for project initiation and facilitate a shift to solicited proposals.

Availability of long-term concessional finance. Local banks in Georgia are understood to have sufficient capacity to finance PPPs in the country, however, the risk appetite for such lending in the space is limited and typically restricted to the energy sector where PPPs have been proven to be financially successful, mainly due to power purchase agreements (PPAs).

Lack of a project development fund. There is no dedicated fund for government agencies to bring expert advisers to help them prepare PPP projects, instead relying on international development partners or potential private sector partners to support project preparation.

[14] N. Devidze. 2020. Public–Private Partnerships in Georgia and Impact Assessment of Infrastructure. *ADBI Working Paper Series*. No. 1162. Asian Development Bank Institute. https://www.adb.org/sites/default/files/publication/623256/adbi-wp1162.pdf.

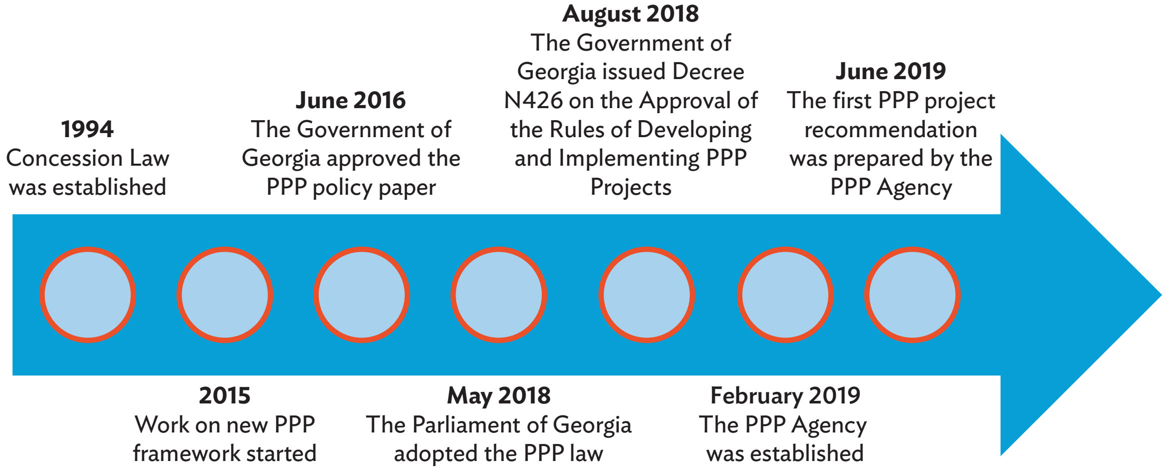
II. National Public–Private Partnership Landscape

Until 2013, public–private partnerships (PPPs) in Georgia were implemented in an unstructured and disorganized manner and on an ad hoc basis, without a well-defined institutional, policy, and legal and regulatory framework. The government realized the importance of PPPs as an alternative way of financing infrastructure in 2013 and started developing an institutional, policy, legal, and regulatory framework. Following its decision to promote PPPs, the government initiated the process of developing and implementing specific legislative framework in 2014 (footnote 5).

In 2016, the Prime Minister of Georgia, Giorgi Kvirikashvili, issued Decree 245, a policy document that establishes an overall institutional structure and identifies the areas for public–private cooperation through PPPs. The policy establishes the principles for applying the PPP modality, including transparency, foreseeability, nondiscrimination, value-for-money assessment, and allocation of risks, and fiscal affordability. The policy also elaborates on the various PPP types, sectors eligible for PPPs, principles of arrangements, and state support mechanisms. The policy further explains the stages for developing projects, including project identification, screening, preparation, procurement, and management (footnote 5).

In parallel, the MOESD, with technical assistance from ADB and the EBRD also started work on the PPP Law and the secondary legislation. In May 2018, the PPP Law was approved by Parliament, and in August 2018, the secondary legislation was established (Figure 9) (footnote 5).

Figure 9: Evolution of the Public–Private Partnership Regulatory Framework in Georgia



PPP = public–private partnership.

Source: Korea Development Institute. Researcher Information. www.kdi.re.kr.

The PPP Law and the secondary legislation provide the legal basis for procuring and managing PPPs in Georgia. It covers both concession and non-concession types of PPPs. The definition and eligibility criteria, the various stages for project development and management, and the relevant entities involved in project identification, screening, preparation, procurement, and management, including their functions, are laid out in the PPP Law and the secondary legislation. A process has been established for dispute resolution and identifying and managing contingent liabilities from PPPs. The PPP Law and the secondary legislation also require putting up a formal institutional structure, including a PPP Agency, which has been established under the Office of the Prime Minister of Georgia, and a related risk and fiscal management function under the Ministry of Finance. The PPP Agency became operational in February 2019 and is tasked with providing an independent and holistic evaluation of projects and preparing recommendations for the government. The PPP Law and the supporting secondary legislation are being supported through the development of guidelines for identifying, appraising, implementing, and monitoring PPPs (footnote 5).

The PPP institutional framework consists of the public entities responsible for procuring the project, the PPP Agency, the Ministry of Finance, the Georgian State Procurement Agency, the MOESD, and sector-specific line ministries (footnote 5).

National Public–Private Partnership Enabling Framework

1. Public–Private Partnership Legal and Regulatory Framework

Regulatory Framework	Status
Does the country have a national PPP Law and PPP regulations?	Yes
What are the other components of the PPP legal and regulatory framework?	
Public financial management laws and regulations?	Yes
Sector-specific laws and regulations?	Yes
Procurement laws and regulations?	Yes
Environmental laws and regulations?	Yes
Laws and regulations for social compliance?	Yes
Laws and regulations governing land acquisition and ownership?	Yes
Taxation laws and regulations?	Yes
Employment laws and regulations?	Yes
Licensing requirements?	Yes
What are the other components of the PPP legal and regulatory framework?	Unavailable

PPP = public–private partnership.

Sources: Government of Georgia. 2018. *Law of Georgia on Public–Private Partnerships*. https://matsne.gov.ge/en/document/download/4193442/0/en/pdf; Government of Georgia. 2012. *Law of Georgia: Tax Code of Georgia*. Tbilisi./ document/download/1043717/93/en/pdf; Government of Georgia. 2011. *Law of Georgia on Public Internal Financial Control*. https://matsne.gov.ge/en/document/download/91618/8/en/pdf; Government of Georgia. 2008. *Law of Georgia on Recognition of Property Rights of the Parcels of Land Possessed (Used) by Natural Persons and Legal Entities under Private Law*. https://matsne.gov.ge/en/document/view/19780?publication=17; Government of Georgia. 2006. *Law of Georgia on Public Procurement*. https://matsne.gov. ge/en/document/download/31252/51/en/pdf; and Government of Georgia. 1996. *Law of Georgia on Environmental Protection*. https://www.matsne.gov.ge/ka/document/download/33340/19/en/pdf.

Evolution of the Public–Private Partnership Legal and Regulatory Framework in Georgia

Until 2013, there was no specifically defined policy, institutional, or legal and regulatory framework for implementing PPPs in Georgia. Before the PPP Law and supporting secondary legislation were approved and enacted by the government in 2018, numerous laws governed various aspects of PPP implementation. Table 9 shows Evolution of the Public–Private Partnership Regulatory Framework in Georgia

The Law of Georgia on the Procedure for Granting Concessions to Foreign Countries and Companies (adopted in 1994), or the Concession Law. This law had many limitations, such as in its scope of application (a concession is a long-term lease agreement signed by the state for exploitating renewable and non-renewable natural resources and for other related economic activities to invest foreign capital). It also had an unclear definition of a contracting entity and had minimal provisions regarding the selection procedures of the concessionaire. This law was repealed in 2018. Other laws include:

(i) Constitution of Georgia
(ii) Civil Code of Georgia, 1997
(iii) Law of Georgia on Promotion and Guarantees of Investment Activity No. 3425 (30 June 2006)
(iv) Law of Georgia on Investment Funds (14 July 2020)
(v) Law of Georgia on State Support of Investments 3424 (1 August 2006)
(vi) Law of Georgia on State Procurement N1388 (20 April 2005)

Most PPP projects implemented were governed by government resolutions adopted on a case-by-case basis, wherein the government provided the final approval. For example, in the energy sector, the government approved Resolution 214 of 21 August 2013, which established the rules for expression of interest for technical and economic feasibility studies and for building, owning, and operating electricity-generating plants in Georgia.[15]

Realizing the importance of increased private sector participation in infrastructure creation and service delivery, the government started developing a PPP institutional, policy, and legal and regulatory framework. The PPP policy also elaborates the various PPP types, eligible, principles of arrangements, and state-support mechanisms. The policy further explains the stages for developing projects, including project initiation, project preparation, bidding procedures, and entering into direct agreements (footnote 6).

The fourth update of the Public Finance Management Reform Strategy has been developed, which covers 2023–2026.[16] Within the framework of the Public Finance Management reform, the Ministry of Finance continuously evaluates the current progress, analyzes it, and plans accordingly. The latest update is also based on the Public Expenditure and Financial Accountability Performance Assessment Report for 2022, which was validated with the support of the EU and the World Bank.[17] In addition, the Public Investment Management Assessment was also carried out in 2022 using the International Monetary Fund (IMF)

[15] ADB. 2019. *Public–Private Partnership Monitor.* Second Edition. Manila. https://www.adb.org/sites/default/files/publication/509426/ppp-monitor-second-edition.pdf.

[16] Ministry of Finance, Georgia. N.D. *Public Financial Management Reform Strategy, 2023–2026*. https://www.mof.ge/images/File/strategia/2023/30-06-2023/2023-2026%20PFM%20Reform%20Strategy%20_ENG.pdf.

[17] Public Expenditure and Finance Accountability. 2022. *Georgia, Public Expenditure and Financial Accountability (PEFA) Assessment 2022*. https://www.pefa.org/node/5197.

methodology. According to the 2022 assessment of Public Expenditure and Financial Accountability, which covers the period up to and including 2021, the investment project management indicator was graded A (according to the 2018 [PEFA], this indicator was graded D).[18]

One of the challenges outlined within the framework of the public finance management reform strategy is the implementation of the full cycle of investment projects. Therefore, the Ministry of Finance has been actively cooperating with international organizations and financial institutions, including the World Bank and the EU, as part of the technical support to tackle this challenge. The expected outcome of implementing an investment capital project management system is an improved project selection mechanism through which only projects based on an objective analysis will be taken into account in the budget. This will improve medium-term planning and effective use of state finances.

On 10 February 2023, the Parliament of Georgia adopted a new Law on Public Procurement prepared by the State Procurement Agency, within the framework of the EU Association Agreement, to approximate Georgian legislation with that of the EU. The adopted law aims to ensure the effective and fair management of funds allocated to public procurement, enabling integrity and accountability, and directing the process while taking into account environmental, social, and economic aspects from the perspective of sustainable development.[19]

The revised Investment Capital Project Management Methodology was approved by Resolution N65 on 16 February 2023.[20] The updated methodology applies to all new investment and capital projects (including projects worth up to GEL5 million) and according to the value and specificity of the project, the methodology specifies what kind of information needs to be prepared.[21]

The main objective of the Investment and Capital Project Management Methodology is to identify the guidelines for all central and municipal government entities regarding the selection and approval of capital or investment projects, more specifically, support entities under budget financing to properly evaluate projects and give instructions on procedures for selecting between the competing projects, provide support in strategic planning and budgeting process (country wide as well as sectoral), and ensure transparency, accountability, and effective use of public funds.

The methodology presented as part of the regulations provides clear instructions and criteria about identification and preliminary selection and screening of projects, final evaluation of projects, and instructions on approving projects for budget spending and management of the approved projects. The methodology covers the following project stages: initial and preliminary evaluation, final selection, budgeting, project implementation and monitoring, and final impact assessment.

18 Ministry of Finance, Overview of Investments/Capital Projects for 2023–2026. https://www.mof.ge/images/File/2022-biujeti/30-11-2022/25.PIM%202023%203.pdf.

19 Institute for Development of Freedom of Information (IDFI). 2023. *The Georgian Parliament Adopts the New Public Procurement Law*. Article. 17 February. https://idfi.ge/en/the_georgian_parliament_adopts_the_new_public_procurement_law#:~:text=The%20adopted%20law%20aims%20to,the%20perspective%20of%20sustainable%20development.

20 Resolution No. 65 on Approval of Investment/Capital Project Management Methodology. https://matsne.gov.ge/ka/document/view/5724007?publication=1.

21 Ministry of Finance of Georgia. Overview of investment/capital projects for 2024–2027. https://mof.ge/images/File/public%20finances%20in%20Geo/29-12-2023/1/PIM%20report%202023.pdf.

The complexity of assessments for investment or capital projects depends on the size of the project: (i) small (up to GEL5 million): financial calculation of costs; (ii) medium (GEL5 to 20 million): project concept note, cost–benefit analysis (only financial calculations); and (iii) large (above GEL 20 million): project concept note, cost–benefit analysis (financial and economic analysis).

Document packages for medium and large projects should be presented to the Ministry of Finance (MOF) for small projects only by MOF request. The MOF might require additional documents or a feasibility study. The MOF working group decides to approve or not approve a project for financing, or in some cases request to access alternative means of financing the project. One of the alternative sources of financing that should be evaluated is the PPP mechanism. In case the value-for-money analysis demonstrates that the PPP mechanism has a higher value compared to the traditional method, the MOF can request the project be financed through the PPP mechanism.

The decision of the Government of Georgia on the initiation of the preparation of a PPP project shall be based on the following criteria:[22]

(i) the strategic or social value of the project;
(ii) the preliminary assessment of the economic impact of the project;
(iii) the accessibility to public finances for the implementation of the project; and
(iv) the assessment of fiscal risks that may be caused by the project.

2. Types of Public–Private Partnerships

The PPP Law of 2018 does not provide for specific PPP types. It treats all PPP models, including concessions, on an equal basis and provides for concessions, non-concession PPPs, and institutional PPPs. Based on the revenue model, the PPP Law allows for PPPs based on:

(i) availability compensation and/or performance-based compensation;
(ii) guarantees on consumption, customers or revenues;
(iii) guarantees on the tariff and/or cost of public services;
(iv) guarantees for the long-term purchase of certain types of goods and services at a price determined based on the basis of an agreement. The types of goods and services mentioned are determined by the Government of Georgia;
(v) grants and/or subsidies aimed at covering certain costs and returns of investments made in accordance with the procedure established by the Government of Georgia and in established cases, including grants in kind;
(vi) transfer of land and/or issuance of permits and licenses provided for by Georgian legislation in cases provided for by Georgian legislation;
(vii) transfer of exclusive right to intellectual property to a private partner;
(viii) granting the private partner the exclusive right to create and maintain and/or operate and maintain and/or provide public services within a certain area of the PPP agreement facility.[23]

[22] Ministry of Finance of Georgia. 2020. *PPP Guidelines*. https://ppp.gov.ge/app/uploads/2020/07/PPP-Guidelines-ENG.pdf; PPP Agency. N.D. Guide to Public–Private Partnerships. https://ppp.gov.ge/app/uploads/2021/04/PPP_Guide_logo_colors-ENG.pdf.

[23] Government of Georgia. 2018. *Law of Georgia on Public–Private Partnerships.* https://matsne.gov.ge/ka/document/view/4193442?publication=3.

Based on experience from previously implemented PPP projects, some of the commonly used PPP types include management contract, build–operate–transfer, build–own–operate, build–rehabilitate–operate–transfer, rehabilitate–operate–transfer, and lease contract.

3. Eligible Sectors for Public–Private Partnerships

The current regulatory framework allows for widespread use of PPPs across almost all sectors. According to the 2018 government Resolution No. 426 "On the approval of the rules for the development and implementation of the public–private partnership project," PPPs may be carried out in any public infrastructure and public service sector except for mining, oil and gas sectors, and related research-development and/or scientific research works. Moreover, according to the changes in PPP Law that were adopted in 2023, the validity of this law does not apply to public railway transport services and public service contracts provided for by the Railway Code of Georgia. According to the PPP policy, the government believes that the sectors where PPP has the most potential are:

- transport (roads, bridges and tunnels, airports, ports, and rail); social infrastructure (healthcare, education, and kindergartens); and
- utilities (water supply, heating, waste, energy, and renewables); and other sectors (correctional facilities, tourism, sports infrastructure, information technology, and agriculture) (footnote 8).

Table 2 presents these potential sectors and subsectors.

Table 2: Eligible Sectors and Subsectors for Public–Private Partnerships

Sectors	Subsectors
Transportation infrastructure	Road infrastructure
	Rail and mass transit infrastructure
	Waterways infrastructure
	Seaport infrastructure
	Airport infrastructure
	Logistics infrastructure
Water, wastewater, and solid waste management infrastructure	Water resources and irrigation infrastructure
	Water supply infrastructure
	Wastewater infrastructure
	Solid waste management infrastructure
ICT infrastructure	Telecommunication infrastructure
	Information technology and informatics infrastructure
Energy and electricity infrastructure	Power generation
	Power transmission and sub-transmission
	Power distribution
	Energy conservation infrastructure

continued on next page

Table 2 *continued*

Sectors	Subsectors
Social infrastructure	Education infrastructure
	Health infrastructure
	Public housing
	Government buildings
Other infrastructure	Zone infrastructure
	Oil and gas infrastructure, including bioenergy
	Tourism infrastructure

ICT = information and communication technology.

Source: Government of Georgia. 2018. *Law of Georgia on Public–Private Partnerships.* https://matsne.gov.ge/en/document/download/4193442/0/en/pdf.

The PPP Law states that a private entity shall have the right to prepare and submit an initiative proposal to the relevant line ministry of the corresponding sector on the implementation of a concession in the sector determined by a legal act of the Government of Georgia. The selection of a private partner by direct negotiation may be carried out only in the energy sector (footnote 8).

4. Public–Private Partnership Institutional Framework

Public–Private Partnership Institutional Framework	Status
Does the country have a national public–private partnership (PPP) unit?	Yes
What are the functions of the national PPP unit?	
• Supporting the design and operationalization of the national PPP-enabling framework	Yes
• Helping develop a national PPP pipeline	Yes
• Supporting the arrangement of funding for project preparation (budgetary allocations technical assistance funding from multilateral development agencies, operating a dedicated project preparation/project development fund)?	Yes
• Guidance for project preparation and coordination with the government agencies responsible for sponsoring the projects?	Yes
• Making recommendations to the PPP committee and/or other approving authorities to provide approvals associated with various stages of the PPP process?	Yes

Source: Government of Georgia. 2018. *Law of Georgia on Public–Private Partnerships*. https://matsne.gov.ge/en/document/download/4193442/0/en/pdf.

The PPP Law provides for the establishment of the PPP Agency, a body established to implement the functions related to PPPs determined by Article 9 of the PPP Law. The PPP Agency and the Ministry of Finance of Georgia participate in the drafting and assessment of a PPP project within the scope of their authority. Table 3 describes the respective roles of key entities and institutions in promoting PPPs in Georgia.

Table 3: Agencies and Their Roles in Promoting Public–Private Partnerships in Georgia

Agency	Function/Role in Promoting PPPs
Ministry of Economy and Sustainable Development	Coordinating government policy and institutional activities to establish the public–private partnership (PPP) framework in Georgia.
Fiscal Risk Management Division of the Ministry of Finance	Performance of fiscal risk analyses; evaluation and preparation of conclusion regarding the presented projects and regulations; elaboration of recommendations related to presented projects and regulations to eliminate the fiscal risks; collection of financial information for state-owned companies, identification of conditional liabilities, and evaluation of such obligations; identification and evaluation of fiscal risks of contingent liabilities of the state.
Enterprise Georgia	Legal entity of public law with the main function to promote foreign direct investments in Georgia. In 2015, the agency moved under the direct supervision of the Prime Minister of Georgia. The agency plays the role of moderator between foreign investors and the government, ensuring that the investor gets different types of updated information and has the means of effective communication with government bodies. The agency is also authorized to represent the investor in dealings with other state authorities and to assist the investor in obtaining licenses and permits.
Ministry of Finance of Georgia	Article 10 of the PPP Law states the functions of the Ministry of Finance of Georgia as follows: Review and assessment of the documentation submitted by an authorized body including the assessment of accessibility to public finances, the assessment of the value-for-money, the assessment of fiscal risks, and other types of assessment, if necessary, within the scope of its authority. Review of an initial PPP project and the related documents, and submission of relevant recommendations to an authorized body. Review of the terms and conditions of a PPP agreement revised by an authorized body as a result of negotiations with a private partner, and in the case of substantially different terms and conditions from those approved by the government, the conduct of assessment provided for by this article, and, on the basis thereof, the submission of the recommendation on the expediency of the proposed (revised) or other terms and conditions of a PPP agreement to the government in accordance with a legal act of the government. Participation, if necessary, in the negotiations related to a PPP agreement, including the amendments to be made thereto. Conducting the assessment provided for by the PPP Law related to the amendments to be made to a PPP agreement. A public partner shall submit to the government draft amendments to be made to a PPP agreement in the case of identifying fiscal risks as a result of the abovementioned assessment. The development and approval of appropriate methodologies, if necessary, to perform the functions determined by this article of the PPP Law.

continued on next page

Table 3 *continued*

Agency	Function/Role in Promoting PPPs
PPP Agency	Article 9 of the PPP Law establishes the PPP Agency and states its functions as follows: • Identifying potential PPP projects and proposing them to an authorized body, if necessary, assisting the authorized body in identifying possible PPP projects. • Assessing the concept of a project submitted by an authorized body and developing relevant recommendations. • Assisting in the preparation of the documentation related to a PPP, including the documentation related to selection processes, a draft PPP project and other documentation, in the case of the application by an authorized body. • Exercising the powers determined by Article 14 of this Law related to small projects, if necessary. • Ensuring the selection, recruitment, and supervision of consultants at any stage of a PPP, if necessary. • Coordinating relevant actions with authorized bodies, as well as requesting information related to monitoring the implementation of PPP projects. • Implementing relevant measures to facilitate the enhancement of knowledge and skills of an authorized body in the field of PPPs, to develop institutional potential. • Creating and managing a database for PPP projects. • Drawing up the forms of standard documents, including the standard clauses of a PPP agreement. • The PPP Agency is required to perform its functions and tasks in accordance with the legislation of Georgia. The chairperson of the PPP Agency is appointed by and may be dismissed by the Prime Minister. The PPP Agency is accountable to the Prime Minister.

Sources: Asian Development Bank. 2019. *Public–Private Partnership Monitor*. Second Edition. https://www.adb.org/sites/default/files/publication/509426/ppp-monitor-second-edition.pdf; and Government of Georgia. 2018. *Law of Georgia on Public–Private Partnerships*. https://matsne.gov.ge/en/document/download/4193442/0/en/pdf.

In February 2024, training was provided on infrastructure and PPP projects for civil servants. The training content focused on important aspects of project development, including project financing, financial modeling, and legal features. Public servants involved in infrastructure projects and the development process attended the training. They represented various state agencies, including the PPP Agency, Anaklia Deep Water Seaport Development Agency, Ministry of Regional Development and Infrastructure, Ministry of Economy and Sustainable Development, Ministry of Finance, Georgian Energy Development Fund, and Georgian Oil and Gas Corporation.

Entities Responsible for Public–Private Partnership Project Identification, Approval, and Oversight

Consideration	Entity
Who is responsible for identifying, preparing, and procuring the public–private partnership (PPP) projects?	Authorized bodies and local governments with the support of the PPP Agency
Is there a PPP committee for providing approvals at various stages of the projects?	No
Who are the other approving authorities besides the PPP committee for projects?	Ministry of Finance of Georgia and Government of Georgia
Does the country have an independent think tank for various PPP planning, budgeting, and policy decisions?	No
Is there legislation for PPP program oversight?	Unavailable

The Ministry of Finance has created a working group that reviews PPP projects. The working group members are representatives from the Budget Department, the Macroeconomic Analysis and Fiscal Forecasting Department, and the Fiscal Risks Management Division. The government is the final decision-maker on each project at various stages of development.

The identification of a PPP project is carried out by an authorized body or the PPP Agency. In the case of an unsolicited proposal (referred to as an 'initiative proposal' by the PPP Law), the identification of the project is carried out by a private initiator following Article 15 of the PPP Law (footnote 8).

After identifying a PPP project, the respective authorized body or the respective line ministry prepares a concept note for the project in accordance with a legal act of the government and submits it for review to the PPP Agency and the Ministry of Finance. The Ministry of Finance has created a working group comprising representatives from the Budget Department, the Macroeconomic Analysis and Fiscal Forecasting Department, and the Fiscal Risks Management Division to review PPP projects. Based on the review by the working group, the PPP Agency and the Ministry of Finance prepare their recommendations and opinion on the project concept note to be submitted to the Ministers Cabinet chaired by the Prime Minister for review. The authorized body then submits the project concept note and the recommendations and opinion from the PPP Agency and the Ministry of Finance for review of the Government of Georgia (footnote 8).

Upon approval of the project concept by the Ministers Cabinet chaired by the Prime Minister, the authorized body undertakes project preparation with relevant support from the PPP Agency and the Ministry of Finance. After completion of the project preparation stage (detailed technical, financial, and economic analysis), the results of project preparation are submitted to the Ministry of Finance for review. The Ministry of Finance prepares its recommendations on the project preparation results, which are then submitted along with the project preparation results for review and approval by the authorized body of the Ministers Cabinet chaired by the Prime Minister (footnote 8).

Upon approval of the project preparation results by the Ministers Cabinet chaired by the Prime Minister, the authorized body prepares the documentation and conducts the bid process to select the private partner. If the implementation of a project is within the competence of more than one authorized body, the Ministers Cabinet chaired by the Prime Minister determines an authorized body to implement the project, or decides on the joint implementation of the project by the relevant authorized bodies (footnote 8).

The authorized body appoints a selection commission following the PPP Law. The selection commission comprises members from the Ministry of Economy and Sustainable Development, the Ministry of Finance, and the PPP Agency, as well as representatives of other state authorities based on the specific nature of the project. This selection commission assesses the applications and a bid submitted by the bidders and determines the winning bidder following the process provided by the PPP Law. The results of the bid process and the agreed or negotiated terms of the PPP agreement are then submitted by the authorized body to the Ministry of Finance for its review. Based on the inputs from the working group, the Ministry of Finance prepares its recommendations and opinion on the results of the bid process and the terms of the PPP agreement, which is then submitted along with the results of the bid process and the agreed or negotiated terms of the agreement for review by the authorized body of the Ministers Cabinet chaired by the Prime Minister (footnote 8).

Upon approval of the results of the bid process, the winning bidder, and the agreed or negotiated terms of the PPP agreement by the government, the authorized body executes the agreement with the winning bidder (footnote 8).

Entities Responsible for PPP Project Monitoring

Is there an entity for monitoring public–private partnership (PPP) projects post-commercial close?	Yes
Is there an entity for monitoring and management of fiscal risks and liabilities from PPP projects for the Ministry of Finance?	Yes

The respective authorized body (public partner) and the PPP Agency are responsible for monitoring the implementation of PPP projects and ensuring that project-specific contract terms are being met.[24] The Ministry of Finance is responsible for assessing and managing the fiscal risks and liabilities associated with PPPs (footnote 8). As per the PPP Law, there should be an optimal distribution of liabilities and risks between parties, taking into consideration the capacity and expediency over their control by the parties, the public interests, and the characteristics of the PPP in question.

5. The Public–Private Partnership Process

Public–Private Partnership Process	Status
Does the public–private partnership (PPP) legal and regulatory framework provide for a PPP implementation process covering the entire PPP lifecycle?	Yes
Does the feasibility assessment stage cover:	
• Technical feasibility?	Yes
• Socioeconomic feasibility?	Yes
• Environmental sustainability?	Yes
• Financial feasibility?	Yes
• Fiscal affordability assessment?	Yes
• Legal assessment?	Yes
• Risk assessment and PPP project structuring?	Yes
• Value-for-money assessment?	Yes
• Market sounding with stakeholders?	Yes
Is the PPP procurement plan required?	No
Is there a need to set up a separate PPP procurement committee?	
Is competitive bidding the only method for the selection of a PPP private developer?	No*

[24] Public Private Partnership Agency of Georgia. 2020. *Guide to Public Private Partnerships in Georgia.* https://ppp.gov.ge/app/uploads/2020/05/PPP_Guide_ENG_PRINT.pdf.

Public–Private Partnership Process	Status
Is the pre-qualification stage necessary, or does the PPP legal and regulatory framework allow flexibility to skip the pre-qualification stage?	Yes
Does the PPP legal and regulatory process provide the option to the preferred bidder for contract negotiations?	Yes
Does the PPP legal and regulatory framework allow unsuccessful bidders to challenge the award and submit complaints?	Yes
What is the maximum time allowed for submitting a complaint or challenging the award by unsuccessful bidders from the announcement of the preferred bidder?	Unavailable
What is the maximum time allowed for submitting a complaint or challenging the award by unsuccessful bidders from the announcement of the preferred bidder?	Unavialable
Does the PPP legal and regulatory framework provide for transparency?	Yes
Which of the following are required to be published:	
Findings from the feasibility assessment?	No
Procurement notice?	Yes
Outcome of stakeholder consultations from market sounding?	Unavailable
Clarifications to pre-qualification queries?	Yes
Pre-qualification results?	Yes
Clarifications to pre-bid queries?	Yes
Results for the bid stage and selection of preferred bidder?	Yes
Final concession agreement to be entered between the government agency and the preferred bidder? And other PPP project agreements executed between government agencies and the preferred bidder?	Yes
Confidentiality?	Yes

* Unsolicited proposals are allowed in the energy sector.

Sources: Asian Development Bank. 2019. *Public–Private Partnership Monitor.* Second Edition. https://www.adb.org/ sites/default/files/publication/509426/ppp-monitor-second-edition.pdf; Public–Private Partnership Agency of Georgia. 2020. *Guide to Public–Private Partnerships in Georgia*. https://ppp.gov.ge/app/uploads/2020/05/PPP_Guide_ENG_PRINT.pdf; and World Bank. *PPP Knowledge Lab*. Georgia. https://library.pppknowledgelab.org/documents/5554/download?ref_site=kl (accessed 25 March 2024).

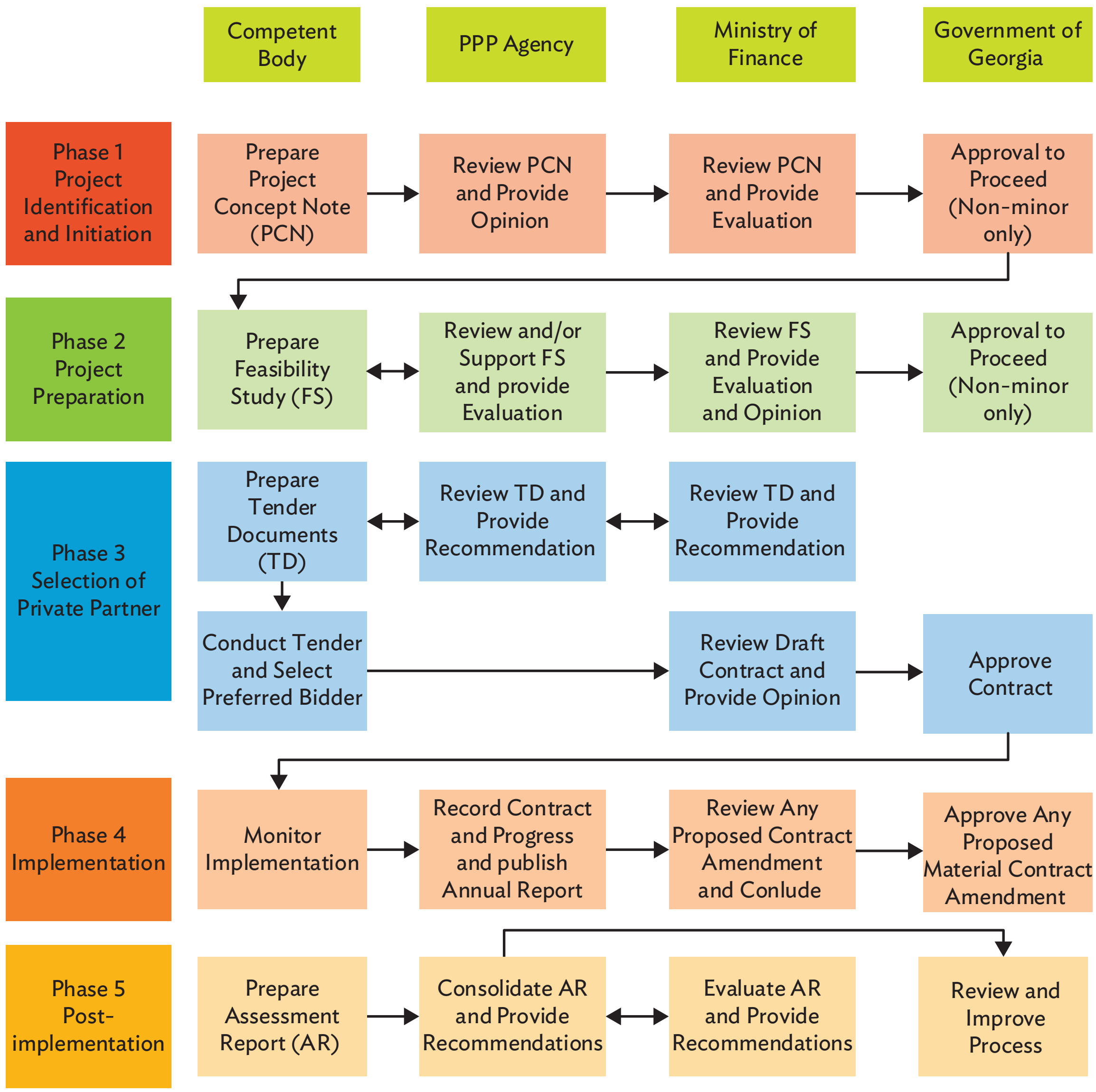
As per the PPP Law and guidelines,[25] a PPP project should be implemented following the procedure determined by the law, which includes the following stages:

- Identification of the project and initiation
- Preparation and approval of the project
- Selection of a private partner
- Monitoring and implementation of the project

[25] Ministry of Finance of Georgia. *PPP Guidelines.* March 2020. https://ppp.gov.ge/app/uploads/2020/07/PPP-Guidelines-ENG.pdf; PPP Agency, *Guide to Public–Private Partnerships*. https://ppp.gov.ge/app/uploads/2021/04/PPP_Guide_logo_colors-ENG.pdf.

The follow-up assessment process of a project is shown in Figure 10.

Figure 10: PPP Project Process Flow



PPP = public–private partnership.

Source: Ministry of Finance of Georgia. *Public–Private Partnership Guidelines*. March 2020.

Table 4 highlights the various steps involved in each stage of the PPP process.

Table 4: The Public–Private Partnership Process in Georgia

Stage	Description
Identification and initiation of the PPP project	The identification of a PPP project should be carried out by an authorized body or the PPP Agency in accordance with Article 12 of the PPP Law. In the case of an unsolicited proposal (referred to as an 'initiative proposal' by the PPP Law) regarding the implementation of a concession, the identification of a PPP project may also be carried out by a private initiator in accordance with Article 15 of the PPP Law. The identification and preparation of a PPP project should be carried out in accordance with the PPP Law, taking into consideration the state development plan and strategy and the municipality development strategy and action plan. After the identification of a possible PPP project, the authorized body prepares a project concept note (PCN) in accordance with the PPP Law and requirements stipulated in the PPP guidelines and submit it for review to the PPP Agency and the Ministry of Finance. The PCN should provide the following detailed information about projects, including: • Preliminary assessment of needs of project implementation and its compliance with public interest and relevant state strategies • Preliminary assessment of the value of the project • Preliminary suggestion regarding the form of the PPP and functions of public–private partners • Preliminary assessment of budget availability and fiscal risks Based on the review of the PCN in accordance with the evaluation criteria defined by the PPP Law and further elaborated in the PPP guidelines, the PPP Agency issues a recommendation and the Ministry of Finance prepares an opinion and conclusion regarding the PCN. The authorized body submits the project concept with the recommendations of the PPP Agency and the opinion from the Ministry of Finance to the Government of Georgia (Ministers Cabinet chaired by the Prime Minister) for review. The decision of the Government of Georgia on the initiation of the preparation of a PPP project is based on the following criteria: • strategic or social value of the project • preliminary assessment of the economic impact of the project • accessibility to public finances for the implementation of the project • assessment of fiscal risks that may be caused by the project In the case of approval of the project concept by the government, the authorized body proceeds to the second (preparation) phase and carries out preparatory work for the project and, if necessary, ensures the participation of the PPP Agency and the Ministry of Finance in the project within the scope of its authority.

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Table 4 *continued*

Stage	Description
Preparation and approval of the project	The preparation of a PPP project is carried out in accordance with the PPP Law. The authorized body within the framework of the PPP Law prepares a financial and feasibility study and analysis in which, among other things, the following are assessed: • the cost of the PPP project and the potential social and economic consequences of its implementation, accessibility to the budget by the authorized body for the implementation of the PPP project in the case of the state's financial participation. • the environmental and social impact assessment of the project implementation and the measures determined by the legislation of Georgia to be taken to mitigate any negative impact. The results of the PPP project preparation are submitted to the Ministry of Finance for review. The Ministry of Finance prepares an opinion in accordance with Article 10 (1) (a) of the PPP Law within the period determined by a legal act of the government. The documents and relevant research related to a PPP project, together with the opinion of the Ministry of Finance, are submitted to the government for review, before initiating the selection process for a private partner. The government, on the basis of the submitted documentation, makes a decision on the approval of the PPP project, on the refusal to approve the PPP project, or on the revision of the PPP project. In the case of approval of the PPP project by the government, the authorized body prepares the documentation for the selection process and initiates the stage of selection of a private partner. The government is authorized to define additional requirements for carrying out a feasibility analysis within the framework of a PPP. If the implementation of a PPP project is within the competence of more than one authorized body, the government determines the authorized body to implement the PPP project, or makes a decision on the joint implementation of the project by the relevant authorized bodies.
Selection of a private partner	The selection of a concessionaire is carried out by the authorized body on the basis of the selection process provided in Articles 18–20 of the PPP Law. The process for selecting a concessionaire maybe public or closed. A public selection process is open to the participants of the selection process that meet the requirements established for the selection process. The selection process is usually public, except for those related to state security interests, which are closed. The selection process for facilities of special importance may be public or closed on the basis of a decision of the government. The main stages of the selection process of a concessionaire are: • announcement of the selection process • submission of the qualification documents by the participants of the selection process • qualification assessment of the participants of the selection process • invitation to submit a proposal • submission of proposals by the participants of the selection process • assessment of proposals within the framework of the selection process • selection of a short list and/or the identification of the winning participant • conduct of negotiations regarding the terms and conditions of a PPP agreement with the participants of the selection process, the participants determined by a short list, or the winning participants conclusion of a PPP agreement

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Table 4 *continued*

Stage	Description
Selection of a private partner	The documentation for the process of selecting a concessionaire should include the information necessary for the preparation and submission of the application for the selection process, as well as the criteria, procedures, and appropriate terms for selecting a concessionaire. The authorized body has the right to make an amendment to the documentation for the process of selecting a concessionaire, with the exception of the conditions provided for in the law. In such case, the period of familiarization with the application and the documentation of the selection process is extended by the period between the announcement of the selection process and the period when the relevant amendments were made, except for cases where the amendment is of a technical character and aims to correct or verify technical matters only. The requirements for the documentation of the selection process of a concessionaire, the procedure for making amendments thereto and for their publication, as well as the procedure for making requests during the qualification stage of the selection process, and the procedure and the methodology for the assessment of proposals within the framework of the selection process, are determined by a legal act of the government. The criteria for the assessment of a proposal within the framework of the selection process of a concessionaire are determined so as not to restrict competition. The period of implementation of a PPP project, the amount of private funding to be made, the quality of works to be carried out or services to be provided, and/or other criteria based on the specific nature of the project or a combination thereof, are defined as the criteria for the assessment of a proposal. The criteria and the procedures for the assessment of a proposal for a PPP are determined by the authorized body. The authorized body establishes a selection commission in accordance with the PPP Law. The selection commission is chaired by the head of the authorized body or a person designated by him/her. Experts and specialists in respective fields are invited to the selection commission with the right to deliberative voting. The selection commission assesses the submitted applications. The rules of operation of the selection commission are determined by a legal act of the government. After carrying out the assessment of applications for selecting a concessionaire and after completing the stages determined by the PPP Law, the authorized body submits the agreed and negotiated terms and conditions of the PPP agreement to the Ministry of Finance for its review and recommendations. The results of the assessment of the selection process of a concessionaire and the agreed and negotiated terms and conditions of the PPP agreement, together with an opinion from the Ministry of Finance, are submitted to the government for review. On approval of the results of the bid process, the winning bidder, and the agreed and negotiated terms of the PPP agreement by the government, the authorized body executes the PPP agreement with the winning bidder.

