



ევროკავშირი
საქართველოსთვის
The European Union for Georgia



MINISTRY OF ECONOMY
AND SUSTAINABLE
DEVELOPMENT
OF GEORGIA

EU4Environment

Armenia, Azerbaijan, Belarus, Georgia, Republic of Moldova, Ukraine

NATIONAL POLICY DIALOGUE ON IMPROVING ACCESS TO GREEN FINANCE FOR SMALL AND MEDIUM-SIZED ENTERPRISES IN GEORGIA

ANNOTATED AGENDA

16 July 2019, Tbilisi

The meeting will be held at:
Hotel Courtyard by Marriott Tbilisi
4, Freedom Square, 0105 Tbilisi City
Meeting room: Ballroom I

Starting at 9:00 am
English-Georgian interpretation will be provided.

Action implemented by:



Improving Access to Green Finance for Small and Medium-Sized Enterprises in Georgia

Background

Small and medium-sized enterprises (SMEs) play an important role in Georgia's economy. The key sectors where SMEs have a particularly significant environmental impact include food processing, mineral extraction and tourism (hotels and restaurants). Forming the backbone of the economy, SMEs are seen as a major actor in the low-carbon transition in the country.

Although the environmental footprint of individual SMEs may be low, their aggregate impact in many respects exceeds that of large businesses. Reducing pollution and lowering material and energy intensities of SMEs can have a positive impact on the economic and environmental performance of the country. However, scaling-up financing to a low-carbon and energy-efficient SME sector will not happen spontaneously. It requires that the government, private investors, financiers, producers and consumers work together to find better solutions to mobilise more effective and efficient green finance opportunities.

Given the dominant position of commercial banks in Georgia, as in other EU Eastern Partnership (EaP) financial markets, banks have an important role to play in providing SMEs with access to finance for green investment. However, under current market conditions, access to finance and banks' involvement remain constrained. Generally, local commercial banks have only established specific environmental credit lines when supported by International Finance Institutions (IFIs) and only a small number continue to offer such products once IFI support is withdrawn. Learning from the design and implementation of such credit lines can provide useful insights into what could be done to increase the capacity and willingness of the banking sector to finance green investments to SMEs.

The OECD has undertaken work in Georgia to understand the challenges associated with scaling up green lending for SMEs. As part of this analysis, the OECD worked closely with the Bank of Georgia, TBC Bank and ProCredit Bank: three banks, which are particularly well-positioned to provide insights as they are the largest local financial institutions that have benefitted from IFI-supported environmental credit lines in Georgia.

Objectives of the meeting

Lessons learnt from these banks' experience with implementing environmental credit lines will be the focus of the discussion in Tbilisi. This experience will also help to discuss the ways to address broader policy and regulatory issues related to green finance. The meeting will discuss how different partners in Georgia could cooperate to mobilise more effectively private finance for green, low-carbon and energy-efficient investments in the SME sector in the country.

Specific objectives of the meeting are to:

- Present and discuss the main findings and conclusions emerging from the analysis of possible ways to improve access to green finance for SMEs in Georgia;
- Take stock of relevant initiatives, policy changes and financial vehicles in Georgia that can contribute to scaling up green lending and finance for SMEs;
- Identify key challenges and ways forward to better align financial mechanisms with policy reforms to speed and scale up green investments in support of energy-efficient and low-carbon growth contributed by the SME sector.

Discussions during the meeting will be supported by a report prepared by the OECD.

This work is part of the EU-funded “EU4Environment” Project. It is also supported by the German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety through its International Climate Initiative.

Participants

The meeting will bring together government officials from the Ministries of Environmental Protection and Agriculture, Economy and Sustainable Development, Finance, Regional Development and Infrastructure, government agencies, such as Georgia’s Innovation and Technology Agency (GITA), Enterprise Georgia, as well as business associations, representatives of domestic financing institutions, the banking sector regulator - National Bank of Georgia, International Finance Institutions (e.g. European Bank for Reconstruction and Development, European Investment Bank), international organisations (EU Delegation to Georgia, UNDP, UNIDO, USAID). Academics, consultants, officials from green/climate-related initiatives, NGOs are also invited to take part in the discussion.

About EU4Environment

The “European Union for Environment” (**EU4Environment**) aims to help the six partner countries: Armenia, Azerbaijan, Belarus, Georgia, Republic of Moldova, Ukraine preserve their natural capital and increase people's environmental well-being, by supporting environment-related action, demonstrating and unlocking opportunities for greener growth, and setting mechanisms to better manage environmental risks and impacts.

The Action is funded by the European Union and implemented by five Partner organisations: OECD, UNECE, UN Environment, UNIDO and the World Bank based on a budget of some EUR 20 million. The Action implementation period is 2019-2022.

For further information contact: EU4Environment@oecd.org

ANNOTATED AGENDA

16 July 2019, Tuesday

8:30 – 9:00 *Registration and coffee*

SESSION 1 *Opening session*

9:00 – 9:30

- Welcome address – *Ms. Ekaterine Mikabadze, Deputy Minister of Economy and Sustainable Development, Georgia and Chair of the meeting*
- Welcome address – *Mr. Alexandre Darras, Delegation of the European Union to Georgia*
- Welcome address – *Mr. Jürgen Keinhorst, Head of Cooperation with Eastern European Countries, Central Asia and South Caucasus, the Middle East and North Africa, Federal Ministry for the Environment, Nature Conservation and Nuclear Safety, Germany and Co-Chair of the OECD GREEN Action Task Force*
- Introduction of the agenda and the objectives of the meeting – *Ms. Nelly Petkova, OECD*

SESSION 2 *Policy environment for green investments in the SME sector in Georgia*

9:30 – 11:00

This session will review the most recent developments in the national SME policy environment as well as in climate and energy-related policies in Georgia. The session will also seek to determine the extent to which the existing policy framework creates demand for green investments in the SME sector and the role of the government in speeding up the green transformation of the sector.

