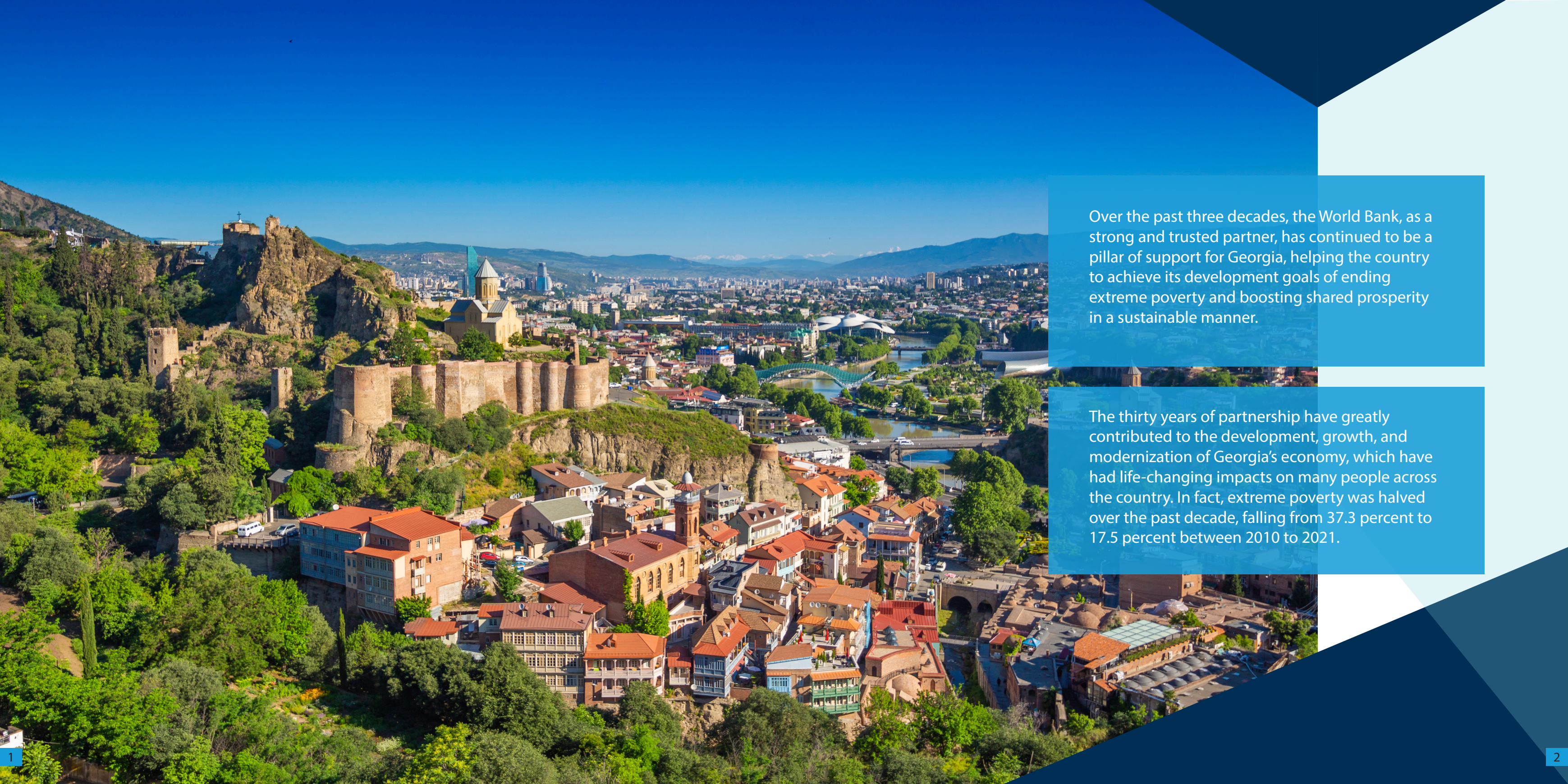




**30 Years of Successful
Partnership**

**WORLD
BANK
AND
GEORGIA**



Over the past three decades, the World Bank, as a strong and trusted partner, has continued to be a pillar of support for Georgia, helping the country to achieve its development goals of ending extreme poverty and boosting shared prosperity in a sustainable manner.