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Table 4 *continued*

Stage	Description
Implementation of the project	The respective authorized body (public partner) and the PPP Agency are entrusted with the authority to monitor the implementation of the PPP projects. The Ministry of Finance is responsible for the assessment and management of fiscal risks and liabilities associated with PPPs in Georgia. The authorized body is required to monitor the fulfillment of the obligations assumed under a PPP agreement by a private partner in accordance with the procedure provided for by a legal act of the government. Appropriate public infrastructure and related documents should be available to the authorized body, taking into account the restrictions determined by Georgia's legislation and the PPP agreement. Notwithstanding the above points, the authorized body may not interfere with the commercial activities implemented by a private partner or its contracting third party. The PPP Agency ensures the publication of annual reports on all initiated PPP projects.
Follow-up assessment of the project	The follow-up assessment of the implementation of a PPP project is required to be carried out within a year after the termination of the PPP agreement. A report on the follow-up assessment of the implementation of a PPP project should be submitted by the authorized body to the PPP Agency and the Ministry of Finance. The Ministry of Finance should draw up an analysis of the follow-up assessment of the implementation of the PPP project and prepare appropriate recommendations. The PPP Agency should request from the Ministry of Finance an analysis of the assessment carried out by the authorized body with its recommendations and submit an overall assessment to the government with recommendations on how the process of the assessment and implementation of PPPs may be improved in the future.

PPP = public–private partnership.

Sources: Asian Development Bank. 2019. *Public–Private Partnership Monitor.* Second Edition. https://www.adb.org/sites/ default/files/ publication/509426/ppp-monitor-second-edition.pdf; and Government of Georgia. 2018. Law of Georgia on Public–Private Partnerships. https://matsne.gov.ge/en/document/download/4193442/0/en/pdf.

6. Public–Private Partnership Standard Operating Procedures, Tool Kits, Templates, and Model Bid Documents

Tool Kits, Templates, and Model Bid Documents	Status
Does the country have public–private partnership (PPP) guidelines and PPP guidance manual?	Yes
Do the PPP guidelines and PPP guidance manual adequately cover the process, entities involved, roles and responsibilities of various entities, approvals required at various stages, and the timelines for the various stages of the PPP project lifecycle?	Yes
What are the templates and checklists available in the PPP guidelines and guidance manual?	
• Project needs assessment and options analysis checklist?	Yes
• Project due diligence checklist?	Yes
• Technical assessment checklist?	Yes
• Environmental assessment checklist?	No
• PPP procurement plan template?	

Tool Kits, Templates, and Model Bid Documents	Status
Does the country have standardized or model bidding documents for PPPs?	
• Model request for qualification document?	Yes
• Model request for proposal document?	Yes
• Model PPP/concession agreement?	Yes
• State support agreement?	Yes
• Viability gap funding agreement?	Yes
• Guarantee agreement?	Yes
• Power purchase agreement?	Yes
• Capacity take-or-pay contract?	No
• Fuel supply agreement?	No
• Transmission and use of system agreement?	No
• Performance-based operations and maintenance contracts?	
• Engineering, procurement, and construction contracts?	
Does the country have standardized PPP agreement terms?	Yes
Does the country have standardized/model tool kits to facilitate identification, preparation, procurement, and management of PPP projects?	
• PPP family indicator?	No
• PPP mode validity indicator?	No
• PPP suitability filter?	No
• PPP screening tool?	No
• Financial viability indicator model?	Yes
• Economic viability indicator model?	Yes
• Value-for-money indicator tool?	Yes
• Readiness filter?	
Is there a framework for monitoring fiscal risks from PPPs?	
• Process for assessing fiscal commitments?	Yes
• Process for approving fiscal commitments?	Yes
• Process for monitoring fiscal commitments?	Yes
• Process for reporting fiscal commitments?	Yes
• Process for budgeting fiscal commitments?	Yes
Are there fiscal prudence norms/thresholds to limit fiscal exposure to PPPs?	Yes
Is there a process for assessing and budgeting contingent liabilities from PPPs?	No

Sources: Asian Development Bank. 2019. Public–Private Partnership Monitor. Second Edition. https://www.adb.org/sites/default/ files/publication/509426/ppp-monitor-second-edition.pdf; Government of Georgia. 2018. Law of Georgia on Public–Private Partnerships. https://matsne.gov.ge/en/document/download/4193442/0/en/pdf; and World Bank. Benchmarking Infrastructure Development. Georgia PPP Summary. https://storage.googleapis.com/wb-bid/Economy/Summary/BID_2020_Georgia_PPP_Summary.pdf.

Key clauses related to public–private partnership agreements

The PPP Law defines the following provisions that a PPP agreement should include:

- the subject of the PPP agreement, the scope and characteristics of the work to be carried out, and other matters related to public infrastructure and/or services to be provided within the framework of the PPP;
- the procedure for the distribution and transfer of property rights (if any) relating to public infrastructure and/or other property provided for by the PPP agreement between the parties;
- the period of validity of the PPP agreement;

- any availability payment/performance-based compensation, and/or other payments (if any) to be made to the private partner;
- payments (if any) to be made to the public partner; and
- the grounds and procedures for the termination of the PPP agreement, and the consequences thereof (footnote 8).

In the case of an institutionalized PPP, in addition to the provisions determined by the legislation of Georgia, a partners' agreement or charter should include:

- the types, amount, and the form of joint financial resources;
- the procedures for making such organizational changes for which the private partner requires consent from the public partner, including the change of a partner of an institutionalized PPP company; and
- the conditions and procedures for replacing the private partner, or for the withdrawal of the public partner from an institutionalized PPP company (footnote 8).

The PPP agreement is a fixed-term agreement. The principles for determining the said term are defined by the PPP Law. Within the framework of a PPP agreement, the parties, under Georgia's legislation, may conclude a direct contract and other agreements permitted by the legislation.

Other critical contractual provisions and public–private partnership enabling considerations

Provision/Enabling Consideration	Status
Does the law specifically enable lenders the following rights?	
• Security over the project assets?	No
• Security over the land on which they are built (land-use right)?	No
• Security over the shares of a public–private partnership project company?	No
Can there be a direct agreement between the government and lenders?	No
Do lenders get priority in the case of insolvency?	Yes
Can lenders be given step-in rights?	Yes

Sources: Asian Development Bank. 2019. Public–Private Partnership Monitor. Second Edition. https://www.adb.org/sites/ default/files/publication/509426/ppp-monitor-second-edition.pdf; Government of Georgia. 2018. Law of Georgia on Public–Private Partnerships. https://matsne.gov.ge/en/document/download/4193442/0/en/pdf; and World Bank. PPP Knowledge Lab. Georgia. https://library.pppknowledgelab.org/documents/5554/download?ref_site=kl (accessed 25 March 2024).

There is no provision in the law empowering the concessionaire to pledge or assign the assets for which it has user rights under a project agreement or shares of the project company or project agreement (footnote 7).

The PPP agreement may include the power to exercise a right to temporary administration by the authorized body or a creditor in some cases of substantial violation of an obligation by a private partner, or in other cases provided for by the PPP agreement. The authorized body or the creditor would have the right to temporarily carry out the operation of public infrastructure and/or the provision of public services to ensure the protection of public interests. The costs incurred for the temporary administration would be covered by the party determined by the PPP agreement. In the cases provided for by the PPP agreement or a direct contract, the authorized body or a creditor may replace a private partner with another private partner. The new private partner should meet all the qualification requirements (if any) and other requirements, based on which the PPP agreement was concluded with the original private partner (footnote 9).

A direct contract could be executed between the parties to the PPP agreement and a creditor. This contract would provide for the rights and guarantees of the creditor such that they do not contravene the legislation of Georgia. It would also provide the creditor with the right to replace the private partner and to carry out temporary administration of the PPP project. This contract would also provide for the obligation of the parties to exchange information on the implementation of a PPP agreement, a provision on paying compensation to the creditor (including in the case of failure to fulfill an obligation) and other terms and conditions agreed by the parties. Any action by the creditor or a private partner intended to violate a right originating from this contract or the PPP agreement would be prohibited, except for the cases explicitly defined by the legislation of Georgia, the direct contract, or the PPP agreement (footnote 9).

The Law of Georgia on Insolvency Proceedings provides the hierarchy of creditors for determining the order by which the claims will be satisfied. The first three ranks cover enforcement and other expenses. Secured creditors are listed in the third rank. The secured creditors will be able to satisfy their claims from the granted collateral on a priority basis in comparison with unsecured creditors. The ability of the secured creditors to enforce their rights under the security documents, or collect from the collateral provided, may be adversely affected by the tax lien, which may be claimed by Georgia's tax authorities in case of tax liability of the owner of the collateral (footnote 9).

Legal Consideration	Status
Does the law specifically enable compensation payment to the private partner in case of early termination due to:	
Public sector default or termination for reasons of public interest?	Yes
Private sector default?	Yes
Force majeure?	Yes
Does the law enable the concept of economic/financial equilibrium?	Unavailable
Does the law enable compensation payment to the private partner due to:	
Material adverse government action?	Yes
Force majeure?	Yes
Change in law?	Yes

Sources: Asian Development Bank. 2019. Public–Private Partnership Monitor. Second Edition. https://www.adb.org/sites/ default/files/publication/509426/ppp-monitor-second-edition.pdf; and Government of Georgia. 2018. Law of Georgia on Public–Private Partnerships. https://matsne.gov.ge/en/document/download/4193442/0/en/pdf.

The parties to the PPP agreement have the right to amend the PPP agreement at any time, based on mutual agreement, under the same PPP agreement and the legislation of Georgia. An amendment that concerns the essential terms of the PPP agreement should be submitted for approval by the government in accordance with the government's legal act.

The amendments to be made to the PPP agreement that may include fiscal risks should be submitted to the Ministry of Finance by the authorized body. If, according to the Ministry of Finance, there are signs of fiscal risks in a proposed amendment, and/or if the amendment affects the initial value of the PPP project in the volume determined by a legal act of the government, such amendments would be submitted to the government for review.

A PPP agreement may be terminated by the agreement between the parties. The consequences of the termination of a PPP agreement shall be determined by Georgia's legislation and the PPP agreement between the parties (footnote 9).

7. Unsolicited Public–Private Partnership Proposals

Consideration	Status
Does the public–private partnership legal and regulatory framework allow the submission and acceptance of unsolicited proposals?	Yes
What are the advantages provided to the project proponent for an unsolicited bid?	
Competitive advantage at bid evaluation?	No
Swiss challenge?	No
Compensation for the project development costs?	Yes
Government support for land acquisition and resettlement cost?	No
Government support in the form of viability gap funding and guarantees?	No

Sources: Asian Development Bank. 2019. *Public–Private Partnership Monitor*. Second Edition. https://www.adb.org/sites/ default/files/publication/509426/ppp-monitor-second-edition.pdf; and Government of Georgia. 2018. *Law of Georgia on Public–Private Partnerships*. https://matsne.gov.ge/en/document/download/4193442/0/en/pdf.

The PPP Law allows for the submission and acceptance of unsolicited proposals, also referred to as initiative proposals in the PPP Law. The relevant provisions of the PPP Law related to unsolicited proposals (applicable only to the energy sector) are as follows:

(i) A private initiator has the right to prepare and submit an initiative proposal to the relevant line ministry of the corresponding sector to implement a concession in the sector determined by a legal act of the government.
(ii) An initiative proposal shall be submitted in accordance with a legal act of the government.
(iii) The line ministry should assess an initiative proposal. If it gets approved, the line ministry should ensure the implementation of appropriate measures for its initiation under the PPP Law and a legal act of the government. Procedures for the review and approval of PPP projects identified by the authorized body and through an initiative proposal are identical. In the case of an initiative proposal, the feasibility study may be conducted by a private initiator in the cases provided for by a legal act of the government.

(iv) The selection of a private partner, after deciding on the implementation of a PPP project, should be carried out under the PPP process provided in the PPP Law for solicited proposals, or by direct negotiation.
(v) The selection of a private partner by direct negotiation may be carried out only in the energy sector.

If a participant of a selection process other than a private initiator or a related person (affiliated person) is selected as a result of the procedures followed for solicited proposals, the winning participant should reimburse the private initiator for expenses incurred during the preparation and submission of the initiative proposal, the amount of which became public at the stage of the selection process. The amount should not exceed the amount determined by a legal act of the government (footnote 8).

Based on past evidence, unsolicited projects have been accepted, particularly in the energy sector. In the absence of a PPP Law at that time, these unsolicited proposals were governed through Order 40 by the Minister of Energy. Adopted on 10 April 2017, Order 40 provides for the terms and conditions for submission to the Ministry of Energy and review of the proposals on technical and economic feasibility study, construction, ownership, and operation of hydropower plants, which are not included in the list of potential power plants in Georgia. This rule also includes the mandatory provision of a Memorandum of Understanding executed based on this order, to sell 20% of the full annual power generation of the facility on the internal market for the first 10 years of operation, annually, during the period agreed under the memorandum (footnote 7).

8. Foreign Investor Participation Restrictions

Consideration	Status
Is there any restriction for foreign investors on:	
Land-use/ownership rights as opposed to similar rights of local investors?	No updated information available
Currency conversion?	No
Number of public–private partnership projects with foreign sponsor participation	19 (No updated information available)

Georgia's current legislation grants foreign investors the right to invest in almost any field of activity with a few exceptions. Restrictions are imposed on investments in the fields that represent the exclusive authority of the government (e.g., energy dispatching activities). The PPP Law does not set any limitations on foreign investor participation in PPP projects. The only limitation is made for state-owned or municipal-owned enterprises. They are supposed to participate in the share capital of the bidder or private partner directly or indirectly as a minority shareholder. However, the amount of such investment by the state-owned or municipal-owned enterprises cumulatively shall not exceed the threshold established by the government's decree (footnote 7).

According to the Law of Georgia on Promotion and Guarantees of Investment Activity, foreign investors enjoy the same rights as a company registered in Georgia unless limited by Georgia's legislation. Having paid taxes and duties, an investor is entitled to convert the proceeds (income) from an investment and other funds in a Georgian banking institution at the market exchange rate and repatriate them abroad without limitation. The investor may also freely sell, lease, or mortgage property obtained in Georgia. The investor is entitled to take any of the investor's movable property abroad. As a general note, the fundamental principles of PPPs under the PPP Law include the nondiscrimination principle of fair and equal treatment of all public, private, and foreign and domestic entities (footnote 7).

Furthermore, the PPP Law does not set any limits for foreign investor participation in PPP projects. The only limitation is made for state- or municipal-owned enterprises, which are supposed to participate in the share capital of the bidder or private partner directly or indirectly as a minority shareholder but in the amount cumulatively not exceeding the threshold established by the government's decree (footnote 7). The Law of Georgia on Agricultural Land Ownership restricted foreign citizens (as well as local companies with participatory interest of foreign citizens) and legal persons registered abroad to own agricultural land plots in Georgia. However, this article was invalidated by Decision 3/1/512 of 26 June 2012 of the Constitutional Court of Georgia. In 2019 the entire law was repealed. Instead, the Organic Law of Georgia on agricultural land ownership was enforced, which states that subject to the restrictions established by this law, agricultural land may be owned by a foreigner, if they inherited this land. Exceptions are permitted by the decree of the government even in cases when a land is owned by a private legal entity registered in Georgia, whose dominant partner is a foreigner and/or a legal entity registered abroad or whose dominant partner cannot be determined.[26]

9. Dispute Resolution

Consideration	Status
Does the country have a dispute resolution tribunal?	Yes
Does the country have an institutional arbitration mechanism?	Yes
Can a foreign law be chosen to govern public–private partnership contracts?	Yes
What dispute resolution mechanisms are available for PPP agreements?	
Court litigation?	Yes
Local arbitration?	Yes
International arbitration?	Yes
Has the country signed the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards?	Yes

Sources: Asian Development Bank. 2019. *Public–Private Partnership Monitor.* Second Edition. https://www.adb.org/sites/ default/files/ publication/509426/ppp-monitor-second-edition.pdf; and Government of Georgia. 2018. *Law of Georgia on Public–Private Partnerships.* https://matsne.gov.ge/en/document/download/4193442/0/en/pdf.

The Law of Georgia on Promotion and Guarantees of Investment Activity delineates two dispute resolution mechanisms: (i) the courts of Georgia, or (ii) alternative dispute resolution subject to agreement between an investor and a state or international agreement between states. For a foreign investor to address the International Center for Settlement of Investment Disputes, this right must be granted by an international agreement (often bilateral agreements) or through an agreement between the investor and the state.

[26] The Organic Law of Georgia on Agricultural Land Ownership. https://www.matsne.gov.ge/ka/document/ view/4596123?publication=0.

As per the PPP Law, the relationship between the parties to a PPP project based on a PPP agreement should be regulated by the legislation of Georgia. The PPP Law provides for the following dispute resolution mechanism for PPP projects:

(i) The participant of the selection process has the right to appeal the decision or action of the authorized body or selection commission related to the selection process to the Public Procurement Dispute Review Board created based on the Law of Georgia on Public Procurement under the procedure established by the same law and the corresponding statutory act (to take effect from 1 January 2025). The above condition shall not restrict the right of a participant in the selection process to appeal directly to a court decision or action of the authorized body or selection commission related to the selection process.
(ii) Disputes that arise out of a PPP agreement, a direct contract, and/or other agreements related to PPPs shall be resolved following the procedure for resolving disputes agreed by the parties under the relevant agreement.
(iii) Parties shall have the right to define a specific mechanism in a PPP agreement for resolving a dispute, including national or international commercial arbitration. If the parties do not define a preferred mechanism for resolving a dispute in the PPP agreement, the dispute shall be reviewed by a court of Georgia (footnote 8).

10. Environmental and Social Issues

Consideration	Status
Is there a local regulation establishing a process for environmental impact assessment?	Yes
Is there a legal mechanism for the private partner to limit environmental liability for what is outside its control or caused by third parties?	No
Is there a local regulation establishing a process for social impact assessment?	Yes
Is there involuntary land clearance for public–private partnership projects?	Yes

Source: Government of Georgia. 2017. *Law of Georgia on Environmental Assessment Code*. https://matsne.gov.ge/en/document/download/3691981/1/en/pdf.

The PPP Law lists environmental and social sustainability as one of the key principles of PPPs and sets out the need to evaluate the conformity of PPP to applicable environmental and planning requirements, as well as to environmental and social impact assessments that take place before executing the agreement (footnote 7).

Georgia's law requirements and procedures for environmental impact assessment (EIA) are set out in the Code of Georgia on Environmental Impact Assessment, adopted on 1 June 2017.[27] The Code repealed the Law on Environmental Impact Permits.[28] Consequently, the permit was substituted by a similar document on environmental protection. The code regulates matters related to strategic documents and public or private activities, which may have significant effects on the environment, human life, and health. Following the structural changes of the government, the Ministry of

[27] Government of Georgia. 2017. *Law of Georgia on Environmental Assessment Code.* Kutaisi. https://matsne.gov.ge/en/document/download/3691981/1/en/pdf.
[28] Government of Georgia. 2008. *Law of Georgia on Environmental Impact Permits.* Tbilisi. https://matsne.gov.ge/en/document/download/20206/13/en/pdf.

Environment and Natural Resources (formerly responsible for issuing the environmental impact permit) has been merged with the Ministry of Agriculture. The merger of the two ministries formed the Ministry of Environmental Protection and Agriculture of Georgia (footnote 7).

The main stages of EIA include a scoping procedure, preparation of an EIA report by the person carrying out the activities or by an adviser, public participation, assessment by the Ministry of Environmental Protection and Agriculture of information included in the EIA report, conduct of an expert examination, and implementation of a transboundary EIA procedure, if necessary. A decision is issued by the Ministry of Environmental Protection and Agriculture, assuming the state review is favorable. This is an essential prerequisite for the issuance of a construction permit (footnote 7).

Since the mid-1990s, Georgia has developed and updated several laws to regulate land ownership rights and expropriation processes. All land rights are registered in the National Agency of Public Registry maintained by the Ministry of Justice of Georgia (footnote 7). Expropriation of property is permitted for social needs. The Organic Law of Georgia on Expropriation of Property in Urgent Necessity of Ensuring Social Needs (adopted on 11 November 1997) outlines grounds and procedures for expropriation in cases of necessary social needs.[29] Expropriation is allowed if an individual's life and health, state, and public security is in danger due to one of the grounds provided under the organic law. The decision on expropriation is made by the state. The owner shall receive full and fair compensation before expropriation. In urgent cases for public needs, the grounds and procedures of expropriation in urgent cases are provided by the Law of Georgia on Expropriation for Public Needs (adopted on 23 July 1999).[30]

Expropriation is allowed in cases provided for under the law. The decision on expropriation is made by the courts of Georgia based on the order of the Ministry of Economy and Sustainable Development (MOESD). The owner shall receive full and fair compensation in advance. In case the owner and the expropriator do not agree on compensation, each is entitled to address the court.

11. Land Rights

Consideration	Status
Which of the following is permitted to the private partner?	
Transfer land lease, use and ownership rights to a third party?	Yes
Use leased, owned land as collateral?	Yes
Mortgage leased, owned land?	Yes
Is there a legal mechanism for granting wayleave rights, for example, laying water pipes or fiber cables over land occupied by persons other than the government or the private partner?	Yes
Is there a land registry or cadastre with public information on land plots?	Yes
Which of the following information on land plots is available to the private partner?	

[29] Organic Law of Georgia on Expropriation of Property in Urgent Necessity of Ensuring Social Needs (adopted on 11 November 1997). https://www.matsne.gov.ge/en/document/view/28354?publication=3.

[30] The Law of Georgia on Expropriation for Public Needs (adopted on 23 July 1999). https://matsne.gov.ge/ka/document/view/16480?publication=7#!.

Consideration	Status
Appraisal of land value?	No
Landowners?	Yes
Land boundaries?	Yes
Utility connections?	No
Immovable property on land?	Yes
Plot classification?	Yes

Source: Asian Development Bank. 2019. *Public–Private Partnership Monitor*. Second Edition. https://www.adb.org/sites/default/ files/publication/509426/ppp-monitor-second-edition.pdf.

The key regulations governing land-use rights and land acquisition are the Civil Code of Georgia, the Law of Georgia on State Property, and the Local Self-Governance Code. In practice, the government makes land available and provides the right to build to execute each PPP scheme. This has been one of the essential obligations of the government in existing PPP projects. The objectives of land use and the time frame of assignment of the required lands for each project are agreed on a case-by-case basis with the government, and a further special decree regarding such land transfer is issued. The transfer is registered with the National Agency of Public Registry and, usually, the registered land rights are attached to the performance obligations of the private partner. Transfer of land lease or land use or ownership rights to a third party, use of such land as collateral, or mortgage of leased or owned land is allowed with the consent of the relevant government body. It is also noteworthy that the obligation for investment and privatization is attached to such land plots to benefit the government until the obligations under the relevant agreement by the private party have been fulfilled. Furthermore, the provision of land and subsoil use rights or any other licenses or permits is one of the types of government support in PPPs (footnote 7).

The PPP Law provides for the transfer of property rights to the private partner to help the private partner adequately discharge its obligations under the PPP agreement. Related to this, the PPP Law also provides specific conditions for the use of public infrastructure transferred to the private partner to help fully discharge its obligations under the PPP agreement. The relevant provisions of the PPP Law governing the transfer of property rights are as follows (footnote 8):

(i) The PPP agreement may determine that appropriate rights to public infrastructure and/or related property be transferred to a private partner by the authorized body. Further, it may determine whether or not the public infrastructure and/or the related property shall be returned to the authorized body after the termination of the PPP agreement.
(ii) The transfer of state property to a private partner and the related relations shall be regulated under the Law of Georgia on State Property, except for the exceptions provided for by the same law.
(iii) The procedures and conditions for the transfer of municipal property shall be determined by an ordinance of the Government of Georgia, and the procedure and conditions for the transfer of property owned by the Autonomous Republics of Abkhazia and Adjara shall be determined by appropriate legislation.
(iv) Unless otherwise provided for by a PPP agreement, a private partner shall have a right to transfer the rights to public infrastructure and related property, with the prior written consent of a public partner, to a third party under the same conditions and for a period which does not exceed the period determined by the PPP agreement.

The relevant provisions of the PPP Law governing the use of public infrastructure are as follows (footnote 8):

(i) Public infrastructure shall only be used for the purposes determined by a PPP agreement unless otherwise determined by legislation.
(ii) A private partner is obliged to observe the terms and conditions determined by a PPP agreement, and the standards intended for the use of public infrastructure.

Government Support for Public–Private Partnership Projects

Project Funding Support	Status
Is there a dedicated government financial support mechanism for PPP projects?	Yes
What instruments of government financial support are available under this government financial support mechanism?	
Capital grant	Yes
Operations grant	Yes
Annuity/availability payments	Yes
Guarantees to cover:	
currency inconvertibility and transfer risk?	Yes
foreign exchange risk?	Yes
war and civil disturbance risk?	Yes
breach of contract risk?	Yes
regulatory risk?	Yes
expropriation risk?	Yes
government payment obligation risk?	Yes
credit risk?	No
minimum demand/revenue risk	Yes
risk of not making annuity or availability payments on time?	Yes
Are there any caps and ceilings for the government financial support under each of the abovementioned government financial support instruments?	No
Is there a minimum PPP project size (investment) for a PPP project to be eligible for receiving government financial support?	No
Are there minimum equity investment requirements that the private developer should meet for availing of any of the above government support mechanisms?	No
Are there minimum financial commitment requirements for the private developer equity before the government support could be drawn?	No
Is government financial support required, usually the bid parameter for PPP projects?	Yes
Are unsolicited PPP proposals eligible to receive government financial support?	Yes
Are there standard operating procedures for providing government financial support to PPP projects	
Appraisal and approval process	Yes
Budgeting process	Yes
Disbursement process	Yes

Project Funding Support	Status
Monitoring process	Yes
Accounting, auditing, and reporting process	Yes
Who are the signatories to the Government Financial Support Agreement?	Authorized body, which initiates the PPP project
Who is responsible for monitoring the performance of PPP projects availing government financial support?	
Independent engineer?	Yes
Government agency?	Yes
Ministry of Finance?	
What are the other forms of government support available for PPP projects?	
Land acquisition funding support?	Yes
Funding support for resettlement and rehabilitation of affected parties?	Yes
Tax holidays/exemptions?	Yes
Real estate development rights?	Yes
Advertising and marketing rights?	Yes
Interest rate/cost of debt subventions?	Unavailable
Other subsidies and subventions?	Yes
Can the other forms of government support be availed over and above the government financial support through the various instruments listed above?	Yes

Source: Asian Development Bank. 2019. *Public–Private Partnership Monitor*. Second Edition. https://www.adb.org/sites/default/ files/publication/509426/ppp-monitor-second-edition.pdf.

Article 28 of the PPP Law provides the forms of support and compensation for a PPP project from the government. Taking into account the restrictions provided for by the legislation of Georgia and/or a PPP agreement, a public partner may take into consideration the support of the Autonomous Republics of Abkhazia and Adjara, and/or municipal support for a private partner, and the following forms of government support (footnote 8).

(i) Availability payment and/or performance-based compensation;
(ii) Guarantees for consumption, consumers, and income;
(iii) Guarantees for tariff and/or cost of public services;
(iv) Guarantees on the long-term procurement of certain types of goods and services at the price determined on the basis of an agreement (the types of goods and services are determined by the Government of Georgia);
(v) Grants and/or subsidies aimed at covering certain costs and returns on investments made in accordance with the procedure and in the cases provided for by the Government of Georgia, including grants in kind;
(vi) Transferring land and/or granting permits and licenses provided for by the legislation of Georgia in the cases provided for by the legislation of Georgia;
(vii) Granting exclusive rights to intellectual property to a private partner; and
(viii) Granting exclusive rights to a private partner to establish and maintain, and/or operate and maintain a facility of a PPP agreement, and/or to provide public services within certain territories.

A PPP agreement may include (i) the payment of a fixed amount by a private partner to a public partner as a lump sum, or in installments; (ii) the payment of the partial income by a private partner to a public partner; (iii) receivable from the operation based on a PPP agreement, or the transfer of property owned by a private partner, and/or of property created based on a PPP agreement to a public partner; and (iv) the payment of a relevant fee in other forms permitted by the legislation of Georgia. A PPP agreement may include a combination of any forms of payment provided for by Article 28 of the PPP Law (footnote 8).

The upper limit of the government's liability within the PPP framework shall be determined by the legislation regulating state finances. The government shall approve the methodology for calculating the limit provided by Article 28 of the PPP Law (footnote 8).

Project Development Funding	Status
What are the various sources of funds for public–private partnership (PPP) project preparation?	
Budgetary allocations?	Yes
Dedicated project preparation/project development fund?	No
Technical assistance from multilateral, bilateral, and donor agencies?	Yes
Can project preparation funding be recovered from the preferred bidder?	No
At what stage of the PPP project can the government agency avail of the project preparation/development funding?	
Pre-feasibility stage?	Yes
Detailed feasibility stage?	Yes
Transaction stage?	Yes
Is there a threshold size (investment) for a PPP project to avail project development funding?	Unavailable
Is there a list of project preparation or project development activities toward which the project development funding can be used?	No
Can the project development funding be used to appoint transaction advisers for PPP projects?	Yes
Is there a specific process government agencies must follow to appoint transaction advisers?	Yes
What are the payment mechanisms for making payments to transaction advisers?	
Timesheet based?	No
Milestone based?	Yes
Are there standard agreements and documents to avail project development funding?	No
Who are the signatories to the project development funding agreements?	Respective agencies

There is no project development fund available for PPP projects in Georgia.

12. Maturity of the Public–Private Partnership Market

Public–Private Partnership Project Statistics	Status
Is there a national PPP database for the country?	Yes
Is the distribution of PPP projects across infrastructure sectors available?	Yes
Transport?	Yes
Energy?	Yes
Water?	Yes
Municipal solid waste?	Yes
Social infrastructure?	Yes
Information and communication technology?	Yes
Is the distribution of PPP projects across various stages of the PPP lifecycle available?	
Pre-feasibility/preliminary assessment stage?	Yes
Full feasibility assessment stage?	Yes
Transaction stage?	Yes
Commercial close?	Yes
Financial close?	Yes

Source: Public–Private Partnership Agency of Georgia.

The PPP Agency is obliged to establish and manage a database for current and completed PPP projects. For the creation and efficient management of a PPP project database by the PPP Agency, as well as for making reports, an authorized body, upon an appropriate request, shall submit a copy of a signed PPP agreement to the PPP Agency with all annexes and amendments and related documentation, in accordance with a legal act of the government. The database of PPP projects should be publicly available, except for restricted information, under Article 16 of the PPP Law. The Ministry of Finance also holds information on PPP projects (footnote 8).

Furthermore, the PPP Agency should ensure the publication of annual reports on all initiated PPP projects. An annual report for each PPP project shall include:

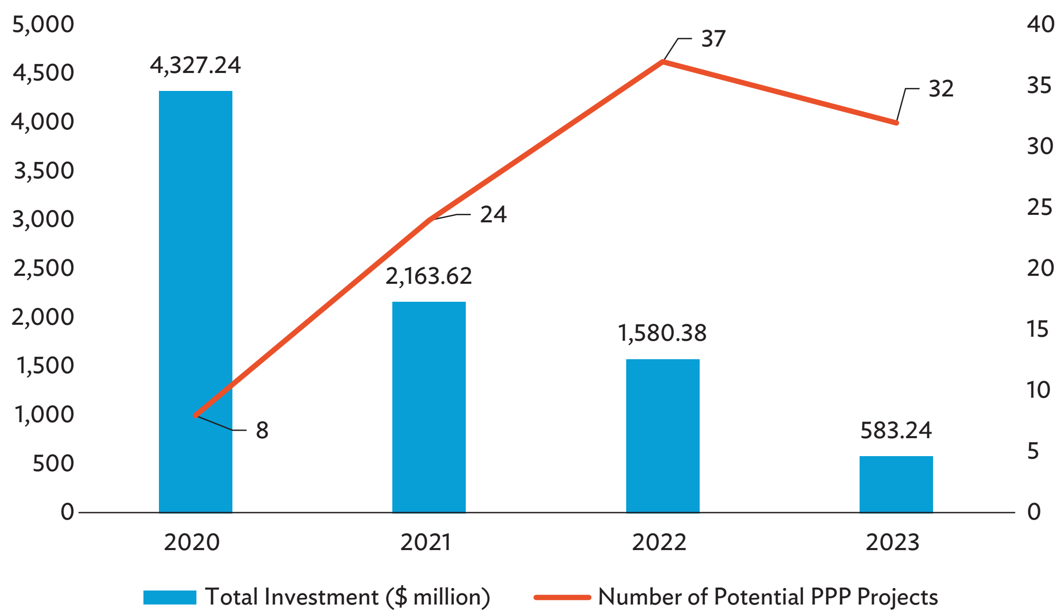
(i) a brief project description;
(ii) progress achieved within the year during project implementation, taking into account those measures that need action and which formed the basis of project approval; and
(iii) a financial report of a private partner in compliance with financial reporting standards, following the procedure established by the legislation of Georgia (footnote 8).

Consideration	Status
Does the country publish a national public–private partnership (PPP) project pipeline?	No
At what frequency is the national PPP project pipeline published?	Not applicable
Is the national PPP project pipeline based on the country's national infrastructure plan?	Not applicable

Source: Asian Development Bank. 2019. *Public–Private Partnership Monitor*. Second Edition. https://www.adb.org/sites/default/ files/publication/509426/ppp-monitor-second-edition.pdf.

The PPP Agency publishes annual reports, which include data on all the potential PPP projects that were at the pre-feasibility stage and have been approved by the agency. As of 2023, these constitute only projects from the energy sector (Figure 11). For example, in 2023, a total of 32 energy projects were reviewed and approved by the agency with a total investment of $583.2 million. Out of these 32 energy projects, 13 were solar power plants, four were wind power plants, and 15 were hydropower plants.

Figure 11: Potential PPP Projects in the Energy Sector Reviewed by the PPP Agency (2020–2023)



PPP = public–private partnership.
Source: PPP Agency. Annual Reports.

Sources of Public–Private Partnership (PPP) Financing	Status
Who are the typical entities financing PPP projects in the country?	
Private developer	Yes
Construction contractors?	Unavailable
Institutional, financial, or private equity investors?	Unavailable
Pension funds?	Unavailable
Insurance companies?	Unavailable
Banks?	Yes
Nonbanking financial companies/financial institutions?	Unavailable
Donor agencies?	Yes
Government agencies and state-owned enterprises?	Yes
What is the distribution of financing among these entities financing PPP projects?	Unavailable
Does the country have a history or track record of issuing bonds for infrastructure projects?	Yes
How many infrastructure projects/private developers for infrastructure projects have raised funding through bond issuances?	Unavailable
What is the value of funding raised through capital markets by PPPs?	Unavailable
Does the country have a matured derivatives market to hedge certain risks associated with PPPs?	Unavailable
Does the country have a national development bank?	Yes
Does the country have credit rating agencies to rate infrastructure projects?	Unavailable
Typically, what credit ratings are achieved/received by infrastructure projects?	Unavailable
Is there a threshold credit rating for infrastructure PPPs below which institutional investors, pension funds, and insurance companies would not invest in infrastructure PPPs?	Unavailable
What is the typical funding model for infrastructure PPPs—corporate finance or project finance?	Project Finance
Are there regulatory limits/restrictions for the maximum exposure that banks can take to infrastructure projects?	Unavailable

The potential sources of financing for infrastructure development are the Ministry of Finance of Georgia, the World Bank, Japan Bank for International Cooperation, Japan International Cooperation Agency (JICA), ADB, and the EBRD.[31] Table 5 summarizes the types and features of these key infrastructure financing sources.

[31] Transport Corridor Europe Caucasus Asia (TRACECA). Country Report on Infrastructure and Finance: Georgia. http://www.traceca-org.org/ fileadmin/fm-dam/Investment_Forum/101208_GE0%20country%20report.pdf.

Table 5: Main Infrastructure Financing Sources in Georgia

Item	Non/Limited Recourse Hard Currency Loan	Non/Limited Recourse Local Currency Loan	Project Financing from Local Public Sector Banks	Interest Rate Swaps	Currency Swaps	Project Financing through Project Bond Issues
Maximum tenor (in years)	7–8 years	4–6 years	Unavailable	Forward duration of 5–10 years	Forward duration of <5 years	Not Applicable
Upfront arrangement fee (bps)	40–200 bps	40–50 bps	Unavailable	Not Applicable	Not Applicable	Not Applicable
Floor rate	LIBOR	National Bank of Georgia refinancing rate	Unavailable	Not Applicable	Not Applicable	Not Applicable
Margin rate (bps)	650–900 bps	800–1,000 bps	Unavailable	Not Applicable	Not Applicable	Not Applicable
Percentage of foreign debt out of total debt for project financing	Unavailable	Unavailable	>50%			
Percentage of project bonds out of total debt for project financing	Not Applicable	Not Applicable	Unavailable			<30%
Typical debt-to-equity ratio	Unavailable	Unavailable	60:40			
Timeline to financial close (month)		Unavailable				
Minimum DSCR covenant levels		Unavailable				
Nominal interest rates		Unavailable				
Real interest rates		Unavailable				
Security package		Unavailable				

bps = basis points, DSCR = debt-service coverage ratio, LIBOR = London Interbank Offered Rate.

Source: Asian Development Bank. 2019. *Public–Private Partnership Monitor*. Second Edition. https://www.adb.org/sites/default/ files/publication/509426/ppp-monitor-second-edition.pdf.

Historically, large infrastructure projects in Georgia were financed through donors and concessional loans. About 60% of the public debt is a result of infrastructure project borrowings. The largest multilateral lender is the World Bank followed by ADB. Among bilateral lenders, Germany's KfW and JICA have provided the largest amount of concessional financing for infrastructure (footnote 7).

Joint Stock Company (JSC) Development Fund of Georgia (DFG) is a state investment fund. It continues to operate based on the JSC Partnership Fund, founded in 2011, which operated under this name until September 2023, before the reform of the fund. DFG's main objective is to attract and support private investors through participation at the early stage of investment projects (co-investment in equity, subordinated loan, etc.).The major investments for the fund continue to go to power generation, agriculture, real estate, and manufacturing. The energy sector projects include the Gardabani Thermal Power Plant and the Nenskra Hydropower Project.[32]

Although there are arguments for treating infrastructure expenditures differently from current expenditures, financing infrastructure with borrowed funds affects budget deficit and increases debt. Considering the government's commitment to gradually reduce the budget deficit, it might need to fund the infrastructure projects partially from its revenue resources (footnote 12).

One of the key objectives outlined in the Government Debt Management Strategy of Georgia 2023–2026 is increasing the focus on development-oriented external loans. Generally, the Government of Georgia takes two types of loans from multilateral and bilateral creditors. The first type is investment loans, which are taken directly for specific projects; the other is reform-supporting loans, such as program loans.

The goal of the current objective is shifting the focus on the loans with a relatively high transformational effect due to the domination of foreign currency-denominated loans and the debt larization goal. Therefore, it is envisaged that loans will be taken with different principles based on the type of loan. For example, investment loans will be taken only for large-scale and complex projects that require support from development partners during the project implementation process, such as sharing expertise to achieve high performance. This means that the government will not take investment loans for projects that can be implemented with the same success and efficiency using only budget resources.

As for program loans, from 2022, external borrowing is available only for significant transformational reforms. This includes programs that require extensive technical assistance to implement reforms aligned with international best practices. Program loans are taken only for significant government reforms.[33] Table 1 shows the active project sponsors in Georgia's infrastructure sector.

32 Development Fund of Georgia. https://fund.ge/site/projects/4.

33 Ministry of Finance of Georgia. 2023. General Government Debt Management Strategy, 2023–2026. https://mof.ge/images/File/sagvalebi/2023/14-03-2023/Government%20Debt%20Management%20Strategy%202023-2026.pdf.

Credit Rating Agencies in Georgia

Agency	Rating	Outlook	Date
Fitch	BB	Positive	January 2024
Scope	BB	Stable	February 2024
Moody's	Ba2	Stable	March 2024
S&P Global	BB/B	Stable	February 2024

Sources: FitchRatings. https://www.fitchratings.com/entity/georgia-85877873 (accessed 27 March 2024); Scope Ratings. Sovereign & Public Sector. 2 February 2024. https://www.scopegroup.com/ScopeGroupApi/api/analysis?id=80296a40-a050-48a3-b8e3-54151c587088 (accessed 27 March 2024); Moody's Ratings. *Rating Action: Moody's Changes Georgia's Outlook to Stable from Negative, Affirms the Ba2 Rating.* 26 March 2026. https://www.moodys.com/research/Moodys-changes-Georgias-outlook-to-stable-from-negative-affirms-the--PR_479489 (accessed 27 March 2024); S7P Global Ratings. Georgia (Government of). https://disclosure.spglobal.com/ratings/en/regulatory/org-details/sectorCode/SOV/entityId/395594 (accessed 27 March 2024).

