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INTERNATIONAL FINANCE CORPORATION

MULTILATERAL INVESTMENT GUARANTEE AGENCY

**PERFORMANCE AND LEARNING REVIEW
OF THE COUNTRY PARTNERSHIP FRAMEWORK**

**FOR
GEORGIA
FOR THE PERIOD FY19–FY22**

April 14, 2022

**The South Caucasus Country Management Unit
Europe and Central Asia Region**

**The International Finance Corporation
Europe and Central Asia Region**

The Multilateral Investment Guarantee Agency

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FISCAL YEAR

January 1 – December 31

CURRENCY EQUIVALENTS

(Exchange Rate Effective as of April 14, 2022)

Currency Unit = Georgian Lari (GEL)

US\$1 = GEL 3.08

ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
AIIB	Asian Infrastructure Investment Bank
ASA	Advisory Services and Analytics
BETF	Bank-executed Trust Fund
CCSAP	Climate Change Strategy and Action Plan
CE	Citizen Engagement
COVID-19	Coronavirus Disease 2019
CPF	Country Partnership Framework
CSO	Civil Society Organizations
DIA	Deposit Insurance Agency
DPO	Development Policy Operation
E&S	Environmental and Social
ECA	Europe and Central Asia
EMC	Economic Management and Competitiveness
EU	European Union
FDI	Foreign Direct Investment
FELG	Forest Law Enforcement and Governance
FSAP	Financial Sector Assessment Program
GBV	Gender-Based Violence
GDP	Gross Domestic Product
GENIE	Georgia National Innovation Ecosystem Project
GHG	Greenhouse Gases
GoG	Government of Georgia
GPSA	Global Partnership for Social Accountability
GRAIL	Georgia Resilient Agriculture, Irrigation and Land
GSE	Georgian State Electrosystem
HPP	Hydropower Plant
IBRD	International Bank for Reconstruction and Development
ICT	Information and Communications Technology
IDA	International Development Association
IEG	Independent Evaluation Group

IFC	International Finance Corporation
IMF	International Monetary Fund
IPA	Investment Promotion Agencies
IPF	Investment Project Financing
IRLDP	Integrated Regional and Local Development Project
KfW	German Development Bank (<i>Kreditanstalt für Wiederaufbau</i>)
LPI	Logistics Performance Index
MSMEs	Micro, Small, and Medium Enterprises
NBG	National Bank of Georgia
NDC	Nationally Determined Contribution
PBC	Performance Based Indicator
PFM	Public Financial Management
PforR	Program-for-Results
PLR	Performance and Learning Review
PPP	Public-Private Partnership
RDP3	Third Regional Development Project
SCD	Systematic Country Diagnostic
SME	Small and Medium-sized Enterprise
SOE	State-Owned Enterprise
SRMIDP	Second Regional and Municipal Infrastructure Development Project
SSA	Social Service Agency
TF	Trust Fund
TSA	Targeted Social Assistance
VAT	Value Added Tax
VET	Vocation Education and Training
WB	World Bank
WBG	World Bank Group

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GEORGIA
Performance and Learning Review
of the Country Partnership Framework

I. INTRODUCTION

1. This Performance and Learning Review (PLR) summarizes the implementation progress of the World Bank Group’s (WBG) Country Partnership Framework (CPF) for Georgia for FY19–FY22 (Report No. 121853-GE discussed on May 22, 2018). The PLR provides an update on the performance and status of the CPF program, draws lessons from its implementation, and proposes adjustments to the program to reflect new economic and social challenges posed by the COVID-19 pandemic and by global efforts on green, resilient, and inclusive development. The PLR proposes to extend the CPF by one year to account for the adjustments made to the program, as well as delays in implementation stemming from the COVID-19 pandemic.

2. The CPF is underpinned by the Systematic Country Diagnostic (SCD)¹ and aligned with the Government’s “Vision 2020” of a country that aims to become prosperous, with a modern market-based economy, and which is fully integrated regionally. The WBG has supported this vision and the overall objective of reducing poverty and boosting shared prosperity by delivering a strong package of support—financial, analytical, and advisory, as well as convening services—under three CPF focus areas: (i) enhancing inclusive growth and competitiveness; (ii) investing in human capital; and (iii) building resilience. Three themes cut across the program: maximizing finance for development, spatial development, and innovation. The CPF proposed a strategic shift to increase the WBG’s support for strengthening human capital, which is critical for economic growth. The COVID-19 crisis has further underscored the urgency of boosting investments in that realm to ensure that recovery and growth are inclusive and address the needs of the most vulnerable.

3. The World Bank’s lending program under the CPF has been stronger than initially envisioned, largely due to the support requested by the Government of Georgia (GoG or Government) to respond to the pandemic, as well as to uncertainties surrounding the lending capacity of the International Bank for Reconstruction and Development (IBRD) when the CPF was being prepared in 2018. However, priority areas for possible interventions were agreed with the GoG at that time, and a notional list of projects and preliminary indicators were included in the CPF. The CPF assumed an IBRD program of USD 300–USD 400 million and another USD 300–USD 400 million from the International Finance Corporation (IFC). IBRD financing under the CPF currently amounts to USD 1.09 billion across eight projects. IFC’s program amounted to USD 88 million for its own account, of which USD 79 million was in long-term finance. MIGA guarantees stand at USD 116 million, supporting a hydropower project and climate finance lending in the financial sector - the latter being part of MIGA’s COVID-19 Response Program.

4. Implementation progress as measured by the indicators in the CPF results framework is mixed. Approximately 53 percent of the indicators have been achieved or are on track to be achieved in the remainder of the CPF period, and others will either be dropped or replaced by more relevant indicators. The primary reason for the disconnect is that 32 percent of the CPF indicators were linked to notional projects that did not materialize as planned owing to shifts in Government borrowing priorities, largely

¹ World Bank. 2018. *Georgia: From Reformer to Performer. Systematic Country Diagnostic.*

brought on by COVID-19. Significant adjustments to the results framework will be required to permit a more accurate assessment of the results of objectives at the end of the CPF period. The shortcomings of the results framework have not had a significant impact on the development objectives of the overall program, which remain closely aligned with GoG priorities and jointly agreed high-level outcomes.

5. The PLR confirms the strategic direction of the CPF and validates the relevance of the CPF objectives across the three focus areas, while recommending two main adjustments. The first is to reflect the WBG’s continued support to address the socio-economic impact of COVID-19. The second is to strengthen the foundation for green, resilient, and inclusive development in support of post-COVID growth. To ensure sustainable recovery and achieve medium- to long-term development results, the CPF program will place a stronger emphasis on extending digital connectivity, improving the enabling climate for entrepreneurship, making agriculture more resilient, enhancing human capital, supporting efforts to boost productivity growth, and strengthening climate adaptation and mitigation measures.

6. Demand for IBRD financing is expected to remain strong for the remainder of the CPF period. The WBG, with its comparative advantages in terms of global cutting-edge analytics and knowledge, remains in a strong position to support the GoG in achieving the development targets laid out in the new “Georgia 2030” strategy. The FY23 lending pipeline includes three projects, with total IBRD financing of approximately USD 300 million. Proposed interventions will support more balanced socio-economic development, shrink regional and gender disparities, and increase Georgia’s overall competitiveness. The lending will be complemented by knowledge activities that support recovery and reform efforts, while providing analytical underpinnings for the new operations.

II. MAIN CHANGES IN COUNTRY CONTEXT

A. Changes in Political, Institutional, and Development Context

7. During the CPF implementation period, Georgian Dream has been the country’s ruling political party. Despite a tense political environment marked by strong polarization between the ruling and opposition parties, there is a shared consensus on the national development priorities. These include European Union (EU) membership and commitment to a transatlantic partnership, building more efficient institutions, strengthening economic growth, and fighting poverty, and putting in place reforms that foster a competitive business environment. The reform momentum has been delayed owing to uncertainties surrounding COVID-19 and the charged political environment during election periods. The next elections are to take place by mid-2024. The coming two years thus constitute an important opportunity for the GoG to focus efforts on the reform agenda and to retain its internationally recognized “reformist mantle”.

8. The country’s ambition to join the EU provides a strong impetus for reforms across sectors. In January 2021, the GoG officially announced its intention to apply for EU membership in 2024, however, amid Russian invasion of Ukraine, the Government accelerated the process and submitted Georgia’s application for the EU membership on March 3rd, 2022. To meet EU accession criteria, Georgia needs to harmonize the national legal framework with EU legislation and make institutional changes and reforms that advance: (i) green economy and environment agendas; (ii) public sector governance; (iii) an enabling environment for small- and medium-sized enterprises (SMEs), agriculture and food sector; and (iv) regional connectivity, particularly in the areas of transport, energy, and digitalization.

9. The COVID-19 pandemic has posed new challenges for Georgia’s development. Since 2020, much of the Government’s focus has been on addressing the immediate impact of COVID-19 on people’s lives and livelihoods. At the same time, it has maintained its sight on addressing medium- and long-term

development challenges, which could cost more than 6 percent of the country's GDP if left unattended to. In May 2021, Georgia (i) submitted its updated Nationally Determined Contributions (NDC), committing to an unconditional target of reducing total emissions of greenhouse gases (GHGs) by 35 percent by 2030, and (ii) adopted its Climate Change Strategy and Action Plan (CCSAP), identifying concrete actions the country will take to meet its ambitious climate commitments.

10. Securing and building strong human capital is especially salient, and the Government remains committed to advancing the human development agenda. Georgia's relatively low human capital index (0.57 in 2020) as compared to other middle-income, and Europe and Central Asian (ECA) countries is a major development challenge across the human lifecycle: from health care to education and social protection for all citizens. Georgian students perform relatively poorly in international education assessments, which is largely the result of inequitable access to quality education. Out-of-pocket costs for health care are among the world's highest, and the outdated targeting tools of Georgia's social protection system limit its responsiveness and capacity for timely service delivery. The COVID-19 pandemic further threatens recent gains and future human capital accumulation.

11. Georgia aspires to become a regional hub for trade and logistics, energy, innovation and digitalization, and tourism. Georgia is continuously developing its transcontinental corridor² and is exploring the possibility of attracting investments in the development of digital corridor and data centers, which could serve as a regional hub for the South Caucasus and a gateway between the EU and Asia. The joint WB-IFC *Country Private Sector Diagnostic*, currently under preparation, will provide an in-depth analysis of opportunities for the private sector in the logistics sector. Russia's invasion of Ukraine, and tensions between Armenia and Azerbaijan constitute an impediment to regional integration. Georgia's relations with Russia remain tense with unresolved territorial conflicts over Abkhazia and South Ossetia.

12. The Government is preparing a new 10-year development strategy, referred to as "Georgia 2030" to balance short and long-term development considerations. Continued prevalence of COVID-19 and slow update of vaccines³ is threatening economic growth prospects, widening inequality, and is likely to push more people into poverty. The conflict in Ukraine will likely have an additional significant socio-economic impact on Georgia. Recovery prospects will figure prominently in the new strategy, which aims to overcome the "middle-income trap" and enable Georgia to become a high-income country. As highlighted in sectoral strategies, this will require a more pronounced focus on boosting productivity and economic growth, improving human capital gains, and reducing poverty. An emphasis on strengthening public institutions' capacity for better service delivery will be a cross-cutting theme.