The thirty years of partnership have greatly contributed to the development, growth, and modernization of Georgia's economy, which have had life-changing impacts on many people across the country. In fact, extreme poverty was halved over the past decade, falling from 37.3 percent to 17.5 percent between 2010 to 2021.

ARTICLES OF AGREEMENT OF THE
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
The Government of Georgia has signed

INTERNATIONAL
The Government
agree as follows:
The Government
establishes
provisions:



Signing of the IBRD articles of agreement on behalf of Georgia by Vice Prime Minister Otar Kvilitaia, August 7, 1992 at the United States Department of State, Washington D.C. © World Bank Archive

FOR THE REPUBLIC OF GEORGIA:

07.08.92.



The partnership between the World Bank and Georgia was formally launched in 1992 - during an extremely challenging period for the country - following its independence from the Soviet Union, which came at a great cost for Georgia: the economy significantly declined, poverty rates surged, and internal conflicts arose.

The World Bank was instrumental during these early years of transition in helping Georgia overcome its challenges by providing multifaceted assistance in a wide range of areas - institutional building, infrastructure, agriculture, energy, education, health, and regional development.

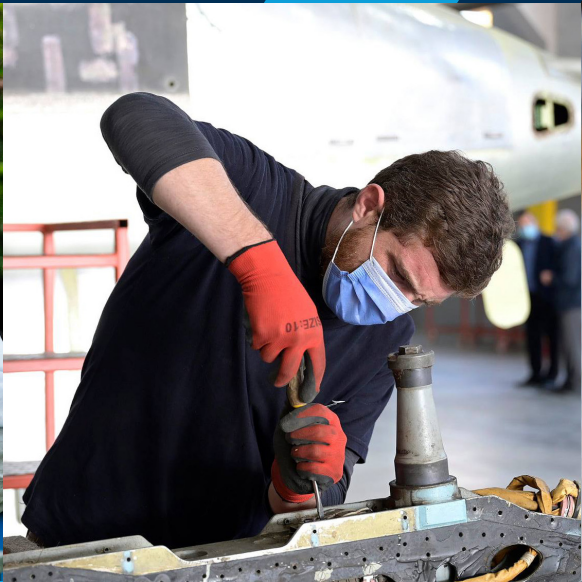
To quantify this - the World Bank has provided Georgia with a total of \$3.88 billion in financial support to date, spanning across 86 projects in different sectors of the economy, 72 of which have already been completed, while the remaining 14, amounting to \$1.42 billion, are currently in progress.

Over the past 30 years, through its comprehensive financial, technical, and analytical support, the World Bank has played an important role in the transformational journey of Georgia.

FOR THE GOVERNMENT OF UKRAINE:

12.08.92.

09.09.92



THREE DECADES OF PARTNERSHIP



Over the 30 years of partnership, the World Bank has supported three generations of reforms in Georgia.

1990s - A Decade of Transition

1990s - A Decade of Transition

From the very start, the World Bank assisted Georgia in pursuing first-generation reforms that were designed to help the country transition from a centrally planned economy to a market economy - by building institutions, ensuring macroeconomic stability, fostering growth, and advancing financial discipline in the public and private sectors.

2000s - A Decade of Laying Foundations

2000s - A Decade of Laying Foundations

Building on the work done in the previous decade, the World Bank in the 2000s aided Georgia in such critical reform areas as public sector management and social safety nets, as well as in fighting corruption and supporting the country's aspiration to become a regional transit corridor.

2010s and onwards - A Decade of Transformation

2010s and onwards - A Decade of Transformation

Over the past decade, the World Bank has shifted its focus to help Georgia implement a more modern set of reforms that aim to create a more sophisticated economy, with more and better paying jobs. The Bank has been supporting Georgia in advancing regional development and the human capital agenda, as well as promoting digital and innovation ecosystems.