III. Sector-Specific Public–Private Partnership Landscape

A. Roads

Parameter	Value	Unit
Length of the total road network (2023)	40,044.1	kilometer
Quality of road infrastructure (2019)*	3.8	1(low) – 7(high)

* Latest update available for 2019.

Sources: National Statistics Office of Georgia (Geostat). Infrastructure. https://www.geostat.ge/ka/modules/categories/93/regionuli-statistika; The Global Economy. Compare Countries. https://www.theglobaleconomy.com/compare-countries/ (accessed 29 April 2024).

1. Contracting Agencies in the Road Sector

Key projects related to the development of Georgia's road infrastructure and road maintenance on international and secondary roads are implemented by the Roads Department in coordination with the Ministry of Regional Development and Infrastructure. Meanwhile, the Land Transport Agency is a legal entity of public law that operates under the Ministry of Economy and Sustainable Development of Georgia. The agency serves as the technical expert and ensures the implementation of the functions delegated to it in the field of land transport, stipulated by the international treaties and agreements of Georgia.[34] The Roads Department is expected to act as the contracting agency for PPP projects in Georgia's road sector.

2. Road Sector Laws and Regulations

Road transport is regulated by the basic Law on Road Transport which determines the main objectives, the management of this sector, and the general rules for permit issuance. The Law on Traffic and the Law on Roads are also applied to regulate the sector.[35]

The Law on Roads defines the rules for the use and protection of roads by road owners and road users, as well as by organizations that own the road and engineering structures. The law also states the amount of, and procedure for payment of, tolls established for the use of roads (use of infrastructure). However, as of 2023, there were no toll roads in Georgia. Applicable to roads of any significance within the territory of Georgia, the law establishes regulations on the proper arrangement of roads to ensure

[34] Roads Department of Georgia. http://www.georoad.ge/?lang=eng&act=pages&func=menu&pid=1384436889.

[35] Ministry of Economy and Sustainable Development of Georgia. Legislation: Transport. http://www.economy.ge/?page=ecoleg&s=17&lang=en

traffic safety.[36] Table 6 describes the functions of various agencies associated with the road transport sector in Georgia.

Table 6: Regulating Agencies in the Road Sector of Georgia

Agency	Roles/Responsibilities
Ministry of Regional Development and Infrastructure	• Serves as the coordinating body • Develop and ensure the implementation of a unified state policy related to the development, design, and scientific-technical progress of the road network of international and domestic importance
Roads Department of Georgia	• Design, build, and operate roads classified as regional and international • Oversee safety in the road sector • Develop regulations and procedures • Ensure gradual integration with the European Union road standards • Ensure the safety of road infrastructure • Conduct rational planning for road infrastructure • Develop an improved road management system • Improve monitoring functions • Ensure a competitive environment in the sector • Promote environmental protection • Improve social and resettlement policy • Ensure transparency of activities and public awareness
Land Transport Agency	• Carry out activities within the powers granted by the legislation of Georgia • Operates under the Ministry of Economy and Sustainable Development • Perform the functions delegated to it in the field of land transportation, provided for by the international agreements of Georgia • Develop technical regulations on safety and security in the course of movement of means of transport, transportation of passengers and cargo, as well as transportation of people and cargo in emergencies • Supervise the implementation of technical regulations

Sources: European Committee of the Regions, Division of Powers. Georgia Transport. https://portal.cor.europa.eu/divisionpowers/Pages/Georgia-Transport.aspx; Government of Georgia. 2007. Law of Georgia on Administration and Regulation in the Field of Transportation. https://matsne.gov.ge/en/document/download/23692/9/en/pdf; Ministry of Economy and Sustainable Development of Georgia. Legislation: Transport. http://www.economy.ge/?page=ecoleg&s =17&lang=en; and Roads Department of Georgia. http://www.georoad.ge/?lang=eng&act =pages&func=menu&pid=1384436889.

Foreign Investment Restrictions in the Road Sector

Parameter	2017	2018	2019	2020	2021	2022	2023
Maximum allowed foreign ownership of equity in greenfield projects	100%	100%	100%	100%	100%	100%	100%

Note: Foreign ownership is not restricted in Georgia. Only two laws specify that foreign and local investors have equal rights.

Source: Parliament of Georgia. 1997. Civil Code of Georgia. https://matsne.gov.ge/en/document/view/31702?publication=131; Parliament of Georgia. 1995. Constitution of Georgia. https://matsne.gov.ge/en/document/view/30346?publication=36.

[36] Government of Georgia. 2010. *Law of Georgia on Roads.* https://matsne.gov.ge/en/document/download/28420/17/en/pdf.

Standard Contracts in the Road Sector

Type of Contract	Availability
Public–private partnership/concession agreement	No
Performance-based operation and maintenance contract	No
Engineering, procurement, and construction contract	Yes

Source: Asian Development Bank. 2019. *Public–Private Partnership Monitor*. Second Edition. https://www.adb.org/sites/default/files/publication/509426/ppp-monitor-second-edition.pdf.

3. Road Sector Master Plan

The main road network in Georgia includes 40,044 km, with 1,593.4 km of national and international roads (including the East–West Highway Corridor), 5,460.3 km of secondary roads, and 32,990 km of local roads.[37]

There is no specific Road Sector Master Plan in Georgia. However, building on the previous work, Georgia's National Road Safety Strategy 2022–2025 sets out the key directions recommended by international organizations and global experts for successful, sustainable, and long-term road safety management in Georgia.[38]

In addition, the Vision 2030: Development Strategy of Georgia was approved by Resolution 517 of the Government of Georgia on 3 November 2022, which establishes strategic directions by sectors. Among them, in relation to the roads of international and domestic importance, it sets the baseline indicators and improvement goals. One of the key objectives is to increase the transit potential, to develop and complete regional and municipal administrative, as well as industrial and cultural centers connecting roads, circular regional roads of tourist importance, and other road infrastructure. This includes the construction, modernization, reconstruction, rehabilitation, and current and periodic repair of highways of international and domestic importance, considering the international road safety standard.

Overall, road infrastructure has significantly improved, facilitating trade and increasing Georgia's value proposition as a transit country. The East–West Highway, as well as the north and south directions, is the main transportation axis that allows access to all regions and cities of the country. Accordingly, the construction of the highway is a priority of the Georgian government. A certain part of the international road network has already been rehabilitated and will be further improved by the ongoing works on the East–West Highway. The main sections of the highway are scheduled to be completed by the end of 2024.[39]

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37 National Statistics Office of Georgia (Geostat). Infrastructure. https://www.geostat.ge/ka/modules/categories/93/regionuli-statistika.

38 Government of Georgia. 2016. *Georgia's National Road Safety Strategy*. https://www.unece.org/fileadmin/DAM/trans/doc/2018/UNDA/Georgia_s_ National_Road_Safety_Strategy_2016.pdf.

39 Ministry of Economy and Sustainable Development, *2023–2030 National Transport and Logistics Strategy of Georgia.* https://www.economy.ge/uploads/files/2017/transport/2023/strategy/transportisa_da_logistikis_strategia_2023_2030.pdf.

According to the vision document, until 2025, it is planned to rehabilitate and periodically repair up to 1,500 km of various highway sections and construct and rehabilitate up to 150 bridge crossings, after the implementation of which, in parallel with the completion of the current highway projects, 95% of international highways and 80% of domestic highways will be repaired.[40] Based on 2023 data, 89% of international roads and 69% of domestic roads are in good condition.

Projects under Preparation and Procurement in the Road Sector

There are no active PPP projects in Georgia's road sector. According to the PPP Agency, since adopting the PPP Law and creating the Agency, only one road project was discussed as a potential PPP, but there were no further developments.

There is no available data for the number of PPP projects in Georgia's road sector that are under preparation and procurement.

4. Features of Past Public–Private Partnership Projects in the Road Sector

There is no available data for the number of PPP projects procured through various modes (direct appointment, unsolicited bids, and competitive bids) in Georgia's road sector.

There are no financially closed PPP projects in the road sector.

There is no available data for the number of PPP projects that have received participation from foreign sponsors in Georgia's road sector.

There is no available data for the number of PPP projects in Georgia's road sector that have received government support(viability gap funding mechanism, government guarantees, and availability or performance payment).

There is no available data for the number of PPP projects that have received payment in the form of user charges and government pay (offtake) in Georgia's road sector.

Tariffs in the Road Sector

There are no tariffs in the road sector in Georgia.

[40] Government of Georgia. N.D. *Vision 2030: Development Strategy of Georgia*. https://www.gov.ge/files/428_85680_321942_khedva-2030-saqarthvelos-ganvitharebis-strategia-1.pdf.

Typical Risk Allocation for Public–Private Partnership Projects in the Road Sector

The information on typical risk allocation for road sector PPP projects is not available.

Risk Type	Private	Public	Shared	Comment
Land acquisition risk	–	–	–	–
Permits	–	–	–	–
Geotechnical risk	–	–	–	–
Brownfield risk: inventories studies, property boundaries, project scope	–	–	–	–
Political risk	–	–	–	–
Force majeure	–	–	–	–
Foreign exchange risk	–	–	–	–
Construction risk	–	–	–	–

Financing Details in the Road Sector

Parameter	2023
Public–private partnership (PPP) projects with foreign lending participation	Unavailable
PPP projects that received export credit agency/international financing institution support	Unavailable
Typical debt-to-equity ratio	Unavailable
Time for financial closure	Unavailable

5. Challenges in the Road Sector

Despite the numerous infrastructure projects implemented recently, the country's basic infrastructure is still not fully developed and there is still a lot of work to be done in this direction. For example, 69% of domestic roads are in good condition; hence, further repair and rehabilitation work is required.

B. Railways

Parameter	Value	Unit
Length of total railway network (2023)	1,408	Total route (in km)
Total number of passengers carried (2023)	1,621.4	Passengers per km
Total volume of freight carried (2023)	9,659.1	Tons per km
Quality of railway infrastructure (2019)	3.9	1(low) – 7(high)

Sources: Georgian Railway. *Presentation For the First Nine Months of 2023.* https://cdn4.grmedia.com.ge/app/uploads/2023/12/GR-Presentation-9M-2023-1.pdf; The Economist Intelligence Unit. Infrascope 2019: Georgia Country Profile. https://infrascope.eiu.com/; The Global Economy. Railroad Infrastructure Quality—Country Rankings. https://www.theglobaleconomy.com/rankings/railroad_quality/ (accessed 29 April 2024).

1. Contracting Agencies in the Railway Sector

From 1 July 2023, the National Railway Safety Authority was established for technical regulation and supervision of the field of railway transport in the form of the National Railway Transport Agency. The agency's main functions include the technical regulation and supervision of the field of railway transport within the framework of the powers granted by the legislation of Georgia, primarily ensuring railway safety, transportation of dangerous goods, certification of railway operators, infrastructure managers, railway training institutions, and train drivers.[41] The Ministry of Economy and Sustainable Development (MOESD) implements the state policy and serves as a coordinating body overseeing the agency.

JSC Georgian Railway is a state-owned enterprise with the authority to raise capital in the open market and acts as the contracting agency for PPP projects in the railway sector. The Georgian Railway is, by statute, Georgia's only integrated railway company. It principally provides freight transporting services for diverse cargo, including oil, oil products, ores, and grains, which mostly originate in the East and are transported from Central Asia across the Caspian Sea through Georgia and onward to the Black Sea. The group also provides passenger services and freight forwarding services. The Georgian Railway sets its tariffs independently without requiring approval from any governmental entity.[42]

2. Railway Sector Laws and Regulations

The railway is regulated by the basic Railway Code of Georgia which determines the basic principles for organizing transportation, general rules for freight carriage, and registration (footnote 14). It determines the economic, legal, organizational, and technological bases for the functioning of rail transport, and its place and role in Georgia's economy and social sector. The Railway Code also regulates legal relations arising during the use of railway services and determines the rights, obligations, and responsibilities of participants of these relationships.[43]

In February 2023, the Government of Georgia commenced phase I of the Railway Sector Reform which aims to improve the legal and institutional framework in line with EU requirements. As a follow-up of the amendments to the Railway Code, a national safety authority was established on 1 July 2023 as LEPL Rail Transport Agency under the Ministry of Economy and Sustainable Development. At the initial stage, it has been tasked with the safety certification of railway operators and infrastructure managers, certification of train drivers, and transportation of dangerous goods. At the same time, an independent state unit, the Transport Safety Investigation Bureau of the Ministry of Economy and Sustainable Development will be authorized to investigate railway incidents and accidents.

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41 Ministry of Economy and Sustainable Development of Georgia. 2024. Annual Report on the Implementation of the 2023–2024 Action Plan of the National Transport and Logistics Strategy of Georgia for 2023–2030. https://www.economy.ge/uploads/files/2017/transport/2024/transporti_logistika/2023_clis_angarishi_transportisa_da_logistikis_strategia.pdf.

42 Georgian Railway. 2023. Annual Report 2022. https://cdn2.grmedia.com.ge/app/uploads/2023/10/Annual_Report_2022-2.pdf.

43 Government of Georgia. 2005. *Law of Georgia on Railway Code of Georgia*. https://matsne.gov.ge/ka/document/download/14404/6/en/pdf.

The transitional period for full-fledged implementation of these functions is set until 1 January 2025. Moreover, the Government Ordinance setting instructions and rules to conclude a public service contract for rail passenger services has been adopted, entering into force in January 2024.[44] Table 7 provides a snapshot of the functions of various agencies associated with the railway sector in Georgia.[45]

Table 7: Regulating Agencies in the Railway Sector of Georgia

Agency	Roles/Responsibilities
Ministry of Economy and Sustainable Development	• Implements the state policy in the railway sector • Serves as the coordinating body • Oversees the functioning of the technical regulator, National Railway Transport Agency
National Railway Transport Agency	• Technical regulation and supervision of the railway sector
Georgian Railway	• Oversees safety in the railway sector • Handles core train operations • Container handling • Construction • Property management

Source: Asian Development Bank. 2014. *Georgia Transport Sector Assessment, Strategy, and Road Map*. https://www.adb.org/sites/default/files/institutional-document/34108/files/georgia-transport-assessment-strategy-road-map.pdf.

Foreign Investment Restrictions in the Railway Sector

Parameter	2017	2018	2019	2020	2021	2022	2023
Maximum allowed foreign ownership of equity in greenfield projects	100%	100%	100%	100%	100%	100%	100%

Note: Foreign ownership is not restricted in Georgia. Only two laws specify that foreign and local investors have equal rights.

Source: Parliament of Georgia. 1997. *Civil Code of Georgia.* https://matsne.gov.ge/en/document/view/31702?publication=131; Parliament of Georgia. 1995. Constitution of Georgia. https://matsne.gov.ge/en/document/view/30346?publication=36.

Standard Contracts in the Railway Sector

Type of Contract	Availability
Public–private partnership/concession agreement	No
Performance-based operation and maintenance contract	No
Engineering, procurement, and construction contract	Unavailable

Source: Asian Development Bank. 2019. *Public–Private Partnership Monitor*. Second Edition. https://www.adb.org/sites/default/files/publication/509426/ppp-monitor-second-edition.pdf.

3. Railway Sector Master Plan

The Georgian Railway's main line is 1,408 km and fully electrified (of which 293 km is double-tracked). It is a broad-gauge railway located on the western part of the land bridge connecting Azerbaijan and Armenian railways and the three existing ports on the Black Sea (Batumi, Poti, and Kulevi).

44 Information provided by the Transport and Logistics Development Policy Department under the Ministry of Economy and Sustainable Development.

45 European Committee of the Regions, Division of Powers. Georgia - Transport. https://portal.cor.europa.eu/divisionpowers/Pages/Georgia-Transport.aspx.

The Georgian Railway rail network, together with CFSC Azerbaijan Railway, forms the Caucasus railway corridor, a key segment of the Transport Corridor Europe–Caucasus–Asia; an international transportation network aimed at the development of regional emerging market economies through the promotion of international trade flows. The Georgian Railway's mainline is a key link in the shortest route from Central Asia and the Caspian Sea to the Black Sea and the Mediterranean Basin. One of the new developments is constructing the new Baku–Tbilisi–Kars railway line, which is currently in test mode and expected to be ready in 2024. After its completion, the Georgian Railway network will also be connected to the railway network operated by Turkish Railway (footnote 42). On 26 October 2023, three railway operators from Azerbaijan, Georgia, and Kazakhstan signed an agreement to establish a joint enterprise on an equal basis. This new joint entity will be in charge of developing the Transcaspian International Transport Route and multimodal service along the way. The new company, Middle Corridor Multimodal Ltd., is going to operate within the Astana International Financial Center. Within these joint efforts, the company will provide services as a single-window system, ensure delivery time, and follow the same policy on developing the multimodal service from the People's Republic of China (PRC) to Europe and from Türkiye to the PRC.[46]

There is no specific Railway Sector Master Plan in Georgia. However, to improve and optimize the service provided to freight and passenger traffic, the JSC Georgian Railway has started implementing the Railway Modernization Project (modernization of the existing railway line from Zestaponi to Kharagauli and construction of a new railway line from Moliti to Khashuri) (footnote 24). The ongoing project is 98% complete. Modernization enhances the infrastructure for railroad operations in a very challenging, high-gorge area of the country, leading to reduced travel time and improved safety levels. The annual throughput capacity will rise from 27 million tons to 48 million tons. The project will be finalized in 2024.[47]

On 15 August 2023, the government adopted a National Transport and Logistics Strategy 2023–2030 and an action plan for 2023–2024. The strategy sets a long-term vision, goals, and objectives to promote the development of Georgia as a regional transport and logistics hub. High priority is given to improving transport and logistics infrastructure, establishing an effective legal and institutional framework in the transport field, developing efficient and quality transport and logistics services, reducing carbon footprint from transport, and integrating Georgia into the European Union transport system and global value chains. In particular, the strategy strives to achieve three strategic goals: (i) increasing the efficiency and competitiveness of the logistics sector; (ii) development of human capital in transport and logistics; and (iii) sustainable development of transport sectors and safe transport connections and corridors.

The 2023–2024 action plan envisages 48 activities, including legal and institutional reforms, infrastructure projects, education and awareness-raising activities, and transport digitalization (footnote 39).

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[46] Kursiv Media, *Azerbaijan, Georgia and Kazakhstan to establish a company for TITR development,* 2023. https://kz.kursiv.media/en/2023-10-27/azerbaijan-georgia-and-kazakhstan-to-establish-a-company-for-titr-development/.

[47] Information provided by the Transport and Logistics Development Policy Department under the Ministry of Economy and Sustainable Development.

The strategy also states that the country has adhered to or plans to adhere to several corridor initiatives involving railway transport (i.e., Middle Corridor, Kars–Tbilisi–Baku). As of 2023, 98% of the works envisaged by the Railway Modernization Project have been completed. One of the key objectives outlined in the strategy is restructuring and reforming the railway transport sector in Georgia. This reform is based on the normative acts stipulated by the Association Agreement, Directive 2012/34/EC On the Establishment of a Single European Railway Area and Directive 2004/49/EC On the Safety of the Railways of the Union. These directives mainly consider:

(i) legal and financial separation of railway operators (passenger and freight) and infrastructure manager;
(ii) independence of the infrastructure manager’s main functions and its financing rules;
(iii) creation of a railway transport regulatory body;
(iv) creation of the state safety authority and requirements for granting safety certificates and authorizations; and
(v) creation of a railway incident and case investigation bureau.

The strategy also identifies the attraction of the private sector to rail freight transportation as one of the priority directions. In this regard, it is necessary to work with both forwarding companies and international shipping lines that have experience operating container block trains in different parts of the world.

According to the Georgian Railway’s 2022 Annual report, the government has shown strong support for the group’s initiatives over the years, including the contribution of land and other assets to the group’s fixed capital projects (in particular, the Modernization Project), the exemption of linear infrastructure (such as railroads and transmission lines) from property tax and an agreement to restrict dividend payments, as well as the change of ownership under the group’s Eurobond prospectus.

Some prominent examples of the government’s support for the Georgian Railway are:

(i) The government handed over 182 hectares of land for the Tbilisi Railway Bypass Project in 2010 and 2011, with a value of GEL33 million, to Georgian Railway Capital. This land comprised approximately 40% of the total land required for the Tbilisi Bypass railroad.
(ii) Contributions of land and other related assets for Georgian Railway’s projects (mostly for the Modernization Project and Tbilisi Bypass Project) were also made from 2012 to 2016, amounting to around GE10 million.
(iii) Linear infrastructure such as railroads and transmission lines have been made exempt from property tax in Georgia.

In 2015 and 2016, shareholders’ dividends financed the building of a new passenger station in Batumi (footnote 42).

Projects under Preparation and Procurement in the Railway Sector

There is no available data for the number of PPP projects in Georgia’s railway sector being prepared and procured.

4. Features of Past Public–Private Partnership Projects in the Railway Sector

There is no available data for the number of PPP projects procured through various modes (direct appointment, unsolicited bids, and competitive bids) in Georgia's railway sector.

There are no financially closed PPP projects in the railway sector.

There is no available data for the number of PPP projects that have received participation from foreign sponsors in Georgia's railway sector.

There is no available data for the number of PPP projects that have received government support (viability gap funding mechanism, government guarantees, and availability or performance payment) in Georgia's railway sector.

There is no available data for the number of PPP projects that have received payment in the form of user charges and government pay (offtake) in Georgia's railway sector.

Tariffs in the Railway Sector

There are no active PPP projects in Georgia's railway sector. Although rail transportation in Georgia is a statutory monopoly, the Georgian Railway's pricing policies are not subject to direct government regulation. Currently, the railway business is fully deregulated in Georgia. The Georgian Railway sets its tariff policy independently for all services, including tariffs for freight transportation and related services. In addition, it can change its tariffs with one month's prior notice to its customers. The company has a written tariff policy (published on its website) specifying methods and formulas for determining the various tariffs applicable to its services. It provides various services, with each activity having its own tariff (footnote 42).

Therefore, the Georgian Railway sets tariffs for domestic trains independently. At the request of the government, Georgian Railway sets affordable ticket prices, below the market rate. In 2022, the average tariff per passenger-kilometer was 0.02 cents. Tariffs for international transportation are set through negotiations between countries and are denominated in Swiss Francs.[48] According to the Georgian Railway's website, one-way passenger ticket prices from Yerevan to Tbilisi range from CHF25 to CHF64.

In line with Georgia's obligations to align national laws with EU legislation under the Association Agreement, the government has an obligation under the EU social market economy principle to compensate the Georgian Railway for its loss-making passenger transportation business and to subsidize certain activities of the Infrastructure Strategic Business Unit. In 2020, the Parliament of Georgia adopted an amendment to the Railway Code recognizing railway passenger transportation services as a public service obligation and prohibited cross-subsidies from the freight transportation operator as required by principles set out in the EU Passenger Transportation Regulation. Accordingly, the Georgian Railway and the government are expected to enter a public service contract to compensate Passenger Strategic Business Unit losses by 2024. This contract is expected to define specific passenger rail routes and set out the conditions for the agreement of costs for such routes

[48] Georgian Railway, Management Discussion and Analysis for 9 months and 3Q Ended 30 September 2023. https://cdn4.grmedia.com.ge/app/uploads/2023/11/MDA_q3_2023.pdf.

between the Georgian Railway and the government or the relevant competent authority, as well as the compensation to be granted to the company for operating nonprofitable passenger routes (footnote 42).

Typical Risk Allocation for Public–Private Partnership Projects in the Railway Sector

Information on typical risk allocation for the railway sector PPP projects is not available.

Financing Details in the Railway Sector

Consideration	Status
Public–private partnership (PPP) projects with foreign lending participation	Unavailable
PPP projects that received export credit agency/international financing institution support	Unavailable
Typical debt-to-equity ratio	Unavailable
Time for financial closure	Unavailable

5. Challenges in the Railway Sector

There is no clear vision or strategy to align development with the national transport strategy or integration with other modes.

According to the 2023–2030 National Transport and Logistics Strategy of Georgia, the main challenges in the railway sector in Georgia as the following (footnote 39):

(i) In terms of railway infrastructure, the main issue is the 17-km section between Khashuri and Zestafon, on which the speed is limited due to the mountainous terrain. The time between Poti and Tbilisi is currently 10–15 hours. An additional challenge is the existing locomotive fleet of the Georgian Railways, part of which is outdated and needs to be modernized.

(ii) Rail transport is an almost completely unregulated sector, which, among other things, is manifested in the fact that JSC Georgian Railway has several functions and duties, which in their content belong more to the public obligation or function implemented by the state. This makes it difficult for Georgian Railway, as a legal entity under private law, to fully realize its commercial interests and thereby increase its competitiveness in transportation/shipping operations. This kind of institutional arrangement of the railway sector is an outdated practice, considering the best European and international experience. In this regard, an important challenge is the implementation of eight legislative acts of the EU in the field of railway transport under the Association Agreement, which, taking into account the requirements of the aforementioned regulations and their content, will lead to a complete reformation and restructuring of the railway transport sector.

(iii) The potential of the middle corridor is not fully exploited. The main challenges are operational difficulties, imbalance of freight turnover between East and West, volatility of scheduled block trains, absence of container tracking systems, and the need for the development of direct container ferry services on the Black Sea (footnote 39).

C. Ports

Parameter	Value	Unit
Total number of ports (2023)	4.00	Number
Total freight capacity of all the ports	UA	MTPA
Total container traffic at ports (2023)	693,976.0	TEUs
Quality of port infrastructure (2019)	3.80	1(low) – 7(high)
Quality of trade and transport-related infrastructure index (2023)	2.3	1=low to 5=high

MTPA = million tons per annum, TEU = twenty-foot equivalent unit, UA = unavailable.

Sources: The Economist Intelligence Unit. *Infrascope 2019: Georgia Country Profile*. https://infrascope.eiu.com/; Geostat. Volume of carried freight in ports and terminals of Georgia by types. https://www.geostat.ge/en/modules/categories/802/maritime-transport-statistics; and Maritime Transport Agency. https://www.mta.gov.ge/ka/content/171; The World Bank, Logistics Performance Index (LPI), 2023. https://lpi.worldbank.org/international/scorecard/radar/C/GEO/2023 (accessed 29 April 2024).

1. Contracting Agencies in the Port Sector

The Maritime Transport Agency of the Ministry of Economy and Sustainable Development of Georgia carries out technical regulation of the maritime industry in conformity with the legislation of Georgia. The Maritime Transport Agency exercises state control over the flag and seaports of Georgia and drafts and issues legal acts within the scope of its authority on behalf of Georgia.[49]

2. Port Sector Laws and Regulations

The Maritime Code of Georgia regulates relations with maritime navigation. The rules of the code apply to maritime carriage carried out in direct multimodal or direct water transportation in cases directly referred to in the code. This code also applies to matters not addressed by special legislation regulating such carriage.

The Law of Georgia on Maritime Space determines the legal status of the internal waters, territorial sea, contiguous zone, exclusive economic zone, and continental shelf of Georgia in the Black Sea, following universally recognized principles and norms of international law (footnote 14).

[49] Government of Georgia. 1997. *Law of Georgia on Maritime Code of Georgia.* https://www.ilo.org/dyn/natlex/docs/ELECTRONIC/90471/118654 /F-467050042/GE090471.

The Law of Georgia on Maritime Rescue Service regulates the rules for assisting all persons, vessels, or and/or aircraft in distress at sea regardless of their national affiliation and status and the rules for combating spills of oil and hazardous substances resulting from maritime incidents (footnote 14).

Seafaring is a regulated profession, and maritime higher education programs are regulated. Therefore, the Law of Georgia on education and certification of seafarers determines the unified standards and rules for education, training, and certification of seafarers in Georgia, as well as systems for monitoring maritime educational institutions, recognition and monitoring of maritime training institutions, and selection and monitoring of institutions.[50] The Law of Georgia on education and certification of fisher-sailors establishes a unified system of education and certification of fisher-sailors under Georgian legislation and international standards of certification, training, and duty of fisher-sailors.[51] Table 8 describes the functions of key institutions involved in regulating the port sector of Georgia.

Table 8: Regulating Agencies in the Port Sector of Georgia

Agency	Roles/Responsibilities
Ministry of Economy and Sustainable Development	• Serves as the coordinating body • Oversee the functioning of the technical regulator, the Maritime Transport Agency
Maritime Transport Agency	• Ensure the maritime safety and security of the merchant fleet flying the flag of Georgia and the ports of Georgia; develop regulations and procedures: • Develop statistical and strategic directions • Create a sustainable maritime system • Build industry capacity and intensify cooperation with international maritime authorities • Coordinate marine environment pollution prevention • Coordinate search and rescue operations at sea • Monitor the movement of ships in the territorial sea of Georgia • Create a unified system of education and certification for seafarers

Sources: Maritime Transport Agency of Georgia. https://www.mta.gov.ge/en/content/78; Asian Development Bank. 2014. Georgia Transport Sector Assessment, Strategy, and Road Map. https://www.adb.org/sites/default/files/institutional-document/34108/files/georgia-transport-assessment-strategy-road-map.pdf; and European Committee of the Regions, Division of Powers. Georgia - Transport. https://portal.cor.europa.eu/divisionpowers/Pages/Georgia-Transport.aspx.

Foreign Investment Restrictions in the Port Sector

Consideration	2017	2018	2019	2020	2021	2022	2023
Maximum allowed foreign ownership of equity in greenfield projects	100%	100%	100%	100%	100%	100%	100%

Note: Foreign ownership is not restricted in Georgia. Only two laws specify that foreign and local investors have equal rights.

Source: Parliament of Georgia. 1997. Civil Code of Georgia. https://matsne.gov.ge/en/document/view/31702?publication=131; Parliament of Georgia. 1995. Constitution of Georgia. https://matsne.gov.ge/en/document/view/30346?publication=36.

50 Law of Georgia on Education and Certification of Seafarers (December 2011). https://matsne.gov.ge/ka/document/view/1556226?publication=10.

51 Law of Georgia on Education and Certification of Fishermen–Seamen (June 2012). https://matsne.gov.ge/ka/document/view/1698958?publication=1.

Standard Contracts in the Port Sector

Type of Contract	Availability
Public–private partnership/concession agreement	No
Performance-based operation and maintenance contract	No
Engineering, procurement, and construction contract	Unavailable

Source: Asian Development Bank. 2019. Public–Private Partnership Monitor. Second Edition. https://www.adb.org/sites/default/ files/publication/509426/ppp-monitor-second-edition.pdf.

3. Port Sector Master Plan

There is no specific port sector master plan in Georgia.

According to Georgia's transport and logistics strategy 2023–2030, four seaports are open for international shipping in Georgia. All are owned or managed by private companies. All types of cargo (dry, container, liquid) are processed in Poti (APM Terminals and Pace Group) and Batumi ports (JSC KazTransOil). Processing liquefied gas, crude oil, petroleum products at the Kulevi Oil Terminal, and crude oil and petroleum products at the Supsa Oil Terminal is possible.

In 2022, 3.6 million tons, including 357,623 containers (TEU) were processed through the port of Poti, which is 18% more than in 2021. In terms of infrastructure, the use of oil product capacity in Poti Port in 2022 was 48%. The ferry terminal was loaded by 10%, and the usage rate of dry cargo capacity was 65%. In 2022, 55% of the container capacity was used (footnote 39). APM Terminals Poti proposes to invest at least $200 million in the port expansion project after the Georgian government issues a decree that will authorize the signing of an agreement between the government and APM Terminals Poti. APM Terminals Poti announced the intention to invest in the expansion of port infrastructure and superstructure to expand the existing port a few years ago.

The new facilities in Poti will support the growth of international trade through the Georgian transit corridor, greatly contributing to the country's economy and development of the Middle Corridor. Part of the investment will be in modern technology and equipment, including fully electric ship-to-shore cranes—a first for Georgian ports, and will enable APM Terminals to offer world-class levels of productivity to ships calling at Poti. The construction is planned to boost Poti Sea Port's yearly container capacity by at least 400,000 TEU, reaching an overall capacity of more than one million TEU. Phase one involves the development of a 6.8-hectare container yard extension, a new 330-meter quay, a 1.5-km breakwater, dredging for the access channel, turning basin, and berthing pocket and installation of two ship-to-shore cranes. The expanded port will be able to handle vessels of up to 13.5 meters draft, the largest vessels which can enter the Black Sea. The building timetable is projected to take up to 36 months.[52]

[52] APM Terminals Poti. 2024. *APM Terminals Poti is Ready to Make a Significant Investment and Commence the Expansion Project*. 12 March. https://www.apmterminals.com/en/poti/our-port/news/2024/240312-apm-terminals-poti-significant-investment-and-commence-the-expansion-project.

At the same time, the first phase of the construction of a new, multifunctional marine terminal in Poti Port, which is implemented by the Pace Group transport company, was completed in 2022. This will become a part of the powerful maritime infrastructure, which will significantly help Georgia to form its transport corridor. The US government's Private Investment Corporation financed the project with $50 million. The new, ultra-modern terminal will be located on 25 hectares. The water area of the harbor will be deepened to 12 meters, and as a result, the port will be able to receive ships of up to 253 meters in length and up to 50,000 tons. After the full completion of the Pace Terminal project, the ultra-modern port and terminal complex in the new port of Poti will further strengthen the port infrastructure of the Pace Group. After the completion of the first phase, the cargo capacity of Pace Group increased by 2.5 million tons and almost doubled the current annual cargo turnover volume of the company (footnote 39).

Batumi is predominantly a liquid bulk terminal. Depending on the year, crude oil and oil products can represent up to 80% to 90% of the total turnover. In 2022, a record number of containers was recorded in Batumi Port, namely, 119,471 containers (TEU) were processed. One of the reasons for this can be considered a significant reduction in sea shipping rates and the activation of economic activity in the post-COVID period. In terms of capacity usage, the dry cargo terminal was loaded by 70% in 2022. Approximately 13% of the capacity of the oil terminal was used, and the ferry terminal of the Batumi Sea Port was loaded by 41%. In 2022, capacity of container shipments was 60%.

In 2021, an investment of $25 million was made for the construction of a multimodal carbamide terminal in the port of Batumi, which will strengthen the logistics corridor from the Central Asian countries to the Black Sea ports through Azerbaijan and Georgia. The contract between the company Wondernet Express Investment Group and the American corporation Trammo was signed in 2019 regarding the construction of the carbamide terminal in the port of Batumi. The terminal is envisaged to be equipped with the modern technology necessary for reloading mineral fertilizers and will be able to process up to 1,200,000 tons of fertilizer per year (footnote 39).

According to the 2023–2030 strategy, the development of existing as well as new port infrastructure is one of the priority directions of the government. One of the important objectives is the construction of the Anaklia Deep Sea Port, which will have the following advantages (footnote 39).

- Strategic location
- Ability to receive large ships (Panamax)
- Offer services based on the one-stop principle
- Fast and simple procedures
- Possibility of safe sailing at any time of the year
- High throughput

On 20 February 2023, the Ministry of Economy and Sustainable Development announced the Statement of Intent for the selection process of a private partner to co-invest in the PPP project of Anaklia New Deep Sea Port. Interested candidates were requested to submit legal documents and information related to their experience and financial standing before 19 June 2023. By the deadline, several candidates submitted their Statements of Qualifications. The selection process is currently ongoing. After the selection of the private partner, the state-owned company and the selected private partner will establish the institutional PPP company, where the state-owned company shall own 51% and the private partner 49% of the shares, which will later enter into a concession agreement with the government. To this end, Anaklia Sea Port LLC was established by the state in 2023. The government intends to make major capital contributions to the marine infrastructure, including a breakwater and dredging.

In March 2024, an international tender was announced for the design and construction of the marine infrastructure of the Anaklia Port. Phase one will have a minimum capacity to handle 600,000 TEUs per annum.[53] The government program for 2021–2024 envisages the approval of the maritime transport strategy by the government.[54] To develop the document, at the initial stage, the development and approval of the concept of strategic development of maritime transport was defined.

The concept document, as part of the maritime policy planning process, has been developed under Resolution No. 629 of the government on 20 December 2019, On Approval of the Rules for Development, Monitoring and Evaluation of Policy Documents.[55] The concept of strategic development of maritime transport defines the vision, main principles, and tasks of the further development of the maritime sector, as well as creates a prerequisite for the preparation of basic indicators and strategy development. The concept aligns with the eighth goal of the Georgian Development Strategy and Vision 2030: increasing the competitiveness of Georgia's transport and logistics sector and ensuring sustainable and effective transport links. At this stage, a working version of the concept document of strategic development of maritime transport is available at the Maritime Transport Agency's website.[56] The concept document defines the following principles and priorities:

- Support of Georgian sailors
- Promotion of maritime education
- Trade support principles
  - Strengthening port capacity
  - Emergence of new maritime services

Projects under Preparation and Procurement in the Port Sector

Figure 12 presents the number of PPP projects that are being prepared and procured in Georgia's port sector.

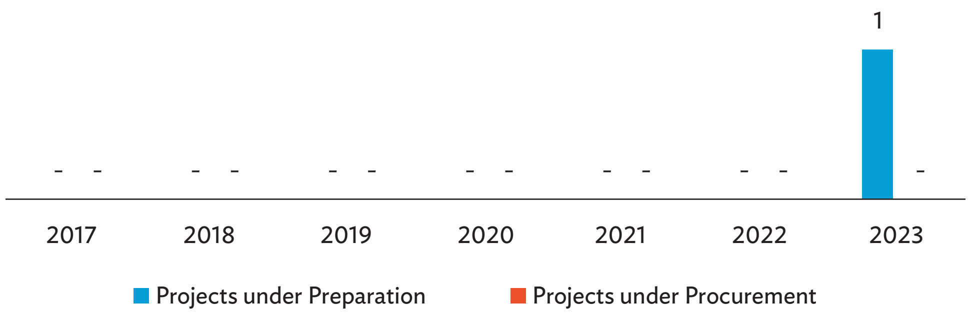
[53] Information provided by the Transport and Logistics Development Policy Department under the Ministry of Economy and Sustainable Development.

[54] Government of Georgia. 2021. *Government Program 2021 - 2024 For Building European State.* https://ppp.gov.ge/app/uploads/2022/01/%E1%83%A1%E1%83%90%E1%83%9B%E1%83%97%E1%83%90%E1%83%95%E1%83%A0%E1%83%9D%E1%83%91%E1%83%9D-%E1%83%9E%E1%83%A0%E1%83%9D%E1%83%92%E1%83%A0%E1%83%90%E1%83%9B%E1%83%90-2021-2024.pdf.

[55] Resolution No. 629 of the Government of Georgia on the Approval of the Procedure for Development, Monitoring and Evaluation of Policy Documents. 20 December 2019. https://matsne.gov.ge/ka/document/view/4747283?publication=1.

[56] Maritime Transport Agency, Concept for Strategic Development of Maritime Transport. https://www.mta.gov.ge/ka/news/247.

Figure 12: Public–Private Partnership Port Projects under Preparation and Procurement

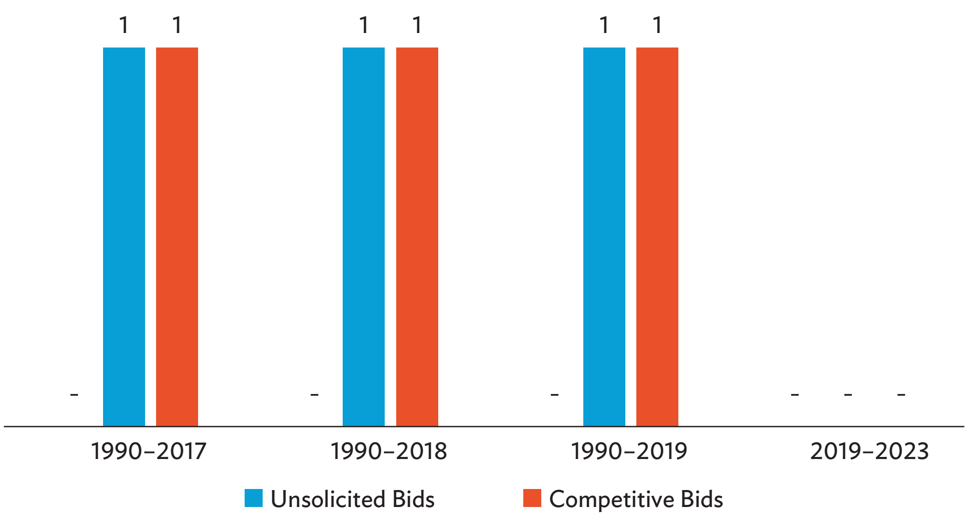


Note: The hyphen means there are no projects in the sector, or data is not available or not applicable, according to the database.
Source: PPP Agency and Ministry of Finance.