B. Economic Developments and Medium-term Outlook

Economic Developments

13. The COVID-19 pandemic hit Georgia hard in 2020, but prudent policies implemented in the last decade and important economic and social support programs, with support from the World Bank and other development partners, resulted in a faster-than-expected recovery in 2021. Underpinned by strong economic management and a sound economic growth strategy with robust savings and investment levels, economic growth averaged 5 percent from 2010 to 2019. However, in 2020, the economy contracted by 6.8 percent, among the sharpest contractions in the ECA region. Many firms closed and

² This has led to 222 percent growth in 2021 year compared to 2020 in container volumes transported between Georgia and China, Turkey, and other European countries

³ As of March 18, 2022, only 33.8 percent of adult population is fully vaccinated

others reported sharp drops in turnover. Nevertheless, the Georgian economy recovered faster than expected in 2021, with output expanding by an estimated 10.6 percent, as pandemic-related restrictions were eased. Economic acceleration—evident from rising mobility, trade volumes, tax collection, credit growth, and tourism revenues—returned GDP to pre-pandemic levels. However, the labor market has been slower to recover. Unemployment rose by 0.9 percentage points to reach 18.5 percent in 2020 and continued to increase to 21.2 over the first nine months of 2021.

14. Georgia’s fiscal stimulus, which was relatively large compared with peers, helped offset some of the negative welfare impacts, followed by the gradual fiscal consolidation. Georgia’s fiscal response to the pandemic, with direct support to affected households and firms, is estimated at 7.5 percent of gross domestic product (GDP) in 2020–2021, which compares favorably with other ECA countries. The fiscal response, in addition to a decline in revenues, pushed the budget deficit to 9.7 percent of GDP⁴ and public debt to 62.7 percent of GDP⁵ in 2020, above statutory levels set under fiscal rules, triggering the escape clause. In 2021, strong revenue collection and consistent execution of planned expenditures helped to reduce the fiscal deficit to 7 percent of GDP.⁶ This brought the public debt down to 52.3 percent of GDP.⁷

15. Inflation exceeded the National Bank of Georgia’s (NBG’s) target of 3 percent before the pandemic and rose again in 2021. Inflation spiked in the second half of 2019, as the ban on flights between Russia and Georgia, coupled with domestic political uncertainty, put pressure on the lari and consumer prices. More recently, in 2021, an increase in global commodity and oil prices and pass-throughs from earlier depreciation of the lari pushed inflation to 13.9 percent year-on-year at end December 2021, the highest rate in more than ten years. Given inflationary pressures, the NBG gradually tightened its policy rate by a cumulative 250 basis points after March 2021 to reach 10.5 percent by end December.

16. The economic shock in 2020 also put pressure on external accounts. The current account deficit almost doubled, reaching 12.4 percent of GDP in 2020. It remained high in Q1 2021, driven by weak services exports, as border closures hurt tourism (which accounted for 8.1 percent of GDP in 2019). The current account deficit narrowed in Q3 2021, as a recovery in tourism proceeds offset an increase in the goods trade deficit. The deficit was financed only partly by net foreign direct investment and portfolio investments (23 percent of financing needs), while higher GoG borrowing covered the rest and supported reserve accumulation. Standing at USD 4.3 billion as of end-December 2021, reserves covered 4.5 months of goods and services imports.

17. The banking sector entered the COVID-19–induced economic crisis with strong buffers, but high dollarization and prolonged uncertainty constitute downside risks to the financial sector as a whole. The high capital adequacy, strong liquidity, profitability, and good asset quality of Georgia’s banks before the COVID-19 outbreak allowed the NBG to ease capital and liquidity requirements in the early months of the pandemic. In 2021, the banking sector remained profitable, outperforming 2019 levels in the first half of 2021, and the share of non-performing loans (more than 90 days overdue) remained a low 2.4 percent.

⁴ Revenues reported here exclude a decrease in non-financial assets, as per the IMF Government Financial Statistics Manual (2014). According to government statistics, which include proceeds from non-financial assets above the line the deficit is 9.3 percent of GDP.

⁵ Inclusive of the NBG’s external debt (IMF financing). Excluding NBG, the Government’s debt was 60.2 percent of GDP.

⁶ Revenues reported here exclude a decrease in non-financial assets, as per IMF Government Financial Statistics Manual (2014). According to the government statistics, which include proceeds from non-financial assets above the line, the deficit is 6.3 percent of GDP.

⁷ Public debt, including NBG’s external debt (IMF financing). Excluding NBG, the figure was 51.1 percent of GDP.

Medium-term Outlook and Priorities for Long-term Recovery

18. Growth is expected to moderate in the medium term as the economic impact of the Russian invasion of Ukraine is likely to adversely impact the Georgian economy through several channels. The direct impact will be significant as the economy is linked to Russia through trade, remittances, and tourism, and to a lesser extent through foreign direct investment (FDI). The economy will also be impacted indirectly through higher commodity prices, particularly for food and fuel, and through potential impacts on supply chains and logistics. Financial pressures are expected to be manageable, reflecting limited exposure to Russia and the robust buffers in the banking sector.

19. These impacts will cause a slowdown in growth, higher inflation, and wider external balances in 2022, with recovery in the medium-term. Georgia's growth forecast for 2022 has been downgraded to 2.5 percent from 5.5 percent projected pre-war, with considerable scope of further downgrades if the war continues longer. The baseline outlook envisions growth to recover in the medium-term, close to potential (around 5.5-5.0 percent) in 2023 and 2024, as easing of monetary policy, recovery of tourism and restoration of economic links are partly offset by gradual withdrawal of the fiscal stimulus. Inflationary pressures are likely to increase in 2022 due to higher commodity prices and regional supply disruptions, but NBG's inflation targeting is expected to anchor inflation in the medium-term. On the external side, the current account deficit is expected to widen above 10 percent of GDP in 2022 due to weaker exports and higher import prices. The lari is likely to remain under pressure, following the onset of the war. Sustained support from international financial institutions is expected to cover Georgia's external financing needs and help maintain a comfortable cushion of reserves.

20. Fiscal discipline has been maintained over the last decade, although planned post-COVID consolidation may be challenging because of the economic slowdown. Following the large COVID-related deficits (9.8 and 7.1 percent of GDP in 2020 and 2021, respectively), the 2022 budget envisages a relatively strong consolidation that is set to pave the way for the return to deficit levels of around 3 percent of GDP by 2023. The authorities intend to stick to the targeted fiscal aggregates but slower growth in 2022, due to the impact of the war in Ukraine, could test this commitment as revenues may be affected while spending pressures may increase to mitigate the impact of the slowdown on vulnerable firms and households. Still, government deposits are sizeable, and debt is likely to remain below the 60 percent statutory level under the fiscal rule.

C. Changes in Poverty Reduction and Shared Prosperity

21. Georgia's success in reducing poverty and inequality continued through the end of 2019, before the COVID-19 pandemic struck. Since the early 2000s, Georgia has achieved impressive progress in reducing poverty, buoyed by strong economic growth. The headcount poverty rate decreased from 30.6 percent of the population in 2010 to 14.8 percent in 2019 using the international lower-middle-income poverty line of USD 3.20/day (2011 Purchasing Power Parity). Inequality has fallen, and Georgia's Gini Index fell to 35.9 in 2019, the lowest level since 1996.

22. Progress on poverty and inequality reduction was halted by the COVID-19 in 2020. Poverty rose by 1.8 percentage points to 21.3 percent in 2020 (from 19.5 percent in 2019), with the GoG's social protection support packages preventing further impoverishment. Higher unemployment is likely the main driver of increased poverty, followed by wage losses among employed workers. Unemployment reached 18.5 percent in 2020 and 21.9, 22.1 and 19.5 percent in the first three quarters of 2021, up from 17.6 percent at the end of 2019. Real wages declined by 3.4 percent yoy in Q4 2020. In-line with the economic recovery, the poverty rate is expected to decline gradually, returning to pre-COVID levels by 2023.

III. SUMMARY OF PROGRAM IMPLEMENTATION

A. Program and Portfolio Performance

23. During the CPF implementation period, eight new projects have been delivered, in addition to three additional financings (AFs)⁸ and supplemental financing through a developmental policy operation (DPO) in the total amount of USD 1.1 billion. Owing to the IBRD exposure limits at the time the CPF was being prepared, the CPF included only a list of notional projects reflecting Government development priorities. The IBRD program was estimated at USD 300–USD 400 million.

Table 1: Notional versus Actual Deliveries

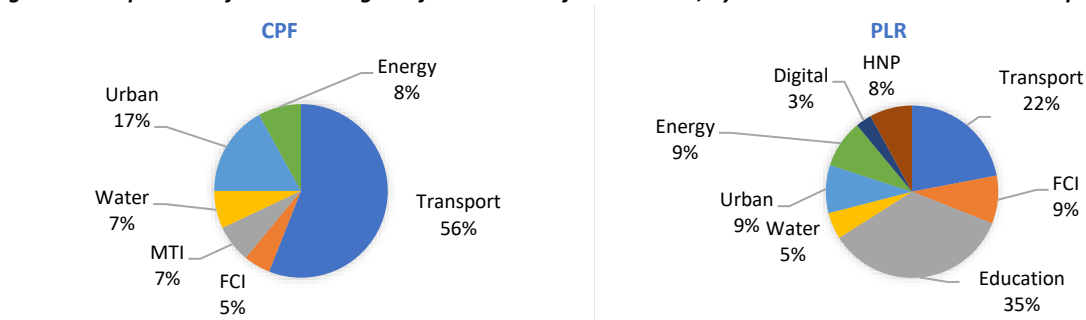
Indicative	Delivered	Commitment (USD million)	CPF focus area	COVID-19 Response
	FY19/20			
Education Sector Improvement Program; Innovation and Skills for the 21 st Century	Georgia I2Q – Innovation, Inclusion, Quality	102.7	2	Distance learning needs
Maximizing Finance for Development for Energy Sector	Energy Supply Reliability and Financial Recovery	70.7	1	
Integrated Regional Development	Additional Financing for Second Regional and Municipal Infrastructure Development Project	40.6	1	
Access to Markets and Climate Smart Agriculture	AF for Irrigation and Land Market Development	20.4	1	
Healthcare System Strengthening Project	Emergency COVID-19 Response Project	80.0	2	Health and social needs
Development Policy Operation (DPO)	EMC DPO and Supplemental Financing	98.5	3	Reforms
	FY21			
	Log-in Georgia	40.0	1, 3	Connectivity; e-services
	Georgia Relief and Recovery for MSMEs	102.9	1	Recovery of MSMEs
	AF for Emergency COVID-19 Response Project	34.5	2	Health needs, vaccination
	FY22			
	Human Capital Program for Results	400.0	2	
	Kakheti Connectivity Improvement	109.0	1	
	TOTAL	1,099.3		

24. The performance of the lending portfolio is strong, underpinned by close joint monitoring by the Bank and the GoG. The Independent Evaluation Group’s Satisfactory outcome rating stands at 83 percent for the last three FYs. The number of problem projects dropped from four in FY19 to one in FY22. The COVID-19 containment measures have, in some cases, hampered program implementation, though close Bank–GoG monitoring through biannual Joint Portfolio Performance Reviews ensures early identification of bottlenecks and a strong focus on environmental, social, and fiduciary issues.