1990s - A Decade of Transition



საქართველო
საერთაშორისო

Georgia declared independence on April 9, 1991, following a referendum in which 99 percent of voters opted for the country's secession from the USSR. Unfortunately, becoming a sovereign state was accompanied by turbulent times for Georgia - territorial conflicts, an economic freefall, energy sector collapse, and the deterioration of critical infrastructure, as well as health and education services.

Transitioning from a centrally planned economy to a market-based economy was a challenging path, as Georgia's GDP fell by almost three quarters, annual inflation reached 15,000 percent, industrial output declined by more than half, and wages plummeted by 90 percent between 1989 and 1994.

During this critical period, Georgia became a member of the World Bank - on August 7th, 1992.

The partnership intensified with the World Bank's first loan, a \$10.1 million *Institution Building Project*, approved in 1994. This project was extremely timely in supporting the Georgian Government to build institutions, assert control over hyperinflation, and transition the country to a market economy. Thanks to this very first project and the World Bank's robust advisory services program, Georgia was able to overcome numerous obstacles hindering its growth trajectory.



World Bank President James D. Wolfensohn's meeting with the President of Georgia Eduard Shevardnadze, April 25, 1999/Washington D.C. @World Bank Archive.

That same year, the World Bank also launched the \$18 million **Municipal Infrastructure Rehabilitation Project**, which was designed to help rehabilitate and stabilize critical infrastructure services in Georgian cities, improve the management and delivery of municipal services, and reinforce the credibility of local governments by helping reinstate public confidence and ensure social stability. The project helped with restoring basic services, repairing roads, and providing reliable supplies of heat, electricity, and water to schools, hospitals, and above all – homes. One more critical result of the project was the full restoration of the Tbilisi Metro System – a transport service which 90 percent of local citizens depended on back in the '90s.

In 1997, a critical **Power Rehabilitation Project** was launched, which successfully helped tackle one of the biggest and most visible challenges that Georgian citizens faced at that time – the lack of a stable electricity supply.

One additional and significant World Bank contribution in the '90s was the establishment of the **Municipal Development Fund** in 1997, which has since been a key driver of Georgia's regional development and successful tourism strategy.



IN 1997, THE WORLD BANK OPENED ITS OFFICE IN GEORGIA'S CAPITAL TBILISI

This was followed by the approval of the **Cultural Heritage Project** – unprecedented assistance in the amount of \$5 million designed to preserve and promote Georgia's ancient and unique cultural history, and to support tourism as a key growth sector, which was something the World Bank had never done before in any other country.



World Bank President James D. Wolfensohn visit in Georgia, 1999.

World Bank President James Wolfensohn had personally championed the **Cultural Heritage Project**, which greatly contributed to its approval and implementation process, and in 1999, during his official visit to Georgia, he was given a tour of the cultural sites reconstructed under this project.

Through the **Cultural Heritage Project**, an emergency rehabilitation fund was set up to help take stock of, and afterwards repair priority cultural sites and artifacts. In addition, Georgia's history and culture were promoted through a wide range of activities, including seminars, newsletters, as well as arts and music competitions.

Recognizing Georgia's cultural heritage, both as its national pride and a source for economic growth, the project helped preserve over 100 cultural and historic treasures and created ties with international communities and private benefactors.





The World Bank was not only focused on preserving Georgia's cultural heritage, but also its natural heritage, and in 1998, the Bank allocated \$4.4 million to launch the **Integrated Coastal Management Project**, which aimed to improve coastal resource management for the Black Sea. The project consisted of five components, including the establishment of an institutional and legal framework;

the protection and management of forests and natural habitats to support biodiversity conservation; the establishment of a coastal environment quality monitoring and information system; the evaluation of coastal erosion; and the development of a national oil spill contingency plan and marine oil pollution control plan to provide support towards a Regional Black Sea Strategy.