4. Features of Past Public–Private Partnership Projects in the Port

Figure 13 shows the number of PPP projects in Georgia's port sector procured through various modes, including direct appointment, unsolicited bids, and competitive bids.

Figure 13: Modes of Procurement for Public–Private Partnership Railway Projects

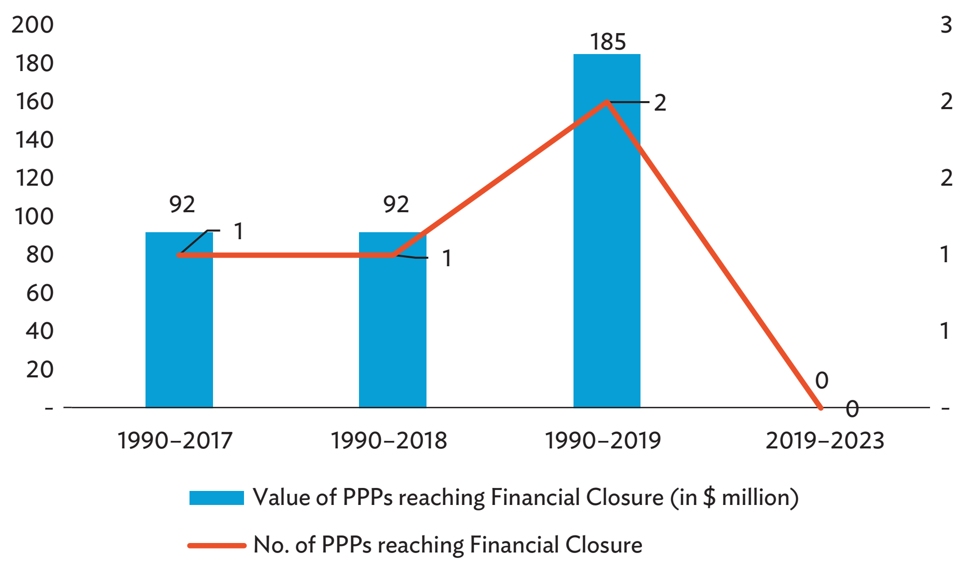


Note: Only active and concluded projects are considered. The hyphen means there are no projects in the sector, or data is not available or not applicable, according to the database.
Sources: Asian Development Bank. 2019. *Public–Private Partnership Monitor*. Second Edition. https://www.adb.org/sites/default/files/publication/509426/ppp-monitor-second-edition.pdf; and World Bank. Infrastructure Finance, PPPs and Guarantees. Country Snapshots. Georgia. https://ppi.worldbank.org/en/snapshots/country/georgia (accessed 29 April 2024).

The Batumi Seaport Project, financially closed in August 2006, was an unsolicited proposal procured through a competitive bidding mode. The other unsolicited proposal was for the Batumi International Container Terminal project, which attained financial closure in September 2007.[57]

Figure 14 presents the number of PPP projects that have reached financial closure and the total value of those projects in Georgia's port sector.

Figure 14: Public–Private Partnership Port Projects Reaching Financial Closure



Note: Only active and concluded projects are considered.

Sources: Asian Development Bank. 2019. *Public–Private Partnership Monitor*. Second Edition. https://www.adb.org/ sites/default/files/publication/509426/ppp-monitor-second-edition.pdf; and World Bank. Infrastructure Finance, PPPs and Guarantees. Country Snapshots. Georgia. https://ppi.worldbank.org/en/snapshots/country/georgia (accessed 29 April 2024).

The active PPP port projects that reached financial closure in 2019 are the Batumi Seaport and the Multifunctional Marine Terminal at the Port of Poti (Phase I).

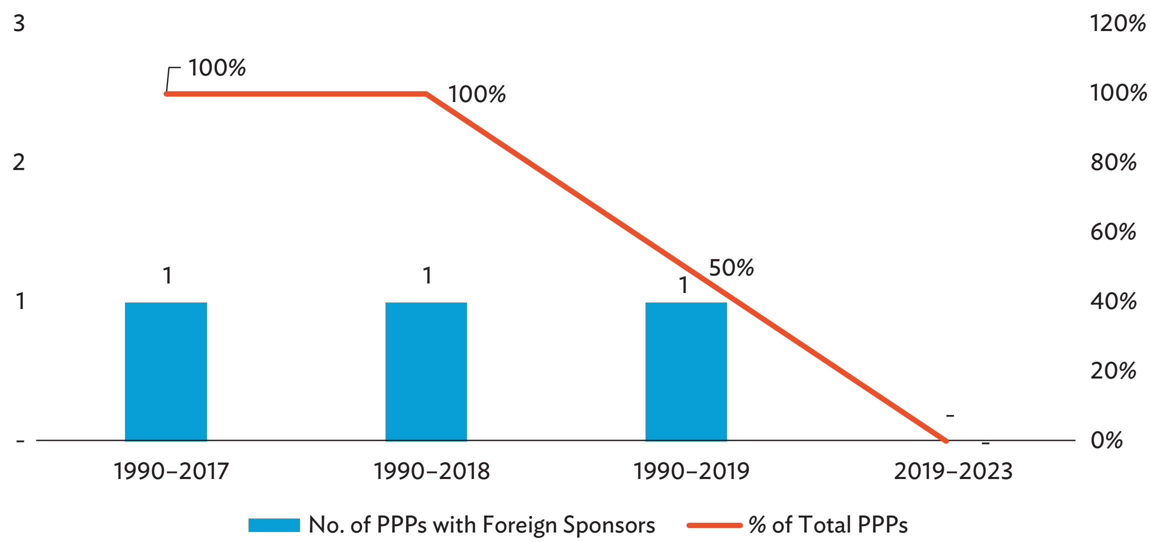
Figure 15 shows the number of PPP projects in Georgia's port sector that have received participation from foreign sponsors.

The PPP port projects and their sponsors are: Batumi Seaport—Naftrans (Denmark), and Multifunctional Marine Terminal at the Port of Poti (Phase I)—PACE Group (Georgia).

There is no available data for the number of PPP projects in the port sector that have received government support (viability gap funding mechanism, government guarantees, and availability or performance payment).

[57] World Bank. *Infrastructure Finance, PPPs and Guarantees. Country Snapshots. Georgia*. https://ppiworldbank.org/en/snapshots/country/georgia (accessed 29 April 2024).

Figure 15: PPP Port Projects with Foreign Sponsor Participation



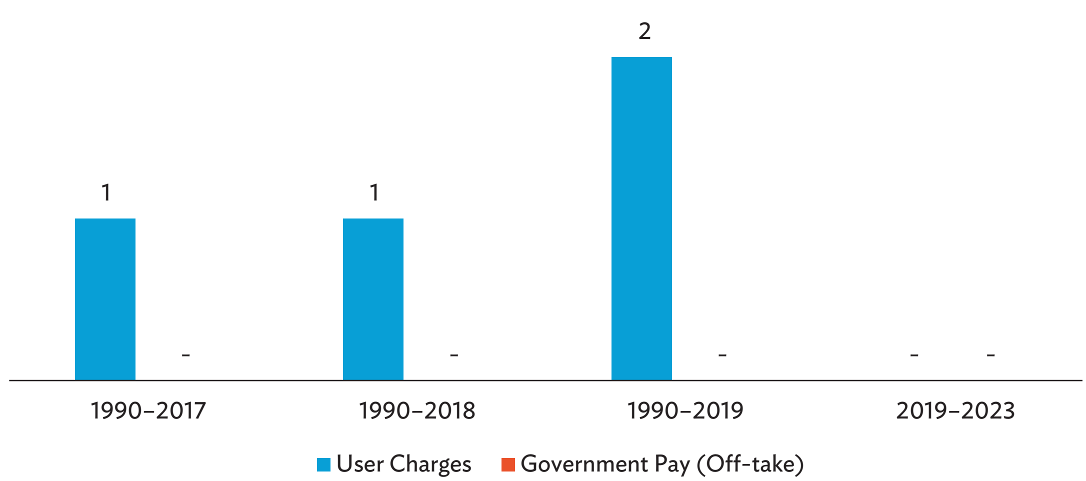
PPP = public–private partnership.

Note: Only active and concluded projects are considered.

Source: World Bank. *Infrastructure Finance, PPPs and Guarantees. Country Snapshots. Georgia*. https://ppi.worldbank.org/en/ snapshots/country/georgia (accessed 29 April 2024).

Figure 16 shows the number of PPP projects that have received payment in the form of user charges and government pay (offtake) in Georgia's port sector.

Figure 16: Payment Mechanism for Public–Private Partnership Port Projects



Note: Only active and concluded projects are considered. The hyphen means there are no projects in the sector, or data is not available or not applicable, according to the database.

Source: World Bank. *Infrastructure Finance, PPPs and Guarantees. Country Snapshots. Georgia*. https://ppi.worldbank.org/en/ snapshots/country/georgia (accessed 29 April 2024).

The Batumi Sea Port and the Multifunctional Marine Terminal at the Port of Poti (Phase I) both levy user charges.

Tariffs in the Port Sector

Table 9 and Table 10 show the existing tariff rates of the two large port terminals in Georgia.

Table 9: Tariffs in the Port Sector of Georgia Tariffs for APM Terminals

Parameter	Unit	$ (excluding VAT)
Passenger Fee	per passenger	10.0
General Cargo		
0–4 days	ton/day	0.5
5–30 days	ton/day	1.0
>30 days	ton/day	3.0
Full Containers Storage		
First and last partial day	TEU/day	0.0
<7 days	TEU/day	1.0
<14 days	TEU/day	2.0
>14 days	TEU/day	4.0
Empty Containers Storage		
First 8 days	TEU/day	0.00
9th to 16th day	TEU/day	0.5
17th and over	TEU/day	1.0

TEU = twenty-foot equivalent unit, VAT = value added tax.
Source: APM Terminals. Services. www.apmterminals.com/en/services/.

Table 10: Tariffs for Pace Terminal

Parameter	Unit	$ (excluding VAT)
Full Containers Storage		
First and last partial day	TEU/day	-
20 foot	Per Unit/Day	4.0
40 foot	Per Unit/Day	5.0
Empty Containers Storage		
20 foot	Per Unit/Day	2.0
40 foot	Per Unit/Day	3.0

TEU = twenty-foot equivalent unit, VAT = value added tax.
Source: PACE Group of Companies. https://www.pace.ge/service/10.

Typical Risk Allocation for Public–Private Partnership Projects in the Port Sector

The information on typical risk allocation for port sector PPP projects is not available.

Financing Details in the Port Sector

Parameter	2023
Public–private partnership projects with foreign lending participation	Unavailable
PPP projects that received export credit agency/international financing institution support	Unavailable
Typical debt-to-equity ratio	Unavailable
Time for financial closure	Unavailable

5. Challenges in the Port Sector

According to the 2023–2030 National Transport and Logistics Strategy of Georgia, the main challenges in the port sector in Georgia are detailed below (footnote 39).

Insufficient reliability of Georgia seaports

In past years, cargo flow was affected (which is now much reduced) by frequent port closures due to bad weather, as well as the diversion of cargo to other ports, routes, and corridors. Despite the investments made by private investors, Poti and Batumi ports have significant operational limitations due to their configuration. Ports of Poti and Kulevi also have problems with depth (silting) that severely limit port accessibility and prevent sea carriers from using larger vessels. Due to the problem, port operators are forced to constantly control the depth of the entrance channels and dredging, which is a significant cost.

(i) Establishing a fixed schedule comes with challenges. Vessel access to the Black Sea depends on the Bosphorus Strait, thus making the access schedule difficult to predict. It should also be noted that there are three container berths in Georgia, one in Batumi and two in Poti. In 2017, the port of Poti acquired new, more powerful tugboats able to work in harsh weather conditions. As a result, port closures were reduced to approximately 15 days per year, instead of 90 days.
(ii) No Georgian port has a terminal dedicated only to ferries that do not require the help of a pilot and a tugboat, which increases the cost of ferry shipments to and from Georgia.
(iii) There is a lack of coordination between seaports, shipping lines, and rail operators, which reduces shipping efficiency and increases transportation costs.

Inconvenient land access to Georgia seaports

(i) Inconvenient land access was one of the main challenges of Batumi and Poti ports, however, in recent years, work has been undertaken to eliminate this challenge. In July 2018, the construction of a four-lane, one-kilometer overpass at the entrance to the city was completed to relieve traffic jams in the vicinity of the port. The overpass separated the Batumi container terminal and entrance roads to the city.
(ii) Investments were made to increase the container handling capacity in Batumi Port, separating ferry and container spaces and adding warehouses.

(iii) Road transport in Poti is mobilized at the wharves, from where the containers are transported by trucks to the container terminals located far from the wharf. However, most trucks that transport containers in both directions are outdated and unreliable. Also, the quality of access roads to terminals far from the port and the quality of terminal equipment is unfavorable, which hinders the handling of containers and significantly increases the duration of ferry cargo operations, negatively affecting the port's competitiveness.

High tariffs for port services

According to ship servicing costs (disbursements presented to the ship owner for the costs incurred for servicing the ship in port), Georgian ports are among the most expensive in the Black and Marmara Seas basin. The combination of high tariffs, trade imbalances, and long waiting times at berths is an obstacle to attracting additional cargo flows to the ports. In addition, in some cases, service tariffs in ports are not transparent.

It should be noted that inland water transport is not currently regulated in Georgia. Consequently, there are challenges related to the security of domestic land transport.

D. Airports

Parameter	Value	Unit
Number of local and international airports (2023)	6	Number
Total passengers carried (2023)	6.01	Million passengers
Quality of air transport infrastructure (2019)	4.40	1(low) - 7(high)
Number of ADB projects with cumulative lending, grant, and technical assistance commitments in the transport sector (2023)	48	Number
Amount of ADB cumulative lending, grant, and technical assistance commitments in the transport sector (2023)	3,762	$ million

ADB = Asian Development Bank.

Sources: Asian Development Bank. Data Library. Cumulative Lending, Grant, and Technical Assistance Commitments. https://data.adb.org/dataset/cumulative-lending-grant-and-technical-assistance-commitments (accessed 29 April 2024); City Population. Airports. https://www.citypopulation.de/en/world/bymap/airports.html (accessed 25 July 2020); The Global Economy. Compare Countries. Quality of Air Transport Infrastructure. https://www.theglobaleconomy.com/comparecountries/ (accessed 25 July 2020); and Georgian Civil Aviation Agency. Total Number of Passengers Transferred from Georgian airports. https://gcaa.ge/.

1. Contracting Agencies in the Airport Sector

The Civil Aviation Authority of Georgia, or the Georgian Civil Aviation Agency, is the legal entity of public law under the Ministry of Economy and Sustainable Development of Georgia. The activities of the Civil Aviation Agency include three main processes: (i) regulation of civil aviation (development of legislative and bylaws regulating civil aviation and projects of amendments), (ii) certification of the aviation industry and aviation specialists, and (iii)continuous supervision.[58]

[58] Georgian Civil Aviation Agency, Law-making Program of the State Civil Aviation Agency for 2021–2023. https://www.icao.int/safety/GASP/GASP%20Library/National%20aviation%20safety%20plans/Georgia%20NASP%202022-2024.pdf.

2. Airport Sector Laws and Regulations

The aviation sector operates under the Air Code of Georgia. The aim of the Code is to:[59] (i) legally regulate the activities of Georgian aviation; (ii) determine unified standards of safety of aviation activities and aviation security; (iii) contribute to the stable development of air transportation and the free implementation of cargo and luggage shipment, conveyance of passengers, and other related services; (iv) improve air navigation services and ensure the safety, regularity, and effectiveness of air navigation; and (v) ensure the protection of the rights of Georgian air space users. Table 11 describes the functions of key government agencies associated with the airport sector.

Table 11: Regulating Agencies in the Airport Sector of Georgia

Agency	Function
Ministry of Defense	Implements state supervision and regulation of aviation activities
Ministry of Economy and Sustainable Development Sustainable Development of Georgia	Serves as the coordinating body Oversees the functioning of the technical regulator, the Georgian Civil Aviation Agency Implements state policy in the field of civil aviation
Georgian Civil Aviation Agency	Oversees safety in the airport sector Develops regulations and procedures Responsible for the monitoring and progress of civil aviation in Georgia State administration and safety oversight of the aviation sector Develops regulations and procedures, supervise their fulfillment, and provide services

Sources: European Committee of the Regions, Division of Powers. Georgia Transport.

Georgian Civil Aviation Agency. https://gcaa.ge/?lang=en; and Government of Georgia. 1996. Law of Georgia on Air Code of Georgia. https://matsne.gov.ge/en/document/view/33298?publication=29.

Foreign Investment Restrictions in the Airport Sector

Parameter	2017	2018	2019	2020	2021	2022	2023
Maximum allowed foreign ownership of equity in greenfield projects	100%	100%	100%	100%	100%	100%	100%

Note: Foreign ownership is not restricted in Georgia. Only two laws specify that foreign and local investors have equal rights.

Source: Parliament of Georgia. 1997. *Civil Code of Georgia*. https://matsne.gov.ge/en/document/view/31702?publication=131; Parliament of Georgia. 1995. Constitution of Georgia. https://matsne.gov.ge/en/document/view/30346?publication=36.

Standard Contracts in the Airport Sector

Type of Contract	Availability
Public–private partnership/concession agreement	No
Performance-based operation and maintenance contract	No
Engineering, procurement, and construction contract	Unavailable

Source: Asian Development Bank. 2019. *Public–Private Partnership Monitor.* Second Edition. https://www.adb.org/sites/default/ files/publication/509426/ppp-monitor-second-edition.pdf.

[59] Government of Georgia. 1996. *Law of Georgia on Air Code of Georgia*. https://matsne.gov.ge/en/document/download/33298/21/en/pdf.

3. Airport Sector Master Plan

In May 2022, the Civil Aviation Agency approved the National Aviation Safety Plan. In April 2023, an updated 2023–2025 plan was issued. It was developed considering the European Regional Aviation Security Plan and the ICAO Global Aviation Security Plan. The plan includes the key aspects related to aviation safety, the vision, policy, and analysis of the Civil Aviation Agency as a supervisory agency, national aviation safety goals, objectives, indicators, and actions for further improvement of flight safety, monitoring the implementation of these actions, and identifying security risks and measures aimed at reducing them. The main goals outlined in the National Flight Safety Plan are:

(i) Goal N1: To achieve continuous reduction of operational safety risks
(ii) Goal N2: Strengthen security oversight capacity
(iii) Goal N3: Implement effective state flight safety programs
(iv) Goal N4: Increase cooperation at the regional level to improve security
(v) Goal N5: Expand the use of industry programs and safety information-sharing networks by service providers
(vi) Goal N6: Ensure the existence of appropriate infrastructure to support safe operation
(vii) Goal N7: Digitization and standardization of the main processes of the Civil Aviation Agency

Through an effective State Flight Safety Program, Georgia identifies national operational safety risks and ways to mitigate them. The program provides the National Flight Safety Plan with safety-related information. The program allows Georgia to manage its aviation activities consistently and proactively, assess the safety effectiveness of its civil aviation system, monitor the implementation of actions defined in the plan, and eliminate identified threats and deficiencies. Implementing the program allows Georgia to transfer authority from the ICAO Global Aviation Safety Plan and the European North Atlantic Regional Aviation Safety Plan. This provides an opportunity for Georgia to formulate initiatives to strengthen the program and achieve safety goals. In addition, safety data collected through the program contributes to implementing other national plans, such as the Air Navigation Plan.[60]

The Asian Development Bank approved $225,000 in technical assistance to conduct an airport sector assessment and elaborate a sector development strategy for 2032. The study included an assessment of the current capacity of the airports for passenger and cargo traffic and developing market demand projections, examining needs and opportunities for expansion or relocation of the current airports, development of substitute or additional locations, and examining the effectiveness of current arrangements for airport operations and possible alternatives, including public management and private sector concession schemes.[61] The project was completed in 2023.

The government has been undertaking reforms to implement EU standards and legislative norms in Georgia's civil aviation. Within the framework of the EU–Georgia Common Aviation Area Agreement, more than thirty regulations have already been introduced, including the protection of passenger rights, the inspection of foreign aircraft, the financial stability of airlines, reporting of aviation occurrences

[60] Georgian Civil Aviation Agency. 2023. National Aviation Safety Plan 2023–2025. https://gcaa.ge/wp-content/uploads/2023/07/%E1%83%A4%E1%83%A0%E1%83%94%E1%83%9C%E1%83%98%E1%83%A1-%E1%83%A3%E1%83%A1%E1%83%90%E1%83%A4%E1%83%A0%E1%83%97%E1%83%AE%E1%83%9D%E1%83%94%E1%83%91%E1%83%98%E1%83%A1-%E1%83%92%E1%83%94%E1%83%92%E1%83%9B%E1%83%90-23-25-GCAA.pdf.

[61] Asian Development Bank, Terms of Reference: Small-Scale Technical Assistance Georgia: Airport Sector Assessment.

and other important regulations.[62] Establishing a common aviation area focuses on changes in the air management system to further flight safety and air traffic capacity, which will be achieved through close cooperation between the EU and neighboring countries (footnote 32).

The process is managed according to the European Air Traffic Management Master Plan, one of the main components of which is the European/Local Single Sky Implementation mechanism. Control over the implementation of this process is carried out by the European Organisation for the Safety of Air Navigation (footnote 32).

Georgia has three international airports located in the cities of Tbilisi, Kutaisi, and Batumi, and three domestic airports. Tbilisi International Airport is the largest hub, facilitating extensive domestic and international air travel connections. Kutaisi International Airport and Batumi International Airport play significant roles in serving the region and contributing to Georgia's overall air transportation infrastructure. These airports support the country's growing tourism industry and foster economic development by improving accessibility and mobility within Georgia and beyond.[63] Two local airports in Mestia and Ambrolauri are smaller and cater to the domestic market and foreign tourists visiting Georgia's mountainous regions. Domestic flights to Mestia and Ambrolauri operate from Natakhtari Airport, a privately-owned airport outside Tbilisi. Another privately-owned airport outside Tbilisi, Telavi Airport, was previously used for training and did not have commercial services.[64]

The Georgian government, through the United Airports of Georgia, a state-owned enterprise, has been investing in the modernization and expansion of its airports to attract more tourists and improve air connectivity within the region. The Telavi Airport's reconstruction project, recently added to the list of projects implemented by the government, is an important addition to the region's aviation infrastructure. A new passenger air terminal is expected to serve 50,000 travelers annually. The airport is expected to serve its first passengers from May 2024.[65]

Since 2005, Tbilisi International Airport has been operated by TAV Georgia (a subsidiary of TAV Airports Holding) under a concession agreement. As part of their concession commitment, they have made significant investments in modernizing the airport's infrastructure and improving services. The concession was part of Georgia's efforts to attract investment and improve the country's tourism industry. The concession expires in January 2027, and the government as part of a long-term strategic plan decided to close the existing Tbilisi International Airport and build a new one. The transition to the new airport at Vaziani underscores the evolving aviation infrastructure and the project represents a significant step toward enhancing the regional aviation landscape, offering increased capacity and state-of-the-art facilities that will become a hub, linking Georgia to global markets and opportunities. The new Tbilisi International Airport is planned to replace the Vaziani military base which is located approximately 28 kilometers from Tbilisi city center and eight kilometers from the existing airport (footnote 63).

[62] Georgian Civil Aviation Agency. https://gcaa.ge/about-gcaa/.

[63] Asian Development Bank, Terms of Reference: Airport Master Plan Development Assignment.

[64] Asian Development Bank. Terms of Reference for Consultants: Small-Scale Technical Assistance - Georgia: Airport Sector Assessment.

[65] Ministry of Economy and Sustainable Development of Georgia. 2023. Economic Outlook of Georgia, 2023. https://www.tbilisisrf.gov.ge/qr/Economic%20outlook.pdf.

The Batumi International Airport is also operated under a concession agreement (until 2027) by TAV Georgia. The city of Batumi is one of Georgia's main tourist destinations and operates with a sharp seasonal peak in summer. The airport does not have the necessary equipment for cargo processing. From 2020 to 2021, the airport was expanded and can now serve up to 1.2 million passengers annually (footnote 39).

Kutaisi International Airport is operated by the United Airports of Georgia. Flights are mostly operated by low-cost airlines and the main destinations are European cities. The growing passenger flow created the need for a new passenger terminal. Construction began in September 2017 and was completed in 2021. The new terminal is approximately five times larger. Landing and take-off spaces, the number of commercial spaces, as well as technical and administrative spaces have increased approximately threefold. Passenger capacity has quadrupled to about 2.5 million passengers per year. In October 2022, the runway was rehabilitated (footnote 39).

In 2023, the parking lot around Kutaisi International Airport has been expanded to 20,000 square meters (m^2). Additionally, roads and pedestrian sidewalks and parking systems were constructed. As a result, the capacity of the existing parking lot has increased from 200 to 700 cars. The expansion of the parking lot was fully funded by United Airports of Georgia with an investment of GEL3.9 million. Several important infrastructure projects are planned, including the rehabilitation of the platforms, airplane stands, and the construction of a new 3.5-km runway. This will allow the airport to receive and service all types of passenger and cargo aircraft.[66]

The estimated cost of the new Telavi Airport is GEL25 million–GEL30 million. The competition for the design of the new airport has been completed. According to the contract signed with the Association of Airports of Georgia on 16 February 2024, the winning company must prepare a design for the construction of a new terminal within 3 months. The estimated area of the terminal should be 1,500–2,000 m^2 and be designed to serve 150 passengers per hour. The winning company must also design the area surrounding the terminal (approximately 10,000 m^2), where a parking lot for 60 cars will be located. The plan is to connect Telavi's new domestic airport with all Georgia's international and domestic airports to stimulate tourism and mobility. Building a new runaway is also part of the plan.[67]

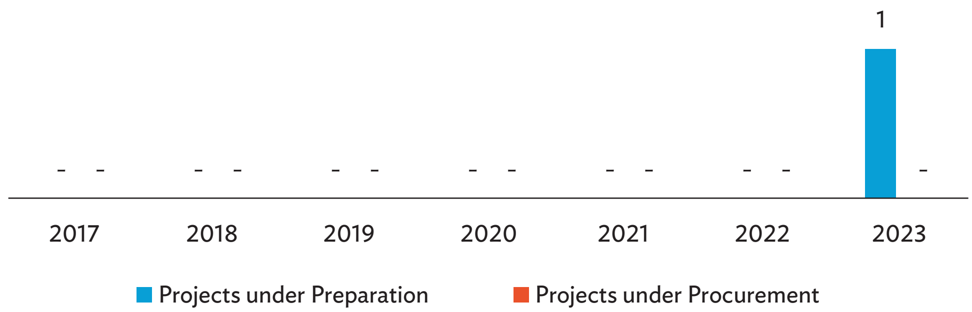
Projects under Preparation and Procurement in the Airport Sector

Figure 17 presents the number of PPP projects that are under preparation and procurement in Georgia's airport sector.

[66] Kutaisi Airport. https://www.kutaisi.aero/en/news/qutaisis-saertashoriso-aeroportshi-jamshi-700-avtomobilze-gatvlili-avtosadgomi-moetsyo.

[67] *Georgian News*. 2024. New Airport is Planned to be Built in Telavi. 29 February. https://sakartvelosambebi.ge/en/news/new-airport-is-planned-to-be-built-in-telavi.

Figure 17: Public–Private Partnership Airport Projects under Preparation and Procurement

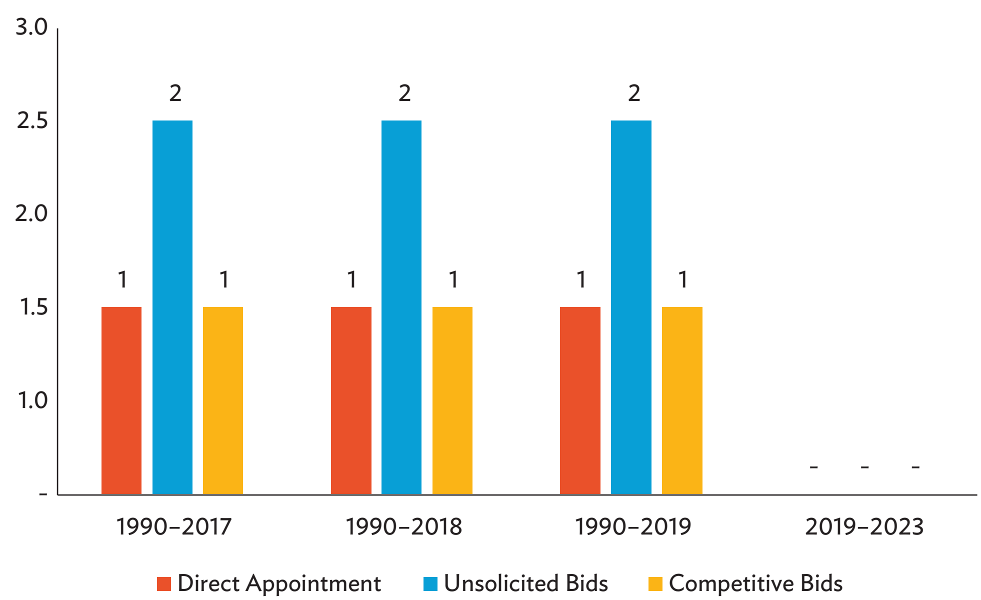


Note: The hyphen means there are no projects in the sector, or data is not available, or not applicable, according to the database.
Source: PPP Agency and Ministry of Finance.

4. Features of Past Public–Private Partnership Projects in the Airport Sector

Figure 18 shows the number of PPP projects procured in Georgia's airport sector through various modes, including direct appointment, unsolicited bids, and competitive bids.

Figure 18: Modes of Procurement for Public–Private Partnership Airport Projects

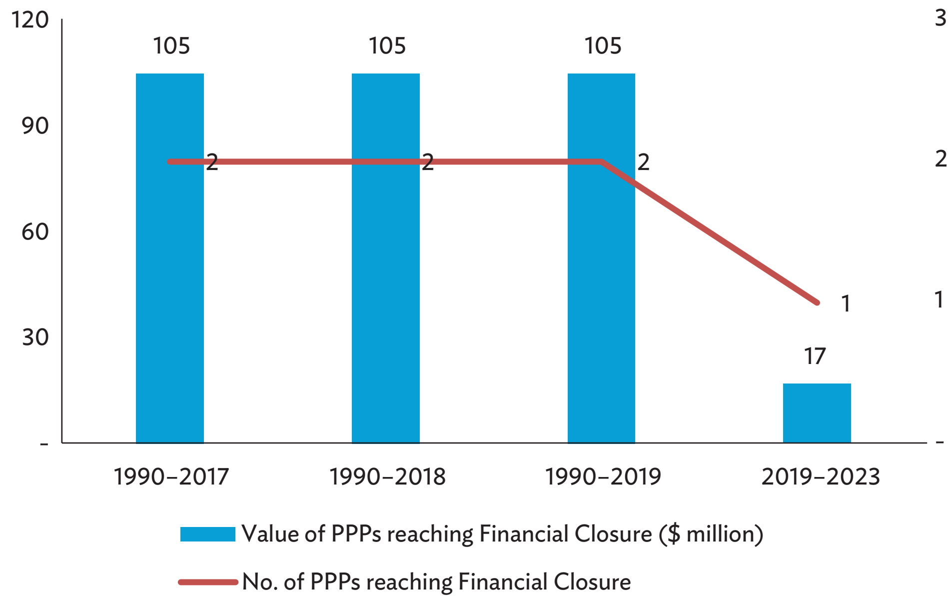


Note: Only active and concluded projects are considered. The hyphen means there are no projects in the sector, or data is not available or not applicable, according to the database.
Source: World Bank. I*nfrastructure Finance, PPPs and Guarantees. Country Snapshots. Georgia.* https://ppi.worldbank.org/en/ snapshots/ country/georgia (accessed 29 April 2024).

The Tbilisi International Airport PPP Project (2006) was procured through competitive bidding, while the Batumi International Airport PPP project (2007) was procured through direct negotiation. Both projects were unsolicited proposals (footnote 27).

Figure 19 presents the number and value of PPP projects in Georgia's airport sector that have reached financial closure.

Figure 19: Public–Private Partnership Airport Projects Reaching Financial Closure



PPP = public–private partnership.

Note: Only active and concluded projects are considered.

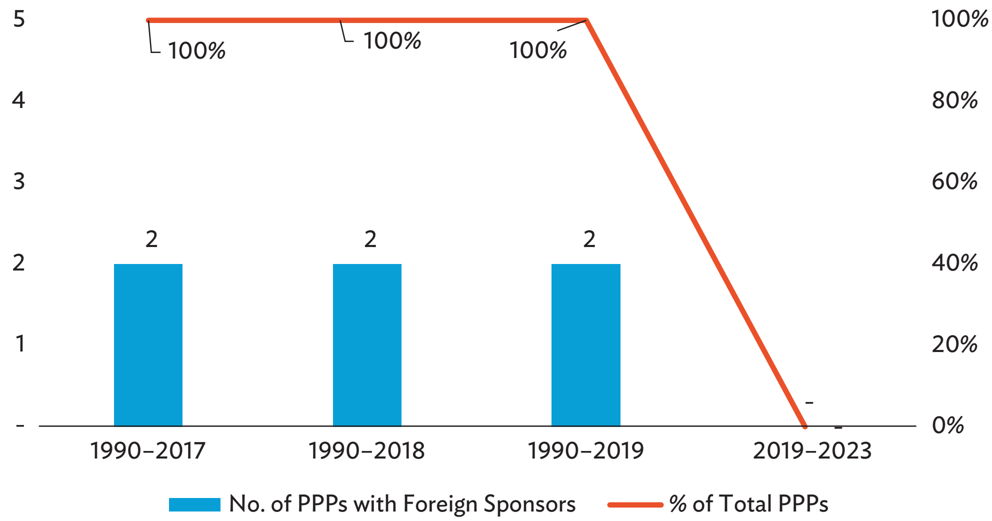
Source: World Bank. *Infrastructure Finance, PPPs and Guarantees. Country Snapshots. Georgia*. https://ppi.worldbank.org/en/ snapshots/ country/georgia (accessed 29 April 2024).

The Tbilisi International Airport PPP Project reached financial closure in 2006, while the Batumi International Airport project reached closure in 2007 (footnote 27). In 2021, Batumi terminal expansion works were concluded with a total investment of $17 million.

Figure 20 shows the number of PPP projects in Georgia's airport sector that have received participation from foreign sponsors.

The PPP airport projects and their sponsors are the Tbilisi International Airport project (TAV Airports Holding from Türkiye) and the Batumi International Airport project (TAV Airports Holding, also from Türkiye) (footnote 4). There is no available data for the number of PPP projects in Georgia's airport sector that have received government support, including viability gap funding mechanism, government guarantees, and availability or performance payment.

Figure 20: Public–Private Partnership Airport Projects with Foreign Sponsor Participation



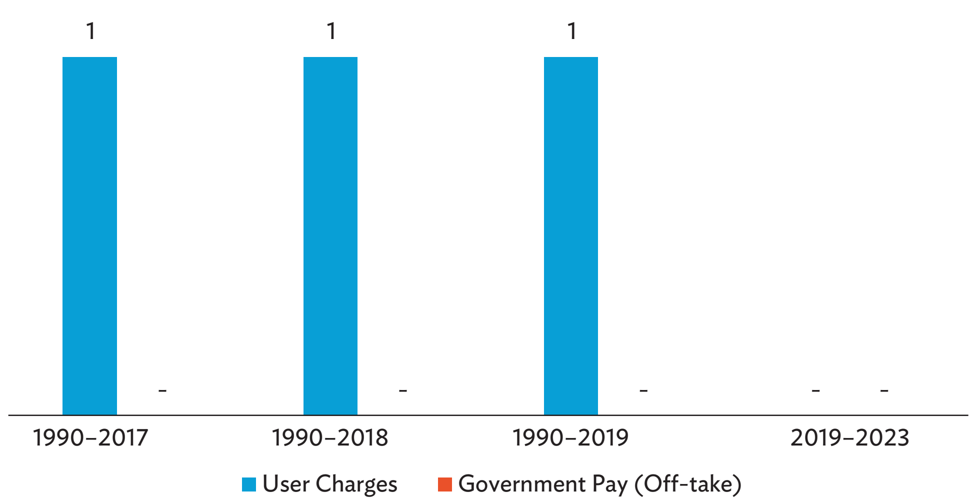
PPP = public–private partnership.

Note: Only active and concluded projects are considered in the above graph.

Source: World Bank. *Infrastructure Finance, PPPs and Guarantees. Country Snapshots. Georgia*. https://ppi.worldbank.org/en/ snapshots/country/georgia (accessed 29 April 2024).

Figure 21 presents the number of PPP projects in Georgia's airport sector that have received payment in the form of user charges and government pay (offtake).

Figure 21: Payment Mechanisms for Public–Private Partnership Airport Projects



Note: Only active and concluded projects are considered. The hyphen means there are no projects in the sector, or data is not available or not applicable, according to the database.

Source: World Bank. *Infrastructure Finance, PPPs and Guarantees. Country Snapshots. Georgia.* https://www.adb.org/sites/default/files/publication/509426/ppp-monitor-second-edition.pdf.

The payment mechanism of the Batumi International Airport PPP project was user charges (footnote 27).

Tariffs in the Airport Sector

The agreements for Tbilisi and Batumi International Airport PPP projects stipulate a concession payment in the form of a security fee: (i) 10% of the landing fee, and (ii) 10% of the ground handling fee and ground handling royalty fee.

The operator has the freedom to set fees, with the sole exception of the passenger boarding fees and landing fees at Tbilisi International Airport and only landing fees at the Batumi International Airport. Maximum tariffs are set by contract. The airport operator had the discretion to increase passenger fees twice (first time $2.00, second time $1.00) by giving a 3-month prior written notice to United Airports of Georgia. Other fees for various services are not capped.[68]

Typical Risk Allocation for Public–Private Partnership Projects in the Airport Sector

The information on typical risk allocation for airport sector PPP projects is not available.

Financing Details in the Airport Sector

Parameter	2023
Public–private partnership (PPP) projects with foreign lending participation	Unavailable
PPP projects that received export credit agency/ international financing institution support	1
Typical debt-to-equity ratio	Unavailable
Time for financial closure	Unavailable

Source: World Bank. *Infrastructure Finance, PPPs and Guarantees. Country Snapshots. Georgia*. https://ppi.worldbank.org/en/ snapshots/country/georgia (accessed 29 April 2024).

The Tbilisi International Airport project received loans from the International Finance Corporation and the EBRD.

5. Challenges in the Airport Sector

According to the 2023–2030 National Transport and Logistics Strategy of Georgia, the main challenges in the field of aviation are related to the capacity development of the airport infrastructure and the timely and effective introduction of European and international standards (footnote 39).

[68] Information obtained from Transport and Logistics Development Policy Department of Ministry of Economy and Sustainable Development.

E. Energy

Parameter	Value	Unit
Electric power consumption (2023)	3,671.3	kWh per capita
Renewable energy consumption (2023)	87.5	% of total energy consumption
Access to electricity (2023)	100.0	% of population
Getting electricity (score out of 100) (2020)	84.40	Number
Energy imports (2023)	5.75	% of total energy use
Investment in energy with private participation (2019)	14.4	Current $ million
Number of projects with ADB cumulative lending, grant, and technical assistance commitments in the energy sector (2023)	10	Number
Amount of ADB cumulative lending, grant, and technical assistance commitments in the energy sector (2023)	247	$ million

ADB = Asian Development Bank, kWh = kilowatt-hour.

Sources: Georgian State Electrosystem. Electricity balance of Georgia in 2023. https://www.gse.com.ge/sw/static/file/faqtiuri-balansi-2023_GEO.pdf (accessed 1 May 2024); Asian Development Bank. Data Library. Cumulative Lending, Grant, and Technical Assistance Commitments. https://data.adb.org/dataset/cumulative-lending-grant-and-technical-assistance-commitments (accessed 29 April 2024); The Economist Intelligence Unit. Infrascope 2019: Georgia Country Profile. https://infrascope.eiu.com/; The Global Economy. Energy Imports—Country Rankings. https://www.theglobaleconomy.com/rankings/energy_imports/ (accessed 29 April 2024); World Bank. Access to Electricity. https://data.worldbank.org/indicator/EG.ELC.ACCS. ZS?end=2018&locations=MM-KH-UZ-CN-BD-GE-IN-ID-KZ-PKPH-LK-TH-VN&start=2018&view=bar (accessed 29 April 2024); and World Bank. Doing Business. Ease of Doing Business Scores. Getting Electricity. https://www.doingbusiness.org/en/data/doing- business-score?topic=getting-electricity (accessed 29 April 2024).

