

Georgia

Country factsheet



European Bank
for Reconstruction and Development

The pace and composition of the EBRD's portfolio in Georgia has varied significantly since the first project signing in 1994. The Bank is currently focusing its efforts on developing infrastructure, reforming the financial sector, introducing further market competition, restructuring the corporate sector and introducing sound corporate governance.

During 2007 the EBRD invested €192 million in 22 transactions. This is the highest annual business level to date for the Bank in Georgia. The Bank approved a €30 million loan framework facility and made a €10.2 million equity investment in the Georgian Reconstruction and Development Company (GRDC). Together with Meinl European Land, one of the largest European real estate companies, the Bank established the Meinl Caucasus and Central Asia (MCCA) Fund, aimed specifically at raising the quality of retail outlets in the major cities in the region.

In 2007 the Medium-Sized Loan Co-Financing Facility was introduced to an additional partner bank, Bank Republic, with a €12.6 million credit line. The Bank also introduced its Energy Efficiency Facility in two large Georgian banks, Cartu Bank and TBC Bank. The EBRD signed a €9.5 million mortgage line to TBC bank, extended loans (€15.8 million) to three Georgian banks in support of micro and small enterprise development and arranged a €9.45 million syndicated loan to ProCreditBank in support of agricultural lending.

In the news

Loan boosts energy resources and local business

The EBRD is lending €7.58 million to Cartu Bank to finance energy efficiency projects and support the development of small and medium size enterprises (SMEs) in Georgia.

A €4.42 million credit line will be used to provide local entrepreneurs with much needed access to medium-term financing, focusing on regions outside of the capital and on sectors such as tourism, agriculture and health care. The sub-loans to small businesses will be for a maximum €340,000.

A further €3.16 million will finance energy efficiency projects in Georgia. The facility will be used for on-lending to private sector industrial entities and residential customers to support rational utilization of energy. This is the second energy efficiency facility in Georgia under a framework that has been developed to encourage enterprises and housing associations to make better use of country's energy resources.

Established in 1996 by Georgian businessmen B. Ivanishvili, Cartu Bank is the sixth largest bank in Georgia by total assets. It currently has five branches, three in Tbilisi and two in the regions of Kutaisi and Batumi and has plans to open additional banking locations in future.

At a glance*

Number of projects

78

Net business volume

€377.6 million

Total project value

€781.1 million

Gross disbursements

€288.3 million

Additional mobilisation

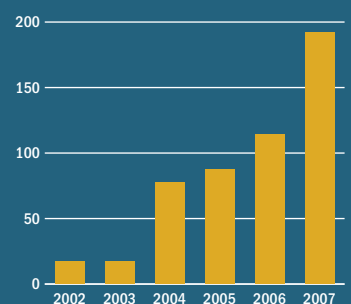
€381.1 billion

Share in private sector

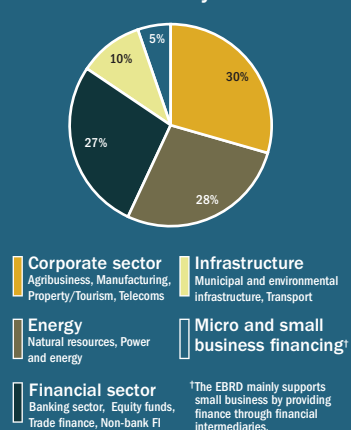
85 per cent

*Cumulative, as at 1 January 2008

Commitments by year (€ million)



Commitments by sector



Enterprises and housing associations now make better use of energy.

➔ Read more...
www.ebrd.com/press

EBRD strategy in Georgia

The country strategy, approved in November 2006, provides the following strategic priorities for the Bank in Georgia reflecting the aims of the Bank's Early Transition Countries (ETC) initiative.

Investment climate

Continue and enhance policy dialogue with the authorities, focusing on the development of small and medium-sized enterprises and micro-enterprises. Under the ETCl, a new programme has been launched recently by the Bank - Policy Dialogue on Investment Climate - with the main objective of promoting public-private sector dialogue.

Infrastructure sector

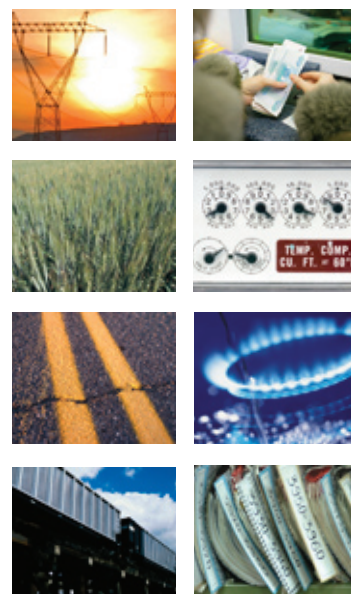
Focus on the power, municipal infrastructure and energy sectors, especially investments in support of energy security and efficiency. Focus will also be provided to strengthening regional transit infrastructure and communications, and working closely with other IFIs, donors and the authorities for sustainable support in these critical sectors.