Georgia's judiciary was another important beneficiary of the World Bank's support. Aiming to assist the country in the development of an independent and professional judiciary, the World Bank has been supporting respective reforms through its \$13.4 million **Judicial Reform Project**, approved in 1999. The project also provided technical assistance and equipment for enforcing court judgments and for drafting legislation, in addition to sponsoring a range of study tours and training courses.





Overall, in the '90s, the World Bank allocated **\$516** million for Georgia, distributed across **23 projects**. Along with financial support, the World Bank provided Georgia with technical assistance, analytical work and facilitated policy dialogue, which was especially vital for a developing country.

2000s - A Decade of Laying Foundations



Over the second decade, the partnership between the World Bank and Georgia evolved along with changing local and global contexts. The Bank's portfolio had significantly increased in the 2000s, reflecting the needs of the country and constituted a total of 33 projects and a budget of \$989 million.

Reforms progressed from fundamental changes facilitating transition to a market economy and building institutions, to second-generation reforms which were the major focus of the World Bank's support. This support helped Georgia create wide-ranging economic development and poverty reduction programs covering governance, business climate, privatization, macroeconomic and public expenditure management, reforms in social assistance, as well as the education sector. In addition, the Bank, with its advisory services, also contributed to Georgia's internationally recognized efforts to combat corruption.



Geographically and historically, Georgia has always been uniquely positioned at the crossroad between the East and the West. Having foreseen Georgia's great potential to become a regional transit hub, the World Bank became the first international financial institution to support the construction of the East-West Highway, Georgia's key infrastructure asset for many decades to come. From 2006 until today, the World Bank has invested \$527 million and helped attract an additional two billion from other IFIs for the **East-West Highway Project**.

The **East-West Highway** will serve as a bridge connecting regions, countries, people, and businesses, thus boosting the social-economic potential of Georgia. Overall, some of the largest investments made by the World Bank in Georgia over the past 30 years are focused on infrastructure - more than \$1 billion.



The World Bank has also helped Georgia benefit from becoming a regional energy transit hub. Through the **Energy Transit Institution Building Project**, the World Bank used its international experience to help Georgia get a fair share of benefits from the transit pipelines, and to ensure that the pipelines were environmentally and technically safe. As a result, Georgia receives substantial revenues from oil and gas transit through the Baku-Tbilisi-Ceyhan and South Caucasus Pipelines. The supplemental and optional gas received as a compensation for transit is a significant factor in Georgia's energy security, and the environmental footprint of the pipelines is comparable with the footprints of the best-practice pipelines built across Europe and the US.