1. Contracting Agencies in the Energy Sector

The main policy of the energy sector, the target indicators, and the means of achieving them are determined by the Ministry of Economy and Sustainable Development of Georgia (MOESD). MOESD is the state body governing the energy sector and is in charge of national energy policy development and implementation, the creation of a competitive environment through the facilitation of efficient market regulation, and participation in the approval of strategic projects. The ministry also approves different strategic development plans.

The energy market in Georgia is deregulated and has been unbundled into generation, transmission, and distribution companies. Energy sales are predominantly via bilateral contracts. A small percentage of total energy production (from 10% to 15% as mandated by the Ministry of Economy and Sustainable Development) is traded via the Electricity System Commercial Operator (ESCO), which is 100% state-owned (footnote 7). ESCO acts as the electricity market operator and manages the sale and purchase of energy to balance market supply and demand. For new hydropower developments, the electricity market operator is also involved in establishing energy contracts which may be under 'take-or-pay' type arrangements for the full or partial capacity of the plant (footnote 7).

The Georgian National Energy and Water Supply Regulatory Commission (GNERC) is the sector's regulatory body, which elaborates the rules of market operation, sets tariffs, and approves investment plans for regulated market participants. GNERC establishes rules for the technical operation of electricity, natural gas, and water supply sectors; sets out tariffs for the regulated sectors; issues licenses and monitors the fulfillment of licensed activities. GNERC also mediates between distribution companies, eligible consumers, and suppliers.

JSC Georgian State Electrosystem (GSE) is the single Electricity Transmission System Operator. It is a joint stock company owned by the LEPL National Agency of State Property, while its management rights are transferred to the Ministry of Economy and Sustainable Development of Georgia. GSE provides power transmission and dispatch services all over the country. Transmission is provided from hydro, thermal, and wind power plants to power distribution companies and direct customers. The main areas of GSE activity are to plan and coordinate electricity generation and consumption, provide access to the transmission network, develop the transmission network (construct new cross-border and internal transmission lines and substations), and maintain the transmission network.

The state-owned JSC Georgian Energy Development Fund, established in 2010, promotes the country's energy potential and the retrieval of funds through project development and implementation (footnote 39). In addition to providing various consulting services to support the preconstruction and construction stages, the fund can partner with investors in renewable energy projects. The fund assumes a minority shareholding of a joint venture, preferably below 30% of equity or 10% of the total project investment cost. The fund can contribute both in kind and with cash. In-kind contributions might be with the project or any other asset or service. The fund should have an exit option at defined stages, mainly after commissioning (footnote 39).

JSC Georgian Oil and Gas Corporation (GOGC) is a diversified company with businesses in various energy segments. It has the status of the National Oil Company and protects state interests in the Production Sharing Agreements signed with investors. GOGC, as the owner of Georgia's main gas pipeline system, plays a major role in ensuring the state's energy security. It contributes to the unimpeded operation of Georgia's transboundary oil and gas transportation systems which significantly increase the security of the country, the EU, and international energy markets through their diversification. They also manage the transit revenues. Owing to the country's strategic location, GOGC supports the development of new transit routes for use of the energy potential of the Caspian and the Black Sea basins and further integration of Georgia into regional and global economic and political structures.

2. Energy Sector Laws and Regulations

The Law of Georgia on Energy and Water Supply (2019) repealed the Law of Georgia on Electricity and Natural Gas (1999) and the Law of Georgia on Electricity and Natural Gas. It creates a legislative framework for the production, transit, distribution, supply and trade of electricity, and the transit, distribution, supply, storage, and trade of natural gas. The law aims to support the creation, opening, development, and integration of transparent and competitive electricity and natural gas markets. This law also regulates water supply and creates a general legislative framework for the legal relations in connection with water supply.[69]

The Government of Georgia's Order No. 77 On Approval of Electricity (Capacity) Market Rules (2006) regulates the operation of the electricity and guaranteed capacity market, the activity of the commercial operator of the system and the dispatch licensee, as well as direct agreements including

[69] Government of Georgia. 2019. Law of Georgia on Energy and Water Supply. https://matsne.gov.ge/en/document/download/4747785/4/en/pdf.

technical, commercial and legal relations related to the purchase and sale of electricity through the commercial operator of the system.[70]

The GNERC regulates energy tariffs on regulated assets. Regulated assets exclude hydropower plants under 13 megawatts (MW), transmission, dispatch and distribution systems, and gas transportation and distribution (footnote 7). GNERC also grants licenses for activities in the power sector; establishes licensing terms and rules; and grants, modifies, and revokes licenses in compliance with the Law on Licenses and Permits (footnote 7).

The Law of Georgia on Promoting the Generation and Consumption of Energy from Renewable Sources establishes a common framework to promote renewable energy sources. It establishes the rules relating to guarantees of origin, administrative procedures, information, and access to the electricity grid for renewable energy sources.[71]

The government's Resolution No. 556 On Approval of the Support Schemes for the Production and Use of Energy from Renewable Sources and the Capacity (Power) Auction Rules (2022) determines measures for the construction and operation of power plants with an installed capacity above 0.5 MW. The goal of the plan is to support the use of renewable energy sources and encourage the transfer of project implementation rights to the person who implements the terms established by the government. This resolution applies to (i) existing projects in the energy sector, which under the Law on Public and Private Partnership represent public and private partnership projects and those projects that do not represent PPPs, and (ii) projects at the stage of feasibility studies development for the construction of power plants.[72]

The State Program for Renewable Energy Act has been established to regulate energy sales from new hydropower projects depending on the installed capacity.[73] The procurement of energy-generating PPP projects follows Resolution 214 of 21 August 2013. It establishes the rules for expression of interest for technical and economic feasibility studies and for building, owning, and operating electricity-generating plants. This resolution applies to the List of Potential Power Plants in Georgia.[74] Order N40 of the Minister of Energy governs the terms and conditions for submission to the Ministry of Energy and for review of the proposals on technical and economic feasibility study, construction, ownership, and operation of hydropower plants that are not included in the List of Potential Power Plants in Georgia.[75]

70 Government of Georgia. 2006. *Order No. 77 On Approval of Electricity (Capacity) Market Rules.* https://matsne.gov.ge/ka/document/view/66232.

71 Government of Georgia. 2019. *Law of Georgia on Promoting the Generation and Consumption of Energy from Renewable Energy Sources*. https://www.matsne.gov.ge/en/document/view/4737753?publication=1.

72 Government of Georgia. 2022. Resolution No. 556 On Approval of the Support Schemes for the Production and Use of Energy from Renewable Sources and the Capacity (Power) Auction Rules. https://www.economy.ge/uploads/files/2017/energy/2023/auqcuoni/government_of_georgia_resolution_556_consolidated_feb_7_2023.pdf.

73 Government of Georgia. 2008. Resolution No. 107 State Program for Renewable Energy 2008. On the approval of the rules for ensuring the construction of new sources of renewable energy in Georgia. https://matsne.gov.ge/ka/document/view/6700?publication=9.

74 Government of Georgia. 2013. Resolution No. 214 On the approval of the method of expression of interests regarding the technical and economic study of the construction, construction, ownership and operation of power plants in Georgia. https://matsne.gov.ge/ka/document/view/1994313?publication=8.

75 Government of Georgia. 2014. Order No. 40 Regarding the approval of the rules and conditions for the submission and review of proposals for the construction, construction, ownership and operation of power plants, which are not included in the list of potential power plants to be built in Georgia. https://matsne.gov.ge/ka/document/view/2278352?publication=4.

Order N515 of the government regarding the approval of the rules and conditions for the submission and review of proposals for the construction, construction, ownership and operation of power plants, which do not represent a public–private partnership project applies to those projects in the field of energy, which, under the Law of Georgia On Public and Private Partnership, do not constitute a public–private partnership project.[76]

As part of the efforts to harmonize the Georgian energy market with EU legislation, the government approved resolution N246 regarding the establishment of the electricity market model concept.[77] This provides guidelines for the organization and operation of the wholesale electricity market in Georgia, which will be modified and consist of the bilateral electricity market, the day-ahead market, the intra-day market, and the market for balancing and ancillary services. Initially, these markets should have launched in July 2021; however, it has been postponed and is currently planned for the third quarter of 2024.[78] Table 12 describes the functions of regulatory authorities in Georgia's energy sector.

Table 12: Regulating Agencies in the Energy Sector of Georgia

Agency	Roles/Responsibilities
Georgian National Energy and Water Supply Regulatory Commission	Responsible for day-to-day regulation of the electricity, gas, and water sectors; establish rules and conditions for granting generation, transmission, dispatch, and distribution, as well as natural gas transportation and distribution licenses; grant, modify, and revoke licenses in compliance with the Law of Georgia on Licenses and Permits, Law of Georgia on Electricity and Natural Gas, and licensing rules Set and regulate tariffs for electricity generation (for hydropower plants where construction has started before 1 January 2008), transmission, dispatch, distribution, import, export, and consumption, as well as for natural gas transportation, distribution, import, export, supply, and consumption, according to the main directions of the state energy policy legal acts issued based on this policy and established methodology Within its competence, resolve arguments between licensees, importers, exporters, suppliers, and consumers, and between licensees and consumers Establish control over the conditions of licensing within the electricity and natural gas sectors and, in cases of violation of the conditions, combine the relevant administrative sanctions, which are determined by the existing legislation Organize and coordinate mandatory certification within the energy sector Establish rules and conditions for licenses Issue, revoke, and modify licenses

continued on next page

[76] Government of Georgia. 2018. No. 515 Regarding the approval of the rules and conditions for the submission and review of proposals for the construction, construction, ownership and operation of power plants, which do not represent a public–private partnership project. https://matsne.gov.ge/ka/document/view/4356735?publication=4.

[77] Government of Georgia. 2020. *Resolution No. 246 On the establishment of the electricity market model concept*. https://www.matsne.gov.ge/ka/document/view/4852064?publication=9.

[78] Joint Stock Company Georgia Capital, Sustainability-Linked Bonds of JAC Georgia Capital – Final Term Sheet, 2023. https://georgiacapital.ge/sites/default/files/2023-08/JSC%20GCAP%20-%20Final%20Prospectus%20%28ENG%29_without%20Clearstream.pdf.

Table 12 *continued*

Agency	Roles/Responsibilities
	Set and regulate tariffs Resolve disputes between licensees, importers, exporters, suppliers, consumers, and the commercial system operator Monitor compliance with the conditions of licenses and in cases of violations, take measures according to the law Organize and coordinate certification activities
Ministry of Economy and Sustainable Development of Georgia	In December 2017, the Ministry of Energy and Natural Resources was merged with the Ministry of Economy and Sustainable Development. It became the principal government policymaker responsible for overall energy policy. Today, its overall mandate focuses on providing a competitive market through efficient regulation, developing the energy strategy, and overseeing its implementation. There are three departments under the Ministry working on the energy sector: (i) Energy Policy and Investment Projects Department (with three structural units): Division of Energy Projects Development and Monitoring, Division of Energy Projects Legal Provision, and Analysis and Planning Division; (ii) Energy Efficiency and Renewable Energy Policy and Sustainable Development Department (with two structural units): Division for Energy Efficiency and Renewable Energy Implementation and Promotion and Sustainable Development Promotion Division; and (iii) Energy Reforms Department (with two structural units): Division of International Relations in Energy Sector and Energy Reforms Division Structural units of the department: (i) Division for Energy Efficiency and Renewable Energy Implementation and Promotion, and (ii) Sustainable Development Promotion Division The process of updating all energy market regulations started in 2017. Electricity rules, the Law of Georgia on Electricity and Natural Gas, and several normative acts governing the energy sector are being updated It is known that the government has suspended the execution of standard power purchase agreements with guaranteed purchase price arrangements until the reform of this sector is completed
Electricity System Commercial Operator	Ensure the purchase and sale of balanced electric power (capacity) Set up the unified database on wholesale purchase and sale

Sources: Asian Development Bank. 2019. *Public–Private Partnership Monitor*. Second Edition. https://www.adb.org/sites/ default/files/publication/509426/ppp-monitor-second-edition.pdf; and European Committee of the Regions, Division of Powers. Georgia Energy. https://portal.cor.europa.eu/divisionpowers/Pages/Georgia-Energy.aspx.

Foreign Investment Restrictions in the Energy Sector

Restriction	Status
Power generation	100%
Power transmission	100%
Power distribution	100%
Oil and gas	100%

Note: Foreign ownership is not restricted in Georgia. Only two laws specify that foreign and local investors have equal rights.

Source: Parliament of Georgia. 1997. Civil Code of Georgia. https://matsne.gov.ge/en/document/view/31702?publication=131; Parliament of Georgia. 1995. Constitution of Georgia. https://matsne.gov.ge/en/document/view/30346?publication=36.

Standard Contracts in the Energy Sector

Consideraton	Status
Public–private partnership/concession agreement	No
Power purchase agreement	Not Applicalbe*
Capacity take-or-pay contract	Unavailable
Fuel supply agreement	Unavailable
Transmission and use of system agreement	No
Performance-based operation and maintenance contract	Unavailable
Engineering, procurement, and construction contract	Unavailable

Investments in the renewable energy sector were incentivized through power purchase agreements (PPAs) that ESCO granted to new hydropower plant (HPP) operators. These PPAs typically entailed a fixed contract for a specified period for the purchase of electricity during eight months in autumn, winter, and early spring from newly constructed hydropower plants for a fixed price. This policy provided a stable and predictable cash flow for new projects (the prices set by PPAs varied between $0.05 to $0.065 per kWh) (footnote 78).

According to the government amendments to Resolution 214 in December 2017, the regulation on guaranteed PPAs in winter months, a 10-year term with ESCO was removed. The government suspended the execution of PPAs under the resolution unless exclusively decided by the government. It is implied that PPAs can still be executed based on negotiations for specific cases by considering the importance of the project, either through Resolution 214 or Order N40 (footnote 7).

In December 2022, the government adopted a new support scheme for renewable energy developers in the form of contract for differences granted based on capacity auctions. The government plans to auction up to 3,000 MW of renewable energy capacity in different lots over the next 3 years. Winners of the auction will be announced based on the tariff, given that they qualify for all of the required parameters. The government will sign a technical–economic feasibility agreement for the power plant with the winners of the capacity auction, which provides for the signing of a price difference agreement with the project implementer and the operator of the nonelectric energy market of ESCO if the conditions stipulated in this agreement are met. A 15-year contract in which, based on a price-to-price agreement, during the first 15 years after the plant is put into operation, in a period of 8,9, or 12 months of each year (depending on the renewable energy source), any difference between the price fixed on the market the day before the market and the contract tariff provided for in the price-to-price agreement will be guaranteed to be compensated. If the price fixed in the market the day before is lower than the contract rate, ESCO will pay the difference to the person who won the auction, and if the price fixed in the market the day before is higher than the contract rate, the person who won the auction will pay the difference to ESCO. The first capacity auction was announced in February 2023 for 300 MW, and bids were submitted by the end of March and it ended successfully with the announcement of the winners (footnote 78).

3. Energy Sector Master Plan

The National Energy Policy of Georgia is based on the Law on Energy and Water Supply (Article 7). It provides an overview of the current energy system and the energy and climate policy. Its annex, Integrated National Energy and Climate Action Plan (NECP) outlines national targets for each of the five key dimensions of the Energy Community and the appropriate policies and measures to achieve those targets by 2030. The policy is consistent with and contributes to the Sustainable Development Goals. It includes five dimensions as laid out by the EU and the Energy Community: (i) ecarbonization (greenhouse gas reduction and renewable energy development); (ii) energy efficiency; (iii) internal energy market; (iv) energy security; and (v) research, innovation, and competitiveness. The purpose of the NECP is to outline existing, planned, and possible investments and policies to be implemented in the coming years.

In 2015, the Ministry of Energy approved and adopted the Ten-Year Network Development Plan of Georgia for 2015–2025, which was prepared by the Transmission System Operator (Georgian State Electrosystem) and has since been updated for 2023–2033. This 10-year plan presents the time-tagged program designed to reinforce the infrastructure of the transmission system, address the existing problems, respond to challenges, and implement opportunities. It assumes adequate evolution of the Georgian power system considering realistic scenarios and projects relevant to 2023–2033.[79]

The construction cost of run-of-the-river hydropower in Georgia ranges from $1.2 million to $1.5 million per MW, based on the specific project. Over the last 4 years, more than 20 hydropower plants and one wind farm were built. Those projects cost more than $400 million and brought 327 MW of total installed capacity and 1.5 terawatt-hours (TWh) of annual generation. The new hydropower plants increased electricity generation to 12.1 TWh in 2018 (footnote 37).[80]

However, the increasing demand for electricity, the coming market deregulation, and an expected increase in electricity prices create an upside for investment into the sector. Over 2019–2022, a total of 25 hydropower plants with an installed capacity of more than 600 MW, and annual generation of 2.3 TWh, and a total investment of more than $1 billion are scheduled for completion (footnote 37).[81]

By the end of 2022, there were 119 existing power plants in Georgia with a total installed capacity of 4,586 MW. This includes installed capacity of hydropower plants (3,376 MW), wind power plants (20.7 MW), and thermal power plants (1,190 MW) (footnote 79).

Projects under Preparation and Procurement in the Energy Sector

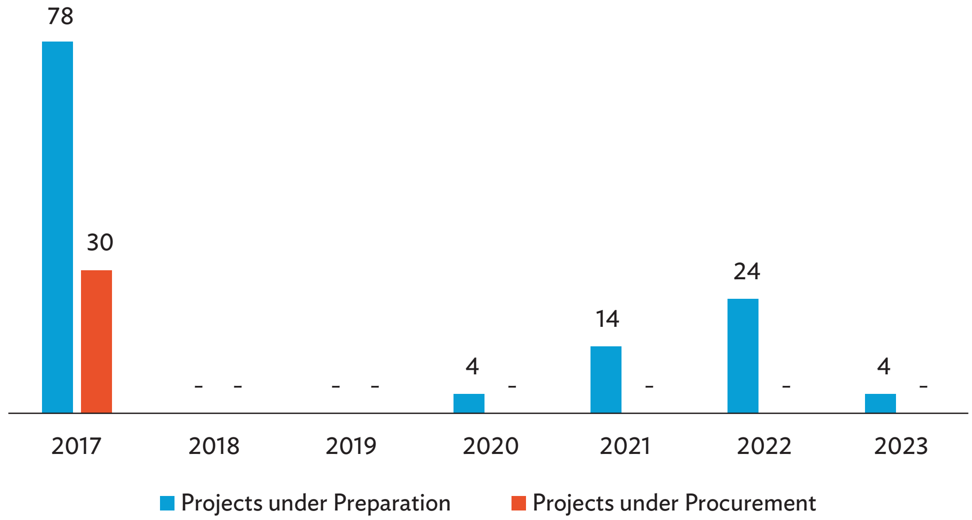
Figure 22 presents the number of PPP projects that are being prepared and procured in Georgia's energy sector.

[79] Transmission System Operator JAC Georgian State Electrosystem, *Ten-Year Network Development Plan of Georgia 2023–2033*, 2023. https://www.gse.com.ge/sw/static/file/TYNDP_GE-2023-2033_ENG.pdf.

[80] No updated information available.

[81] No updated information available.

Figure 22: Public–Private Partnership Energy Projects under Preparation and Procurement



Note: Only active and concluded projects are considered. The hyphen means there are no projects in the sector, or data is not available or not applicable, according to the database.

Source: Asian Development Bank. 2019. *Public–Private Partnership Monitor*. Second Edition. https://www.adb.org/sites/ default/files/publication/509426/ppp-monitor-second-edition.pdf.

The list of the projects under the feasibility study[82] stage includes 78 power plant projects (hydro, wind, and solar) with a total investment value of $4 billion, comprising of the following:

(i) 10 large power plants, with capacity ranging from 60 MW up to 300 MW—a total of 1,301 MW and a total investment value of $2.18 billion (GEL6.67 billion at the end of July 2020);
(ii) 37 medium-sized power plants, with capacity ranging from 10 MW up to 60 MW—a total of 1,268 MW and a total investment value of $1.67 billion (GEL5.11 billion at the end of July 2020); and
(iii) 31 small power plants, with capacity ranging from 0.5 MW up to 10 MW—a total of 109 MW and a total investment value of $0.16 billion (GEL48 billion at the end of July 2020) (footnote 7).

Of the 78 projects, 50 had an investment value of more than $10 million (GEL30.06 million at the end of July 2020). As of 2020, the Ministry of Energy's website shows 58 planned hydropower projects. It is not confirmed whether these projects will be procured under PPPs.[83]

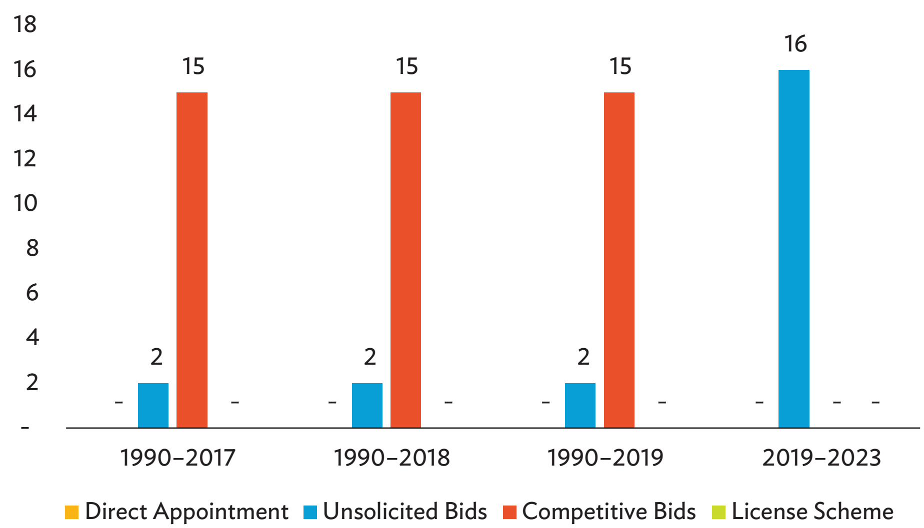
[82] No updated information available.
[83] Ministry of Energy of Georgia. Perspective Projects. http://energy.gov.ge/investor.php?id_pages=19&lang=eng.

According to the PPP Agency and the Ministry of Finance, the Black Sea Submarine Cable Project is under preparation. The cable is meant to connect Georgia with Romania, from Anaklia to Constanta, running 1,195 km, 1,100 km of which is underwater. The high-voltage direct current cable would have a voltage level of 500 kV and a capacity of 1,000–1,500 MW. The idea behind the project is for energy from the Caucasus and Caspian to be exported to the EU, with a particular focus on renewable energy, hydropower and other sources. This would connect the Caucasus and Caspian regions to Europe, and potentially incentivize investment into additional renewable energy generation. Also, a fiber-optic cable is considered to be laid alongside, to strengthen internet connectivity between the Caucasus and the EU.[84]

4. Features of Past Public–Private Partnership Projects in the Energy Sector

Figure 23 shows the number of PPP projects in Georgia's energy sector procured through various modes, including direct appointment, unsolicited bids, and competitive bids.

Figure 23: Modes of Procurement for Public–Private Partnership Energy Projects

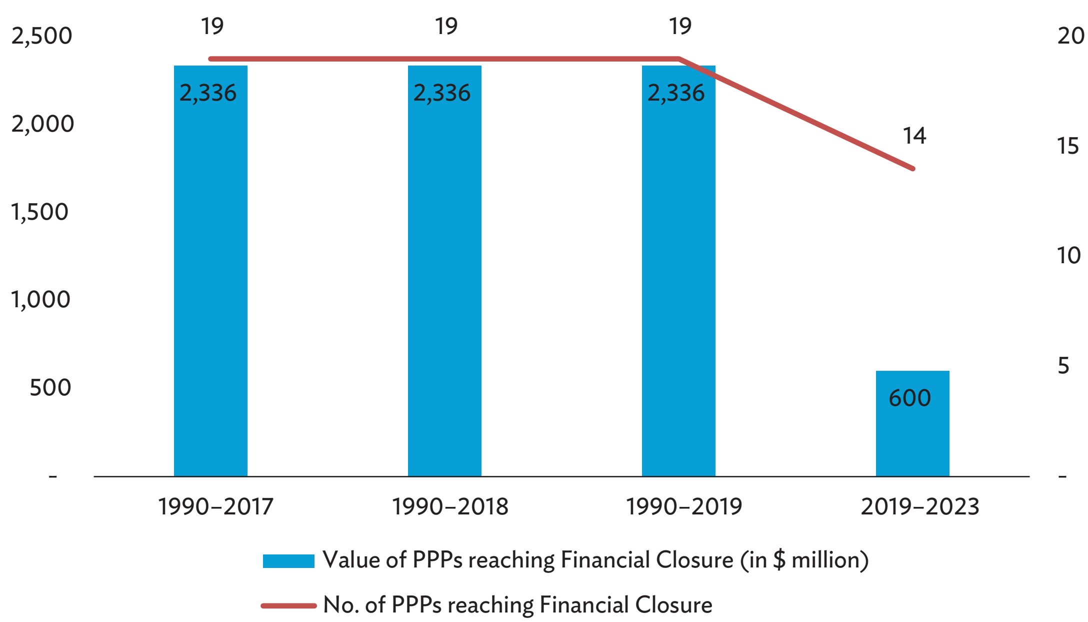


Source: Asian Development Bank. 2019. *Public–Private Partnership Monitor*. Second Edition. https://www.adb.org/sites/ default/files/publication/509426/ppp-monitor-second-edition.pdf.

84 German Economic Team (GET). 2023 Newsletter Georgia. The Black Sea Submarine Cable Project: Update from Tbilisi. June. https://www.german-economic-team.com/wp-content/uploads/2023/06/GET_GEO_NL_52_2023_en-1.pdf.

Figure 24 shows the number of PPP projects in Georgia's energy sector that have reached financial closure and the total value of those projects.

Figure 24: Independent Power Producer/Public–Private Partnership Energy Projects Reaching Financial Closure



PPP = public–private partnership.

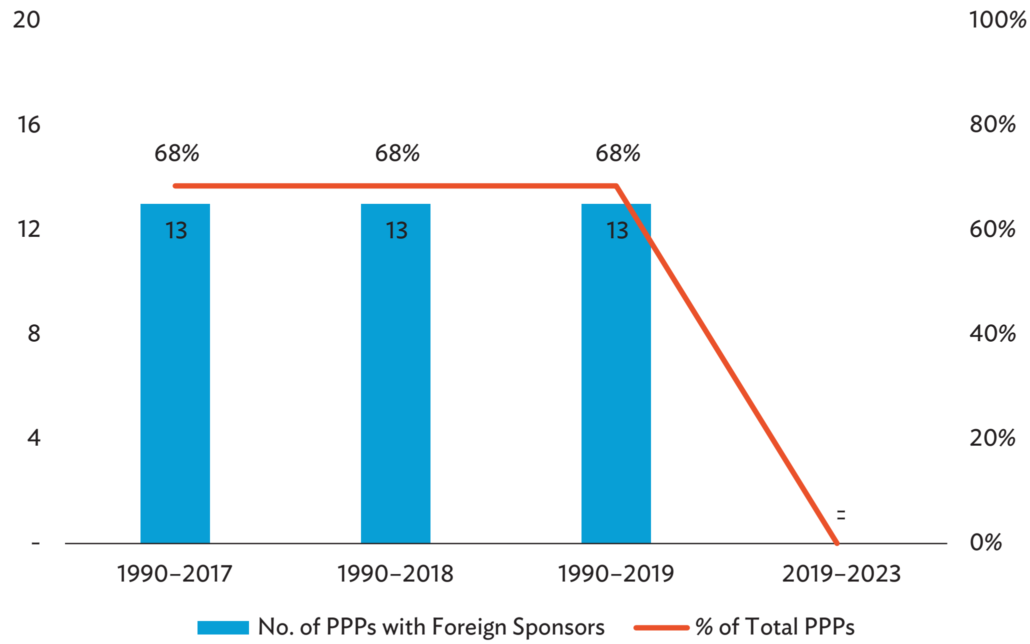
Note: Only active and concluded projects are considered.

Source: Asian Development Bank. 2019. *Public–Private Partnership Monitor*. Second Edition. https://www.adb.org/sites/ default/files/ publication/509426/ppp-monitor-second-edition.pdf.

From 1990–2017, all PPP projects that reached financial closure were in the hydropower sector. However, a majority of such projects have been of small or medium capacity (below 60 MW). Only a few large hydropower plant (HPP) projects have been implemented: the Nenskra HPP (280 MW), the Dariali HPP (108 MW), the Shuakhevi HPP (185 MW), and the Paravani HPP 2011 (footnote 7).

Since the establishment of the PPP Agency (i.e. from 2019), 14 PPP projects achieved financial closure in the energy sector: 11 hydropower (240 MV), 2 wind energy (120 MV), and 1 solar energy (2 MV). Figure 25 presents the number of PPP projects that have received participation from foreign sponsors in Georgia's energy sector.

Figure 25: Independent Power Producer/Public–Private Partnership Energy Projects with Foreign Sponsor Participation



PPP = public–private partnership.

Note: Only active and concluded projects are considered.

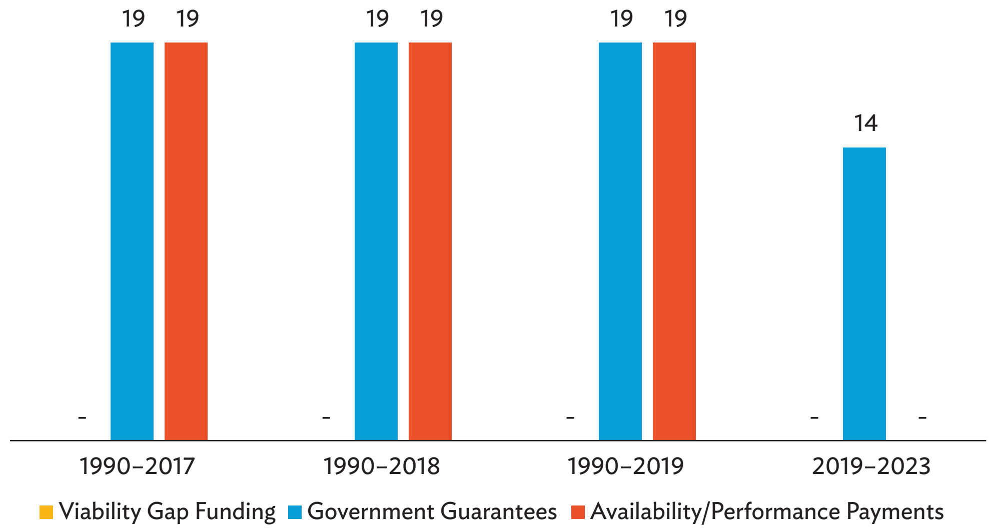
Source: Asian Development Bank. 2019. *Public–Private Partnership Monitor*. Second Edition. https://www.adb.org/sites/ default/files/ publication/509426/ppp-monitor-second-edition.pdf.

Figure 26 shows the number of PPP projects in Georgia's energy sector that have received government support, including viability gap funding mechanism, government guarantees, and availability or performance payment.

Before December 2017, a payment guarantee was provided for the projects under a guaranteed PPAs with ESCO. The government has established several funds for supporting equity investment in the energy sector through the JSC Partnership Fund and the dedicated Georgian Energy Development Fund. However, there is no viability gap funding mechanism (footnote 39).

Government support for renewable energy investment is also enshrined in legislation to encourage investment in these projects. This includes free access to the transmission system, preferential access to export energy interconnectors, and provision of take-or-pay agreements for deregulated assets. Generation and export activities are also exempted from value added tax (footnote 39).

Figure 26: Government Support to Public–Private Partnership Energy Projects

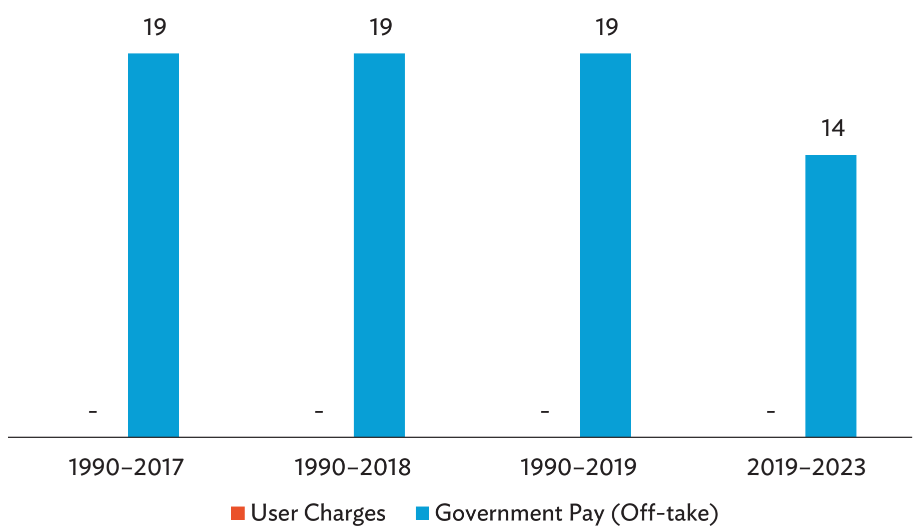


Note: Only active and concluded projects are considered. The hyphen means there are no projects in the sector, or data is not available or not applicable, according to the database.

Source: Asian Development Bank. 2019. *Public–Private Partnership Monitor*. Second Edition. https://www.adb.org/sites/ default/files/ publication/509426/ppp-monitor-second-edition.pdf.

Figure 27 presents the number of PPP projects in Georgia's energy sector that have received payment in the form of user charges and government pay (offtake).

Figure 27: Payment Mechanisms for Public–Private Partnership Energy Projects



Note: Only active and concluded projects are considered. The hyphen means there are no projects in the sector, or data is not available or not applicable, according to the database.

Source: Asian Development Bank. 2019. *Public–Private Partnership Monitor.* Second Edition. https://www.adb.org/sites/ default/files/ publication/509426/ppp-monitor-second-edition.pdf.

Tariffs in the Energy Sector

The price of electricity for commercial and household end-users is determined by GNERC, according to the adopted methodologies. In cases of nonresidential consumers, GNERC is entitled to set electricity supply tariffs only for small enterprises to whom the universal service provider provides services, and consumers to whom services are provided by public service suppliers.

The end-use tariff of electricity includes the following elements: the average cost of electricity purchase, tariff for dispatch, transmission, transit, and distribution (differs by voltage level), and the service tariff for balancing electricity by ESCO. All these elements, except the average price for electricity purchase, are fixed for 3 years. In addition, a VAT of 18% is applied to all end-use tariffs.

There is no open market for electricity in Georgia yet. As stated previously, prices are determined by GNERC. The only exception is direct consumers, who buy electricity according to bilateral agreements. However, with electricity market reform, the market structure will be changed and it will become open in the near future. Therefore, the existing structure of electricity tariffs will be changed as well.

There are only two distribution companies in the market. JSC Telasi operates in the capital city (Tbilisi), while JSC Energo-Pro distributes electricity in all other regions. To incentivize a rational consumption of electricity, there are three steps of end-use tariff for residential consumers: (i) a monthly consumption below 101 kWh, (ii) a monthly consumption between 101 kWh and 301 kWh, and (iii) a monthly consumption of more than 301 kWh.

Nonresidential consumers (public, private, industry, and other nonresidential sectors) pay a fixed tariff that does not vary with consumption. The tariffs for the nonresidential sector are also determined by GNERC, although direct consumers can buy electricity based on bilateral contracts thus bypassing the electricity public obligation suppliers. The prices are based on the voltage level.[85]

According to the market rules, asset operators have the right to a 'take-or-pay' type of agreement with ESCO for the provision of balancing energy (footnote 39).

Company	Tariff validity period	110–35 kV	10–6–3.3 kV	0.4 kV (380–220 V)
JSC Telasi Electricity Distribution Tariffs	From 2024 to 2026	2.303 tetri/kWh	3.857 tetri/kWh	7.859 tetri/kWh
JSC Energy Pro Georgia Electricity Distribution Tariffs		2.350 tetri/kWh	4.398 tetri/kWh	10.118 tetri/kWh

kV = kilovolt, V = volt.

Source: Georgian National Energy and Water Supply Regulatory Commission. https://gnerc.org/ge/tariffs/tariff-el-energy/distribution.

[85] Ministry of Economy and Sustainable Development of Georgia and Ministry of Environmental Protection and Agriculture of Georgia, Integrated National Energy and Climate Plan of Georgia, 2023. https://www.economy.ge/uploads/files/2017/energy/2023/energetikisa_da_klimatis_integrirebuli_gegmis_garemosdacviti_shefasebis_angarishi_20_10_23/2_sakartvelos_energetikisa_da_klimatis_erovnuli_integrirebuli_gegma.pdf.

Typical Risk Allocation for Public–Private Partnership Projects in the Energy Sector

Risk Category	Private	Public	Shared	Comment
Demand risk		✓		Take-or-pay contract between the private developer and the Electricity Utility or Implementing Agency
Revenue collection risk			✓	
Tariff risk		✓		Investor negotiates tariffs for new assets on cost plus principal
Government payment risk		✓		
Environmental and social risks	✓			
Land acquisition risk	✓			
Permits			✓	
Handover	✓			
Political risk		✓		
Regulatory risk		✓		
Interconnection risk		✓		
Brownfield risk: asset condition	✓			
Grid performance risk		✓		
Hydrology risk			✓	
Exploration and drilling risks	✓			

Source: Asian Development Bank. 2019. *Public–Private Partnership Monitor*. Second Edition. https://www.adb.org/publications/pu.blic-private-partnership-monitor-2nd-edition.

Financing Details in the Energy Sector

Parameter	2023
Public–private partnership (PPP) projects with foreign lending participation	Unavailable
PPP projects that received export credit agency/international financing institution support	4
Typical debt-to-equity ratio	Unavailable
Time for financial closure	Unavailable
Typical concession period	Unavailable
Typical financial internal rate of return	unavailable

Source: Asian Development Bank. 2019. *Public–Private Partnership Monitor.* Second Edition. https://www.adb.org/publications/pu.blic-private-partnership-monitor-2nd-edition.

All four large-capacity HPP projects have been under project financing and have received international financial institution support in the form of debt and, sometimes, equity (footnote 39).

5. Challenges in the Energy Sector

The energy sector has the following challenges:

(i) The lack of knowledge on PPPs and the rapidly changing legal and institutional framework are delaying the progress of PPPs in the energy sector. Although the energy regulations went through reforms over the previous decade, the current legal, regulatory, and institutional framework is not enough to encourage private sector investment in hydropower and this framework does not ensure the environmental sustainability of hydropower projects or a transparent path for selecting the private party. All projects remain procured through unsolicited proposals.

(ii) Dependence on imported electricity to meet seasonal demand raises concerns over the security of supply. The country's power consumption peaks in winter when hydropower generation is lowest. During winter, therefore, Georgia must rely substantially on imported electricity and domestic generation using thermal generation based on imported natural gas. Import dependence has been gradually increasing in recent years (footnote 85).

(iii) The construction of large generation facilities, despite mitigation measures, still has had some impact on the environment and residents, which sometimes provokes protests from part of the community. This often causes the postponement of projects, which harms the development of the energy sector (footnote 85).

(iv) The new energy market model may greatly increase volatility in energy prices, especially in summer months when the support mechanism will not be applicable and the prices will be formed based on market supply and demand. In case the electricity supply exceeds the demand, this could negatively affect the wholesale price of electricity. An alternative market for the exportable surplus in summer is Türkiye, the export volume which is limited by the capacity of the transmission line (footnote 78).

F. Water and Wastewater

Parameter	Value	Unit
Improved water source access (2022)	71.5	% of population with access
Improved sanitation facilities access (2022)	39.8	% of population with access
Investment in water and sanitation with private participation (2017)	25	current $ million
Number of projects with ADB cumulative lending, grant, and technical assistance commitments in water and other urban infrastructure and services (2023)	32	Number
Amount of ADB cumulative lending, grant, and technical assistance commitments in water and other urban infrastructure and services (2023)	1,185	$ million

Sources: Geostat. Water supply industry and population connected to the water supply industry. https://www.geostat.ge/en/modules/categories/565/environmental-indicators; Geostat. Population connected to wastewater treatment. https://www.geostat.ge/en/modules/categories/565/environmental-indicators; Asian Development Bank (ADB). Data Library. Cumulative Lending, Grant, and Technical Assistance Commitments. https://data.adb.org/dataset/cumulative-lending-grant-and-technical-assistance-commitments (accessed 29 April 2024); ADB. 2019. *Country Partnership Strategy: Georgia, 2019–2023—Developing Caucasus's Gateway to the World*. https://www.adb.org/sites/default/files/institutional-document/521601/cps-geo-2019-2023.pdf; and The Economist Intelligence Unit. Infrascope 2019: Georgia Country Profile. https://infrascope.eiu.com/.