25. The IBRD lending portfolio, as measured by total commitments, has increased. As of April 11, 2022, the portfolio includes 14 lending operations totaling USD 1.42 billion, compared with USD 709 million at CPF approval. The portfolio has significantly diversified, reflecting the CPF’s strategic shift from an infrastructure-heavy program to one that is more balanced, in-line with the CPF’s objectives. Currently, human development accounts for 43 percent of the portfolio, in contrast to zero at CPF approval.

⁸ AF for Irrigation and Land Market Development Project; AF for Second Regional and Municipal Development Project; AF for COVID-19 Emergency Operation.

Figure 1: Composition of IBRD Lending Portfolio at Time of CPF and PLR, by World Bank Global Practice Group



Note: FCI = Finance, Competitiveness, and Innovation; MTI = Macroeconomics, Trade, and Investment; HNP = Health, Nutrition and Population.

26. The intended strategic shift to a more balanced portfolio with increased investments in human capital was more gradual than expected, and results are not likely to become available until the next CPF period. After almost ten years of absence of an investment portfolio in education, the large-scale Georgia I2Q – Innovation, Inclusion, Quality program was delivered in May 2019. The Human Capital Program-for-Results (PforR) at USD 400 million (approved by the Board on March 22nd, 2022) is an integral part of the GoG’s commitment to strengthen the efficiency of Georgia’s human capital systems.

27. The Bank’s support for the Government’s COVID-19 response efforts has been swift and extensive. Three new COVID-19 response lending operations were delivered, and the existing portfolio was adjusted to better address COVID-19–induced vulnerabilities. In total, the WBG mobilized USD 266.3 million in IBRD financing and USD 150 million in co-financing, with EUR 180 million in parallel financing from development partners to strengthen Georgia’s health and social protection systems; support micro, small, and medium-sized enterprises (MSMEs) and protect jobs; offer budget support to strengthen capital buffers; and assist in the purchase and roll-out of vaccines. Operations include: (i) Georgia Emergency COVID-19 Response Project (USD 80 million) and Additional Financing (USD 34.5 million); (ii) Relief and Recovery for MSMEs (USD 102.9 million); and (iii) Economic Management and Competitiveness Development Policy Operation: COVID-19 Supplemental Financing (USD 48.9 million).

28. In response to the challenges posed by COVID-19 in schools across the country, USD 4 million from the Georgia I2Q project was repurposed to support distance learning needs, and the project was restructured to accommodate the GoG’s request to eliminate the requirement for co-financing, as a result of severe budget cuts. Log-in Georgia and Georgia National Innovation Ecosystem (GENIE) project have been supporting digital connectivity and funding for innovative startups in support of job creation and economic growth. To further ensure program flexibility and immediate response to emergency needs Contingent Emergency Response

Box 1: Results of the Georgia Emergency COVID-19 Response Project

The World Bank worked closely with the GoG to design the Emergency COVID-19 Response Project to contain the virus outbreak and provide immediate social assistance to those severely affected. **Component 1** of the project has contributed to the strengthening of health system preparedness. The project has financed purchases of more 11 million articles of personal protective equipment for health workers, 4.8 million rapid AG tests, 1.6 million PCR tests, 480,000 DNA/RNA extraction kits, an advanced PCR testing machine, and a million Pfizer-BioNTech COVID-19 Vaccines. **Component 2** provided temporary income support to vulnerable households and individuals, unemployment benefits for private sector workers and a one-off benefit to the self-employed and informal workers who lost their job because of COVID. In total, 161,462 unemployed, 368,711 self-employed, approximately 81,033 vulnerable households, and 121,955 extreme poor households benefitted from the Project.

Component (CERC) has been added to *Relief and Recovery for MSMEs* and *Second Regional and Municipal Infrastructure Development (SRMIDP)* projects designs. Georgia also benefited from the opportunity to temporarily reverse the acceleration of repayment terms on selected IDA credits. This helped lower Georgia's debt service to IDA by about 65 million in special drawing rights during 2021–2022. Moreover, the Bank's support package included analytical activities to assess vaccine rollout readiness and contribute to the preparation of a vaccine communications strategy.

29. IBRD financing is complemented by ten active trust fund (TF) grants totaling USD 15.1 million, of which eight (or 62 percent) are Bank-executed. The TF-funded activities support institutional capacity building and instrumental policy reforms in almost all CPF priority areas. The TF portfolio includes two recipient-executed TF operations of USD 5.76 million. The Bank manages the large EU-funded *Financial Inclusion and Accountability Project*, which aims to enhance financial inclusion and accountability by supporting (i) an enabling framework for capital and insurance market development; (ii) a framework for improving financial infrastructure and responsible financial inclusion; and (iii) better corporate and state-owned enterprise governance and reporting. These activities are expected to foster the CPF objectives in financial sector diversification and to reinforce the foundations for more competitive, transparent, and better-governed institutions and markets.

30. A strategic advisory services and analytics (ASA) program has informed policy dialogue and lending and laid the foundations for future operations. The WBG's support in developing the country's national broadband and digital strategies, as well as launching IFC's DigiLab Finance initiative have been crucial in terms of digital transformation and e-service delivery. The environmental agenda broadly supported by analytical services helped operationalize the National Waste Management Strategy in-line with EU standards and to assess the vulnerability of Black Sea coastal zones. The UK-DfID-funded engagement in vocational education and training (VET) was critical in strengthening the capacity of newly founded Skills Agency and enhancing the VET teachers' management and development system. The agriculture and water security ASA paved the way for a new pipeline operation, planned for FY23 delivery.

31. Greater focus on innovation-led approaches has helped the GoG move toward an innovation-based economy and contributed to the emergence of Georgia as a regional technology start-up hub. A strong innovation lens in all key engagement areas has helped increase the country's capacity for innovation. The *GENIE* project has provided substantial funding to 145 new startups, which have attracted up to USD 35 million in equity investments since 2019 (and another USD 40 million in acquisition proceeds). Four innovation centers and three regional development hubs established under *GENIE* support the enhancement of innovative activities in the regions and help shrink spatial and gender disparities. The *Technology Transfer Pilot Program* has helped the GoG develop and implement innovation and entrepreneurship policies and programs. *Log-in Georgia's* role is instrumental in increasing access to and use of digital services across the country, while the *Relief and Recovery for MSMEs* aims to facilitate innovative new payment options and increase the speed of retail transactions. IFC's innovative accelerator program has helped financial institutions enhance their digital transformation strategy and roadmap. In addition, IFC has been providing advice to investment promotion agencies (IPA) on potential steps to enhance support to existing investors during the crisis.

32. As proposed in the CPF, the program has increasingly utilized varied lending instruments. The Bank has supported policy reforms through the DPO. Under the Energy Supply and Reliability and Financial Recovery Project, the Bank has been assisting the Georgian State Electrosystem (GSE) in gaining access to capital markets, which may entail the use of IBRD's guarantee instrument. The new *Human Capital Program for Results (PforR)* is the first time the PforR instrument will have been used in Georgia and the first Bank-wide PforR to comprehensively target education, health, and social protection.

33. The International Finance Corporation (IFC)'s investment portfolio performed well throughout the CPF period. The committed portfolio stood at USD 290 million as of December 2021, with USD 277 million disbursed to clients and no non-performing loans. The diversified portfolio reflects IFC's strategic priorities, with 59 percent invested in the financial sector, 35 percent in infrastructure, 3 percent in the real sector, and 2 percent in funds. IFC delivered advisory services to support improvements in the investment climate and corporate governance, promoted greater access to finance, increased compliance with international food safety standards, and provided support for the structuring of the Nenskra HPP public-private partnership (PPP). The current and planned program is now envisioned below the original CPF envelope of USD 300–USD 400 million (own account) and in a narrower set of priority areas, emphasizing greater selectivity and a shift in focus to post-pandemic recovery. Under the CPF, IFC's program amounted to USD 88 million (own account), of which USD 79 million was in long-term finance.

34. The volume of IFC investment reflected the challenging global conditions and local modalities. The COVID-19 pandemic has had a significant negative impact on the private sector worldwide. The reduced global investor risk appetite for investments in emerging markets has affected Georgian market as fewer sponsors were looking for long term investment opportunities. From the onset of the pandemic, Georgian financial sector had excess liquidity with liquidity coverage ratio close to 140% vs. minimum requirement of 100%. The banks maintained excess liquidity for risk mitigation purposes, while many IFIs have offered subsidized stress relief facilities. As a result, there was significantly reduced demand for IFC's financing to Georgian banks. Finally, a change in pipeline status of Nenskra HPP project, a large infrastructure transaction, has affected the size of the delivered envelope. The project has experienced significant delays that were beyond IFC's control and is currently on hold. Nonetheless, upstream business development efforts continued throughout pandemic focusing on capital markets instruments, which are expected to bring new financing opportunities. Additionally, IFC's advisory services supported private sector, both directly and via engagement with policymakers and the investment promotion agency.

35. MIGA guarantees in Georgia stand at USD 116 million, supporting the financial sector and foreign investment in renewable energy. In the financial sector, a MIGA guarantee is reducing the regulatory risk weighting applied to ProCredit's mandatory reserves at the consolidated level, freeing up capital for its subsidiary in Georgia. All the freed-up capital will be allocated to additional climate finance lending to small- and medium-sized enterprises. In the energy sector, a MIGA guarantee is supporting the Adjaristsqali Hydropower Project, which involves the operation of the 178 MW Shuakhevi powerplant and the 9 MW Skhaltva powerplant. This project aims to ensure continued reliable domestic energy supply as well as bolstering electricity production from hydropower to expand regional electricity trade. MIGA aims to mobilize foreign investment into Georgia through its political risk insurance guarantees and by leveraging deeper WBG collaboration.

B. Progress Toward Corporate Commitments

36. Gender has been mainstreamed well across the program during the CPF implementation period. The gender tag index stands consistently at 100 percent, with all new operations proposing meaningful actions to support the shrinking of existing disparities. Completed in FY21, the *Country Gender Assessment* informs the design of pipeline operations as well as the policy dialogue to reduce gender gaps, particularly in labor-force participation. Given that gender tag is relatively new tool, the results of gender-balanced interventions are expected to come onboard during the next CPF period. The *Georgia I2Q Project* is putting a special focus on girls' inclusion in science and technology, while the *Irrigation and Land Market Development Project* is contributing to narrowing the gap in land ownership. The project has already achieved significant success by increasing the share of beneficiary female landowners from 32% to 51%. The *Georgia National Innovation Ecosystem* project has attracted up to 53% female beneficiaries. *Relief*

and Recovery for MSMEs and Log-in Georgia will further provide financing to women-inclusive firms and increase the use of the internet and digital services by women as a part of a broader digital economy inclusion efforts. To reduce the pandemic's risks to women, the Georgia COVID-19 Emergency Project ensures equal access to vaccines and provides temporary cash benefits.