Enterprise sector

Further expand funding of local enterprises, particularly SME and micro-enterprises. Provide support through credit lines with local partner banks, as well as through the ETCl specialised enterprise funding instruments, i.e. the non-bank microfinance institutions (NBMFI) framework, equity via the Direct Investment Facility (DIF), debt via the Direct Lending Facility (DLF), and the Trade Facilitation Programme (TFP). Support for the agribusiness sector is also a priority given its importance to the Georgian economy.

Financial sector

Extend further support to existing and new partner banks in Georgia with Trade Facilitation Programme and MSME lines of credit as well as mortgage loans; seek suitable equity investments in local banks and support the development of the non-bank financial sector with a specific focus on leasing, insurance and private pension schemes.



Key dates

Joined the EBRD	September 1992
Current strategy	November 2006
Next strategy	2009

➔ Read the full strategy here:
www.ebrd.com/georgia

Early Transition Countries Initiative (ETCI)

In early 2004 the EBRD launched the ETCl to increase its activities in the eight early transition countries. These are the poorest EBRD countries of operations: Armenia, Azerbaijan, Georgia, Kyrgyz Republic, Moldova, Mongolia, Tajikistan and Uzbekistan.

The Initiative aims to stimulate market activity in these countries by using a streamlined approach to financing more and smaller projects, mobilising more investment, and encouraging ongoing economic reform. The Initiative builds on international efforts to address poverty in these members of the Commonwealth of Independent States (the former Soviet Union).

The Bank will accept higher risk in the projects it finances in the ETCs, while still respecting the principles of sound banking. To increase its investments in these countries the EBRD has allocated more staff to work on ETC projects and has created a new team dedicated to the Initiative.

The Early Transition Countries Initiative aims to stimulate market activity in the poorest EBRD countries of operation.



➔ For more on the ETCl:
www.ebrd.com/etc

Economic overview

The effective implementation of legal reforms, the improvement of property rights and a further reduction of corruption are essential to advance the business environment.

The effectiveness of reforms will be increased by improving the implementation capacity as well as the communication about reforms.

It is necessary to complete the remaining privatisation projects in the infrastructure and municipal utility sectors in a fair and transparent manner.

Intensification of domestic competition will improve efficiency and product quality and so boost Georgia's export potential.

Energy/Infrastructure sectors

Significant progress has been made in power sector reform. The sale of two major regional power distributors – the United Distribution Company and JSC Adjara Energy Company – and six power stations to the Czech company ENERGO-PRO was completed in February 2007. Tariffs were increased significantly in 2006 and 2007 while electricity and gas subsidies were introduced to protect those living below the poverty line.

Improving physical infrastructure remains a major challenge and a focus of public investments.

Lack of investments and mismanagement of municipal utilities in Georgia have negatively affected their technical state. This underlines the urgent need for private-sector involvement in the sector. The privatisation of municipal water companies and the commercialisation of municipal public transport services has started, in parallel with efforts to improve the related regulation and to reform tariffs.

Financial sector

Domestic credit to the private sector continued to grow by more than 50 per cent in real terms during 2007. So far the impact of the global liquidity crunch on the banking sector has been limited. Mortgage lending increased significantly accompanied by improvements in the property registration system. Amendments to the Civil Code to support the legal framework for leasing are being discussed and a collateral registry for movable property that is currently being set up will support further growth in lending as well as leasing.

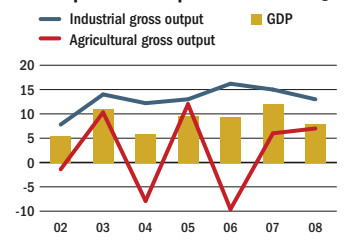
Investment climate

The business environment has continued to improve, even though the recent allegations related to possible corruption and a lack of transparency in some of the large-scale privatisations have raised concerns.

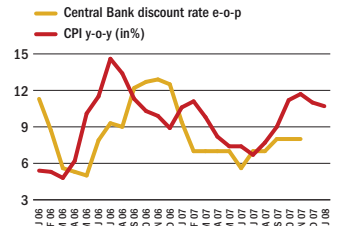
For more research and statistics visit: www.ebrd.com/economics