1. Contracting Agencies in the Water and Wastewater Sector

The Ministry of Regional Development and Infrastructure (MRDI) is empowered to provide Georgia with water and ensure the implementation of measures to promote the introduction and development of water supply systems. MRDI also manages the United Water Supply Company of Georgia LLC, a 100% state-owned enterprise. It serves 48 cities (58% of the cities in the coverage area), of which 28 are provided with 24-hour water supply. Work is underway in the remaining 20 cities.

The Georgian National Energy and Water Supply Regulatory Commission (GNERC) is an independent, economic, and service quality regulator of licensed water supply and water services providers. Licenses are issued to suppliers who demonstrate commercial viability, and only licensed suppliers can claim a tariff. As a result, service providers, including companies in municipalities, depend on subsidies to cover service delivery costs.

Municipalities are mandated to provide effective, efficient, and sustainable water services. They may provide water services or select, procure, and contract suitable providers. However, few municipalities have the financial, technical, or managerial capabilities to fulfill this role. The LEPL National Food Agency of the Ministry of Environmental Protection and Agriculture of Georgia monitors drinking water.

2. Water and Wastewater Sector Laws and Regulations

The Law of Georgia on Energy and Water Supply (2019) regulates water supply and creates a legislative framework for the legal connection with water supply (footnote 69).

The Law of Georgia on Water (1997) provides the legislative framework for water and sanitation.[86] It ensures the implementation of a unified national policy in water conservation and use. According to Article 39 of the Law of Georgia on Water, the government approves Regulation No. 431 Conditions for Discharging and Receiving Wastewater in the Water (Sewage) System and Marginally Permissible Norms of Polluting Substances. This regulation establishes the procedures and control mechanisms for the discharge and reception of wastewater into the water (sewage) system.[87]

The Organic Law of Georgia identifies municipal water and wastewater management as the sole responsibility of municipalities and assigns municipalities the functions to invest, regulate, and manage these systems. Meanwhile, the regulatory function in the water supply and sanitation (WSS) sector is implemented by GNERC and the investment function is carried out by MRDI (Table 13).[88]

86 Government of Georgia. 1997. *Law of Georgia on Water*. https://matsne.gov.ge/document/view/33448?publication=27.

87 Government of Georgia. 2018. *Technical regulation No. 431 on Conditions for discharging and receiving wastewater in the water (sewage) system and marginally permissible norms of polluting substances*. Tbilisi. https://matsne.gov.ge/ka/document/view/4306275?publication=0.

88 ADB. 2010. *Georgia: Developing an Urban Water Supply and Sanitation Sector Strategy and Regulatory Framework for Georgia*. Consultant's report. (TA 7492-GEO). https://www.adb.org/projects/43556-012/main.

GNERC continuously monitors the fulfillment of the license conditions of the licensed water supply enterprises through various means, including evaluation of the reporting forms submitted by the licensees to the commission. On 29 July 2021, the commission approved Resolution No. 36 on Rules for Evaluating Investments in the Water Supply Sector, which establishes the basic principles and criteria for developing, submitting, evaluating, agreeing, monitoring, and making changes to investment plans and their component investment projects by water supply licensees.[89]

Table 13: Regulating Agencies in the Water and Wastewater Sector of Georgia

Agency	Roles/Responsibilities
Ministry of Regional Development and Infrastructure	Responsible for implementing regional development policy including coordination and support of the development of water supply and sanitation systems Coordinate activities of the United Water Company, the largest operator in Georgia's regions Supervise the Municipal Development Fund that provides investment for the construction and rehabilitation of water and wastewater infrastructure in Georgia's municipalities
Georgian National Energy and Water Supply Regulatory Commission	Set water and wastewater service tariffs and regulate relations between service providers and customers Responsible for economic and service quality standard regulation

Sources: Asian Development Bank. 2010. *Georgia: Developing an Urban Water Supply and Sanitation Sector Strategy and Regulatory Framework for Georgia*. Consultant's report. (TA 7492-GEO). https://www.adb.org/sites/default/files/project-document/74990/43556-012-geo-tacr-01.pdf; The Network of Institutes and Schools of Public Administration in Central and Eastern Europe (Myspace). 2015. *Municipal Water and Wastewater Sector in Georgia. Status Report*. https://www.nispa.org/ files/GE-report.pdf; and United Nations Economic Commission for Europe. 2011. *United Water Supply Company of Georgia LLC*. PowerPoint Presentation prepared for the Ministry of Regional Development and Infrastructure of Georgia. November. https://www.unece.org/fileadmin/DAM/env/water/npd/United_water_supply_company_of_Georgia.pdf.

Foreign Investment Restrictions in the Water and Wastewater Sector

Parameter	2017	2018	2019	2020	2021	2022	2023
Maximum allowed foreign ownership of equity in greenfield projects	100%	100%	100%	100%	100%	100%	100%

Note: Foreign ownership is not restricted in Georgia. Only two laws specify that foreign and local investors have equal rights.

Source: Parliament of Georgia. 1997. Civil Code of Georgia. https://matsne.gov.ge/en/document/view/31702?publication=131; Parliament of Georgia. 1995. Constitution of Georgia. https://matsne.gov.ge/en/document/view/30346?publication=36.

[89] The Georgian National Energy and Water Supply Regulatory Commission. 2021. Resolution No. 36 on Rules for Evaluating Investments in the Water Supply Sector. https://matsne.gov.ge/ka/document/view/5227106?publication=0. Institutes and Schools of Public Administration in Central and Eastern Europe (Myspace). 2015. *Municipal Water and Wastewater Sector in Georgia. Status Report*. https://www.nispa.org/ files/GE-report.pdf; and United Nations Economic Commission for Europe. 2011. *United Water Supply Company of Georgia LLC*. PowerPoint presentation prepared for the Ministry of Regional Development and Infrastructure of Georgia. 7 November. https://www.unece.org/fileadmin/DAM/env/water/npd/United_water_supply_company_of_Georgia.pdf.

Standard Contracts in the Water and Wastewater Sector

Type of Contract	Availability
Public–private partnership/concession agreement	No
Performance-based operation and maintenance contract	No
Engineering, procurement, and construction contract	Unavailable

Source: Asian Development Bank. 2019. *Public–Private Partnership Monitor.* Second Edition. https://www.adb.org/publications/public-private-partnership-monitor-2nd-edition.

3. Water and Wastewater Sector Master Plan

In 2021, MARDI developed a Water Supply and Sanitation Vision and Policy Statement for the first time.[90] It presents the vision for the sustainable future development of the WSS sector in Georgia and addresses three areas:

(i) All people living in Georgia have access to adequate, standards-based, appropriate, and affordable water and sanitation services, use water wisely, and practice standards-based sanitation.
(ii) Water supply and sanitation services are provided by effective, efficient, and sustainable institutions in each municipality that are accountable and responsive to those whom they serve. Water service institutions reflect Georgia's gender and cultural diversity.
(iii) Water is used effectively, efficiently, and sustainably to reduce poverty, improve human health, and promote economic development. Water and wastewater are managed in an environmentally responsible and sustainable manner, aiming to restore and protect biodiversity and contribute to climate change adaptation and mitigation to reduce the carbon footprint.

The Vision 2030: Development Strategy of Georgia states that by the end of 2025, the entire population of the cities in the company's coverage area will have access to 24-hour, standard water supply. As a result, more than 500,000 beneficiaries will have access to international standards of water supply. By 2030, 100% of the country's population will have access to standards-compliant water.[91]

The vision and policy statement describes the sector reforms necessary to deliver WSS services that are universal, in compliance with standards of service, efficient, inclusive, and affordable. It outlines the key policy positions that relate to sector issues, including institutional arrangements, service delivery targets, planning, funding, public awareness, and engagement. This policy was based on the EU Water Framework Directive and Directive on Urban Wastewater Treatment, as well as the Georgian legislation with its laws, bylaws, and regulations.

[90] Ministry of Regional Development and Infrastructure of Georgia. 2021. *Georgia: Water Supply and Sanitation—Vision and Policy Statement.* https://www.mrdi.gov.ge/files/1/%E1%83%A1%E1%83%94%E1%83%A5%E1%83%A2%E1%83%9D%E1%83%A0%E1%83%98%E1%83%A1%20%E1%83%92%E1%83%90%E1%83%9C%E1%83%95%E1%83%98%E1%83%97%E1%83%90%E1%83%A0%E1%83%94%E1%83%91%E1%83%90/Vision%20and%20Policy.pdf

[91] Government of Georgia. *The Vision 2030: Development Strategy of Georgia.* https://www.gov.ge/files/428_85680_321942_khedva-2030-saqarthvelos-ganvitharebis-strategia-1.pdf.

According to the vision and policy statement, MARDI is considering the possibility of private sector participation in water supply and water infrastructure development activities, which will provide consumers with sustainable benefits, including (i) enhanced service delivery, level, and quality; (ii) improved financial viability through improved billing and collection, staff productivity, reduced nonrevenue water, and efficient resource management; (iii) transfer of knowledge and skills; (iv) introduction of technology; and (v) the need for a change agent.

The MARDI will take into account the need to balance private sector expectations of returns against the benefits that the private sector can deliver with the optimum private sector business model, based on the best overall net benefits. This will consider the tools available to provide incentives for improved performance that may not be available or as effective in the public sector (footnote 91).

There are nine water supply licensees operating in the water supply sector (as of 31 December 2022), providing 68% of the population with drinking water, while 32% are provided with water by local self-government units. Of the licensees operating in the water supply sector, one is a state-owned company, five are municipal companies, and three are privately-owned companies.[92] The private-owned company Georgian Water and Power LLC provides high-quality service to the population of Tbilisi and Mtskheta, as well as to state organizations and industrial and commercial operations. The 100% state-owned United Water Supply Company of Georgia (UWSCG) LLC, which is managed by MARDI, serves 48 cities, 58% of the cities in the coverage area; 28 cities are already provided with 24-hour water suppl, and in the remaining 20, works are underway.

Projects under Preparation and Procurement in the Water and Wastewater Sector

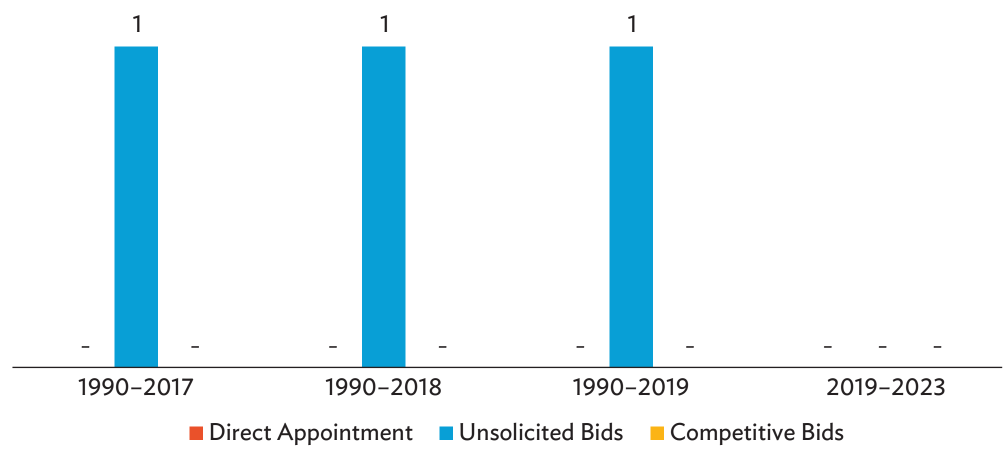
There is no available data for the number of PPP projects in Georgia's water and wastewater sector that are under preparation and procurement

4. Features of Past Public–Private Partnership Projects in the Water and Wastewater Sector

Figure 28 shows the number of PPP projects in Georgia's water and wastewater sector procured through various modes, including direct appointment, unsolicited bids, and competitive bids.

[92] Georgian National Energy and Water Supply Regulatory Commission (GNERC). 2023. *Activity Report of 2022*. https://gnerc.org/files/Annual%20Reports/Reports%20English/2022%20Activity%20Report%20-%20Eng.pdf.

Figure 28: Modes of Procurement for Public–Private Partnership Water and Wastewater Projects



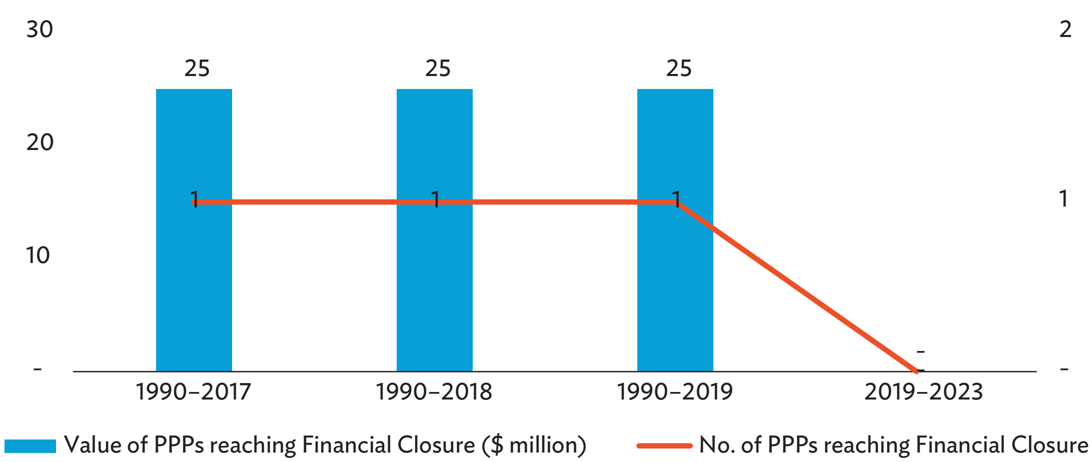
Note: Only active and concluded projects are considered. The hyphen means there are no projects in the sector, or data is not available or not applicable, according to the database.

Source: World Bank. *Infrastructure Finance, PPPs and Guarantees. Country Snapshots. Georgia.* https://ppi.worldbank.org/en/ snapshots/country/georgia (accessed 29 April 2024).

The Gardabani Wastewater Treatment Plant and Water Supply Infrastructure Rehabilitation Project was procured as an unsolicited proposal (footnote 27).

Figure 29 presents the number of PPP projects in Georgia's water and wastewater sector that have reached financial closure and the total value of those projects.

Figure 29: Public–Private Partnership Water and Wastewater Projects Reaching Financial Closure



PPP = public–private partnership.

Note: Only active and concluded projects are considered.

Source: World Bank. *Infrastructure Finance, PPPs and Guarantees. Country Snapshots. Georgia*. https://ppi.worldbank.org/en/ snapshots/country/georgia (accessed 29 April 2024).

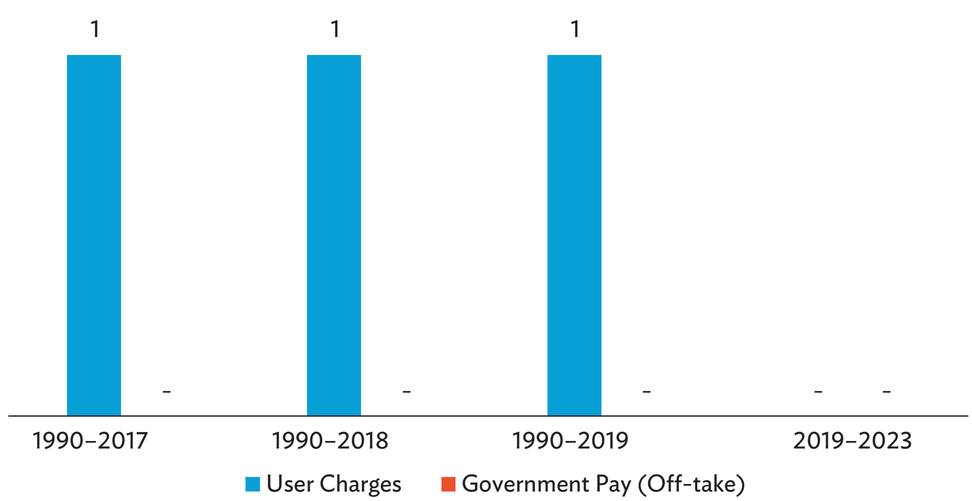
The Gardabani Wastewater Treatment Plant and Water Supply Infrastructure Rehabilitation Project attained financial closure in July 2017 on rehabilitate–operate–transfer mode. The total investment was $25 million (footnote 27).

There is no available data for the number of PPP projects in Georgia's water and wastewater sector that have received participation from foreign sponsors.

There is no available data for the number of PPP projects in Georgia's water and wastewater sector that have received government support (viability gap funding mechanism, government guarantees, and availability or performance payment).

Figure 30 presents the number of PPP projects in Georgia's water and wastewater sector that have received payment in the form of user charges and government pay (offtake).

Figure 30: Payment Mechanisms for Public–Private Partnership Water and Wastewater Projects



Note: Only active and concluded projects are considered. The hyphen means there are no projects in the sector, or data is not available or not applicable, according to the database.

Source: World Bank. *Infrastructure Finance, PPPs and Guarantees. Country Snapshots. Georgia*. https://ppi.worldbank.org/en/ snapshots/country/georgia (accessed 29 April 2024).

The Gardabani Wastewater Treatment Plant and Water Supply Infrastructure Rehabilitation PPP Project collects user charges (footnote 27).

Tariffs in the Water and Wastewater Sector of Georgia

The Georgian National Energy and Water Supply Regulatory Commission sets water and wastewater service tariffs. The tariffs are bifurcated in household and non-household tariffs. The household tariffs are further bifurcated into metered and nonmetered tariffs. For some companies, these tariffs are set by the local municipalities.

Typical Risk Allocation for Public–Private Partnership Projects in the Water and Wastewater Sector

The information on typical risk allocation for water and wastewater sector PPP projects is not available.

Financing Details in the Water and Wastewater Sector

Consideration	Status
Public–private partnership (PPP) projects with foreign lending participation	Unavailable
PPP projects that received export credit agency/international financing institution support	1
Typical debt-to-equity ratio	Unavailable
Time for financial closure	Unavailable

Source: Asian Development Bank. 2019. *Public–Private Partnership Monitor*. Second Edition. https://www.adb.org/publications/pu.blic-private-partnership-monitor-2nd-edition.

The European Investment Bank was a lender for the Gardabani Wastewater Treatment Plant and Water Supply Infrastructure Rehabilitation PPP Project.

5. Challenges in the Water and Wastewater Sector

The Water Supply and Sanitation Vision and Policy statement outlines several key challenges in the sector:

(i) The quality of service and the coverage area of licensed companies in rural areas should be increased. There is a considerable difference among the regions. Many towns and villages are supplied with water on a limited schedule, and the effective delivery of services is put at risk by outdated, out-of-order, and, in some cases, under-construction infrastructure. To provide the same services in rural areas as in cities, it is necessary to rehabilitate and expand the water supply and drainage network and increase the number of licensed companies.

(ii) There is both depreciated and newly created infrastructure in the country, as well as areas where there is no network or infrastructure. Accordingly, depending on the quality of infrastructure development, there is a need for effective management and rehabilitation of physical infrastructure construction. A wide range of measures are needed, including capacity building as well as improved enforcement.

(iii) Discharges of untreated or inadequately treated sewage from water utilities contribute to water pollution, outbreaks of water-related diseases, and harm to ecosystems.

(iv) The existing tariffs for water supply and sanitation services do not cover the operational cost of delivering the services. This is why the government subsidizes the company. Often, the existing tariff leads to excessive water consumption, as well as other water waste, resulting in increased financial losses. Commercial customers pay significantly higher tariffs than household consumers, which can have adverse economic impacts, including increased cost burdens on industry which affects their competitiveness. Due to the high tariff burden, commercial customers may refuse the services of the operator companies, which causes even greater financial damage to those companies and the economy in general.

G. Information and Communication Technology

Parameter	Value	Unit
Telephone subscribers (2022)	8.44	Per 100 inhabitants
Cellular phone subscribers (2022)	156.09	Per 100 inhabitants
Cellular network coverage (2022)	100	% of population covered
Internet subscribers (2022)	28.72	P er 100 inhabitants
Internet bandwidth per internet user (2022)	234.716	Kilobit per second
Number of projects with ADB cumulative lending, grant, and technical assistance commitments in the ICT sector (2023)	Unavailable	Number
Amount of ADB cumulative lending, grant, and technical assistance commitments in the ICT sector (2023)	Unavailable	$ million

ADB = Asian Development Bank, ICT = information and communication technology.

Sources: International Telecommunication Union (ITU) Data Hub. Fixed-telephone subscriptions. https://datahub.itu.int/data/?e=GEO&c=701&i=15&u=per+100+people (accessed 29 April 2024); ITU Data Hub. Mobile-cellular subscriptions. https://datahub.itu.int/data/?e=GEO&c=701&i=178 (accessed 29 April 2024); The World Bank. Prosperity data 360. Population covered by a mobile-cellular network (%). https://prosperitydata360.worldbank.org/en/indicator/ITU+DDD+30 (accessed 29 April 2024); ITU Datahub. Fixed-broadband subscriptions. https://datahub.itu.int/data/?e=GEO&c=701&i=19303 (accessed 29 April 2024); ITU Datahub. International bandwidth usage. https://datahub.itu.int/data/?e=GEO&c=701&i=242 (accessed 29 April 2024).

1. Contracting Agencies in the ICT Sector

The Ministry of Economy and Sustainable Development governs Georgia's information and communication technology (ICT) sector. The ministry's Department of Communications, Information and Modern Technologies is responsible for ICT development and management. The MOESD, together with the Georgian National Communications Commission (GNCC) is a high-level coordination body that coordinates legislation and regulates the ICT sector in the country.[93]

2. ICT Sector Laws and Regulations

The Law of Georgia on Electronic Communications establishes (i) the legal and economic framework for activities carried out through electronic communication networks and associated facilities, (ii) the principles for creating and regulating a competitive environment in this field, (iii) the functions of the national regulatory authority (the GNCC), and (iv) the rights and obligations of natural and legal persons in the process of possessing or using electronic communication networks and facilities, or when providing services via such networks and facilities.[94] Table 14 describes the functions of agencies that regulate Georgia's ICT sector.

93 Eastern European and Central Asian. *ICT Environment, Innovation Policies & International Cooperation.* Georgia. https://eeca-ict.eu/images/uploads/ pdf/EECA_counires_reports_NEW/ICT-Env_Inno-policies_and_Inter-coop_report_GEORGIA.pdf.

94 Government of Georgia. 2013. *Law of Georgia on Electronic Communications.* https://matsne.gov.ge/en/document/download/29620/26/en/pdf.

Table 14: Regulating Agencies in the Information and Communication Technology Sector of Georgia

Agency	Roles/Responsibilities
Ministry of Economy and Sustainable Development	Responsible for policy development in the field of information and communication technology
Department of Communications, Information and Modern Technologies	Participate in the elaboration and implementation of state policy directions within the competence of electronic communications, information technologies, post, and scientific and technological innovations Promote export-oriented, scientific, and technological innovation and information technology products and commercialization of scientific and technological products; determine basic state policy directions, mid-term and long-term strategies, and priorities; and elaborate, implement, and monitor the programs Elaborate on development and improvement strategies, programs for electronic communications, information technologies, post, scientific and technological innovation; partake in its implementation according to the legislation; elaborate short-, medium-, and long-term development strategies of an appropriate normative basis for e-services, e-commerce, and Internet content, among others Elaborate concept, strategic plan, and program of e-government to improve state governance through innovations and information and telecommunication technologies development Participate in the elaboration of cyber and information security policy and monitoring Conduct technical and economic analysis of electronic communications, information technologies and post, scientific and technological innovations, and predictions of their further development Engage in international cooperation in communications, modern information technologies, and innovations.
Georgian National Communications Commission	Issue authorization for activities in the field of electronic communications Establish transparent and nondiscriminatory rules and conditions for obtaining the right to use a radio frequency spectrum and/or numbering resources; issue and revoke licenses and permits for using exhaustible resources Impose specific obligations under the Law of Georgia on Electronic Communications and monitor and supervise their execution to ensure competition Supervise compliance with the conditions of authorization of activities in the field of electronic communications; monitor the performance of license and/or permit conditions and, in case of non-compliance, implement measures prescribed by law Define procedures for establishing amateur radio communications and for using amateur radio stations Represent Georgia in international organizations operating in the field of electronic communications and protect its interests within its powers and the scope of authority delegated by the Government of Georgia

Sources: Government of Georgia. 2013. *Law of Georgia on Electronic Communications*. https://matsne.gov.ge/en/document/download/29620/26/en/pdf; and Ministry of Economy and Sustainable Development of Georgia. Economic Policy. http://www.economy.ge/?page=ecopolitic&s=25.

Foreign Investment Restrictions in the ICT Sector

Parameter	2017	2018	2019	2020	2021	2022	2023
Maximum allowed foreign ownership of equity in greenfield projects	100%	100%	100%	100%	100%	100%	100%

Note: Foreign ownership is not restricted in Georgia. Only two laws specify that foreign and local investors have equal rights.

Source: Parliament of Georgia. 1997. Civil Code of Georgia. https://matsne.gov.ge/en/document/view/31702?publication=131; Parliament of Georgia. 1995. Constitution of Georgia. https://matsne.gov.ge/en/document/view/30346?publication=36.

Standard Contracts in the ICT Sector

Type of Contract	Availability
Public–private partnership or concession agreement	No
Performance-based operation and maintenance contract	No
Engineering, procurement, and construction contract	Unavailable

Source: Asian Development Bank. 2019. *Public–Private Partnership Monitor*. Second Edition. https://www.adb.org/sites/default/ files/publication/509426/ppp-monitor-second-edition.pdf.

3. ICT Sector Master Plan

In 2020, the government developed and adopted the Economic Development Strategy of Georgia (Vision 2030). The strategy's vision for national development in terms of the digital economy and information technology entails one crucial goal for the development of the ICT sector in Georgia—the development of the digital economy and information society.

Georgia aspires to become a digital hub with global connectivity, human capital development, an increase in economic competitiveness and inclusion of more people and companies in the global digital economy. Achieving this goal requires broadband internet connection and hiqh-quality infrastructure. Further investment attraction and legal, regulatory, and institutional framework-related reforms should be carried out to facilitate achieving the country's strategic goal. To achieve the goal, the strategy identifies two crucial tasks: (i) the development of high-speed internet infrastructure, and (ii) the development of a digital market and using Georgia's transit potential.

Under the Log-in Georgia project, high-speed broadband infrastructure development will be continued. The legislative framework will be improved for the development of broadband networks and services, attracting sector investments, and developing 5G networks. The project's aim is to increase access to high-speed broadband connectivity for populations in rural areas, promote the use of digitally enabled services (including digital public services) among connected populations, and improve the affordability of services across the country.

Activities will be planned to provide internet access to the mountainous regions to promote community internalization. As a result, the private sector will be promoted to make more investments in digitalization in various areas of the sector.

In terms of the development of a digital market and using Georgia's transit potential, the strategy entails using the telecommunication broadband infrastructure; transit potential will be reached through the establishment of a digital hub connecting Europe and Asia; with an increase in the number of optical-fiber highways in the Black Sea connecting Europe and Asia and by creating an attractive environment for establishing large data centers (e.g., Google, Facebook, Amazon, Microsoft). For the successful formation of a digital transit corridor between Central Asia and Europe, the Trans Caspian underwater connection plays a crucial role. Commissioning the underwater connection will contribute to the development of global internet connection and increase the potential to become a digital hub.

Georgia's integration within the unified European digital market will be a key priority for further development of the digital economy and the ICT sector. In this regard, the international roaming tariff reduction measures will take place with the Eastern Partnership countries along with the e-commerce platform development activities with the EU countries.

Starting in 2020, the Georgian government approved the decree regarding the taxation of international IT companies operating in Georgia. According to the rule, after receiving the status of international company in the IT sector, the income tax rate is five percent (lower than the standard taxation rates applicable for companies operating in Georgia), dividends issued by an international company are not taxed at the source, and are not included in the gross income of the person receiving the dividend and international companies are exempt from property tax (except land tax) if this property us intended to carry out activities permitted by the government decree.

In 2020, the Georgian ICT cluster was formed. Since then, the cluster members have represented leading ICT companies providing solutions based on cyber-physical technologies for e-governance and public administration, the financial industry, transport and logistics, education and knowledge management, science and culture, healthcare and social security, agriculture, and construction. It is a collaborative platform for ICT industry stakeholders that support the establishment of business linkages locally and internationally to increase the competitiveness of the Georgian ICT industry and ultimately contribute to the country's economic development. The aim is to use a holistic approach to the development of the ICT industry and define our activities within three key directions: Business Development and Export, Policy and Regulation, and Skills and Education.[95]

Projects under Preparation and Procurement in the ICT Sector

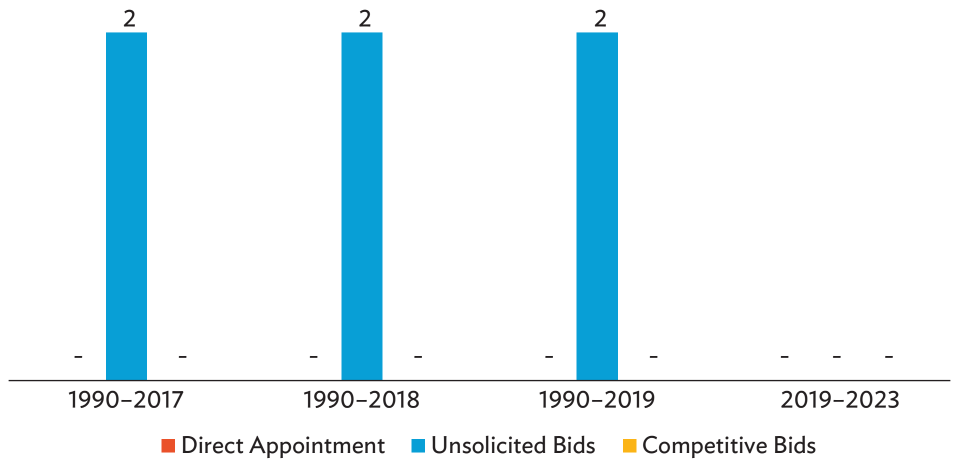
There is no available data for the number of PPP projects in Georgia's ICT sector that are being prepared and procured.

4. Features of Past Public–Private Partnership Projects in the ICT Sector

Figure 31 shows the number of PPP projects in Georgia's ICT sector procured through various modes, including direct appointment, unsolicited bids, and competitive bids.

95 Georgian ICT Cluster. About Us. https://ictcluster.ge/en/about-us/.

Figure 31: Modes of Procurement for Public–Private Partnership ICT Projects



ICT = information and communication technology, PPP = public–private partnership.

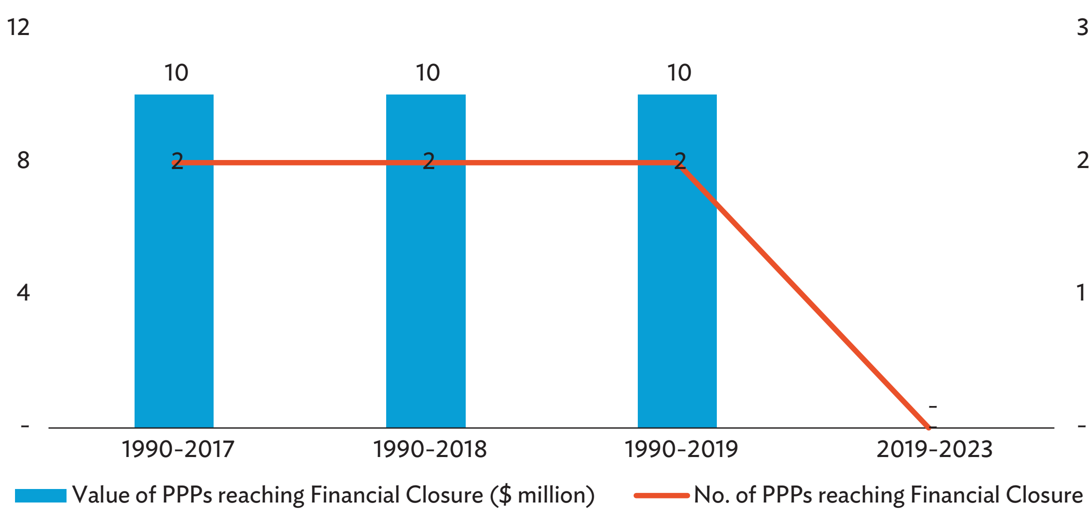
Note: Only active and concluded projects are considered. The hyphen means there are no projects in the sector, and data is not available or applicable, according to the database.

Source: World Bank. *Infrastructure Finance, PPPs and Guarantees. Country Snapshots. Georgia*. https://ppi.worldbank.org/en/ snapshots/country/georgia (accessed 29 April 2024).

The Megacom Project (1995) and the GT Mobile Project (merged with Geoceland) were procured through unsolicited bids (footnote 27).

Figure 32 shows the number of PPP projects in Georgia's ICT sector that have reached financial closure and the total value of those projects.

Figure 32: Public–Private Partnership ICT Projects Reaching Financial Closure



ICT = information and communication technology, public–private partnership.

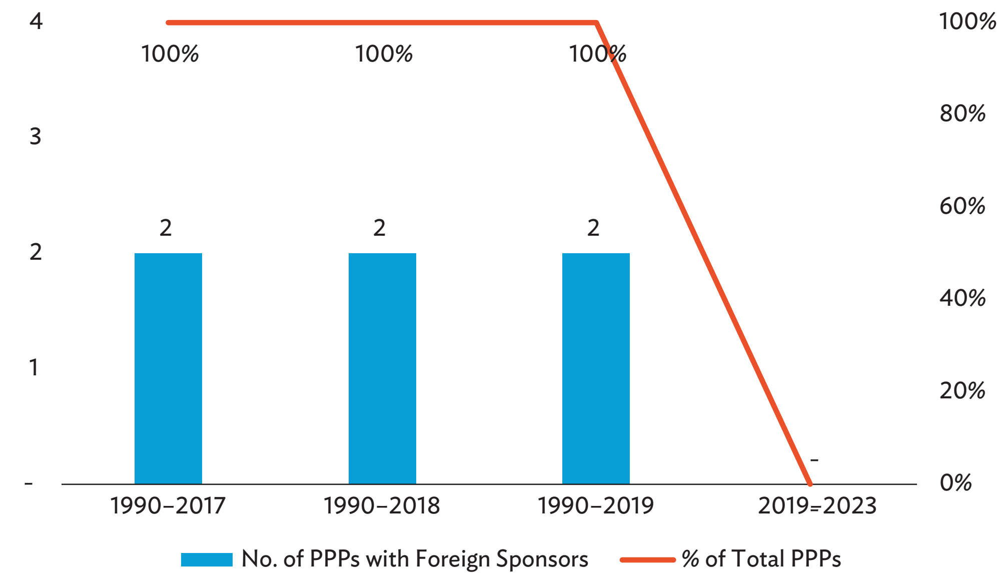
Note: Only active and concluded projects are considered.

Source: World Bank. *Infrastructure Finance, PPPs and Guarantees. Country Snapshots. Georgia*. https://ppi.worldbank.org/en/ snapshots/country/georgia (accessed 29 April 2024).

The Megacom Project attained financial closure in November 1995 with a total investment of $10 million while the GT Mobile Project attained financial closure in January 2000 (footnote 44). The Tusheti Community Network Project attained financial closure in 2017 with a total investment of around $40,000.[96]

Figure 33 presents the number of PPP projects in Georgia's ICT sector that have received participation from foreign sponsors.

Figure 33: Public–Private Partnership ICT Projects with Foreign Sponsor Participation



ICT = information and communication technology, PPP = public–private partnership.

Note: Only active and concluded projects are considered.

Source: World Bank. *Infrastructure Finance, PPPs, and Guarantees. Country Snapshots. Georgia*. https://ppi.worldbank.org/en/ snapshots/country/georgia (accessed 29 April 2024).

The respective sponsors of the projects are the Megacom: GMC Group (Georgia) and GT Mobile (merged with Geocell): TeliaSonera (Sweden) and Cukurova Group (Türkiye) (footnote 44).

There is no available data for the number of PPP projects in Georgia's ICT sector that have received government support (viability gap funding mechanism, government guarantees, and availability or performance payment).

There is no available data for the number of PPP projects in Georgia's ICT sector that have received payment in the form of user charges and government pay (offtake).

[96] Internet Society. 2018. *Connecting Tusheti. Impact of Community Networking in Europe's Highest Settlements.* https://www. internetsociety.org/wp-content/uploads/2018/12/2018-Connecting-Tusheti.pdf; and Internet Society. 2017. *Tusheti Case Study: Clearing a Path to the Outside World*. https://www.internetsociety.org/wp-content/uploads/2017/10/TushetiCaseStudy_201701006_FInal.pdf.

The payment mechanism for the Tusheti Community Network Project is user pay (footnote 45).

There are three main mobile operators in Georgia: Silknet, Magti, and Beeline. Silknet is the mobile communication distributor and most popular network. In the context of maintaining a leading position in fixed internet and pay TV services, in 2018, Silknet became a full-fledged convergent operator due to the strategic acquisition of Geocell, the second-largest mobile service provider in the market. The merger of two powerful brands has created the first convergent product—Silk Plus—which unified mobile and fixed services into one service. The value of the transaction amounted to $153 million.

Tariffs in the ICT Sector

The Georgian National Communications Commission (GNCC) or any authorized person of the GNCC is responsible for setting and regulating tariffs in the ICT sector. The commission is entitled to establish tariff floors and caps on any type of telecommunications and post when it considers the service market to be noncompetitive. It is also entitled to annul the tariff floors and caps when it considers that a competitive environment has already been established and it will stipulate a just and reasonable tariff to be established (footnote 43).

The GNCC Annual Report 2022 provides an overview of the telecom industry and focuses on removing barriers to entry to mobile and fixed markets.[97] Several considerations necessitated an analysis of the mobile and fixed communications markets, including the present market structure and the lack of competitive retail service offerings. Two important telecom operator mergers have occurred in the past few years: Magticom's purchase of the retail segment of the largest internet provider, Caucasus Online, and the fixed network operator Silknet's purchase of Geocell. This resulted in the formation of two large operators with strong market dominance in both the mobile and fixed internet markets.

To provide innovative services to users and promote modern radio frequency systems, the Communications Commission updated the National Frequency Plan for Allocation of Radio Frequency Spectrum, which will promote the introduction of modern electronic communication services and the effective use and management of limited resources. The updated plan includes allocating new frequency bands for new technologies, including developing 5G networks. Also, additional frequency bands have been provided for the operation of Fixed Wireless Access and WiFi networks. For specific satellite services, bands were defined and technological standards and types of services were specified.

In 2022, within the framework of the state internalization program, Log-in Georgia, which is being implemented with cofinancing from the World Bank and the European Investment Bank, several important measures were implemented with the active participation of the Communications Commission.

In 2022, the number of mobile service subscribers in Georgia exceeded 5.8 million and the penetration rate among the population increased from 160% to 170%. The record high rate observed in the last 5 years indicates that one user, on average, has more than one mobile number and uses different operators to get the desired mobile service offerings. In 2022, compared to the previous year, the number of mobile subscribers increased and reached 5.84 million by the end of the year.

[97] Communications Commission. 2022 Annual Report. https://comcom.ge/uploads/other/11/11972.pdf.

According to 2022 data, the average revenue received from one subscriber during the month (excluding VAT) amounted to GEL11.814 (2018: 8.3, 2019: 8.6, 2020: 8.6, 2021: 9.7). A comparison of the average revenue per user rate to the average rate of inflation indicates that in the last 5 years, especially in 2020 and 2021, the average revenue received from subscribers fell behind inflation rates, though in 2022 it is ahead of it, which means that the average revenue per user increase in 2022 is out of line with the possible impact of price increases caused by inflation.

The number of mobile internet users is growing every year. From 2018 to 2022, the compound annual growth rate of the number of mobile internet users was 8.6%. The market penetration rate of mobile internet users in relation to the population is even higher and reached 119% at the end of 2022.

The Global Innovation Index takes into consideration a wide range of parameters and assesses and ranks the innovation capability of economies worldwide. Using more than 80 indicators, the index measures innovation inputs and outputs. For this index, Georgia ranked 74th out of 132 economies in 2022, loosing 11 positions from 2021 when the country ranked 63rd.[98]

Typical Risk Allocation for Public–Private Partnership Projects in the ICT Sector

Information on typical risk allocation for ICT sector PPP projects is not available.