37. Climate considerations are reflected in the portfolio, though more attention is warranted in terms of mitigation and adaptation. The average FY19–FY21 Climate Co-Benefits rating stands at 11 percent, well below the Bank's regional target (33 percent in FY21). Operations in the energy sector have included relatively high ratings, compared with the DPO and human development projects. In addition to lending operations, knowledge works have helped address climate issues in Georgia. Feasibility studies for upgrading and expanding irrigation reservoirs and for landscape restoration are being prepared to find solutions to deal with low precipitation owing to climate change in east Georgia. The *Action Plan for Adapting to the Impacts of Climate Change in Coastal Zone of Georgia* helped raise the ambition of the updated NDC. IFC conducted a multi-country mapping to assess the overall climate-finance regulatory environment and identify opportunities. This work complements IFC's long-standing cooperation with the National Bank of Georgia to support the creation of a vibrant sustainable finance market in Georgia.

38. The Bank has successfully supported the Government in undertaking investment reforms to maximize finance for development. The new Investment Funds Law adopted in 2020 aims to encourage the creation of investment funds in Georgia. Significant progress was made on leveraging private sector investments. The public-private initiative under the *Second Regional and Municipal Infrastructure Development Project (SRMIDP)* and the *Third Regional Development Project (RDP3)* led the GoG to invest GEL 3 million, which in turn helped leverage GEL 100 million in private investments in the hospitality sector. This became possible by improving the public infrastructure and services, and by creating an enabling environment for business development. The *Energy Supply Reliability and Financial Recovery Project* includes support to GSE to prepare for opportunities to tap into capital markets in the form of bond issuances, commercial finance, and project-based guarantees. The *Relief and Recovery for MSMEs* project will strengthen the environment for access to finance and support private sector development.

39. Bank-financed projects in the CPF period have seen an increase in the quality of Citizen Engagement (CE) mechanisms and in reporting on their beneficiary feedback indicators. The quality of citizen-oriented design in the portfolio showed a drop in FY20 but improved again from FY20 to FY21: projects that met all quality criteria increased from 67 percent to 100 percent. The *Georgia Emergency COVID-19 Support* project met all CE quality criteria, demonstrating strong commitment to citizen-oriented design. The CE monitoring and reporting of the beneficiary feedback indicators have improved. Overall, the quality of CE mechanisms has seen some improvement through new projects and the introduction of more comprehensive strategies into restructured projects (see Annex VII).

C. Evolving Partnerships

40. The World Bank continues to strengthen its development impact through partnerships to align policy and funding and deliver results more effectively under the CPF. Working closely with development partners, the Bank was able to mount a significant COVID-19 response to help the Government swiftly address the negative impacts of the crisis. The Asian Infrastructure and Investment Bank (AIIB) has co-financed the *Emergency COVID-19 Response* project in the amount of USD 100 million and extended an additional USD 48.9 million in the form of budget support that complemented the *Economic Management and Competitiveness (EMC) DPO: COVID-19 Supplemental Financing*. Germany's KfW has approved a policy-based loan (EUR 180 million) largely based on the Bank-financed DPO policy matrix. The Government's implementation capacity built up through the *Emergency COVID-19 Response* project was pivotal in attracting and implementing funds from other donors, notably KfW. The European Investment

Bank (EIB) approved parallel financing of EUR 34 million for *Log-in Georgia* to replace counterpart financing and support the digital network infrastructure roll-out.

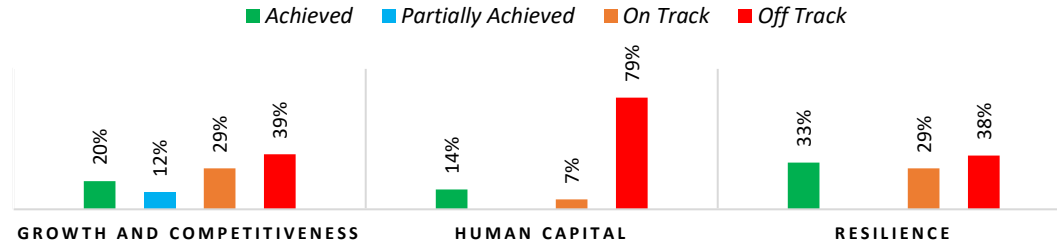
41. Collaboration with the EU has been essential to delivering quality analytical and advisory support. The EU-financed *Forest Law Enforcement and Governance (FELG) Regional Program* helped the GoG in drafting the Forest Code, carrying out a strategic environmental and social assessment of the draft Code, and in conducting public consultations. The *Institutional Capacity for Innovation TA* aims to increase the capacity of Georgia's institutions responsible for innovation and entrepreneurship to effectively coordinate the GoG's formulation and implementation of policies related to innovation and entrepreneurship. Furthermore, the EU has been the Bank's major partner in developing Georgia's digital strategy; strengthening financial inclusion, economic governance, and fiscal accountability; and conducting human development assessments, among other areas.

D. Progress Toward Achieving CPF Objectives

42. The Program has made significant achievements across the three focus areas and nine objectives despite the uncertainties prevailing at the time of CPF approval and the COVID crisis which in some ways affected the program implementation. The CPF was appropriately selective with three focus areas and nine objectives to address the country's most critical development challenges. Although the Bank's program has grown significantly over the CPF period, the expanded engagement fits well under the defined priority focus areas. As a result of the strong commitment to the development goals, swift and innovative solutions, and an excellent collaboration with the government counterparts visible results are already generated under each objective. Hence, all focus areas and objectives remain relevant and on track with two minor adjustments proposed to accurately reflect the Bank's response to COVID-19 crisis.

43. Despite the significant progress achieved under each Focus Area, the progress in achieving the CPF's results, as measured by the indicators, has been mixed. Two broad factors contribute to this. First, the results framework included very preliminary indicators linked to a notional list of projects owing to the uncertain lending pipeline as the CPF was prepared. While many of these engagement areas were addressed in projects (often as subcomponents), the notional results indicators are no longer relevant. Second, proactive management of the portfolio resulted in 13 restructurings of ten projects. While this improved portfolio performance, it also called for significant adjustments to the CPF indicators. Other weaknesses in the initial results framework (e.g., poorly defined and/or targets) are being addressed as part of this PLR. Out of 76 objective and supplementary progress indicators, 53 percent have been achieved, partially achieved, or are on track to be achieved by the end of the CPF period and 47 percent have to be adjusted or dropped because projects did not materialize in sectors (such as in forestry) or materialized but in a substantially different form (such as in health and education). As detailed in Annex I, an effort has been made to rationalize the results framework to include more realistic and measurable outcome-oriented objectives. While Annex IV includes a more detailed accounting, this section summarizes highlights for each focus area.

Table 2: Progress on the FY19–FY22 CPF Results Framework



Focus Area 1: Enhancing Inclusive Growth and Competitiveness

44. The focus area remains relevant and on track to achieve its development objectives by the end of the CPF period. Investments in high-value irrigated agriculture and land market development have been successful and will further support expansion of the agri-food industry. In the long term they will also help shrink urban and rural disparities. IFC continued its support for agricultural modernization and access to markets through the multi-year advisory engagement and maintained a strong focus on strengthening the financial sector and improving MSMEs’ access to finance. Important progress has been made to strengthen connectivity in transport and energy, and this remains critical to the country’s growth. The WBG’s role has also been significant in advancing the GoG’s regional development agenda. The original indicators measuring the progress in tourism and regional development are not attributable to the current portfolio, hence two new indicators will be added to monitor the results towards improved living conditions in the selected regions. The Bank has supported the government in developing the savings markets and diversifying access to finance, however, due to the shortcoming of the progress indicators, the result matrix demonstrates partial success. Support under the multi-year *Georgia Financial Sector Deepening and Inclusion ASA* did not result in updating the secured transactions framework due to the complexity of the reform, however the work was included in *Relief and Recovery for MSMEs Project* scope and is expected to be achieved by 2024. A MIGA guarantee in the financial sector will support both financial inclusion and climate finance, by lending to small- and medium-sized enterprises to enable climate action.

Focus Area 2: Investing in Human Capital

45. Although engagement in this area did not get off to a quick start, reforms in health and education remain a high priority for the Government. The proposed CPF shift to include a more pronounced engagement in human development mirrors the GoG’s ambition to significantly improve service delivery and increase spending in health and education. While there was a clear agreement on deepening the WBG’s engagement in human development at the time the CPF was prepared, the specifics of how this would be done wasn’t defined. Even the Bank’s notional interventions in human development were delayed due to changes in the Georgian cabinet and emerging political priorities as these relate to health and education. Ultimately, three large-scale lending operations were delivered: (i) the *Georgia I2Q* project, which aims to improve the quality of education and learning environment; (ii) the *COVID-19 Emergency Response* project, which is designed to prevent, detect, and respond to the threat posed by COVID-19; and (iii) the *Georgia Human Capital P4R*, which is aimed at making human capital delivery systems more inclusive and efficient. IFC’s portfolio contributed to the expansion of service delivery by private health care providers. As a result of the prolonged consultations, as well as the initial implementation delays, most of the CPF’s results indicators are not attributable to the current program, and others are significantly off track. The only indicators which surpassed initial targets are related to the preschool education benchmarking and monitoring achieved under the *Global Partnership for Social*

Accountability (GPSA)-funded Preschool Education ASA. The revised results framework will capture the Bank's actual engagement to accurately measure progress towards the objectives.

Focus Area 3: Building Resilience

46. All three objectives in this focus area remain relevant, with significant progress already made in improving macro-fiscal management and risk mitigation (3.1), as well as strengthening the resilience of households (3.2). As envisioned, the CPF program has deepened the Bank's engagement in the financial sector. The program has been successful with regard to improving micro-fiscal management, financial inclusion, and building households' resilience through stronger safety nets. The *COVID-19 Emergency Response* project has supported the scale-up of Georgia's Targeted Social Assistance (TSA) program for poor households. The indicator on the compliance with the with the fiscal rules and debt sustainability is unlikely to be achieved due to the priority shifts caused by the pandemic. Limited progress is observed on the natural resource and climate objective despite the Bank's extensive work in climate. The shortcoming is related to the fact that several indicators were related to the notional forestry operation. The operation did not materialize with the Bank's financial support, as the Government received access to significant grant financing in the sector, thus related indicators are no longer relevant. On the other hand, the Bank assisted the Government in developing and adopting two new energy efficiency laws and the national annex to Eurocode 8: Design of Structures for Earthquake Resistance in 2019 under the Disaster Risk Management engagement.

IV. EMERGING LESSONS

47. While the absence of a clearly defined CPF program posed some challenges, it also allowed for flexibility, enabling the WBG to respond quickly and at scale to the urgent needs brought on by COVID-19. Flexibility enabled the WBG to adapt and provide just-in-time support and kept the focus on development and recovery prospects, as highlighted in the adjustments made in response to the COVID-19 crisis. The Bank delivered a strong package of support, both lending and ASA, and adjusted ongoing operations to provide additional and much-needed assistance to the GoG. IFC worked closely with the client to expedite issuance of documentation needed to access COVID funds from the European Bank for Reconstruction and Development. MIGA issued a guarantee to support access to climate finance for SMEs to help them navigate the negative impact of the pandemic while remaining focused on a green recovery. The WBG program ensured a balance between achieving the original high-level objectives of long-term development plans and responding to immediate short-term needs. However, this flexibility also had drawbacks; it resulted in a results framework with a significant number of irrelevant and non-attributable indicators. The key lesson to be embedded in the next CPF is a focus on fewer but more attributable and attainable indicators.