Find out more about the EBRD's Legal transition programme at: www.ebrd.com/law

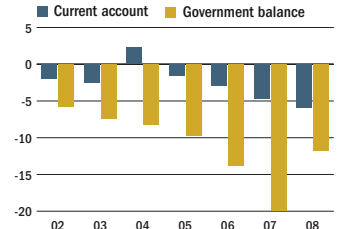
Output and expenditure % change



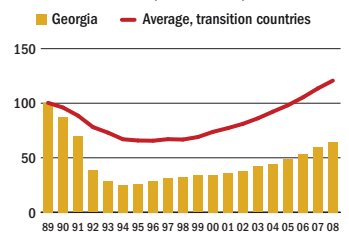
Interest rates and inflation



Fiscal and current account balance %GDP



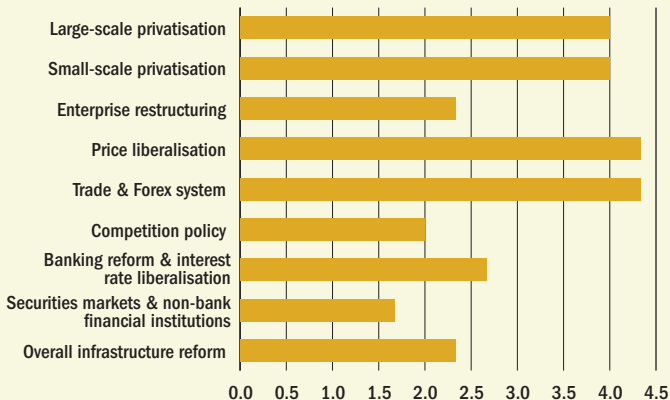
Real GDP (1989 = 100)



The 'cut-off' date for data was mid-April. Data for 2008 are projections.

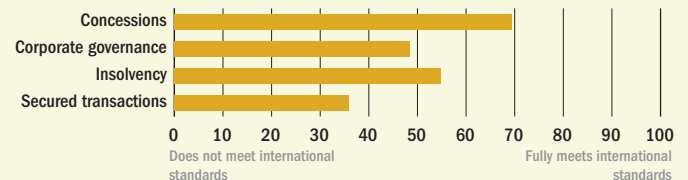
Transition progress

Transition indicators, 2007

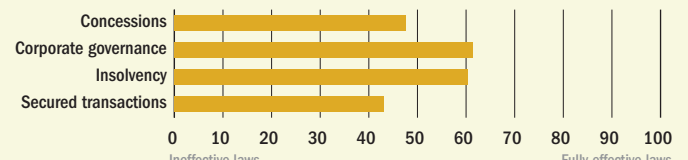


The transition indicators range from 1 to 4+, with 1 representing little or no change from a rigid centrally planned economy and 4+ representing the standards of an industrialised market economy. Source: EBRD Office of the Chief Economist

Quality of laws 'on the books'



Effectiveness of the laws



Measuring effectiveness of the law using specific case studies as proxies for the relevant sector. Source: EBRD Office of the General Council, Country law assessments

Project showcase

TBC Bank

The EBRD is lending €6.8 million to TBC Bank to finance energy efficiency projects in Georgia. The facility will be used for on-lending to private sector industrial entities and residential customers to support rational utilization of energy. The loan is EBRD's first energy efficiency initiative in Georgia under a framework that has been developed to encourage enterprises and housing associations to make better use of country's energy resources. Funds from this framework will also be made available to other local banks.

Basisbank

The EBRD is providing a €4.08 million credit line for Georgia's Basisbank to support its lending to micro, small and medium-sized enterprises (MSME). This is the EBRD's first project with Basisbank. The credit line will contribute to the further development of the Georgian banking system by delivering MSME finance on a large and sustainable scale.



Georgian Reconstruction and Development Company (GRDC)

The EBRD is investing €39.1 million to support the Georgian Reconstruction and Development Company (GRDC) in its programme to bring international standards of real estate development to commercial property projects in the Georgian capital of Tbilisi. With a loan of €30 million and the purchase of a 21 percent stake worth €10.2 million, the EBRD financing will assist the GRDC in the construction, refurbishment and operation of four commercial properties: two office buildings, a shopping centre, a railway station. The facility is EBRD's first direct financing in Georgia's property sector.

Georgian State Agricultural University (GSAU).

The EBRD has launched an initiative to support the expansion of agri-lending in Georgia by training 12 local trainers who will subsequently deliver an agri-lending course at the Georgian State Agricultural University (GSAU). The initiative is being funded by the Early Transition Countries Technical Fund which contributing €41,496.



Bank Republic

The EBRD is extending a €13.6 million credit line to Georgia's Bank Republic to meet the requirements of its private clients for larger loans. The facility will be used to provide medium-term financing to Georgian private companies with sub-loans of between €1.36 million and €18.3 million with maximum maturity of up to eight years. The EBRD loan will provide medium-term funding and will be used for on-lending to local medium sized enterprises, addressing a major constraint for the growth of this segment of the economy.

➔ For more projects visit:
www.ebrd.com/projects



How to obtain EBRD financing

Large private sector projects

www.ebrd.com/apply/large

Small projects

www.ebrd.com/apply/small

Trade

www.ebrd.com/apply/trade

Complementary schemes

www.ebrd.com/apply/tambas

Application form

www.ebrd.com/apply

Today the EBRD uses the tools of investment to help build market economies and democracies in countries from central Europe to central Asia.



European Bank
for Reconstruction and Development

Contacts

Information requests

For information requests and general enquiries, please use the information request form.
www.ebrd.com/inforequest

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Exchange rates

Non-euro currencies have been converted, where appropriate, into euro on the basis of the exchange rates current on 31 December 2007. (Approximate euro exchange rates: £0.73, US\$ 1.47, ¥ 164.87.)

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