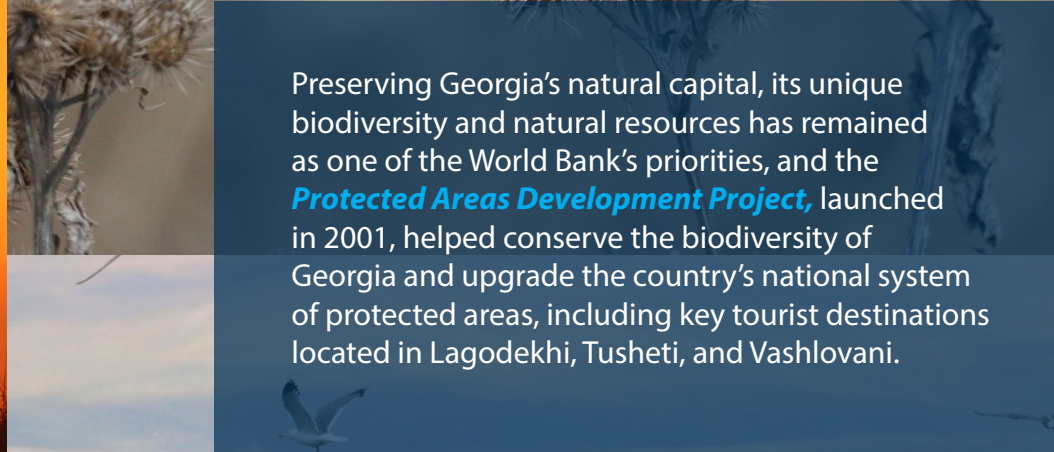
PHOTO @ GEORGIAN STATE ELECTROSYSTEM

The World Bank continued supporting Georgia's energy sector in the second decade as well, one such intervention being the **Electricity Market Support Project** – a \$30.97 million initiative designed to improve electricity supply efficiency in Georgia, in addition to financial and corporate management of the wholesale electricity market.

Along with rehabilitating selected substations and providing an environmental management plan, the project also funded installation of a modern electricity system supervisory control and data acquisition system, which enabled improved monitoring of the electricity flows and reduction of electricity outages across the country.



Preserving Georgia's natural capital, its unique biodiversity and natural resources has remained as one of the World Bank's priorities, and the **Protected Areas Development Project**, launched in 2001, helped conserve the biodiversity of Georgia and upgrade the country's national system of protected areas, including key tourist destinations located in Lagodekhi, Tusheti, and Vashlovani.



Photos © Maia Duishvili



The World Bank has always been devoted to the human capital development agenda in Georgia and has been investing in future generations through numerous successful activities.

During the second decade of partnership, the World Bank helped address the challenges in Georgia's education sector - despite the steady progress in various fields, Georgia still faced the urgent need to transform its outdated Soviet education system into a modern, equitable one. Through joint efforts of the World Bank and the Government, Georgia managed to implement a number of groundbreaking educational reforms, of which the most notable was the implementation of standardized university entrance exams, that eradicated the Soviet legacy - corruption that persisted in the admission procedures of higher education institutions.

With the education sector in focus, the World Bank also helped establish various essential institutions, such as the National Assessment and Examinations Center and the Teachers' Professional Development Center. Moreover, the first national curriculum in Georgian schools, which prioritized students' needs and provided training for teachers in modern pedagogy, was also created through World Bank assistance.

One other notable contribution to Georgia's education sector by the World Bank was the establishment of the **International School of Economics at Tbilisi State University (ISET)**. The school, which opened its doors to students from Georgia and abroad in 2006, has become a model of global best-practice in adoption of economics studies in the region.

As with every other challenge faced by Georgia during the 30 years of partnership, the World Bank stood alongside Georgia, during the most dramatic event in the country's recent history – the Russian invasion in August of 2008.

Together with other donors and international financial institutions, including the EU and the IMF, the Bank quickly mobilized robust post-conflict support to help ensure that people displaced by the conflict and other vulnerable groups were provided with housing and vital social assistance. In total, the World Bank was able to allocate up to \$30 million to help over 1,200 IDP families secure new homes and ensure the provision of relevant infrastructure around the newly built settlements.

After the war in 2008, when Georgia's banking sector was at a critical juncture, the World Bank Group's *International Finance Corporation (IFC)* was able to step in just in time to help the sector overcome the impacts of the devastating twin shocks of war and the global financial crisis. IFC responded with a commitment of more than \$350 million in lending and equity financing to Georgia's financial sector between 2009 and 2013, and provided risk management advisory services to especially address post - conflict issues. This support enabled lending to small and medium businesses and homeowners, saving jobs and promoting sustainable private sector-led growth in Georgia.




**International
Finance
Corporation**
WORLD BANK GROUP



2010s and onwards - A Decade of Transformation



The third decade of the partnership between the World Bank and Georgia prioritized the implementation of an innovative set of reforms designed to help Georgia create a more sophisticated economy, as well as better job opportunities and improved living standards.

From 2014 onwards, the Bank has helped the Government to implement its Socioeconomic Development Strategy aimed at achieving faster, more inclusive, and sustainable growth, as well as realizing the benefits associated with the Deep and Comprehensive Free Trade Agreement with the EU.