48. The WBG has engaged closely with the GoG on the climate agenda but fell short of the corporate Climate Co-Benefits target. Over the CPF period, the WBG has helped the GoG to operationalize the waste management strategy, carry out an estimate for the cost of environmental degradation, analyze the state of under-heating and associated costs, and prepare the policy framework for water, land, and agriculture development. IFC's *Climate Finance Country Mapping Report* identified steps for developing sustainable green finance in Georgia. However, the WBG program has lagged significantly in proposing solid climate adaptation and mitigation measures through lending operations. To ensure better focus on the country's green recovery prospects, the remainder of the CPF period will focus on building the business case for sustainable growth and integrating climate considerations into operations. For example, the Bank will help commercial banks to adopt the Environmental and Social Management Systems and Ministry of Education

to prepare energy efficient school designs. Moreover, the Bank is preparing a DPO that will have two pillars focusing on, respectively, greening Georgia's economy and making it more resilient. MIGA's recent guarantee in the financial sector to support small- and medium-sized enterprises is expected to also further support climate finance lending in Georgia.

49. The WBG's knowledge services—whether standalone or embedded in operations—are highly valued by the Government and have contributed to the CPF's objectives. The ASA program has played an important role in strengthening the capacity of public institutions and advancing key policy reforms. It allowed the program to remain engaged during a period of uncertainty about lending constraints, particularly in health, climate, and education where demand for investment financing was not robust, but challenges had to be addressed to place Georgia on a path to sustainable growth. Moving forward and to increase its impact, the ASA program needs to be more selective, focused on cross-cutting solutions rather than stand-alone “siloes” topics and better targeted to its intended audience. Important steps have been taken to streamline the program to focus on flagship tasks, core ASAs, and regional programmatic activities to allow region-wide knowledge exchange. For example, the *Governance in South Caucasus* ASA groups strategic governance engagements like justice, state owned enterprises, GovTech, anticorruption under one umbrella to broaden the impact of the analytical task. *Southern Caucasus Transport Programmatic* ASA targets regional and domestic connectivity and the efficiency of supply chains to deepen regional integration. The ASA program is now being developed in close collaboration with the GoG to increase ownership and ensure smooth implementation and dissemination.

50. The use of a mix and larger array of instruments has allowed the WBG to better tailor its development solutions to the challenges faced by Georgia. DPOs remain an important tool to advance reforms, but a programmatic approach would be beneficial for consistency and continuity. The *EMC DPO* and its supplemental financing helped advance the reform agenda in the priority areas, but in a single tranche operation, the results seem more short-term and reversible, especially during the crisis period. Although it is too early to extract lessons from the newly-approved *Human Capital PforR*—the first of its kind for the Bank and for Georgia—the preparatory work points to the long-term benefits of an integrated approach that focuses simultaneously on transformational reforms in human development. The use of a new instrument requires significant capacity building during preparation as well as implementation. In addition to introducing Performance-based Conditions (PBC) for disbursements, the *Relief and Recovery for MSMEs* included a Contingency Emergency Response Component to accommodate the possibility of unexpected, continued effects of the COVID-19 pandemic and other shocks. Going forward, targeted TA for DPOs, PforRs, as well as unique design features in complex projects during preparation and implementation could be a valuable contribution to build sustained implementation capacity.

51. Significant development outcomes can be achieved by reinforcing synergies across sectors and ensuring better coordination among actors. As observed during the implementation of the *Irrigation and Land Market Development Project (IRLDP)*, a holistic approach to reforms is critical to achieve high-level outcomes. While standalone operations are important to attain targeted results, more coordinated and coherent policies are needed to equalize opportunities. For example, well-functioning, resilient agricultural production proceeds from integrated interventions in irrigation, infrastructure, land, farm commercialization, and access to finance. A systematic engagement in human development around its three facets—health, education, and social protection—bring more meaningful gains and lasting benefits than freestanding programs do. Sustainable regional development occurs when infrastructure projects, service and tourism development, spatial development, and capacity building are implemented in tandem. Hence, the remaining CPF program will place a stronger emphasis on better coordination across different actors, as well as investments in the complementary sectors to accelerate recovery prospects.

52. In the CPF period, the Bank adopted a more structured approach to advancing *environmental and social sustainability* through our investment operations and ASA. The Bank undertook an analysis of gaps between national legislation and ESF identifying specific areas of risk where capacity can be strengthened. Projects processed under the Bank's new ESF incorporated a focus on strengthening institutional capacity for environmental and social risk management. Implementation of the ESF has met capacity challenges as PIUs have had to expand and upgrade their expertise to be able to implement projects consistent with ESF. Early recruitment of environmental and social experts, combined with the flexibility afforded to fast-track emergency projects, allowed the *Emergency COVID-19 Response Project* to be prepared and disburse within four months. Going forward, the Bank will continue capacity-building efforts at policy and institutional levels. The Bank will proactively strive to improve donor coordination to help reduce bureaucratic burden on PIUs. Further, the Bank will seek to apply a more structured approach to social inclusion through identifying and engaging potentially excluded and vulnerable groups and reflecting their needs in project design, to achieve equitable development outcomes.

53. Strong collaboration across the WBG is critical for the delivery of a comprehensive package of support that brings together public and private solutions to help drive the country's socio-economic development. Promoting value for money and leveraging private sector participation in advancing Georgia's strategic needs has been important in recent years but challenging. Given the excess liquidity in the banking sector and the pandemic support measures by the Government, demand for IFC lending has been dampened over the last couple of years. However, considering smaller deal sizes earlier in the pandemic and perhaps waiving some of the criteria would have allowed IFC to reach some smaller real sector (MAS) clients. Going forward, Joint WB-IFC *Country Private Sector Diagnostic (CPSD)* will provide analytical underpinnings for joint WBG efforts in supporting the private sector in post-COVID economy. MIGA will aim to scale up its engagement in the financial sector, while de-risking foreign private investments in strategic sectors of the economy. A MIGA guarantee in the financial sector is expected to counter the adverse economic impact of the pandemic, especially on SMEs. Given the recovery needs as well as the potential impact of the war in Ukraine, even stronger WB-IFC-MIGA collaboration is needed to support the Government to implement its ambitious reforms by boosting synergies between public and private sectors.

V. ADJUSTMENTS TO THE COUNTRY PARTNERSHIP FRAMEWORK

54. Although the CPF's three focus areas remain highly relevant to the current socio-economic and political context and well-aligned with GoG priorities, numerous adjustments are proposed. They broadly fit into two categories. Adjustments are proposed, first, to reflect the WBG's support in mitigating the negative socio-economic implications of the pandemic and, second, to capture the increased focus on a resilient post-COVID-19 recovery, with emphasis on the human capital, climate, innovation, and structural reform agendas. These adjustments require retrofitting the results framework to include COVID-19 support and other new projects. Some of the significant changes introduced address weaknesses in the CPF results framework to ensure that indicators are measurable and attributable, making it possible to assess progress more readily at the end of the CPF period.

55. Given clear agreement between the WBG and the Government on high-level development objectives at the CPF preparation stage, the objectives (with a few exceptions) remain unchanged. Two objectives have been revised to accurately reflect COVID-19-related challenges and the WBG's response. These include Objective 2.2, which will now focus on enhancing the resilience (rather than the efficiency) of the health care system, and Objective 3.2, which specifies that strengthening the resilience of households refers specifically to shocks—in this case COVID-19.

56. The PLR proposes a one-year extension of the CPF. This will provide time to address COVID-19–related implementation delays and increase the focus on emerging issues and priority reforms through additional programmatic support. The extension will permit the program to deliver urgently needed health and social support and continue assisting the Government in the vaccination roll-out. The extended timeline will be critical to implementing the adjusted program, making visible progress toward delivering revised results, and ensuring a speedy and resilient recovery. The Bank will continue its dialogue with the Government to lay out a recovery framework and identify priority interventions for the next CPF period, in line with the new “Georgia 2030” strategy.

57. Recognizing the negative socio-economic impact of the COVID-19 crisis and the importance of resilient recovery, the PLR program places more emphasis on the following aspects. Under *Focus Area 1 (Growth and Competitiveness)*, the WBG’s engagement in improving digital access and usage and strengthening the enabling environment for MSMEs’ access to finance is expected to increase. There will be a renewed focus on competitiveness in the agriculture and food sector, including value addition and agri-business development. Under *Focus Area 2 (Human Capital)*, the Bank proposes a holistic approach to boost human capital gains and to provide emergency health and social responses. Before the COVID-19, efficiency of the health system was the main priority area of intervention. However, the pandemic placed immense pressure on health services, hence there was a need to direct efforts on the enhancement of resilience of healthcare sector. With the ongoing analytical works and the *Human Capital P4R* in place the Bank will support the medium to long-term agenda by improving public spending and the quality of services. *Under Focus Area 3 (Resilience)*, the emphasis on social protection, a programmatic approach to structural economic reforms, and policies to combat climate change in support of the green recovery is sharpened. Support to prepare Georgia for a green transition will figure prominently in the WBG engagement across all sectors – using both investment as well as ASAs. Continued investments in building the capacity of Georgia’s public institutions will remain essential to deliver services of high quality.

58. The uncertainties caused by the COVID-19 pandemic and volatile geopolitical dynamics in the region call for more flexibility. Ongoing conflict in Ukraine will potentially adversely impact Georgia’s economy and threaten development gains. As such the WBG will maintain a flexible approach to, if needed, support Georgia’s response to these double shocks. This could be done by adjusting and repurposing portfolio projects, implementing innovative solutions under ongoing and new projects, providing just-in-time analytics and identifying opportunities to advance key reforms. The *GRID DPO* and other pipeline operations will be aligned with the Government needs to provide rapid response to crises.

59. The pipeline program for FY23 will maintain the same focus and ambition as laid out in the CPF, while addressing COVID-related challenges. To create opportunities for a stronger recovery and lay the foundations for a more resilient future, the pipeline program focuses on: (i) enhancing climate smart agri-food systems and helping agribusinesses reorientate to new export markets; (ii) improving regional development and addressing spatial disparities; and (iii) strengthening institutions and structural reforms for better governance through reforms that are green, resilient, and inclusive. The projected IBRD financing envelope for FY23 is now USD 300 million. Actual IBRD lending volumes in FY23 will depend on country demand, overall performance, as well as global economic/financial developments which affect IBRD’s financial capacity, and demand by other Bank borrowers.

Table 3: FY23 Lending Pipeline

Name of operation(s)	Instrument	Amount (\$M)	Delivery
Green, Resilient, and Inclusive Development (GRID) DPO I (FA 3)	DPF	50	Q1
Integrated Regional and Local Development Project (FA 1)	IPF	50	Q2
Georgia Resilient Agriculture, Irrigation, and Land Project (FA1 & FA3)	IPF	200	Q2
Total		300	
<i>Potential Engagement: Genie 2.0(FA 1)</i>			
<i>Potential Engagement: Emergency Preparedness and Resilient Infrastructure (FA3)</i>	IPF	50	

60. The ASA program will support the GoG’s recovery agenda and provide analytical underpinnings for the new operations and the next CPF. The program will be anchored in four core and extended-core diagnostics. The *Country Economic Memorandum* provides a comprehensive analysis of Georgia’s economic development prospects and identifies policy reforms. The focus is on reviving growth and creating more and better jobs in the post-COVID-19 environment. The joint IMF-WB *Financial Sector Assessment Program (FSAP) Update* diagnoses vulnerabilities and analyzes development priorities in the financial sector. The IFC-WB *Country Private Sector Diagnostic* will analyze private sector constraints and identify concrete opportunities in Georgia based on regional and global demand, local comparative advantage, and Georgia’s own development vision. The *Public Expenditure Review* will assess the alignment of selected fiscal programs with the government’s social objectives. The overall engagement in Georgia will be informed by the set of programmatic and regional ASAs, that espouse a more pronounced integrated approach to develop linkages across complementary sectors and so broaden and deepen the Bank’s impact.