Keynote speech

- Ministry of Economy and Sustainable Development – *Ms. Ekaterine Mikabadze, Deputy Minister of Economy and Sustainable Development, Georgia*

Discussants

- Ministry of Environmental Protection and Agriculture – *Ms. Nino Tandilashvili, Deputy Minister of Environmental Protection and Agriculture, Georgia*
- Enterprise Georgia – Policy instruments and financial products to support and facilitate access to green finance for SMEs – *Mr. Mikheil Khidureli, Director*
- National Bank of Georgia – *Mr. Zviad Zedginidze, Head of Financial Stability Department*

Questions for discussion:

- ***What is the role of SMEs in supporting the green and decarbonised economy and in achieving national climate-related objectives?***
- ***What are the main challenges to access green finance in the SME sector in Georgia and what actions are needed to reduce and overcome such challenges?***
- ***What are the main policy measures that the government can use to promote demand for green investments across SMEs in Georgia? What can the government do to help facilitate access to green finance for SMEs?***

- **What can the government do to incentivise the banking sector to lend more to green projects implemented by SMEs?**

11:00 – 11:30 Coffee break

SESSION 3 State of green lending for SMEs in Georgia: domestic lenders' and borrowers' perspective

11:30 – 13:15 This session will review the main lessons learnt from the experience of the banks that finance SME green investments in energy efficiency and renewable energy sources in Georgia. How can the lessons from this experience be used by other domestic lenders? The session will be organised as a panel discussion and each presenter will have 7-8 minutes to make his/her main points.

Introduction

- Lessons from commercial banks' experience with lending to SME green investments in Georgia – *Mr. Matthew Savage, OECD/Oxford Consulting*

Discussants

- What works well and what could be done better when lending to SMEs in Georgia? – *Mr. Irakli Diasamidze, Head of Utilities and Energy Sector, TBC Bank and Ms. Ketevan Kekelashvili, Head of Environmental Unit, ProCredit Bank*
- IFI experience with green lending in Georgia – *Ms. Mariam Javakhishvili, Principal Banker, EBRD and Mr. Andreas Berkhoff, Senior Loan Officer, EU Neighbourhood – Banks, EIB*
- Perspectives from borrowers: How easy is it to get a loan for a green investment project if you qualify for an SME? – *Mr. Irakli Abaishvili, Associate, Caucasus Clean Energy Fund, Mr. Edisher Khimshiashvili, CEO, NOVA Ltd. and Mr. Alexander Sokolowski, Director, Prime Concrete LLC*
- Financing Resource Efficiency and Cleaner Production measures at SMEs – *Ms. Tatiana Chernyavskaya, International Project Coordinator, UNIDO*

Plenary discussion:

- **What are the main challenges in the green lending market for SME projects from a lenders' perspective? Under what circumstances could commercial banks increase their lending to SMEs to support green projects in the sector?**
- **Where do SME borrowers see the main challenges when applying for green loans? How can these be overcome? How can the government help SME borrowers?**
- **Are commercial banks the best financier? Are there other financing options?**

13:15 – 14:30 Lunch, preceded by a family photo session

SESSION 4 Going beyond the commercial banking sector

14:30 – 16:15 This session will explore other possible financial vehicles that go beyond traditional sources of private capital offered by commercial banks. It will look at international experience and the

opportunities to use public support, green bonds to raise green finance as well as the work of energy service companies (ESCOs) to finance green investments.

- Mobilising the capital market: What future for the stock and debt capital market in Georgia? – *Prof. Davit Aslanishvili, Caucasus University, Caucasus School of Business, Tbilisi State University, Faculty of Economics and Business*
- What role for green bonds? Experience from Mexico with designing a green bond for green investments in the SME sector – *Mr. Kristian Bruning, Director, Climate Wedge*
- Role of ESCOs in mobilising finance for green investments in the SME sector – *Mr. Lars Petter Lunden, Sigra Group*

Plenary discussion:

- ***What reforms and approaches are needed in the blending of public and private finance in order to scale up funding for low-carbon and material and energy efficient investments in the SME sector?***
- ***Can issuing green bonds be a realistic option to raise addition finance for green investments in Georgia?***
- ***Is there space for ESCOs in Georgia and what is the role of the government in creating the right enabling conditions for this instrument to become operational?***

SESSION 5 *Closing session*

16:15 – 17:00

In this session, the Ministry of Economy and Sustainable Development and the OECD will summarise the discussion at the meeting. They will also highlight new policy issues that may need to be considered for further analysis in supporting Georgia in its efforts to finance the transition to an energy-efficient and low-carbon economy with a focus on the SME sector.

- Outcomes of the discussion and next steps – *Mr. Krzysztof Michalak, OECD*
- Closing remarks from: the Ministry of Economy and Sustainable Development, Ministry of Environmental Protection and Agriculture, Germany and OECD

Plenary discussion:

- ***What are the most important policy issues that need further analysis?***
- ***How can the OECD, EU and the EU4Environment partners support the government's efforts in advancing green growth policy reforms in Georgia?***

17:00 – 18:30 *Cocktail*