Over the past decade, the Government of Georgia has intensified its focus on regional development and agriculture, in order to address disparities in urban and rural development. Aiming to improve the living standards of people outside the city centers, the World Bank mobilized over \$200 million to assist the Government of Georgia in its regional development agenda, by implementing three **Regional Development Projects (RDPs)**. These projects are playing a significant role in boosting local economic development, advancing favorable conditions for private capital mobilization as well as for tourism, and creating new job opportunities for people living in rural areas.

One of the most important goals of the **Regional Development Projects** is preserving Georgia's ancient and fascinating cultural heritage. The Vardzia complex, the Vani Museum, the Telavi Museum and the Palace of King Erekle II, the Zugdidi Botanical Garden, a folklore theater in Mestia, and the museums in Borjomi, Mtskheta, Stepantsminda, as well as the historical towns of Tskaltubo, Abastumani, Dusheti - these are just a few of many monuments and sites rehabilitated with the World Bank's support, that are now attracting an even higher number of domestic and international tourists.



For instance, in Kakheti region the results of these interventions have translated into increased tourist overnight stays from 1 night to 3-4 nights on average between 2012 and 2017, doubling the collection of value added tax for the same period. By spending less than \$2 million of project funds, the Government was able to mobilize over \$30 million in private investments in Kakheti, which has led to the arrival of the first regional chain hotels in Telavi and Tsinandali. The same results are expected to be seen for the historic town of Abastumani, where the World Bank is investing in urban revitalization and creating enabling environment for increased business participation in the local economic development.





Beyond the Regional Development Projects, the World Bank's investment and analytical support for the regions has also covered the agriculture and land sectors. With the help of the Bank's ongoing ***Irrigation and Land Market Development Project***, launched in 2014, the delivery of irrigation and drainage services were improved in selected areas, and more efficient policies and procedures were developed as a basis for the national program of land registration.

It is important to note that this project places special emphasis on eliminating gender gaps and supporting the property ownership rights of women. According to data from the spring of 2022, 51 percent of land-owners registered through this project are women.



In parallel, in order to provide a reliable power transmission, upgrade electricity exchange systems, and provide economically efficient, environmentally and socially sustainable electricity sector planning in Georgia, the World Bank initiated a \$60 million ***Transmission Grid Strengthening Project***, which supported the construction of a high voltage transmission line from the country's southwestern city of Akhaltsikhe to the Black Sea port city of Batumi.