VI. RISKS TO THE CPF PROGRAM

61. The overall risk to achieving the objectives was assessed as *Moderate* at CPF approval, and the PLR proposes to retain the same risk rating. Increased risks from macroeconomic and social vulnerabilities and significant geopolitical uncertainties caused by the pandemic and the war in Ukraine are managed by the proposed adjustments and the calibrated results framework. Technical design and stakeholder risks have been downgraded to low from moderate, while those related to institutional capacity, and environmental and social factors have dropped from substantial to moderate. The “other” category assesses risks related to COVID-19 and the war in Ukraine.

Table 4: Revised Systematic Operations Risk-Rating Tool (SORT) for Georgia

RISK CATEGORY	CPF (FY18)	PLR (FY22)
Political and governance	Moderate	Moderate
Macroeconomic	Substantial	Substantial
Sector strategies and policies	Moderate	Moderate
Technical design of project or program	Moderate	Low
Institutional capacity for implementation and sustainability	Substantial	Moderate
Fiduciary	Moderate	Moderate
Environmental and social	Substantial	Moderate
Stakeholders	Moderate	Low
Other	N/A	Substantial
Overall	Moderate	Moderate

62. With the adjusted program in place, the residual risk of not achieving ambitious outcomes has been significantly reduced and managed with project-level mitigation measures. Limited implementation capacity and centralized decision-making are mitigated by focusing on capacity gaps and coordinating targeted capacity building in partnership with the donor community. Strong and comprehensive measures for mitigating environmental and social risk are built into all operations of the Bank's lending portfolio, and their application is tracked closely.

63. Macroeconomic risk remains substantial. As highlighted in the outlook, the Georgian economy is expected to be adversely impacted by the conflict resulting in slowing growth, higher inflation and widening external imbalances. Furthermore, the risks to the baseline are tilted to the downside with considerable uncertainty related to the duration of the war in Ukraine. At the country level, the risks are mitigated through high buffers; a credible macro-financial framework underpinned by inflation targeting and exchange rate flexibility; a sound banking sector, although with the vulnerability of high dollarization; and a history of fiscal discipline. In addition, the WBG program is also geared to helping Georgia manage these risks through active macro-financial monitoring and just-in-time technical assistance, and support for reforms through a planned programmatic DPO series.

64. COVID-19 and the war in Ukraine and related uncertainties and political tension pose substantial risks to implementation of the WBG program. Overwhelmed health and social systems, low uptake of vaccines, and geopolitical tensions threaten recovery prospects. Risks include policy shifts, limited co-financing, as well as uneven implementation capacity. To address these risks, the WBG is supporting the GoG with targeted lending operations combined with the comprehensive set of advisory services, increased flexibility under the current portfolio, a shift from Washington-based to local portfolio supervision; and the use of technologies such as drones to monitor construction sites and activities.

ANNEX 1: UPDATED CPF RESULTS FRAMEWORK

Focus Area 1: Enhance Inclusive Growth and Competitiveness

Georgia’s economic reforms have favored economic growth and poverty reduction. Yet challenges remain – pressure from demographic trends of an aging and shrinking population, economic dualism between pockets of rapid progress and a mostly rural population, an unproductive agricultural sector and poor connectivity within the country and to the rest of the world. The SCD noted that Georgia should continue to improve the environment in which firms operate, paying particular attention to sectoral value chains and interventions at the firm-level. It identified tourism and agriculture as having strong export potential and highlighted the importance of augmenting both hard and soft connectivity – transport, logistics and ICT. In addition, access to finance and greater innovation are two critical productivity enablers as Georgia continues to enhance growth and competitiveness. The CPF presents a two-pronged approach to addressing these challenges with direct positive implications for spatial equity: (i) addressing cross-cutting factors that constrain firm productivity and deter investment; and (ii) boost Georgia’s integration with the global marketplace through greater export orientation.

Objective 1.1: Support agricultural modernization and access to markets

Intervention Logic: Agriculture’s economic potential is constrained by non-registered land rights, access to irrigation services, access to credit, and absence of a value-chain approach to production that would enable the commercialization of complementary inputs. These factors act as a brake on modernizing agriculture, limiting the potential for increased employment – particularly female employment, given that one-third of female household heads are farmers - and incomes, particularly in the rural economy where growth lags behind the urban areas. Interventions in this sector continue to be relevant and reflected in ongoing WBG engagements and pipeline activities on enhancing irrigation services, support to increasing crop yields, land registration, administration, and land use policies. These will pave the way for further investments in high-value irrigated agriculture and horticulture, expanding the agri-food industry, increasing jobs, raising income, and improving spatial equity. The IFC, through investment and advisory services, will support agri-food value chains in primary production, agri-processing. Depending on the market and regulatory conditions, and if opportunities arise, IFC could invest in agri-infrastructure.

Objective Indicator	WBG Program
<p>Indicator 1: Area provided with new/improved irrigation and drainage services (Ha)</p> <ul style="list-style-type: none"> • <i>Baseline: 0 (2018)</i> • <i>Target: 11.500 (2022)</i> <p>Indicator 2: Number of land titles registered under the ILMD Project</p> <ul style="list-style-type: none"> • <i>Baseline: 14,550 (2018)</i> • <i>Target: 178,000 (2023)</i> <p>Indicator 3: # of farmers reached with IFC direct investments and advisory</p> <ul style="list-style-type: none"> • <i>Baseline: 750 (2016)</i> • <i>Target: 1500 (2019)</i> 	<p><u>Ongoing program:</u> Lending:</p> <ul style="list-style-type: none"> • P133828 Irrigation and Land Market Development <p>ASAs:</p> <ul style="list-style-type: none"> • P175705 Georgia – Agricultural, Land and Water Policies to Scale Up Sustainable Agri-food Systems • Georgia Trade, Investment and Agri competitiveness Project (IFC) <p><u>Planned:</u> Lending:</p> <p>P175629 Georgia Resilient Agri, Irrigation, and Land Project (FY23)</p>

Objective 1.2: Improve Connectivity and Integration

Intervention Logic: Weak logistics and underdeveloped infrastructure raise trade costs and isolate communities, making Georgia less desirable for foreign direct investment and contribute to spatial disparities, hindering the economy’s competitiveness, growth and development. The road network has expanded in recent years, primarily highways, including with WBG support but a weak network of secondary roads perpetuates economic dualism, which is compounded by a large digital urban-rural divide. The focus on infrastructure continues to be relevant and important for economic development, and the WBG’s interventions are focused on domestic connectivity as well as infrastructure to improve access to regional markets, be it on transport, energy or digital and the is targeting.

Indicator 1: Contribute to increased asset value of the East West Highway corridor from Tbilisi to Sarpi (GEL Million)

- *Baseline: 1,246.5 (2017)*
- *Target: 5,755 (2023)*

Indicator 2: Reduction in travel time to socio-economic centers or district centers in Guria region (minutes):

Under design-build contracts:

- *Baseline: 135 (2018)*
- *Target: 100 (2022)*

Under Guria roads:

- *Baseline: 149.5 (2021)*
- *Target: 113.8 (2022)*

Indicator 3: Reduction in vehicle operating costs and travel times along the Zemo Osiauri – Chumateleti – Khevi section of the East-West Highway

Vehicle operating costs for cars (USD/km):

- *Baseline: 0.31 (2018)*
- *Target: 0.28 (2023)*

Vehicle operating costs for trucks (USD/km):

- *Baseline: 0.557 (2018)*
- *Target: 0.547 (2023)*

Travel time (minutes):

- *Baseline: 17.7 (2018)*
- *Target: 13.2 (2023)*

Indicator 4: Rural Households with access to the Internet (%)

- *Baseline: 57 (2017)*
- *Target: 85 (2022)*

Ongoing program:

Lending:

- P149952 East-West Highway Corridor Improvement Project
- P149953 Secondary Road Asset Management Project
- P147348 Transmission Grid Strengthening Project
- P169117 Energy Supply Reliability and Financial Recovery
- P152441 Georgia National Innovation Ecosystem (GENIE) Project
- P169698 Log-in Georgia
- P173782 Kakheti Connectivity Improvement Project

ASAs:

- P168255 MFD in Georgian Power Sector
- P174666 Armenia and Georgia Energy Engagement
- P173486 Creating a Framework for the Digitalization of Logistics Corridor between South Caucasus (SC) and Central Asia
- P177937 Digital Economy for the South Caucasus
- P175770 SC Transport PASA

<p>Indicator 5: Total electricity evacuated from newly developed power generation stations in Southwestern Georgia through the grid (GWh)</p> <ul style="list-style-type: none"> • <i>Baseline: 0 (2018)</i> • <i>Target: 400 (2022)</i> 	
<p>Objective 1.3: Diversify Sources of Finance and Strengthen Innovation Capacity</p>	
<p>Intervention Logic: A relatively shallow and poorly diversified financial sector in Georgia limits the development of a strong private sector with adverse consequences for growth, job creation and competitiveness. Undiversified sources of finance limit innovation among firms and few firms engage in research and development, utilize technology transfer or collaborate with research institutions. Access to finance remains a constraint, particularly for MSMEs. Supporting capacity for innovation is expected to lead to greater entrepreneurial activity generating a greater pool of entrepreneurs and owner managers, a greater incidence of innovation hubs and an increased number of firms having received innovation financing. Interventions are expected to lead to improved credit market infrastructure that will in time diversify the sources of finance – short term and long term - available to the private sector, MSMEs and to the underserved segments of the population as well as better financial reporting and consumer protection.</p>	
<p>Indicator 1: Outstanding SME portfolio - IFC Client Banks (US\$, billions):</p> <ul style="list-style-type: none"> • <i>Baseline: 1.37 (2017)</i> • <i>Target: 2 (2022)</i> <p>Indicator 2: New/improved products and services introduced to new or existing markets</p> <ul style="list-style-type: none"> • <i>Baseline: 0 (2017)</i> • <i>Target: 70 (2022)</i> <p>Indicator 3: Private financing catalyzed through GENIE programs (US\$)</p> <ul style="list-style-type: none"> • <i>Baseline: 0 (2018)</i> • <i>Target: 7,000,000 (2023)</i> <p>Indicator 4: Enhanced access to credit by SMEs: Total SME lending (Gel billion)</p> <ul style="list-style-type: none"> • <i>Baseline (Gel billion): 5.2 (end 2017)</i> • <i>Target: Increase by 15% (2022)</i> <p>Indicator 5: Volume of fixed income securities (GoG & corporate securities)</p> <ul style="list-style-type: none"> • <i>Baseline: GEL 2.8 billion (2017)</i> • <i>Target: Increase by 30% (2022)</i> 	<p><u>Ongoing program:</u></p> <p>Lending:</p> <ul style="list-style-type: none"> • P152441 Georgia National Innovation Ecosystem (GENIE) Project • P173975 Georgia Relief and Recovery for MSMEs • P14776 ProCredit Mandatory Reserves Coverage (MIGA) <p><u>ASAs:</u></p> <ul style="list-style-type: none"> • P175014 Georgia FSAP Update • P169543 Georgia Financial Inclusion and Accountability Project • P169977 Georgia Economic Governance and Fiscal Accountability <p><u>Planned:</u></p> <p>Lending:</p> <ul style="list-style-type: none"> • P177797 Green, Resilient, and Inclusive Development DPO

Objective 1.4: Increase Economic Participation in the Regions

Intervention Logic: Lagging regions have not benefitted from increasing economic opportunities. Disparities are particularly stark for vulnerable segments of the population. During the CPF period, the Bank is taking an increasingly integrated approach to regional development. The WBG will collaborate with development partners to focus on remote regions where tourism needs to be complemented with diversification of the local economy. Existing partnerships are already supporting a wide-range of community-identified projects, which support connectivity infrastructure, climate resilience and capacity of local self-government. IFC will continue to explore hospitality infrastructure in the post-COVID context and encourage the development of agri-tourism with complementary investments in agri business services and light manufacturing in areas with high potential for tourism. The expected outcomes under this objective are to enhance participation of the local population in economic activities contributing to tourism value chains.