Financing Details in the ICT Sector

Parameter	2023
Public–private partnership (PPP) projects with foreign lending participation	Unavailable
PPP projects that received export credit agency/international financing institution support	Unavailable
Typical debt-to-equity ratio	Unavailable
Time for financial closure	Unavailable

5. Challenges in the ICT Sector

One of the preconditions for achieving digital transformation is focusing on broadband development. It is one of the enablers for businesses, consumers, and citizens. Access to robust ICT infrastructure (fixed, mobile, wireless, satellite) creates a pathway toward sustainable development, enabling innovative services and economic activity.

Georgia's indicators related to ICT access and infrastructure (access to computer-use, mobile phone-use, and internet) are generally above the world average. However, there are considerable differences in access among populations in urban and rural areas.

Georgia ranks higher on a number of digital infrastructure rankings and indexes when compared to the world averages and in certain cases to similar income group countries. However, considerable work remains to improve digital infrastructure in line with the achievements of Europe and other countries in the region.

98 PMCG. 2023. *Information and Communications Technology Sector in Georgia*. 3 April. https://pmcg-i.com/publication/information-and-communications-technology-sector-in-georgia/.

Despite the good internet coverage, the quality of the internet remains a challenge. The share of internet users in Georgia is above the world average, however, it remains lower than European indicators.

Furthermore, internet prices are higher than in Europe, which affects the share of the population without internet access. The quality and price of the internet are the largest barriers for the population to increase their internet use.

Weak competitiveness of the private sector as well as the weak development of human capital remains a challenge in the sector, despite the trend of increased competition. Georgia has made progress toward achieving universal and meaningful digital connectivity, with notable improvements in indicators of ICT accessibility and affordability. However, importantly, the country lags in terms of ICT skills development.

While the ICT sector in Georgia has shown substantial growth in recent years, Georgia's position has dropped in some international rankings, in particular those measuring a country's capability to produce innovative outputs (Global Innovation Index), its readiness to adopt frontier technologies (Frontier Technologies Readiness Index) and, critically, its capability to use ICT to increase the country's competitiveness and overall well-being (Network Readiness Index).

According to the country's strategic document (Vision 2030), ICT sector development is regarded as one of the cornerstones of Georgia's social and economic development, hence its efficient integration into the global economy is of great importance (footnote 44).

H. Social Infrastructure

Parameter	Value	Unit
Government expenditure on education (2022)	3.8	% of gross domestic product
Education spending as % of government spending (2022)	10.9	%
Primary school gross enrollment (2022)	105	%
Adult literacy rate (2022)	100	%
Number of projects with ADB cumulative lending, grant, and technical assistance commitments in the education sector (2023)	2	Number
Amount of ADB cumulative lending, grant, and technical assistance commitments in the education sector (2023)	1	$ million
Total health expenditure (2021)	8.42	% of GDP
Health spending per capita (2021)	417	$
Maternal mortality ratio (modeled estimates) (2020)	28	Per 100,000 live births
Infant mortality rate (2022)	8.3	Below 1 year/ per 1,000 live births
Life expectancy at birth (2021)	71.69	Years
Child malnutrition (2018)	2.1	% below 5 years old

Parameter	Value	Unit
Number of projects with ADB cumulative lending, grant, and technical assistance commitments in the health sector (2023)	2	Number
Amount of ADB cumulative lending, grant, and technical assistance commitments in the health sector (2023)	14	$ million
Existing number of affordable housing units	Unavailable	Number
Affordable housing gap	Unavailalbe	

Sources: Asian Development Bank (ADB). Data Library. Cumulative Lending, Grant, and Technical Assistance Commitments. https://data.adb.org/dataset/cumulative-lending-grant-and-technical-assistance-commitments (accessed 29 April 2024); The World Bank. Government expenditure on education, total (% of GDP) – Georgia. https://data.worldbank.org/indicator/SE.XPD.TOTL.GD.ZS?locations=GE (accessed 29 April 2024); Geostat. General Government budget expenditure by functions. https://www.geostat.ge/en/modules/categories/770/general-government-budget (accessed 29 April 2024); The World Bank. School enrollment, primary (% gross) – Georgia. https://data.worldbank.org/indicator/SE.PRM.ENRR?locations=GE (accessed 29 April 2024); The World Bank. Literacy rate, adult total (% of people ages 15 and above) – Georgia. https://data.worldbank.org/indicator/SE.ADT.LITR.ZS?locations=GE (accessed 29 April 2024); World Health Organization. Global Health Expenditure Database. Health Expenditure Profile. Georgia. https://apps.who.int/nha/database/country_profile/Index/en (accessed 29 April 2024); Asian Development Bank. Basic Statistics 2024. https://www.adb.org/sites/default/files/publication/963086/basic-statistics-2024.pdf (accessed 29 April 2024); World Health Organization. The Global Health Observatory. Infant mortality rate (between birth and 11 months per 1000 live births). Georgia. https://www.who.int/data/gho/data/indicators/indicator-details/GHO/infant-mortality-rate-(probability-of-dying-between-birth-and-age-1-per-1000-live-births) (accessed 29 April 2024); The World Bank. Life expectancy at birth, total (years) – Georgia. https://data.worldbank.org/indicator/SP.DYN.LE00.IN?locations=GE (accessed 29 April 2024); National Statistics Office of Georgia. Multiple Indicator Cluster Survey 2018. Survey Findings Report. Thrive – Child Health, Nutrition and Development. https://www.geostat.ge/en/modules/categories/634/2018-georgia-mics-round-6-survey-findings-report (accessed 29 April 2024).

1. Contracting Agencies in the Social Infrastructure Sector

The following agencies are responsible for implementing projects in the social infrastructure:

Education sector

- Ministry of Education and Science and Youth of Georgia
- Education and Science Infrastructure Development Agency[99]
- Skills Agency

Healthcare sector

Ministry of Internally Displaced Persons from the Occupied Territories, Health, Labor and Social Affairs of Georgia[100]

Housing Sector

Spatial and Urban Development Agency under the Ministry of Economic and Sustainable Development of Georgia[101]

[99] Government of Georgia. 2010. *Law of Georgia on General Education.* https://matsne.gov.ge/en/document/download/29248/56/en/pdf.

[100] Government of Georgia. 1997. *Law of Georgia on Health Care*. https://www.ilo.org/dyn/natlex/docs/ELECTRONIC/88317/118650/F-928788116/GEO88317%20Geo.pdf.

[101] World Bank. 2015. *Georgia Urban Strategy-Priority Area III: Housing*. Final Report. http://documents1.worldbank.org/curated/en/422631533128729643/pdf/129128-31-7-2018-13-49-20-GeorgiaHousingFinalFINALComponent.pdf.

2. Social Infrastructure Sector Laws and Regulations

Education Sector Regulations

The Law on General Education provides the regulatory framework for the education sector. It regulates the conditions for educational activities and the principles and procedures for managing and funding general education. The law also defines the status of all general education institutions (irrespective of their organizational and legal form), and rules for their establishment, functioning, reorganization, liquidation, authorization, and accreditation. It also defines the conditions and procedures for teaching in general education institutions (footnote 47). Table 15 describes the functions of agencies that regulate the education sector in Georgia.

Table 15: Regulating Agencies in the Education Sector of Georgia

Agency	Functions
Parliament of Georgia	Determine the state policy and basic focus areas of management and develop legislative acts in the field of general education Periodically hear reports from the Minister of Education and Science on the implementation of state policy and financial activities and fulfillment of national and regional programs in the field of education
Government of Georgia	Implement the state policy in the field of education Approve the fiscal standards and amounts of standard and increased school vouchers per pupil on the proposal of the Ministry of Education and Science, the Ministry of Economy and Sustainable Development, and the Ministry of Finance
Ministry of Education and Science	Implement a unified state policy in the field of general education Develop the National Goals for General Education and submits it to the government Develop and approves the statutes of the Legal Entities under Public Law (LEPL) National Center for Teacher Professional Development, the LEPL Office of the Resource Officers of Educational Institutions, the LEPL Education and Science Infrastructure Development Agency, and the LEPL Education Management Information System Develop and approve the National Curriculum, and facilitates its implementation and piloting Conduct research to facilitate education development Approve the provisions and fees for authorization of educational institutions and accreditation of educational programs for educational institutions Determine construction standards for the premises of general education institutions in coordination with appropriate ministries and agencies Establish the LEPL National Center for Educational Quality Enhancement to organize authorization and accreditation of educational institutions, including general education institutions Establish the LEPL Education and Science Infrastructure Development Agency, LEPL Education Management Information System, and LEPL/LEPLs National Center (for teacher professional development)
Education and Science Infrastructure Development Agency	Rehabilitate, build, and supply inventory and equipment to education and scientific institutions within the Ministry of Education and Science Exercises other powers determined by the statute of the LEPL Education and Science Infrastructure Development Agency
Skills agency	Facilitate the introduction of vocational programs in the labor market Support innovative training Improve competition and provides better employment opportunities

Source: Government of Georgia. 2010. *Law of Georgia on General Education*. https://matsne.gov.ge/en/document/download/29248/56/en/pdf.

The Vocational Skills Agency was jointly established by the Ministry of Education and Science and the Chamber of Commerce and Industry and will facilitate the introduction of vocational programs in the labor market, support innovative training, improve competition and provide better employment opportunities. The agency lays a solid foundation for PPPs and human capital development in the country.

Healthcare Sector Regulations

The Law of Georgia on Healthcare regulates the relations between state authorities and the citizens. The law has the following principles:

(i) Compliance of the healthcare system with the economic development strategy of the country and ensuring the system's manageability;
(ii) Cooperation with international healthcare organizations;
(iii) Program-based and targeted program-based healthcare state financing; autonomy of the financial, economic, and contractual relations and the management system to ensure self-financing and self-governance of healthcare institutions of the state sector as provided for by legislation;
(iv) State financing of biomedical and healthcare research according to existing resources and the creation of favorable conditions to attract financial resources from the private sector (footnote 48).
(v) Prioritization of primary healthcare, including emergency medical care, participation of the state and private sectors, development of the Institute of Family Medicine and Family Doctor and provision of access to medical services based on it; and
(vi) Participation of professional associations, as well as other nongovernment organizations in the formation of a modern, effective system of healthcare through consultations, scientific and professional discussions, development of appropriate projects, participation in the protection of patient rights.

Table 16 describes the functions of agencies regulating Georgia's healthcare sector.

Table 16: Regulating Agencies in the Healthcare Sector of Georgia

Agency	Functions
Ministry of Labor, Health and Social Affairs	Ensure the pursuit of the state's healthcare policy
	Develop and issue respective legal acts on matters within the scope of its authority unless otherwise determined by the legislation
	Certify the respective right to carry out medical treatments (a license and/or a permit)
	Exercise quality assurance of medical treatments in all medical institutions as provided for by legislation
	Develop legislation and the procedures of organizational-legal arrangements necessary for developing the system of primary healthcare

Source: Government of Georgia. 1997. *Law of Georgia on Healthcare*. https://www.ilo.org/dyn/natlex/docs/ELECTRONIC/8831 7/118650/F-928788116/GEO88317%20Geo.pdf.

Social Housing Sector Regulations

The legal and regulatory framework for the housing sector remains underdeveloped. The Constitution, the Civil Code of Georgia, and a few other laws address housing sector components; however, there is neither specifically targeted legislation nor legally adopted guidelines to regulate activities in the housing sector. In 2018, the government (Spatial and Urban Development Agency under the Ministry of Economy and Sustainable Development) embarked on the preparation of new construction norms and rules in line with international standards (in particular European standards) (footnote 49).

According to the amendments to the Spatial Planning, Architecture, and Construction Code, the functions of the Ministry of Regional Development and Infrastructure in the field of spatial and urban development will be transferred to the LEPL Spatial and Urban Development Agency under the Ministry of Economy and Sustainable Development. The Spatial and Urban Development Agency was created in 2022 to coordinate the country's spatial and urban development policy. Table 17 describes the agency's functions regulating the social housing sector in Georgia.

Table 17: Regulating Agency in the Social Housing Sector of Georgia

Agency	Function
Spatial and Urban Development Agency	Produce and implement the National Spatial Development Plan of Georgia
	Assist local municipalities in coordinating their land-use master plans
	Harmonize current legislation with the OECD best practices
	Increase awareness about the benefits and necessity of Spatial Urban planning and its effect on climate change and sustainable development
	Strengthen cooperation between state, academic, and private agencies around spatial and urban planning

OECD = Organisation for Economic Co-operation and Development.

Source: World Bank. 2015. *Georgia Urban Strategy—Priority Area III: Housing. Final Report.* http://documents1. worldbank.org/curated/en/422631533128729643/pdf/129128-31-7-2018-13-49-20-GeorgiaHousingFinalFINot ApplicalbeLComponent.pdf.

Foreign Investment Restrictions in the Social Infrastructure Sector

Parameter	2017	2018	2019	2020	2021	2022	2023
Maximum allowed foreign ownership of equity in greenfield projects	100%	100%	100%	100%	100%	100%	100%

Note: Foreign ownership is not restricted in Georgia. Only two laws specify that foreign and local investors have equal rights.

Source: Parliament of Georgia. 1997. Civil Code of Georgia. https://matsne.gov.ge/en/document/view/31702?publication=131; Parliament of Georgia. 1995. Constitution of Georgia. https://matsne.gov.ge/en/document/view/30346?publication=36.

Standard Contracts in the Social Infrastructure Sector

Type of Contract	Availability
Public–private partnership or concession agreement	No
Performance-based operation and maintenance contract	No
Engineering, procurement, and construction contract	Unavailable

Source: Asian Development Bank. 2019. *Public–Private Partnership Monitor.* Second Edition. https://www.adb.org/sites/default/ files/publication/509426/ppp-monitor-second-edition.pdf.

3. Social Infrastructure Sector Master Plan

Education Sector

The Ministry of Education and Science and Youth developed the Unified Strategy for Education and Science, 2022–2030.[102] It directs the country's education system to provide high-quality education for all. The ministry defines the basic priorities and long-term goals in education and science development 2022–2030.[103] In accordance with the strategy's vision, in 2030, the high quality of education and science system will allow individuals to make the best choices for developing their competencies and abilities.

This will contribute to the development of the labor force corresponding to the needs of the market and will enable individuals to fulfill their interests and abilities. The strategy was developed with a systematic approach and is in full compliance with national legislation, European best practices in the field of education, and the relevant recommendations. It stipulates the political vision of the future of Georgia, which is based on the aspiration to build a European state. The Law on Vocational Education adopted by the Parliament in 2018 put the need for important interventions on the agenda; however, the mid-term and final evaluation of the 2017–2021 strategy conducted by the Ministry of Education and Science in 2019 and early 2022 revealed that the strategic goals and objectives were not clearly formulated and supported by relevant indicators.

Based on the analysis of the achievements and challenges of education and science, research, technology, and innovation systems, the government defined priorities to improve the quality and relevance of education, equity, inclusion, and diversity, as well as governance, financing, and accountability systems. The reforms and initiatives to be implemented in the system in 2022–2030 are based on these priorities. Sectoral priorities are as follows:

(i) Quality and relevance

- (a) Goal 1.1: Ensuring high-quality, supportive, and development-oriented care and the educational process by all early childhood and preschool care and education institutions
- (b) Goal 1.2: Providing an accessible learning process for each student in general educational institutions, focused on high attainable results and students' holistic development
- (c) Goal 1.3: Development of an innovative and flexible vocational education system focused on the needs of society and the economy
- (d) Goal 1.4: Personal development and preparation for the labor market of each student by the higher educational institution
- (e) Goal 1.5: Development of a knowledge-based society and an economy-oriented science, research, technology, and innovation system

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102 Ministry of Education and Science of Georgia. 2022. *The Unified National Strategy of Education and Science of Georgia for 2022–2030*. https://sdgs.un.org/partnerships/unified-national-strategy-education-and-science-georgia-2022-2030#:~:text=The%20Unified%20National%20Strategy%20of%20Education%20and%20Science%20for%202022,equitable%20access%20to%20inclusive%20and

103 Ministry of Education, Science, Culture and Sport of Georgia. 2017. *Unified Strategy of Education and Science for 2017–2021*. Tbilisi. https://planipolis.iiep.unesco.org/sites/default/files/ressources/georgia_unified_strategy_of_education_and_science_2017-2021_0.pdf.

(ii) Equality, inclusion, and diversity

  (a) Goal 2.1: Promoting the participation of disadvantaged children in early education and school readiness programs
  (b) Goal 2.2: Creating equal opportunities for learning and development for every student at all levels of general education
  (c) Goal 2.3: Providing access to diverse, inclusive, and individual needs-oriented vocational education
  (d) Goal 2.4: Ensuring equal access and success opportunities in quality and inclusive higher education
  (e) Goal 2.5: Supporting public engagement in the creation of inclusive and diverse science, research, technology, and innovation

(iii) Governance, financing, and accountability

  (a) Goal 3.1: Strengthening the effectiveness and sustainability of the early and preschool education system
  (b) Goal 3.2: Improving the effectiveness and sustainability of the management of the general educational institution
  (c) Goal 3.3: Enhancing the efficiency of the vocational education system
  (d) Goal 3.4: Support for sustainable development of higher educational institutions
  (e) Goal 3.5: Improving the efficiency of research, science, technology, and innovation systems

Mechanisms will be created at all levels of the educational system to improve the quality of teaching and attract successful teachers, trainers, and education specialists to the profession for their continuous professional development and career growth. Significant reforms to the quality of teaching will be implemented in educators', teachers', and education specialists' training, entry into the profession, and continuous professional development. It includes the development of performance evaluation, career development planning, and incentive systems. A continuous professional development system for teachers will be established at the school base, where teachers will be involved in continuous needs-based professional development.

High-quality, modern, and diverse learning and teaching resources, including textbooks, supplementary materials, and digital resources, will be available to teachers at all levels of education.

Educational and scientific infrastructure will be improved. Despite recent large-scale construction and rehabilitation, challenges remain concerning infrastructure and the physical environment at all levels of education, research, and innovation. Many children in preschool education are deprived of the appropriate physical environment necessary for development. In the case of general education institutions, schools that particularly need to solve problems related to the physical environment and infrastructure will be selected at the initial stage. Through cooperation with municipalities, civil society and communities will find effective ways to improve the quality of education delivery. Considering the current needs, one of the ways to solve the issues can be merging educational institutions of different levels into one space.

Cooperation between educational institutions and stakeholders, including parents, employers, and civil society representatives, will be strengthened. One of the priority areas will be the promotion of lifelong competencies such as literacy, multilingualism, quantitative literacy, financial literacy, scientific and engineering skills, digital and technology-based competencies, interpersonal skills and active citizenship, entrepreneurship, intercultural sensitivity, and expression.

Following the emergence of new economic sectors, entrepreneurship education and promotion among young people will be strengthened. In Georgia, children and young people are interested in entrepreneurship, but institutions need to promote entrepreneurship education and methodical support. In cooperation with donors and stakeholders, the government will promote the development of creative and entrepreneurial skills in educators and students. This component will also be strengthened in adult education programs. Business linkages of academic and scientific staff will be supported, and intellectual property rights will be protected.

Within the memorandum of cooperation established between the ministry and mobile operators, students and teachers of public and private schools enjoyed discounted mobile internet packages. Within the vocational education reform framework, the national qualification framework, which is similar to the European example, was approved. Structural and substantive links between vocational education and other levels of education were established. The so-called 'educational deadlock' was eliminated. The general education components were integrated into vocational education programs.

In February 2020, new standards for vocational educational institutions were approved, and significant changes to the regulations of educational institutions' authorization standards came into force. A new vocational education management model was developed, based on which, in 2021, the Georgian Chamber of Commerce and Industry and the Ministry of Education and Science of Georgia jointly established the nongovernmental, noncommercial legal entity Skills Agency.

The main principles guiding vocational education management and development processes are co-participation, acceleration of the country's human capital development through joint efforts, and sharing responsibilities between the public and private sectors. Despite the effort, PPPs in the vocational education sector are still fragmented. The Law on Vocational Education envisages increasing the involvement of the private sector and municipalities, consulting with private sector stakeholders in defining or implementing policies.

Vocational education aims to develop an effective vocational education system through PPPs, strengthening accountability, and mobilizing resources. To strengthen PPPs and cooperation, work will continue through the Skills Agency, which brings together the public sector, employers' organizations, and more than forty industry organizations. Vocational education funding will be based on a diversified funding model, as the increase in the scale of vocational education requires more financial and human resources and more effective budget management. Since autonomy is related to financial autonomy, the new Law on Vocational Education envisages the inclusion of vocational educational institutions in economic activity. The budget will increase through active private sector involvement, performance-based financing mechanisms, social vouchers, and other instruments. Vocational educational institutions founded by the state or with its participation will also be able to develop economic activities through the provision of products and services and use these revenues to develop the institution for educational purposes.

To ensure participatory management mechanisms in the vocational education policy process, the Skills Agency will contribute to developing a flexible skills ecosystem, where the leading role in creating sectoral policies will be assigned to the private sector. The agency will perform its functions through sectoral skills organizations. To implement an innovative management model, the agency will stimulate professional associations from various sectors to unite for better cooperation to achieve a common goal.

Healthcare Sector

The 2014–2020 State Concept of the Healthcare System represents a vision for developing the healthcare system. It integrates the fundamentals of the development of the healthcare sector to reflect internationally and nationally recognized principles and values. The strategy covered the main aspects of actions and reforms to be implemented with respect to fundamental characteristics of the healthcare sector, aiming to prevent and control priority diseases effectively. In 2022, the government approved the National 2022–2030 Health Protection Strategy.[104]

The strategy (2014–2020 State Concept of the Healthcare System) was focused on the legal framework and policy reforms, constitutional amendments, and legislative updates on the prohibition of discrimination, juvenile justice, labor safety, and protection of childs' rights and migrants. After the expiration of the former strategy, the development of a new strategy has been started. The new strategy is built on the previous strategy. However, based on the challenges and experience in this sector, the main focus of the new strategy is the further development of protection of human rights and strengthening the enforcement mechanisms of the system.

The National Health Protection Strategy includes four priority directions:[105]

(i) Principles of justice, rule of law, strengthening institutional democracy, effective use of civil and political rights
(ii) Strengthening the protection of economic and social rights and improvement of system guarantees
(iii) Reflecting the constitutional guarantees of equality in the state policy, their implementation in practice, and enjoying human rights freedom without discriminative practice
(iv) Protection of illegally displaced persons and refugees' rights and freedom of occupied territories of Georgia by the Russian Federation

The Healthcare and Social Issues Committee approved the 2024 action plan reflecting the lawmaking, oversight, organizational and public communication activities, respective terms, and measures. The committee aims to facilitate public healthcare, labor, employment, protection of mothers and children, family development, support of older citizens, internally displaced persons, veterans, and persons with disabilities.

104 Government of Georgia. 2022. Resolution No. 2030. *On the Approval of the National Health Protection Strategy of Georgia for 2022-2030*. Tbilisi. https://matsne.gov.ge/ka/document/view/5453716?publication=0.

105 Parliament of Georgia. 2017. *Vision for Developing the Healthcare System in Georgia by 2030*. https://web-api.parliament.ge/storage/files/shares/Komitetebi/jandacva/jand-sist-2030/Health-Strategy-2030-eng.pdf.

In February 2024, the committee is focused on realizing the healthcare strategy. The fulfillment of the Association Agreement commitments remains a key direction. The national legislation on health and social protection will be aligned with six legal acts of the EU. The plan for 2024 includes four strategic tasks and 41 activities: legislative activity based on the evidence in the direction of healthcare and social protection policy, effective oversight of the implementation of the sector policy, effective representative activity, and the efficiency of the committee. The action plan for 2024 is not yet available.

With the expansion of the state's universal healthcare program from 2012 to 2022, out-of-pocket costs in total healthcare expenditure decreased from 65% (2013) to 43% (2022). Additionally, the share of private health insurance in total expenditure decreased from 14% to 7%.[106]

The largest share of government healthcare expenditure (on average 57%) is allocated to the universal health insurance program. The following future perspectives of the healthcare sector were identified during the overview of the healthcare sector (2022):

(i) Hospital mergers: market competition and recent or planned regulations present opportunities for consolidation. Through the consolidation of resources and services, hospitals can achieve cost reduction and enhance operational efficiency
(ii) Partnerships with universities: collaborating with universities through equity participation enables clinics to access skilled workforce and explore development prospects while simultaneously providing students with practical experience and opportunities
(iii) Development of medical tourism: Georgia has the potential to foster medical tourism and attract patients from neighboring countries (e.g., Armenia, Azerbaijan), Central Asia (e.g., Kazakhstan, Uzbekistan), and the Persian Gulf countries

In 2022, private loans (with a duration of more than 10 years) issued by commercial banks to legal entities doubled compared to the previous year, indicating increased investment in the healthcare sector. Foreign direct investment is generally low, averaging around 1%–1.2% of the total direct investment in the country.

Social Housing Sector

The social housing sector is underdeveloped in Georgia and does not have a sector-level master plan.

Georgia's Spatial and Urban Development Agency was created in 2022 to coordinate national spatial and urban policy.[107] Less than 20% of the territory is covered by spatial plans. The main goal of the agency is to create a national plan and help regional municipalities create land-use master plans and/or more detailed plans.

106 TBC Capital. 2023. *Overview of Healthcare Sector in Georgia*. https://tbccapital.ge/static/file/202307072806-healthcare-eng.pdf.

107 San Marino 2022. 83rd UNECE meeting. Committee on Urban Development, Housing and Land Management. Spatial and Urban Development Agency of Georgia. https://unece.org/sites/default/files/2022-10/42%2083rd%20CUDHLM%20session%20Menabde.pdf

Projects under Preparation and Procurement in the Social Infrastructure Sector

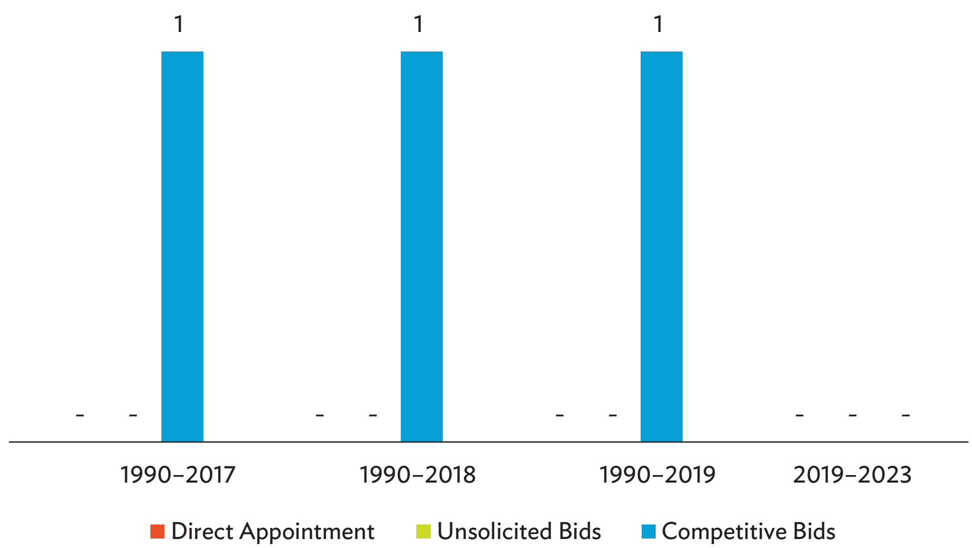
Preliminary studies are being conducted by ADB and the PPP Agency in the social infrastructure sector to identify opportunities and explore the possibility of developing affordable housing PPP projects.

There is no available data for the number of PPP projects in Georgia's social infrastructure sector that are being prepared and procured.

4. Features of Past Public–Private Partnership Projects in the Social Infrastructure Sector

Figure 34 presents the number of PPP projects in Georgia's social infrastructure sector procured through various modes, including direct appointment, unsolicited bids, and competitive bids.

Figure 34: Modes of Procurement for Public–Private Partnership Social Infrastructure Projects



Note: Only active and concluded projects are considered. The hyphen means there are no projects in the sector, or data is not available or not applicable, according to the database.

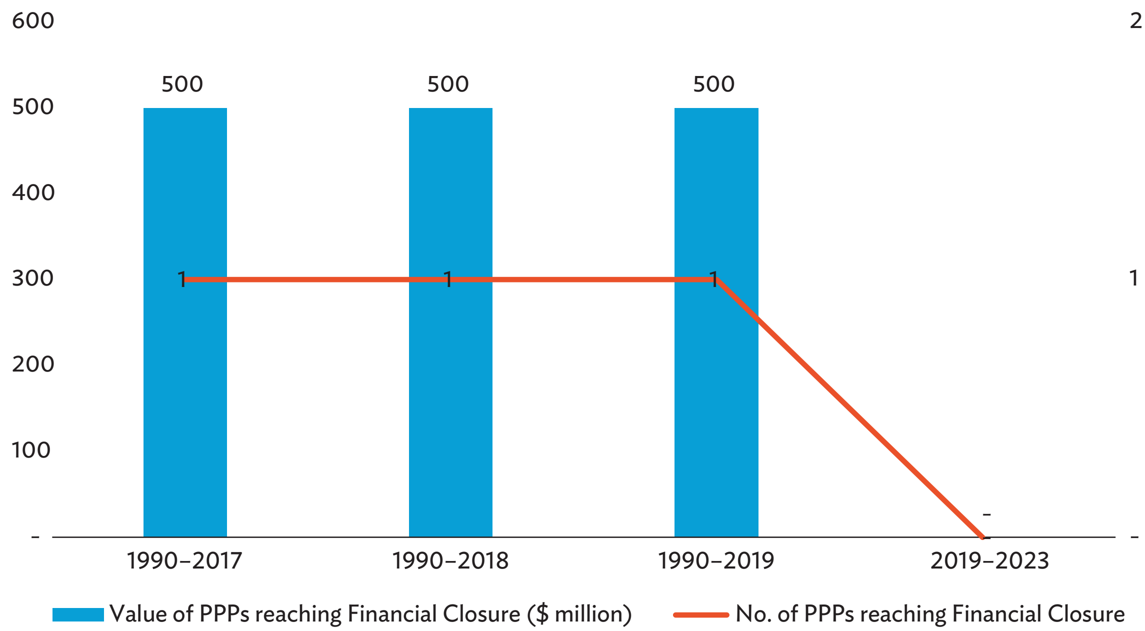
Source: World Bank. *Infrastructure Finance, PPPs, and Guarantees. Country Snapshots. Georgia.* https://ppi.worldbank.org/en/ snapshots/country/georgia (accessed 29 April 2024).

The Tbilisi Cluster Healthcare PPP Transformation Project was procured in 2016 through government tender.[108]

[108] *Agenda.ge.* 2016. Medicines will soon be 30% cheaper in Georgia. 9 February. https://agenda.ge/en/news/2016/339.

Figure 35 provides the number of PPP projects in Georgia's social infrastructure sector that have reached financial closure and the total value of those.

Figure 35: Public–Private Partnership Social Infrastructure Projects Reaching Financial Closure



PPP = public–private partnership.

Note: Only active and concluded projects are considered.

Source: World Bank. *Infrastructure Finance, PPPs and Guarantees. Country Snapshots. Georgia*. https://ppi.worldbank.org/en/ snapshots/country/georgia (accessed 29 April 2024).

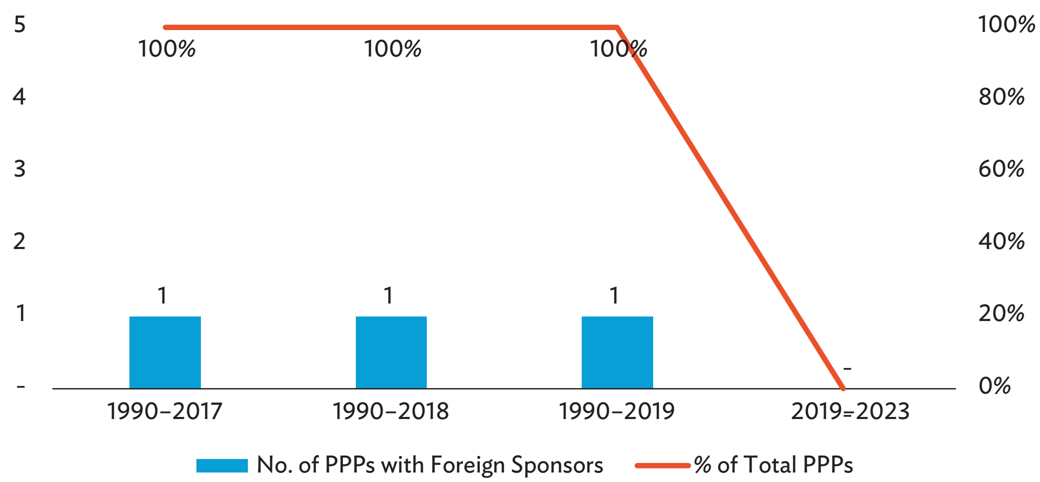
The Tbilisi Cluster Healthcare PPP Transformation Project attained financial closure in 2016 with a total project investment estimated at $500 million.[109] The following are the consortium members for the Tbilisi Cluster Healthcare PPP Transformation Project: (i) Keppie Architects (Scotland), (ii) The Health Partnership (Ireland), (iii) MFK Healthcare Limited (United Kingdom), and (iv) FESP (Ireland).[110]

Figure 36 shows the number of PPP projects in Georgia's social infrastructure sector that have received participation from foreign sponsors.

[109] *InfraPPP.* 2016. Preferred Bidder Selected for Tblisi Hospitals PPP. 12 February. https://www.infrapppworld.com/news/preferred-bidder-selected-for-tblisi-hospitals-ppp.

[110] *Georgia Today*. 2016. Meet the AlphaMedic Consortium Members. 25 February. http://gtarchive.georgiatoday.ge/news/3094/Meet-the- AlphaMedic-Consortium-Members.

Figure 36: Public–Private Partnership Social Infrastructure Projects with Foreign Sponsor Participation



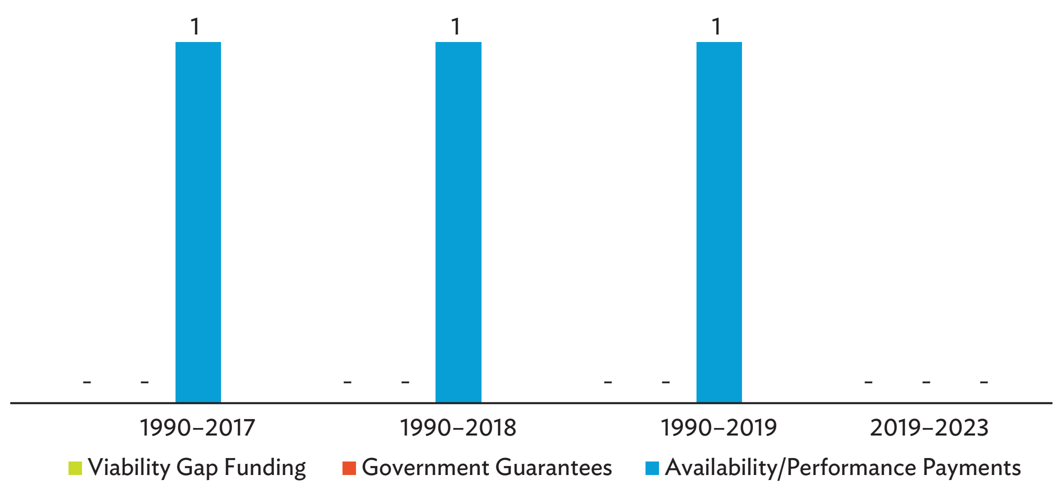
PPP = public–private partnership.

Note: Only active and concluded projects are considered.

Source: World Bank. *Infrastructure Finance, PPPs and Guarantees. Country Snapshots. Georgia*. https://ppi.worldbank.org/en/ snapshots/ country/georgia (accessed 29 April 2024).

Figure 37 presents the number of PPP projects in Georgia's social infrastructure sector that have received government support, including viability gap funding mechanism, government guarantees, and availability or performance payment.

Figure 37: Government Support to Public–Private Partnership Social Infrastructure Projects



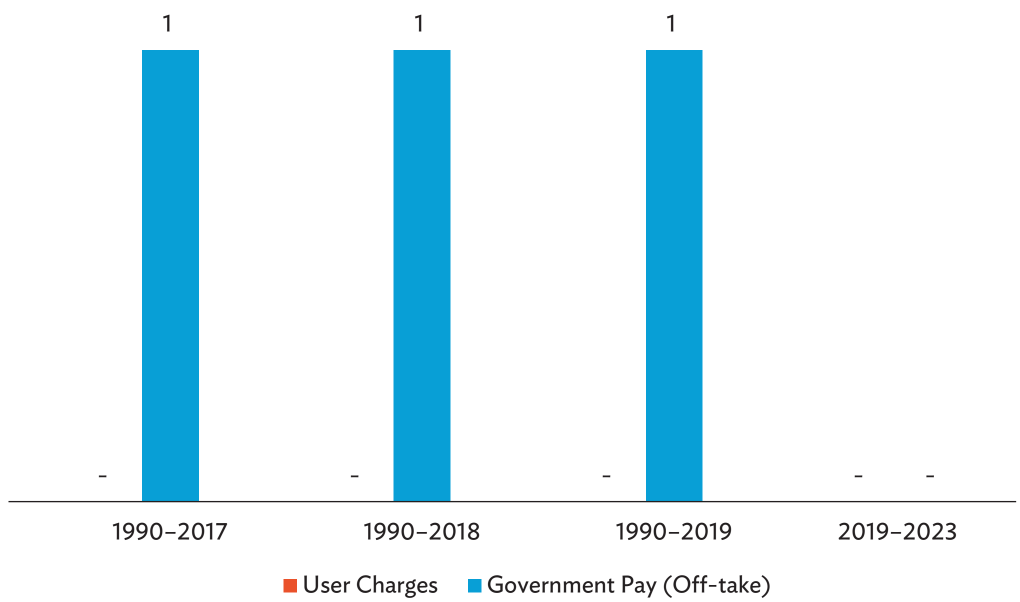
Note: Only active and concluded projects are considered. The hyphen means there are no projects in the sector, or data is not available or not applicable, according to the database.

Source: World Bank. *Infrastructure Finance, PPPs and Guarantees. Country Snapshots. Georgia*. https://ppi.worldbank.org/en/ snapshots/ country/georgia (accessed 29 April 2024).

The Tbilisi Cluster Healthcare PPP Transformation Project is on a performance-based contract (footnote 53).

Figure 38 shows the number of PPP projects in Georgia's social infrastructure sector that have received payment in the form of user charges and government pay (offtake).

Figure 38: Payment Mechanisms for Public–Private Partnership Social Infrastructure Projects



Note: Only active and concluded projects are considered. The hyphen means there are no projects in the sector, or data is not available or not applicable, according to the database.

Source: World Bank. *Infrastructure Finance, PPPs and Guarantees. Country Snapshots.* https://ppi.worldbank.org/en/ snapshots/country/ georgia *Georgia*. (accessed 29 April 2024).

The Tbilisi Cluster Healthcare PPP Transformation Project is on a performance-based contract, which implies that its payment mechanism is government pay (footnote 55).

Tariffs in the Social Infrastructure Sector

Education Sector

The annual tuition fee cap for public universities and educational institutions was set at $2,546 (GEL7,790 at the end of July 2020).[111]

[111] World Bank. 2018. *Technical Assistance to Support Reforms to the Higher Education Financing System in Georgia.* https://documents.worldbank.org/en/publication/documents-reports/documentdetail/895021551184190719/technical-assistance-to-support-reforms-to-the-higher-education-financing-system-in-georgia. No updated information available.

Healthcare Sector

Hospitals usually receive funding through case payments or global budgets. Case payments were introduced in 1996 and were the main type of payment. For other services paid for directly by patients, the hospitals have developed price lists monitored by the Ministry of Internally Displaced Persons from the Occupied Territories, Health, Labor, and Social Affairs.[112]

In 2023, the government implemented a new funding model of Universal UHC – Diagnostic Related Grouping (DRG). The DRG model determines reimbursement based on the patient's diagnosis and various other factors (e.g., age, gender, and health complications)[113] The model is expected to enhance the efficiency and the sustainability of the healthcare system, increase transparency, create healthy competition between hospitals, boost consolidation, and reduce market fragmentation. However, the model comes with risks. If the incentives for cost reduction are too strong and there is a lack of sufficient capacity for quality control, DRG could lead to reduced quality of care. Furthermore, it could slow the adoption and use of technological innovations and create a deficiency in certain medical services.