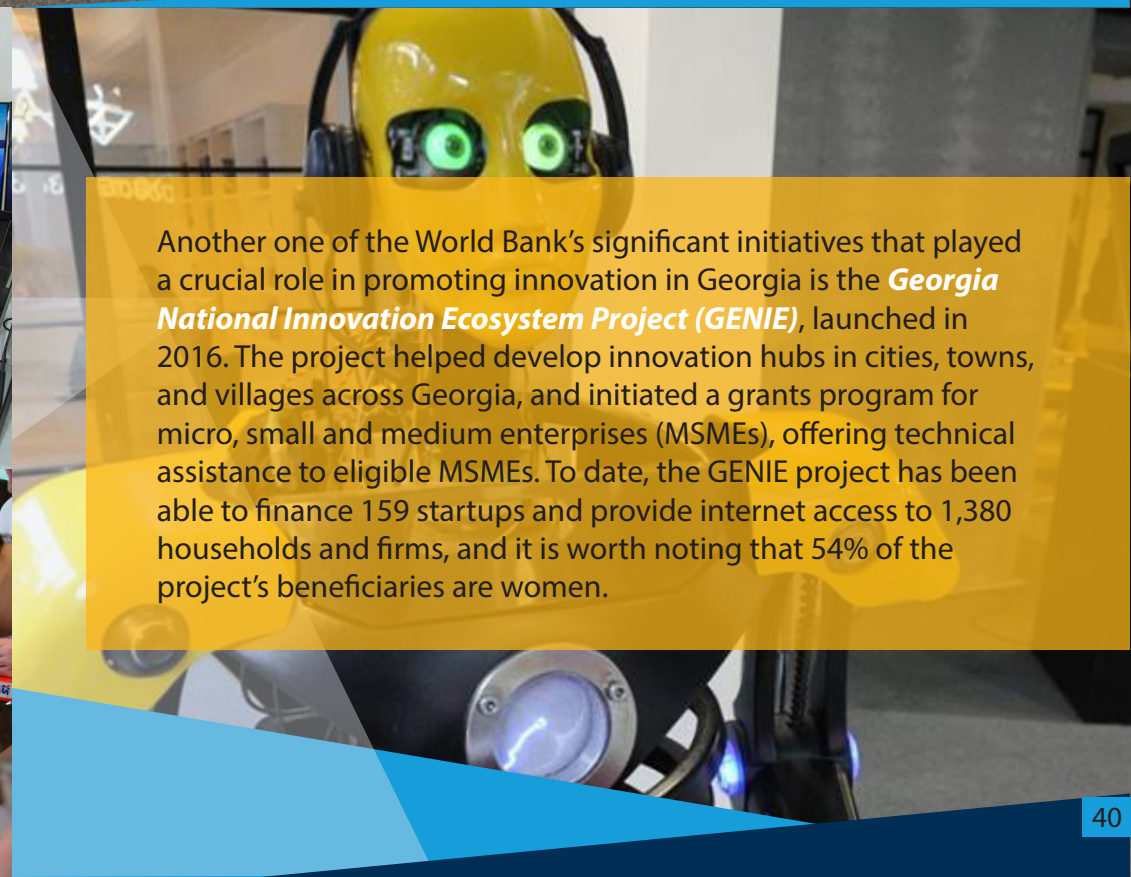




Driven by private sector investments, access to digital services has developed at a steady pace in Georgia. Despite popular demand, which increased significantly during the COVID-19 pandemic, the coverage of high-quality broadband networks remained limited in Georgia's highland and rural areas, which dampened the ability of local people and enterprises to benefit from the full range of services and information available online.

As a steadfast partner to Georgia, the World Bank stepped in to assist the country on its innovative path towards digital transformation by launching the critical **Log-in Georgia Project** in 2020, which intends to connect up to 500,000 people in over 1,000 villages across remote and mountainous regions to the high-speed and affordable broadband internet, giving them access to crucial services such as digital finance, e-commerce, e-governance, telemedicine, and remote learning proven to be invaluable in the wake of the pandemic.

The **Log-in Georgia Project** also includes special activities designed to boost the usage of internet services by women, ethnic and social minorities, as well as persons with disabilities. In addition, the project helps Georgia mitigate and adapt to the impacts of climate change by financing climate-smart digital infrastructure, which strengthens climate resilience, and can be used for disaster response, minimizing the risks of connectivity disruptions in case of natural disasters.



Another one of the World Bank's significant initiatives that played a crucial role in promoting innovation in Georgia is the **Georgia National Innovation Ecosystem Project (GENIE)**, launched in 2016. The project helped develop innovation hubs in cities, towns, and villages across Georgia, and initiated a grants program for micro, small and medium enterprises (MSMEs), offering technical assistance to eligible MSMEs. To date, the GENIE project has been able to finance 159 startups and provide internet access to 1,380 households and firms, and it is worth noting that 54% of the project's beneficiaries are women.



The beginning of the 2020s was turbulent for the whole world, and Georgia was no exception - amid the COVID-19 outbreak, the country was facing a new reality and a new kind of a battle. However, just as in the past, the World Bank stood firmly alongside Georgia from the onset of the pandemic.

The World Bank's financial and technical support to Georgia's COVID-19 response was swift and extensive, delivering in record time **3 new projects** in the total amount of **\$266.3 million**, which enabled the Government to save lives and protect the livelihoods of those impacted by the pandemic, as well as to safeguard Georgia's businesses and economy.