Indicator 1: Number of people provided with improved urban living conditions

- *Baseline 190,000 (2018)*
- *Target: 263,500 (2023)*

Indicator 2: Rehabilitated museums and urban centers in the regions contributing to tourism value chains

- *Baseline: 0 (2018)*
- *Target: 5 (2022)*

Ongoing program:

Lending:

- P150696 Third Regional Development Project
- P147521 Second Regional and Municipal Infrastructure Development Project and AF

Planned:

Lending

- P169747 Integrated Regional and Local Development Project (FY23)

Focus Area 2: Invest in Human Capital

The findings from the SCD note that developing the skills and human capital of a population are key for boosting productivity and growth and achieving the twin goals. The COVID-19 pandemic further stressed the importance of building resilient delivery systems to support people during crises and avoid losses in human capital. Investing in human capital is critical for reducing regional inequities in social and economic opportunities. Targeting underserved areas in human capital, such as early childhood development, education quality enhancement and resilience of health care delivery, will steer the country towards a sustainable and inclusive growth path.

Objective 2.1: Support Education System for Improved Quality and Relevance

Intervention Logic: The Georgian workforce lacks a relevant and applicable set of skills for the modern Georgian economy—employers’ flag soft skills as the most important weaknesses among potential workers, and the education system has failed to provide functional literacy to a large majority of students, with substantial evidence of an urban-rural divide. Better skills can help people find better jobs and be more productive at work. The lack of relevant skills comes from four sources—three related to low quality of instruction, and one to a lack of opportunities for building skills. First, the uneven availability and quality of early childhood and preschool education. Second, teacher quality, commonly accepted as a key driver of learning outcomes, is weak at all levels of the system. Third, higher education systems are incentivized to maximize the number of enrollees rather than improve the quality of teaching or research capacity. And fourth, students do not have sufficient opportunity to develop labor market-ready technical skills. The Government program asserts the importance of human capital as a constituent of economic development, with the education system playing a key role for competitiveness and quality, universally accessible healthcare system and a sustainable system of social security as top Government priorities. The ongoing WBG portfolio has been supporting this agenda through the Georgia I2Q project and analytical work as well as policy reforms in the education system. With the new Human Capital Program for Results the Bank will make human capital delivery even more efficient and inclusive.

<p>Indicator 1: Higher Education performance-based funding options developed in consultation with Higher Education Institutions, relevant government entities and external stakeholders</p> <ul style="list-style-type: none"> • <i>Baseline: Formula-based funding system (2018)</i> • <i>Target: Performance-based funding system developed (2023)</i> <p>Indicator 2: Support integration of digital technologies for COVID-19 induced blended learning in selected public schools.</p> <ul style="list-style-type: none"> • <i>Baseline: 0 (2021)</i> • <i>Target: 475 schools equipped with projectors, notebooks and Wi-Fi to benefit about 150,000 teachers and 100,000 students (2022)</i> <p>Indicator 3: Share of Survey respondents in communities targeted with GPSA grant reporting positive views on new preschool benchmarking and monitoring system</p> <ul style="list-style-type: none"> • <i>Baseline: n/a (Survey to be carried out in June 2018)</i> • <i>Target: 20 percent increase of survey respondents who confirm positive changes (2022)</i> 	<p><u>Ongoing program:</u></p> <p>Lending:</p> <ul style="list-style-type: none"> • P168481 Georgia I2Q – Innovation, Inclusion, Quality • P175455 Human Capital P4R <p><u>ASAs:</u></p> <ul style="list-style-type: none"> • P173530 Human Development Assessments in Eastern Neighborhood Countries • P174980 South Caucasus Education Sector Analytics • P175905 SC COVID Response and Human Development Strengthening
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Objective 2.2: Enhance Resilience of Health Care Delivery System

Intervention Logic: Before the COVID-19 pandemic, Georgia was in the need of re-orienting its health system towards greater emphasis on primary care, reducing reliance on acute hospital and emergency care, and emergency care, and coordinating primary and hospital care for improved efficiency of the system. The COVID-19 pandemic has placed a great burden on Georgia’s economy, reducing the quality of life for many Georgians and hindering the further development of the country. In order to contain the pandemic and mitigate the effects of COVID-19 the Government has initiated an effective multisectoral response. While the original CPF did not include pandemic response and preparedness, the spread of the pandemic has generated a need for urgent Bank support to prevent, detect, and respond to the threat posed by the COVID-19 pandemic, and strengthen national systems for public health preparedness in Georgia. The WBG engagement will continue with the introduction and administration of safe and effective vaccines to at least 46 percent of the population, and to support investments in strengthening immunization systems for vaccine deployment. In the mid-term, the WBG support will focus on increased access, equity, efficiency and quality of health services, and results will be more closely linked to reduced out-of-pocket expenses. Over the longer term, as resources currently devoted to inefficient health care services are freed up and reforms to the system translate into improved quality and coverage of services, outcomes for the population’s health and access to services in rural and lagging regions are expected to improve. The Bank will provide support for the introduction of an e-health system, which will co-ordinate between primary care and hospital services so that patients are referred appropriately to hospitals and there is adequate follow-up. This will further enable the National Health Agency (NHA) to monitor whether services are delivered in appropriate settings (primary care vs inpatient) and whether there is adequate coordination and continuity of care across providers and to reduce utilization of unnecessary hospital care, and encourage prescription of generic drugs, with a positive effect on out-of-pocket expenditures. IFC will support investments to expand and improve service delivery by private health care providers, including exploring potential PPP engagements.

<p>Indicator 1: Number of public hospitals and laboratories strengthened to respond to COVID-19 and pandemics in the future</p> <ul style="list-style-type: none"> • <i>Baseline: 0 (2020)</i> • <i>Target: 32 (2022)</i> <p>Indicator 2: Number of COVID-19 patients treated per SSA reimbursement guidelines</p> <ul style="list-style-type: none"> • <i>Baseline: 67,280 (2020)</i> • <i>Target: 100,000 (2022)</i> <p>Indicator 3: Development of the vaccination plan and procurement of eligible COVID-19 vaccines</p> <ul style="list-style-type: none"> • <i>Baseline: No vaccination plan available and 0 vaccines in place (2020)</i> • <i>Target: Vaccination plan developed, and 5,000,000 vaccines procured (2023)</i> 	<p><u>Ongoing program:</u></p> <p>Lending:</p> <ul style="list-style-type: none"> • P173911 Georgia Emergency COVID-19 Response Project • P175455 Human Capital PforR <p>ASAs:</p> <ul style="list-style-type: none"> • P173530 Human Development Assessments in Eastern Neighborhood Countries • P175905 SC COVID Response and Human Development Strengthening • P170294 SC: Strengthening the strategic purchasing of health care services to improve health system efficiency and equity
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Focus Area 3: Build Resilience

Pursuing sustainable macroeconomic policies is a prerequisite to deliver poverty reduction and economic growth over the CPF period. The SCD noted the importance of maintaining a sustainable fiscal and financial position. Underlying vulnerabilities on the fiscal, financial, and external side caution the solid track record of macro policies while widespread vulnerabilities among households, further exacerbated by the pandemic place these at high risk of falling back into poverty. Economic growth has been uneven with many continuing to be excluded from economic opportunities and growing disparities between rural and urban areas. In addition, natural resources that are a tremendous resource for the country are also under threat and the SCD highlighted the economic and social importance of preserving the environment. Focus area 3 looks at the ways to address vulnerabilities and build resilience in the economy, among households and in the natural resources.

Objective 3.1: Improve Macro-fiscal Management and Mitigate Risks

Intervention Logic: Challenges to Georgia’s macroeconomic resilience stem from external imbalances and internal pressures. These include a significant trade deficit, pressure on the fiscal accounts from social expenditures and contingent liabilities and financial sector vulnerabilities. The GoG is committed to fiscal consolidation and is strengthening public investment monitoring while advancing with a more complete analysis of fiscal risks. Its activities include an on-track IMF program; a focus on price stability with a flexible exchange rate and improvements to the transmission mechanism; Larization of the economy; and IMF-supported efforts for financial sector resilience. The WBG will use its comparative advantage to undertake activities in select areas, such as public investment management for fiscal risks and contingent liabilities stemming from SOEs and PPPs, capacity enhancement of the GoG to formulate PFM in partnership with the EU, and procurement reforms and strategies. ASA studies may include focused notes on public expenditure. A policy-based development operation is envisaged to support sound macroeconomic management and the country’s reform momentum. The activities will produce outputs that enhance technical understanding of, and capacity to undertake, macroeconomic policy reforms, and will be coordinated with the IMF through monitoring of Georgia’s macro-fiscal framework sustainability and adequacy, and fiscal and quasi-fiscal risks. Strengthening institutional capacity (particularly in PIM, financial risk and contingency management) and optimizing utilization of scarce public resources to strengthen the investment climate, develop finance infrastructure, and upgrade service delivery will contribute to maximizing finance for development.