Before the DRG model, hospitals were paid per each specific service provided. Now, hospitals receive a predetermined amount based on the diagnosis, adjusted on a variety of factors. The previous model created incentives for hospitals to over-treat patients, while the DRG model encourages them to become more efficient. As a result, the DRG model creates competition between hospitals – new hospitals do not have an unfair advantage in tariffs and ensures dynamic pricing that follows costs in real time.

Housing Sector

Information on the tariffs for housing sector projects is not available.

Typical Risk Allocation for Public–Private Partnership Projects in the Social Infrastructure Sector

Information on typical risk allocation for PPP projects in the social infrastructure sector is not available.

Financing Details in the Social Infrastructure Sector

Consideration	Status
Public–private partnership (PPP) projects with foreign lending participation	Unavailable
PPP projects that received export credit agency/international financing institution support	Unavailable
Typical debt-to-equity ratio	Unavailable
Time for financial closure	Unavailable

Source: Asian Development Bank. 2019. *Public–Private Partnership Monitor*. Second Edition. Manila. https://www.adb.org/publications/pu.blic-private-partnership-monitor-2nd-edition

112 A, Gamkrelidze, R. Atun, G. Gotsadze, and L. MacLehose. 2002. *Health Care Systems in Transition: Georgia*. Europe: *European Observatory on Health Care Systems*. Vol. 4, No. 2. World Health Organization Regional Office for Europe. https://www.researchgate.net/publication/233822525_Health_Care_Systems_in_Transition_Georgia.

113 E. Bochorishvili and S. Kurashvili. 2023. Georgia's Healthcare Sector. May. Galt & Taggart. https://api.galtandtaggart.com/sites/default/files/2023-05/report/georgias-healthcare-sector-overview_eng_may-23.pdf.

5. Challenges in the Social Infrastructure Sector

Education Sector

PPPs in the vocational education sector remain fragmented. The Law on Professional Education envisages increasing the involvement of both the private sector and municipalities, consulting with private sector stakeholders to define or implement policies. Despite relatively high levels of formal education, skills mismatch, and graduates' transition into the labor market remain significant challenges.

One of the main determinants related to the quality and relevance of education at all levels of education is the lack of competent human resources and their availability. In some cases, early childhood education and preschool education facilities do not meet state standards for early childhood and preschool education.

In the internationalization of higher education and research, one of the challenges is international and domestic mobility, and another is unequal access to virtual and remote learning. The pandemic deepened the digital divide for those in schools located far from cities. Others affected were persons with few socioeconomic opportunities, large families, asylum seekers, refugees, and stateless persons.

Despite the increased funding, Georgia's state investments in education and science, research, technology, and innovation are low compared to international standards.

Healthcare Sector

Although most primary care services are now covered under the universal healthcare program, quality determines the low use of primary care in Georgia's health system.[114] As the coverage of medical services increases, issues such as the prioritization of inpatient and emergency services over primary care remain a challenge (e.g., ambulatory medication-limited coverage, a complex system of co-payments, reimbursement of the program amount within the limit, the absence of an upper limit on co-payments, and bureaucratic procedures).

The ministry's ability to effectively manage PPPs and regulation mechanisms needs to be strengthened, as does the definition of duties and responsibilities between public and private partners and governance principles.

Enhancing and promoting well-balanced and innovative PPPs are particularly important in the context of largely privatized health services. Due to the complex nature of public–private cooperation, it is important to have the capabilities and skills in public administration for effective planning and management. This includes the need for external technical assistance in analyzing health policy data, the scarcity of reliable data, the need for further development of analytical capabilities, and the need to strengthen operational research. Accordingly, the ministry plans to strengthen the competencies of the staff and deepen their skills in the direction of public and private cooperation.

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114 T. Verulava. 2018. *Challenges of Primary Health Care Reforms in Georgia (1995–2018).* Paper prepared for the IV International Scientific Conference on Politics around the Caucasus. Ivane Javakhishvili Tbilisi State University, Tbilisi. 16 November. https://www.researchgate.net/ publication/329001192_Challenges_of_Primary_Health_Care_Reforms_in_Georgia_1995-2018.

With enhanced capabilities and competencies, the ministry can develop and implement innovative models and approaches to ensure balanced and effective public–private cooperation. Ultimately, increased capacity, improved skills, improved regulations, and strong monitoring and evaluation mechanisms should be the basis for successful public–private partnerships in healthcare.

The need to strengthen the supervision function on the implementation of the policy/strategy by the ministry; the need for further development of interagency cooperation to overcome the challenges of social and environmental health determinants.

Accountability and transparency mechanisms need to be further expanded and strengthened. Scarcity of scientific studies and their limited use for making decisions

Due to the large hospital privatization program, there is a lack of transparency regarding the new owners and their plans and sufficient regulation to deal with the resulting problems.[115]

Social Housing Sector

The existing legal and regulatory framework for the housing sector remains underdeveloped. There is neither specifically targeted legislation nor a legally adopted set of technical guidelines to regulate activities in the housing sector comprehensively.

I. Other Sectors

Hospitality and Real Estate – According to Enterprise Georgia (the main arm of MOESD in promoting and attracting foreign investments), the state-owned investment fund (Development Fund of Georgia) considers participation in the PPP format.

Infrastructure projects that may be implemented as PPPs (for sectors not covered in earlier sections) is presented in Table 18.

Table 18: Pipeline Projects in Other Sectors of Georgia

Project Name	Implementing Agency	Status	Value ($ million)
Tbilisi Logistics Center	Ministry of Economy and Sustainable Development	Finance proposed by the European Investment Bank	95.40
Tbilisi Airport Rapid Transit	Municipality of Tbilisi	Completed in May 2017	71.01

Sources: Asian Development Bank. 2019. *Public–Private Partnership Monitor*. Second Edition. https://www.adb.org/sites/ default/files/ publication/509426/ppp-monitor-second-edition.pdf; Agenda.ge. 2019. EU's Transport Investment Action Plan to Include 18 Projects Worth €3.5 Billion in Georgia. 16 January. https://agenda.ge/en/news/2019/126; Cities Development Initiative for Asia (CDIA). 2017. Project Overview: Tbilisi BUS. https://cdia.asia/wp-content/uploads/2017/07/Project-Overview-TBILISI- Bus.pdf; and CDIA. 2017. Public Transport Projects in Tbilisi. Presentation made by Neil Chadder for the ADB Knowledge Event on Improving Public Transportation in Tbilisi. 31 May. https://events.developme https://www.georgianjournal.ge/business/11528-georgian-hospitals-face- challenges-.html.

115 R. Bunch. 2022. Georgia's Rural Hospitals are Holding on but Communities Where They've Closed Face a Brutal Reality. *The Current*. 7 May. https://thecurrentga.org/2022/05/07/georgias-rural-hospitals-are-holding-on-but-communities-where-theyve-closed-face-a-brutal-reality/.

IV. Local Government Public–Private Partnership Landscape

Parameter	Value	Unit
Number of Subnational Governments (SNGs)		
Municipal level	76	Number
Intermediate level	0	Number
Regional or state level	2	Number
Total number of SNGs	78	Number
SNG Expenditure Profile		
Total SNG expenditure as % of gross domestic product (GDP)	5.90	%
SNG current expenditure as % of GDP (2022)	3.99	%
SNG staff expenditure as % of GDP (2022)	0.62	%
SNG investment as % of GDP (2022)	1.43	%
Total SNG expenditure as % of the total general government (% of total public expenditure)	20.30	%
SNG current expenditure as a % of total current expenditure of the general government (2022)	15.7	%
SNG staff expenditure as a % of total staff expenditure of the general government (2022)	16.2	%
SNG investment as a % of total investment of the general government (2022)	24.1	%
Current expenditure of SNG as a % of total SNG expenditure	79.40	%
Staff expenditure of SNG as a % of total SNG expenditure	13.20	%
Investments of SNG as a % of total SNG expenditure	20.60	%
General public services	12.69	%
Defense	0.22	%
Security and public order	0.04	%
Economic affairs	26.63	%
Environmental protection	9.56	%
Housing and community amenities	17.64	%
Health	2.36	%
Recreation, culture, and religion	10.11	%
Education	13.74	%
Social protection	7.01	%

Parameter	Value	Unit
SNG Revenue Profile		
Total SNG revenue as a % of GDP (2022)	5.30	%
SNG tax revenue as a % of GDP (2022)	0.84	%
SNG grants and subsidies as a % of GDP (2022)	3.92	%
SNG other revenues as a % of GDP (2022)	0.97	%
Total SNG revenue as % of total general government revenue (2022)	19.7	%
SNG tax revenue as a % of total general government tax revenue (2022)	3.5	%
SNG grants and subsidies as a % of total general government grants and subsidies	0.00	%
SNG other revenues as a % of total other revenues (2022)	21.1	%
SNG tax revenue as a % of total SNG revenue	22.30	%
SNG grants and subsidies as a % of total SNG revenue	64.10	%
SNG other revenues as a % of total SNG revenue	13.60	%
SNG Debt Profile		
Outstanding SNG debt as % of Gross Domestic Product (GDP)	Unavailable	%
Outstanding SNG debt as % of total outstanding debt of general government	Unavailable	%
Parameters for Transfers to the SNGs from the National Government		
Score on transfers to subnational governments	A*	
Score on system for allocating transfers	A	
Score on timeliness of information on transfers	A	
Score on extent of collection and reporting of consolidated fiscal data for general government	Not Applicalbe	
Value of central government transfers to subnational governments	Unavailable	% of GDP
Value of actual budgetary allocation to subnational governments from national government	Unavailable	% of total expenditure
Value of deviation of actual against the budgeted transfers to subnational governments	Unavailable	% of budgeted transfers

* A is used as a score here to gauge parameters for transfers to SNG from the government where a score of "A" reflects the greatest compliance and a score of "D" reflects the lowest compliance. As it is a score it can not be included as an abbreviation in the list below the table.

Note: Only the parameters that have years indicated in brackets have been updated. Others have not been updated as information is not available

Sources: United Cities and Local Governments, Organisation for Economic Cooperation and Development, and Agence Francaise de Developpement. 2016. Subnati*onal Governments around the World: Structure and Finance. Country Profiles.* https://www.uclg.org/ sites/default/files/global_observatory_of_local_finance-part_iii.pdf; and Public Expenditure and Financial Accountability Secretariat. 2018. Georgia: Public Expenditure and Financial Accountability Performance Assessment Report. Washington, DC. https://www.pefa.org/themes/pefa/pdfjs/web/viewer.html?file=/sites/default/files/assessments/reports/GE-Jun18-PFMPR-Public-with-PEFA-Check.pdf. International Monetary Fund (IMF). Statement of Operations (Revenue, Expenditures, Net Lending/Borrowing and Financing). https://data.imf.org/regular.aspx?key=60991462 (accessed 1 May 2023); International Monetary Fund. Functional Expenditures (COFOG). https://data.imf.org/regular.aspx?key=61037799 (accessed 1 May 2024).

Local Governance System in Georgia

The current system of local governance in Georgia is mainly composed of two tiers of self-government. The first tier consists of the smallest administrative units: villages, communes, small rural towns, and district cities.

Elected bodies at this level enjoy a relatively full degree of autonomy, with the power to create executive bodies and supervise their activities.

The second tier is made up of districts and cities with special status (Batumi, Kutaisi, Poti, Rustavi, Sokhumi, and Tskhinvali). This tier acts as a mediator between the regions and the central government and possesses greater powers. This level is centrally governed, not self-governed. Elected bodies may monitor the activity of executive agencies such as the city hall but these executive officials are appointed by and accountable to the central government.

Tbilisi has a special status as the capital city as established by the law on the Capital of Georgia. The representative body is the local council, which is elected by proportional ballot. The executive branch consists of the mayor, the premier, and the district head of local administration, who are nominated by the mayor and appointed by the President.

Local self-government bodies in mountainous territories have additional powers as determined by law. At all levels of government in Georgia, central and local, town and district, and elected representative institutions are required to coexist with executive bodies not under their control.

The most important change in territorial structure was the creation of regions headed by a state commissioner, also commonly referred to as a governor. The institution of the governor is established by the President's decree rather than by legislation. Governors currently head the nine regions of Georgia, namely, Kakheti, Shida Kartli, Kvemo Kartli, Mtskheta-Tianeti, Meskhet-Djavakheti, Imereti, Samegrelo and Zemo Svaneti, Ratcha-Lechkhumi and Kvemo Svaneti, and Guria.

According to the Organic Law on Local Government and Self-Governance, local self-government is the right and possibility of citizens of Georgia to solve local issues through local self-government bodies in the interests of the local population. The local self-governing unit is a municipality. A municipality is a settlement (self-governing city) with administrative boundaries or an aggregation of settlements (self-governing community) with administrative boundaries and an administrative center. A municipality will have elected representative and executive bodies (the 'Municipal Bodies'), a registered population and its property, budget, and revenue. A municipality is a legal entity under the public law of Georgia.

The Organic Law on Local Government and Self-Governance[116] addresses local governance at the first level, rather than self-governance in general, and does not provide for any elective bodies at the regional level. There is a need for a constitutional law on the administrative-territorial organization of Georgia to regulate the territorial organization and relations between the central government and autonomous republics in the future.

[116] Government of Georgia. 2014. *Organic Law of Georgia Local Self-Government Code*. https://matsne.gov.ge/en/document/view/2244429?publication=65.

Infrastructure Development Plan of Local Governments

Local governance reform has been a strategic priority. Several initiatives and strategic plans were developed in an attempt to advance the reform. In 2011, an action plan was developed for the 2010–2017 State Strategy for Regional Development of Georgia. It promoted the expansion of municipal services and infrastructure to secondary towns and villages. In 2013, the Decentralization Strategy was adopted and in February 2014, the Law of Local Self-Governments was endorsed. The Social-Economic Development Strategy of Georgia (Georgia 2020) views decentralization as a paramount factor for achieving inclusive growth and stimulating local economic development. The government was challenged to convert plans into reality by introducing an effective local self-government system that could carry out decentralized functions. Georgia has implemented two phases of the Regional and Municipal Infrastructure Project to improve municipal infrastructure.[117]

Local Government Public–Private Partnership Landscape

The Regional Development Program of Georgia was a medium-term government document that set out the main goals for Georgia's regional development and determined the priorities and measures for 2018–2021. The program was built on the national planning documents: the Social-Economic Development Strategy of Georgia (Georgia 2020), the State Strategy for Regional Development 2010–2017, and the Regional Development Program 2015–2017. The program's strategic vision and delivery modalities align with the European Union's recent approaches to social-economic cohesion policy, including territorially integrated interventions and focus on the exploitation of territorially differentiated potentials. The program provides a coherent framework for public and private investments, promotes regional development, and enables all stakeholders to concentrate resources in a single, common strategy to maximize the effectiveness and efficiency of the intervention (footnote 61).

The analysis of the stages of the local self-government reform and the introduction of high standards of self-government by constitutional reform has revealed new challenges affecting the consistent implementation of the decentralization process.[118] As a result of an analysis of the drawbacks and problems of the development of local self-government, the following main challenges have been identified:

(i) Past stages of the reform reveal that they were primarily connected to the political changes in state government. The implemented reform, which was mainly manifested by legal amendments before the elections, envisioned further development of the process in a mid-term perspective to a varying degree. It did not envisage further development of the process from a medium-term perspective. Therefore, the decentralization strategy should be based on a medium-term vision and foresee main directions for improvement, while the strategic action plan should define all activities to be implemented annually to ensure the sustainability, consistency, and goal-oriented nature of the decentralization process, and key preconditions for the successful implementation.

117 Ministry of Regional Development and Infrastructure of Georgia. 2018. *Regional Development Programme of Georgia 2018–2021*. https://mrdi.gov.ge/pdf/5d11c43dcd7cc.pdf/2018-2021%20Regional%20Development%20Programme%20of%20Georgia%20%28Unofficial%20translation%29.pdf.

118 Ministry of Infrastructure and Regional Development of Georgia, Decentralization Strategy 2020-2025 Mid-term Evaluation Report, 2020. https://mrdi.gov.ge/pdf/5d11c43dcd7cc.pdf/2018-2021%20Regional%20Development%20Programme%20of%20Georgia%20%28Unofficial%20translation%29.pdf.

(ii) The question of what role local authorities have in deciding on public matters and what their place might be in the organization of the state power begs for answers. According to the European Charter, local self-government should regulate and manage "a substantial share of public affairs." Rather, the limited powers of local self-governing units have prevented local authorities from playing an important role in public life. The principle of separation of power between the state and local self-governments based on the principle of subsidiarity enshrined in the Constitution of Georgia lays the legal groundwork for the ultimate transformation of centralized governance inherited from the former Soviet Union and progressive devolution of power from the center to the local level, that will allow for more effective and timely responses to local issues and due consideration of local context. Full exercise of powers prescribed to local self-governments, widening and expanding the scope of such powers to cover a substantial part of public affairs, is likely to bolster the effectiveness and efficiency of measures for responding to local needs and, at the same time, allows local communities to have a stronger say in the process of resolving local concerns, and coverage of major part of public welfare issues increases the flexibility and effectiveness of problem solving and enables the due consideration of interests of the population in solving these matters.

The following factors have hampered the full execution of powers by local self-governments:

(i) Absence of a long-term vision for the development of municipalities results in solutions that are not focused on long-term outcomes and fail to yield desirable results.
(ii) Strict regulations and frameworks restrict freedom of action and discretion for decision-making, hampering the attainment of goals that are locally appropriate and tailored to the local context.
(iii) A low level of involvement of the general public, including businesses in the exercise of power at local level results in a mismatch between decisions and the local needs and interests. In addition, there are no effective mechanisms for public and private partnerships while the potential of the business sector in diversifying municipal services and protecting public interests remains under-used.
(iv) The lack of human, material, and financial resources necessary for the exercise of power prevents local self-governments from fully and effectively executing their mandate prescribed by the Organic Law of Georgia.
(v) Underdeveloped cooperation between municipalities results in low-quality municipal services and failure to maintain cost-effectiveness and consolidate available resources.
(vi) Discrepancies within the legal framework create conflicts and gaps between provisions of sectoral legal acts and the organic law on local self-governments resulting in the inability of local authorities to fully execute their powers.
(vii) Prolonged process of transferring property to municipalities as well as complicated and controversial procedures of primary registration of property transferred to the ownership of local self-governments.

According to the Decentralization Strategy 2020–2025, the vision of the decentralization process implies the formation and development of a system of local government which will ensure effective and quick solutions of local importance in due consideration of the interests and active participation of the population, independently and within its responsibility, full realization of opportunities for local municipalities, sustainable economic development, solutions to household problems of the population, and permanent raising of quality of life. The following measures are believed to ensure progress toward this vision:

(i) Create a legal framework to ensure diversity and sustainability of the revenues of self-government units, which will create a prerequisite for a medium-term vision for development.
(ii) Execution of municipal powers should be based on consistent planning for the development of self-government units. The legislation should define the types of planning documents, their terms, procedures for drafting and adoption, methodology, hierarchy of planning documents, status, and their relationship with the local budget.
(iii) A principle enshrined in the Constitution of Georgia and the European Charter of Local Self-Governance allowing wider discretion and greater freedom of action by municipalities in decision-making should be introduced for the operation of local self-government bodies so that municipal authorities execute local self-governance in a manner that is tailored to local contexts and needs insofar as possible.
(iv) Introduction and implementation of good governance principles as part of the work carried out by local self-governments, ensuring wider public participation in the execution of local self-governance, establishment of sustainable mechanisms for PPPs, creating an environment conducive to partnership between self-governing units and the business sector in the implementation of joint projects and delivery of services, also allowing municipalities to fund public–private initiatives and invest in joint projects.
(v) With regard to the powers attributed to self-government, a minimum standard of implementation should be set and observed through the provision of adequate resources.
(vi) Intermunicipal cooperation, creation and development of municipality associations, and intermunicipal cooperation institutions should be fostered, and joint activities of municipalities should be encouraged.
(vii) A complex review of the legislation should be conducted and a package of legislative amendments should be prepared for the harmonization of legislation with the organic law on self-government.

The main directions of the decentralization strategy for 2020–2025 are as follows:

(i) Increase of powers of local self-government
(ii) Build material and financial capacity of local self-government
(iii) Develop reliable, accountable, transparent, and results-oriented self-government

The following strategic goals, objectives, and activities are outlined in the strategy:

- Strategic Goal 1: Increase the role of self-governments in managing a substantial share of public affairs
    - Objective 1.1: Ensure the full implementation of powers granted to local self-governments by the law
        - Activity 1.1.1. Identify factors hampering full implementation of competencies by self-government units
        - Activity 1.1.2. Support of the implementation of competencies granted by law upon self-government units

- Objective 1.2: Increase competencies of local self-governments based on the principle of subsidiarity
  - Activity 1.2.1. Define powers to be transferred to municipalities following the principle of subsidiarity
  - Activity 1.2.2. Ensure legal framework for the implementation of additional competencies by self-government bodies
  - Activity 1.2.3. Ensure technical and financial support for municipalities for the execution of their additional competencies

- Strategic Goal 2: Ensure adequate material and financial resources for local self-governments
  - Objective 2.1: Support a consistent increase in local government's revenues
    - Activity 2.1.1. Set up legislative mechanisms to increase municipalities' share in revenues collected from the disposition of state property in the territory of a self-governing unit
    - Activity 2.1.2. Revise local fees
    - Activity 2.1.3. Define competencies of local self-governing units about specific types of licenses to use
    - Activity 2.1.4. Continue the process of sharing state taxes with local self-governments
    - Activity 2.1.5. Revise the rule for calculating property tax, taxpayers, and taxable objects
    - Activity 2.1.6. Transfer of property
  - Objective 2.2: Improve mechanisms for the allocation of state resources
    - Activity 2.2.1. Improve the principle for revenue distribution
    - Activity 2.2.2. Improve mechanisms for providing funds for the implementation of delegated competencies by local self-governments

- Strategic Goal 3: Develop reliable, accountable, transparent, and results-oriented self-government
  - Objective: 3.1 Introduce effective and innovative management and quality service delivery systems at the local level
    - Activity 3.1.1. Improve management systems and administrative structure of local self-governments
    - Activity 3.1.2. Improve the system of public finance management at a local level
    - Activity 3.1.3. Build capacity of staff working for local self-governments
    - Activity 3.1.4. Adopt unified (minimum) standards for the delivery of municipal services and support to effective delivery of municipal services
    - Activity 3.1.5. Develop intermunicipal cooperation
    - Activity 3.1.6. Develop a mechanism for the collection of reliable statistical data about each municipality for informed decision-making

- Objective 3.2: Introduce high standards of transparency and accountability
  - Activity 3.2.1. Support Open Governance Program in all municipalities
  - Activity 3.2.2. Revise the legal framework to introduce high standards of transparency and accountability
- Objective 3.3: Facilitate effective participation in decision-making and implementation at a local level
  - Activity 3.3.1. Improve legal framework and mechanisms for ensuring effective participation of stakeholders in decision-making and implementation
  - Activity 3.3.2. Ensure public participation in the implementation of a decentralization strategy
- Objective 3.4. Set up local development planning and coordination system
  - Activity 3.4.1. Legal arrangements for development planning
  - Activity 3.4.2. Create a methodological framework and standards for development planning
  - Activity 3.4.2. Create a methodological framework and standards for development planning

In scope of Objective 3.1 (introduce effective and innovative management and quality service delivery systems at a local level), the strategy declares that successful implementation of the decentralization reform and the establishment of an effective government system at a local level requires institutional empowerment of self-government bodies and improvement of the management system. In this respect, it is planned to introduce a modern system of organizational management, including human resource management, an automated system of monitoring and evaluation of organizational management, and an improvement of the system of public finance management in municipalities.

A consistent and transparent system of planning will be created at the local level, which will be tightly linked to the budget and financial management system. It should be noted that the aim of the devolution of powers, resources, and functions is to improve the quality and effectiveness of services and fiscal management, support the development of the private sector, including public–private partnerships, and encourage the participation of local communities in decision-making, including young people. Local authorities stand closest to the population and therefore, can swiftly respond to the problems of every local citizen.

Sectors in which Local Governments can Implement Public–Private Partnerships

Within the general government, budgetary central government and subnational governments (SNGs) are mostly responsible for infrastructure, with Legal Entities under Public Law (LEPLs) playing a limited role. Public corporations' investment spending, estimated by the level of capital transfers received from the budgetary central government, contributes an additional 20% of the total public investment portfolio. The remainder of the total public investment portfolio is delivered through PPPs and PPAs, mostly in the electricity sector.[119]

[119] International Monetary Fund. 2018. Georgia: Technical Assistance Report—Public Investment Management Assessment. *IMF Country Report*. No. 18/306. https://www.imf.org/~/media/Files/Publications/CR/2018/cr18306.ashx.

Revenues for Local Governments

The Budget Code of Georgia includes a definition of local self-government resources and charges. This code divides the public revenue assignment into nationwide taxes that municipalities receive through tax sharing, local taxes, and fees (Table 18).[120]

Tax Revenue

Local taxation can be received on income and profits, payroll and workforce, property, goods and services, and international trade, among others. Nonetheless, the small share of taxation from the total revenues reveals the limited autonomy of local self-governments, as fiscal decentralization is still an ongoing process. Other tax revenues will consist of shared taxes from personal income tax collected at the national level. Local governments do not influence the tax base, tax rate, or tax administration. Personal income tax has not been shared yet (delayed) but is tentatively planned for 2025. The VAT is shared as noted.

Grants and Subsidies

Georgia's local governments are largely dependent on the central budget. A majority of municipal governments rely on intergovernmental transfers. The Budget Code includes the following types of transfers from central government to local governments:

- **Special transfer.** Allocated from the state budget of Georgia for municipal budgets or the budget of an autonomous republic to eliminate the effects of disasters triggered by natural hazards, hostilities, epidemics, and other emergencies (damages), as well as to assist municipalities in the implementation of other activities. This transfer type is allocated only if the reserve fund of the respective municipality budget is not enough to finance the measures to mitigate the aforementioned events.
- **Capital Transfer.** Allocated to municipalities according to the rule approved by government Decree No. 23, which indicates that:
    - A special commission be created which includes the Deputy Minister of Finance, Budget Department representative of the Ministry of Finance, Deputy Minister of Regional Development, and representatives of respective departments dealing with coordination with municipalities from the Ministry of Regional Development and Infrastructure. Municipalities submit proposals for different capital projects to the commission.
    - The decree defines criteria for selecting the projects.
    - Municipalities are obliged to cofinance the projects at least by 5%.
    - The special commission allocates available funds per specific project and money is transferred to the municipality according to the contract amount and actual performance.

[120] United Cities and Local Governments, Organisation for Economic Co-operation and Development, and Agence Française de Developpement. 2016. *Subnational Governments around the World: Structure and Finance*. Country Profiles. https://www.uclg.org/sites/default/files/globaL_observatory_of_local_finance-part_iii.pdf.

- **Targeted transfer for delegated competencies.** Municipalities exercise delegated competencies based on various laws. Municipalities perform functions and services delegated by the central government.
- **Equalization transfer.** In 2019, the equalization transfer system was replaced by one based on a VAT-sharing system. This system directs at least 19% of VAT mobilized in the state budget to the municipal budgets. This revenue becomes a municipality's revenue, which a municipality uses at its discretion. VAT is among municipalities revenue according to population characteristics and the area of the municipality. Although municipalities record the amount received from the distribution of VAT as sales tax revenue, the revenue is from the distribution of VAT as a grant transfer from the central government. The amount is not related to the actual VAT collected in the municipality.[121]

Other Revenues

Other local governments' nontax revenues mostly consist of user fees, although there is limited data available on their distribution and base (footnote 63). Table 19 shows revenues for local governments.

Table 19: Revenues for Local Governments

Revenue by Type	% GDP	% General Government (same revenue category)	% SNG
Total revenue (2022)	5.3	19.7	100.0
Tax revenue (2022)	0.84	3.5	22.3
Grants and subsidies (2022)	3.92	-	64.1
Other revenues (2022)	0.97	21.1 -	13.6

GDP = gross domestic product, SNG = subnational government.

Note: "% SNG" has not been updated as no information is available.

Source: United Cities and Local Governments, Organisation for Economic Cooperation and Development, and Agence Française de Developpement. 2016. Subnational Governments around the World: Structure and Finance. Country Profiles. https://www.uclg.org/sites/default/files/global_observatory_of_local_finance-part_iii.pdf; and International Monetary Fund (IMF). Statement of Operations (Revenue, Expenditures, Net Lending/Borrowing and Financing). https://data.imf.org/regular.aspx?key=60991462 (accessed 1 May 2023).

Borrowings by Local Governments

The Constitution of Georgia limits indebtedness to 10% of the assessed value of all taxable property located within a municipality. Counties and school districts have their own 10% limits (footnote 120). Municipalities may only apply for loans from Georgia's investment market after submitting the necessary information to the State Chancellery and receiving presidential approval (footnote 60).

According to the Local Self-Government Code of Georgia, with the permission of the government, the municipality is authorized to take a loan or loan obligation from a legal entity within the scope of its authority and in its name, to make a capital investment in the manner and the amount established by the legislation.

[121] World Bank, *Public Expenditure and Financial Accountability (PEFA) Performance Assessment*, March 2023. https://www.pefa.org/sites/pefa/files/2023-04/Georgia%202022%20Subnational%20PEFA%20Synthesis%20Report.pdf.

The total amount of the loan borrowed by a municipality shall not exceed 10% of the average annual own revenues of the municipality for the previous three budget years. If Tbilisi takes out a loan, the loan servicing amount (principal and interest) to be covered annually shall not exceed 5% of its own revenues of the annual budget of Tbilisi. The property owned by the municipality may not be used as a means to secure the claim (footnote 116).

Budgetary Allocation to Local Governments

The municipality has the right, with the permission of the Government of Georgia, to receive a grant under the law, to exercise its authority. The municipality's executive body applies a petition to the government for permission to receive a grant. The permission of the government is not required if (i) the grant is received based on the international agreement of Georgia ratified by the Parliament of Georgia, (ii) the grant issuer is the Ministry of Georgia or a legal entity under the relevant public law provided for by the Law of Georgia "On Grants," and (iii) Tbilisi is the recipient of the grant (footnote 116).

Revenues between the state, republic, and municipal budgets of the Autonomous Republics of Abkhazia and Adjara are distributed following the Annex of the Budget Code of Georgia. Local taxes and fees are fully paid into the municipality budget.[122]

Credit Rating of Local Governments

There is no system of allocating credit ratings to local governments. The only credit rating that is assessed in Georgia is at the country level. No information is available on the local governments.

[122] Parliament of Georgia. 2009. Budget Code of Georgia. https://matsne.gov.ge/ka/document/view/91006?publication=62.

Appendixes

Appendix 1: Macroeconomic and Infrastructure Sector Indicators for Georgia

Parameter	Value	Unit
Total population (2023)	3.73	million
Average annual population growth rate (2022)	0.1	%
Population density (2023)	65.3	persons per km^2 of surface area
Urban population (2023)	60.37	% of total population
Surface area (2023)	69.70	'000 km^2
Unemployment rate (2023)	16.4 w	%
Proportion of population below $1.90 purchasing power parity a day (2022)	2.4	%
Nominal GDP (2023)	30.5	$ billion
	7.5	%
Annual growth rate of GDP (2023)	7.5	%
Annual growth rate of GDP (2024 forecast)	5.00	%
Annual growth rate of GDP (2025 forecast)	5.5	%
GDP at purchasing power parity per capita (2023)	23,240	$ at purchasing power parity
GDP at current market prices (2023)	26.5	$ billion
Gross fixed investment at current market prices (2022)	20	% of GDP
Per capita GNI, Atlas Method (2022)	5,600	$
Inflation rate (2023)	2.5	%
Inflation rate (2024 forecast)	2.6	%
Inflation rate (2025 forecast)	4.2	%
Current account (2023)	-4.10	% of GDP
External trade, goods, value of imports, CIF (2023)	15.60	$ billion
External trade, goods, value of exports, FOB (2023)	6.09	$ billion

Parameter	Value	Unit
Consumer price index	7.2	% change from 2022
Real effective exchange rate (2023)	11.6	Annual average % change
Investment in energy with private participation (2019)	14.4	current $ million
Investment in transport with private participation	Unavailable	current $ million
Investment in water and sanitation with private participation (1997)	Unavailable	current $ million
Logistics Performance Index rank (2023)	79	number
Logistics Performance Index score	2.7	number
Customs rank	74	number
Customs score	2.6	number
Infrastructure rank	108	number
Infrastructure score	2.3	number
International shipments rank	85	number
International shipments score	2.7	number
Logistics competence rank	92	number
Logistics competence score	2.6	number
Tracking and tracing rank	80	number
Tracking and tracing score	2.8	number
Timeliness rank	76	number
Timeliness score	3.1	number
Structure of Output (% of GDP at current producer basic prices) (2022)		
Agriculture	5.97	%
Industry	21.36	%
Services	59.58	%
Consumer price index (national)	2.2	% annual change
Producer price index (2023)	–2.8	% annual change
Wholesale price index (national)	Not Applicalbe	% annual change
Retail price index	Not Applicalbe	% annual change
Exchange rates (end of period)	2.68	local currency - $
Asian Development Fund Portfolio (2023)		
Total number of loans	30	number
1. Sovereign	16	number
2. Nonsovereign	14	number

Parameter	Value	Unit
Net loan amount	2,130.2	$ million, cumulative
1. Sovereign	1,694.3	$ million, cumulative
2. Nonsovereign	435.9	$ million, cumulative
Disbursed amount	266.9	$ million, cumulative
1. Sovereign	266.9	$ million, cumulative
2. Nonsovereign	Unavailable	$ million, cumulative
Net foreign direct investment inflows (2023)	5.2	% of GDP
Central government debt (2023)	39.1	% of GDP
CPIA quality of budgetary and financial management rating (2013)	4.50	1 = low to 6 = high
Ease of Doing Business (2020)		
Ease of doing business (rank)	7	number
Starting a business (rank)	2	number
Dealing with construction permits (rank)	21	number
Getting electricity (rank)	42	number
Registering property (rank)	5	number
Getting credit (rank)	15	number
Protecting minority investors (rank)	7	number
Paying taxes (rank)	14	number
Trading across borders (rank)	45	number
Enforcing contracts (rank)	12	number
Resolving insolvency (rank)	64	number
Corruption and Sustainable Development Index (2023)		
Corruption Perceptions Index rank (out of 180)	49	number
Corruption Perceptions Index score (out of 100)	53	number
Sustainable Development Index rank (166)	42	number
Sustainable Development Index score (100)	75	number
ADB's Cumulative Lending, Grant, and Technical Assistance Commitments		
Number of projects	148	number
Total lending	6,769	$ million
GCI infrastructure score (2019)	68	out of 100
Economist Intelligence Unit Infrascope Index Score (2020)		
PPP regulations score (out of 100)	58	number
PPP regulations rank (out of 71)	37	number
PPP institutions score (out of 100)	8	number
PPP institutions rank (out of 71)	63	number

Parameter	Value	Unit
PPP market maturity score (out of 100)	43	number
PPP market maturity rank (out of 71)	60	number
PPP financing score (out of 100)	43	number
PPP financing rank (out of 71)	32	number
Investment and business climate score (out of 100)	74	number
Investment and business climate rank (out of 71)	11	number

ADB = Asian Development Bank; CIF = cost, insurance, and freight; CPIA = country policy and institutional assessment; FOB = freight on board; GCI = Global Competitiveness Index; GDP = gross domestic product; GNI = gross national income; km^2 = square kilometer; PPP = public–private partnership.

Sources: Asian Development Bank (ADB). Data Library. Cumulative Lending, Grant, and Technical Assistance Commitments. https://data.adb.org/dataset/cumulative-lending-grant-and-technical-assistance-commitments (accessed 1 May 2024); The Economist Intelligence Unit. Infrascope 2019: Georgia Country Profile. https://infrascope.eiu.com/ (accessed 1 May 2024); Transparency International. Our Work in Georgia. https://www.transparency.org/en/countries/georgia (access 1 May 2024); World Bank. Doing Business. Ease of Doing Business Rankings. https://www.doingbusiness.org/en/rankings (accessed 1 May 2024); The World Bank. LPI Rankings 2023. https://lpi.worldbank.org/international/global (accesseded1 May 2024); Geostat. Population and Demography. https://www.geostat.ge/en/modules/categories/316/population-and-demography (accessed 1 May 2024); The World Bank. Population growth (annual %) Georgia. https://data.worldbank.org/indicator/SP.POP.GROW?locations=GE (accessed 1 May 2024); Geostat. 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Appendix 2: Comments on Data Sources

The research was carried out using publicly available sources, including

(i) government websites, reports, and publications, including national government line ministries and government contracting agencies
(ii) annual reports of national government line ministries and government contracting agencies
(iii) applicable laws and regulations (where regulations were available only in the local language, unofficial translations were used)
(iv) websites and annual reports of sector regulators
(v) ADB reports and publications
(vi) online publications of other multilateral development agencies
(vii) industry publications and databases such as Inframation News and IJGlobal Project Finance & Infrastructure Journal
(viii) publications and websites of reputable consultancy companies and law firms
(ix) other publicly available reports, publications, and documents from authentic and globally acceptable sources

Some of the widely used databases included

(i) World Bank Private Participation in Infrastructure (PPI) database, https://ppi.worldbank.org/en/ppi
(ii) Information database, https://www.inframationnews.com/
(iii) PPP Knowledge Lab, https://pppknowledgelab.org/countries/georgia
(iv) The Economist Intelligence Unit Infrascope Index, https://infrascope.eiu.com/
(v) TheGlobalEconomy.com, https://www.theglobaleconomy.com/
(vi) International Monetary Fund (IMF), https://data.imf.org/?sk=85b51b5a-b74f-473a-be16-49f1786949b3
(vii) Doing Business, https://www.doingbusiness.org/
(viii) World Bank Public–Private Partnership Legal Resource Center https://ppp.worldbank.org/public-private-partnership/public-%20private-partnership/
(ix) World Economic Forum, The Global Competitiveness Report, http://www3.weforum.org/docs/WEF_ TheGlobalCompetitivenessReport2019.pdf
(x) Trading Economics, https://tradingeconomics.com/
(xi) National Statistics Office of Georgia, https://www.geostat.ge/en

Some of the other major sources used included

(i) Government of Georgia, Law of Georgia on Public–Private Partnerships, 2018, https://matsne.gov.ge/en/document/download/4193442/0/en/pdf
(ii) Public–Private Partnership Agency of Georgia, Guide to Public–Private Partnerships in Georgia, 2020, https://ppp.gov.ge/app/uploads/2020/05/PPP_Guide_ENG_PRINT.pdf
(iii) ADB Institute, Public–Private Partnerships in Georgia and Impact Assessment of Infrastructure, 2020, https://www.adb.org/sites/default/files/publication/623256/adbi-wp1162.pdf
(iv) ADB, Public–Private Partnership Monitor, Second Edition, https://www.adb.org/sites/default/files/ publication/509426/ppp-monitor-second-edition.pdf
(v) EBRD, PPP Laws Assessment in the EBRD Region, Georgia, https://ppp-ebrd.com/review.php?country=Georgia
(vi) World Bank, Benchmarking Infrastructure Development, https://bpp.worldbank.org/en/home

In addition to the abovementioned sources, the research for this report was informed by the internal knowledge of CRISIL Infrastructure Advisory, public sector officials, the ADB team from the Office of Public–Private Partnership (OPPP), ADB's Georgia Resident Mission, consultants to ADB's Georgia Resident Mission, various government agencies, and contributing legal firms and commercial banks. It should be noted that, as the research relied primarily on information reported in public sources that have not been verified by the authors and may not be accurate or contain all the required information, there is the risk of inaccuracy and incompleteness, depending on the reliability of sources and the validity of the information used.

For quantitative indicators relating to the number of projects, where there were gaps, the total number of cases has been reported based on the limited information available. Therefore, the reported numbers of projects in this publication may be an underestimate or an overestimate of the actual numbers.

Further, for various indicators, this publication captures information based on the provisions of the laws, regulations, policies, and government publications associated with the PPP legal, regulatory, policy, and institutional frameworks in the country. This publication does not provide details on the status of the adoption or application of such PPP Laws, regulations, and policies, as well as the challenges being faced in such applications.

Public–Private Partnership Monitor—Georgia

Analyzing Georgia's nascent public–private partnership (PPP) landscape, this report sets out how a robust enabling environment is helping build the country's infrastructure needs to become a regional transport and logistics hub. It is part of an ADB flagship series that considers financing options and assesses constraints, such as low awareness and insufficient PPP opportunities at both local and national levels. The report also details how Georgia's PPP Agency and PPP Law are supporting efforts to attract investment partners and bolster critical infrastructure that can further strengthen the economy.

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ASIAN DEVELOPMENT BANK
6 ADB Avenue, Mandaluyong City
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