Through the \$80 million **Emergency COVID-19 Response Project** approved in April 2022, the Ministry of Health was able to procure numerous life-saving medical equipment such as 7 million PCR and Rapid Test Kits; over 12 million units of Personal Protective Equipment for health workers such as gloves, masks, and respirators; essential packages to fully equip 100 primary healthcare facilities in the regions; hospital equipment for 7 key public hospital institutions in the cities; thousands of oxygen concentrators, hundreds of medical beds, and many more. This resupply, and in some cases upgrade of hospitals around the country, will continue benefiting Georgia beyond the pandemic. The project also helped address the social impacts of the crisis - over 750,000 poor and vulnerable citizens of Georgia were assisted with cash support through various social assistance and unemployment benefits which in total amounted to approximately \$72 million.





The Bank was also quick to support the country's vaccination campaign, including with financing of \$34.5 million for vaccine procurement and deployment, along with investments in cold chain systems, service delivery, medical waste management, and digital healthcare. In total, over 1 million doses of vaccines have been retroactively financed by the World Bank, which is enough to cover nearly 30 percent of the eligible population.

Additionally, in order to help the jobs agenda and boost the digitalization of Georgia's business sector, the World Bank has provided \$102 million through the **Georgia Relief and Recovery for Micro, Small and Medium Enterprises Project**, which envisions support to over 6,000 enterprises most affected by the pandemic. This project also serves to strengthen Georgia's financial infrastructure and promote the use of digital financial services, and it includes support for upgrading the payment systems infrastructure, rollout of a digital know-your-customer (KYC) registry and strengthening the secured transactions framework.

And finally, in an effort to ensure continued macroeconomic stability, despite the pandemic, and to safeguard progress on reforms that support the long-term growth agenda, the World Bank has also extended direct budget support to the Georgian Government through its **Supplemental Economic Management and Competitiveness Development Policy Operation** in the amount of \$45 million.



This anniversary year - 2022 - also marks the launch of one of the World Bank's most critical and transformational projects in Georgia - the **Human Capital Program (HCP)**, which is a \$400 million investment in the country's future that will continue to have a positive impact for generations to come.

Approved in March 2022, the **Human Capital Program** is the largest cross-sectorial investment ever extended to Georgia by the World Bank over the 30 years of partnership. Given that human capital is a key driver of the county's economic growth, the HCP will be a significant boost for Georgia's economic prosperity in the future.

Only by unlocking the full potential of its human capital, by ensuring access to high quality education for future generations, and by delivering equal healthcare and social protection services for all citizens, can Georgia build a solid foundation for inclusive and sustained growth, which provides better jobs and opportunities for its people.

The **Human Capital Program** is also designed to help the country further implement transformative and fundamental reforms in education, health, and social protection sectors, which is especially critical for maintaining Georgia's long-term development trajectory and a course towards becoming a high-income economy as well as a member of the EU.



Along with the education dimension, the HCP will also ensure that the social assistance system is better targeted to families in need, and that it provides strong preventive healthcare with lower cost of treatments and medicine.

The Program also intends to raise awareness around climate change and energy efficiency among education professionals, by training teachers and holding workshops on climate resilient and energy efficient schools, as well as providing access to skills training necessary for green jobs.

Thus, the **Human Capital Program**, together with one other critical initiative - **Innovation, Inclusion and Quality Project**, launched by the World Bank in 2020 with the aim of narrowing the skills gap between learning outcomes and labor market, will play a significant role in unlocking the potential of Georgia's human capital, which in the long run will ensure prosperity for every family in the country.





Next decade

Over the next decade of partnership, the World Bank will continue helping Georgia build on its impressive track record of reforms and reposition itself along what is called the green, resilient, and inclusive development agenda, with a focus on innovations and human capital development, and action on green growth and climate change.

As a strong and trusted partner, the World Bank Group will further support Georgia on its transformative journey toward becoming a more competitive, green, digital, and business-friendly economy that provides better jobs and opportunities for all its people.





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