<p>Indicator 1: Government devises plan to address contingent liabilities</p> <ul style="list-style-type: none"> • <i>Baseline: Contingent liabilities only reported (2018)</i> • <i>Target: The government introduced mechanisms to manage existing and new contingent liabilities with PPA obligations (2023)</i> <p>Indicator 2: PFM improves at the subnational level following PEFA</p> <ul style="list-style-type: none"> • <i>Baseline: PFM arrangements are weaker at the subnational level as reflected in lower scores on local-level PEFA assessments. Material issues, and systemic and control risks are identified (2017)</i> • <i>Target: PFM arrangements improved in at least 20 municipalities (2023)</i> 	<p><u>Ongoing program:</u> ASAs:</p> <ul style="list-style-type: none"> • P175486 Georgia Country Economic Memorandum • P169977 Georgia Economic Governance and Fiscal Accountability • P169543 Georgia Financial Inclusion and Accountability Project • P177565 FY22 Governance in SC • P177755 SC Financial and Private Sector
<p>Objective 3.2: Strengthen Resilience of Households to Shocks</p>	
<p>Intervention Logic: Close to half of the Georgian population remains vulnerable to falling into poverty as illustrated by the high degree of churning around the poverty line. Underdeveloped financial markets and gaps in financial sector regulation including weak consumer protection are constraints to financial inclusion. Helping households to navigate systemic and idiosyncratic shocks requires an understanding of all available sources of income. The WBG seeks to address some of these problems by undertaking activities that improve the targeting of the TSA program so that more of the poor and vulnerable are included while also encouraging a ‘rights and responsibilities’ approach in the program to facilitate labor market activation of beneficiaries. It is important to build solid delivery systems in the social sectors to get access to comprehensive social protection allowing to be resilient to shocks of various nature and avoid poverty. Progress towards achievement of the objective will be shown also by coverage of the bottom quintile by the TSA; number of individuals registered in TSA database, and an operational Deposit Insurance Agency.</p>	
<p>Indicator 1: Share of the people in the bottom quintile receiving the TSA (%)</p> <ul style="list-style-type: none"> • <i>Baseline: 36 (2018)</i> • <i>Target: 40 (2023)</i> <p>Indicator 2: Deposit Insurance Agency is fully operational with payout procedures developed</p> <ul style="list-style-type: none"> • <i>Baseline: DIA created, and DIA household insurance launched, no payout procedures and funding gap for DIA, (2017)</i> • <i>Target: DIA is fully operational with established deposits payout procedures. (2022)</i> <p>Indicator 3: Pension reform legislation enacted and Pension Agency Established</p> <ul style="list-style-type: none"> • <i>Baseline: Draft pension reform package in Parliament; no Pension Agency (2017)</i> • <i>Target: Pension reform legal package enacted; Pension Agency is created (2022)</i> 	<p><u>Ongoing program:</u> ASAs:</p> <ul style="list-style-type: none"> • P175014 Georgia FSAP Update • P169543 Georgia Financial Inclusion and Accountability Project • P177755 South Caucasus Financial and Private Sector • P177449 Strengthening Social Protection Systems in SC

Objective 3.3: Enhanced management of natural resources and climate risks

Intervention Logic: Climate risks continues to be a critical aspect of Georgia’s development agenda. Ranging from health impacts due to indoor and outdoor pollution, to vulnerability to natural disasters, the significant costs of coastal zone degradation, as well as the risks to tourism and production of quality agricultural produce. Abundant forest resources are not being adequately managed, limiting their development potential and that of rural households, while management of the mining sector is decades behind other countries in the region. The country has many features that make it vulnerable to climate change including diverse physical geography and climates, significant coastline and mountain zones, and an increasing experience of natural disasters. The Bank’s engagement targets a range of investments and analytical activities to support climate action including: (i) increase the national grid’s technical resilience to extreme climatic conditions; (ii) promote the energy efficiency of public buildings in Tbilisi; (iii) sustainable mining; (iv) helping Georgia with the implementation and tracking of its Nationally Determined Contribution (NDC) and increasing knowledge of and capacity on greening public financial management and investments to support NDC/Climate Strategy and Action Plan implementation; (v) support to efficient use and supply of renewable energy resources; (vi) support to coastal adaptation; (vii) improvements to solid waste management; and (viii) critical infrastructure assessment on its readiness to withstand natural disasters.

Indicator 1: Disaster risk emergency preparedness and response investment plan developed and adopted

- *Baseline: Investment plan has not been developed (2018)*
- *Target: Investment plan in place (2022)*

Indicator 2: Improve tagging, formulation of climate indicators and measurement for achieving of NDC targets in the public finance management system

- *Baseline: No climate tagging of public investments (2020)*
- *Target: Methodology and guidelines developed for climate tagging and measurement in GoG’s public finance management system (2023)*

Indicator 3: Financial business plan developed for implementing climate adaptation actions in coastal Georgia

- *Baseline: No financial business plan for climate adaptation in coastal Georgia (2020)*
- *Target: Investment plan for climate adaptation in coastal Georgia developed and discussed with stakeholders (2022)*

Ongoing program:

Lending:

- P147348 Transmission Grid Strengthening Project
- P169117 Energy Supply Reliability and Financial Recovery Project P12315 Adjaristsqali Hydro Power (MIGA)

ASAs:

- P168255 Maximizing Finance for Development in the Georgian Power Sector
- P168804 Supporting Sustainable Mining sector development in Georgia and Armenia
- P171738 South Caucasus: Regional Environment and Climate Program
- P177771 South Caucasus: Strengthening National Systems for Environmental and Social Risk Management
- P178123 Operationalizing Smart Village Approaches in the South Caucasus

ANNEX 2: CHANGES TO THE ORIGINAL CPF RESULTS FRAMEWORK

Focus Area 1: Enhance Inclusive Growth and Competitiveness		
CPF Objective 1.1: Support agricultural modernization and access to markets		
Original CPF Indicators	Revised CPF Indicators	Rationale for Change
Objective Indicators		
Area provided with new/improved irrigation and drainage services (Ha) <ul style="list-style-type: none"> • <i>Baseline: 0 (2018)</i> • <i>Target: 20,000 (2022)</i> 	Area provided with new/improved irrigation and drainage services (Ha) <ul style="list-style-type: none"> • <i>Baseline: 0 (2018)</i> • <i>Target: 11,500 (2022)</i> 	Target value decreased to reflect realistic projection. There is USD 12 million budget gap because actual costs were significantly higher than assumed at the preliminary design stage, which led the client to do only two irrigation schemes instead three as planned and to drop Tbisi Kumisi.
Number of land titles registered under the ILMD Project <ul style="list-style-type: none"> • <i>Baseline: 14,550 (2018)</i> • <i>Target: 48,000 (2022)</i> 	Number of land titles registered under the ILMD Project <ul style="list-style-type: none"> • <i>Baseline: 14,550 (2018)</i> • <i>Target: 178,000 (2023)</i> 	Indicator revised to accurately reflect increased target value proposed after the project restructuring. By developing and implementing an efficient in-house Systematic Land registration method, NAPR saved significant resources, which will be used to scale up.
CPF Objective 1.2: Improve Connectivity and Integration		
Objective Indicators		
Contribute to increased asset value of the East West Highway corridor from Tbilisi to Sarpi (GEL Million) <ul style="list-style-type: none"> • <i>Baseline: 812 (2018)</i> • <i>Target: 4,880 (2022)</i> 	Revised: Contribute to increased asset value of the East West Highway corridor from Tbilisi to Sarpi (GEL Million) <ul style="list-style-type: none"> • <i>Baseline: 1,246.5 (2017)</i> • <i>Target: 5,755 (2023)</i> 	Indicator revised to capture increased target value (5,755) and extended target year (2023). Baseline also revised to reflect the new figures adopted in the Additional Financing Paper which was approved after the preparation of the PLR results framework.
Reduction in travel time to socio-economic centers or district centers in Guria region (minutes): Under design-build contracts: <ul style="list-style-type: none"> • <i>Baseline: 135 (2018)</i> • <i>Target: 100 (2022)</i> Under OPRC roads: <ul style="list-style-type: none"> • <i>Baseline: 320 (2018)</i> • <i>Target: 225 (2022)</i> 	Reduction in travel time to socio-economic centers or district centers in Guria region (minutes): Under design-build contracts: <ul style="list-style-type: none"> • <i>Baseline: 135 (2018)</i> • <i>Target: 100 (2022)</i> Under Guria roads: <ul style="list-style-type: none"> • <i>Baseline: 149.5 (2021)</i> • <i>Target: 113.8 (2022)</i> 	Baseline and target values have been revised since OPRC has been removed after the project restructuring.

Improvement in Georgia's score on the Logistics performance index <ul style="list-style-type: none"> • <i>Baseline: 2.35 (2016)</i> • <i>Target: 2.51 (2022)</i> 	Dropped	The indicator has been dropped following the Bank's announcement that the methodologies for calculating LPIs will change, making the current targets irrelevant.
Rural Households with access to the Internet (%) <ul style="list-style-type: none"> • <i>Baseline: 57% (2017)</i> • <i>Target: 75% (2022)</i> 	Rural Households with access to the Internet (%) <ul style="list-style-type: none"> • <i>Baseline: 57% (2017)</i> • <i>Target: 85% (2022)</i> 	Target value has been revised upwards. The indicator is now monitored under the Log-in Georgia IPF while originally was observed under GENIE.
Power Generation (GWh) supported (IFC) <ul style="list-style-type: none"> • <i>Baseline: 11530 GWH (2017)</i> • <i>Target: 11,960 GWH (2022)</i> 	Dropped	The target is based on three operational HPPs, however only one is currently reporting/contributing to this indicator: Paravani. Adjaristskali started operation only in 2020, not reported results for 2020 yet. Nenskra is on hold.
New Investment Financing Facilitated by IFC AS in power sector <ul style="list-style-type: none"> • <i>Baseline: 0 (2017)</i> • <i>Target: 0.9 billion USD (FY19)</i> 	Dropped	Nenskra HPP is on hold. It was expected to generate up to USD 1.1 billion in investment, but due to the project being on hold, results are unlikely to materialize during the CPF period.
Reduction in vehicle operating costs and travel times along the Zemo Osiauri – Chumateleti – Khevi section of the East-West Highway Vehicle operating costs for cars (USD/km): <ul style="list-style-type: none"> • <i>Baseline: 0.24 (2018)</i> • <i>Target: 0.21 (2022)</i> Vehicle operating costs for trucks (USD/km): <ul style="list-style-type: none"> • <i>Baseline: 0.63 (2018)</i> • <i>Target: 0.50 (2022)</i> Travel time: <ul style="list-style-type: none"> • <i>Baseline: 12 minutes (2018)</i> • <i>Target: 6 minutes (2022)</i> 	Revised: Reduction in vehicle operating costs and travel times along the Zemo Osiauri – Chumateleti – Khevi section of the East-West Highway Vehicle operating costs for cars (USD/km): <ul style="list-style-type: none"> • <i>Baseline: 0.31 (2018)</i> • <i>Target: 0.28 (2023)</i> Vehicle operating costs for trucks (USD/km): <ul style="list-style-type: none"> • <i>Baseline: 0.557 (2018)</i> • <i>Target: 0.547 (2023)</i> Travel time: <ul style="list-style-type: none"> • <i>Baseline: 17.7 minutes (2018)</i> • <i>Target: 13.2 minutes (2023)</i> 	The project is on track, targets and baseline figures were changed to reflect the figures adopted in the Additional Financing Paper, which was approved after the preparation of the PLR results framework.
New household and MSME broadband subscriptions catalyzed by voucher program. <ul style="list-style-type: none"> • <i>Baseline: 0</i> • <i>Target: 33,000</i> 	Dropped	The indicator was monitored under the GENIE's BfD program which was scaled back during the restructuring due to limited uptake of the vouchers. Thus, indicator is no longer relevant.
MSMEs selling via e-commerce platforms <ul style="list-style-type: none"> • <i>Baseline: (will be established during CY 2018)</i> 	Dropped	The indicator was monitored under the GENIE's BfD program which was scaled back during the restructuring due to limited uptake of the vouchers. Thus, indicator is no longer relevant.

<ul style="list-style-type: none"> • <i>Target: 400 (2021)</i> 		
Objective 1.3: Diversify Sources of Finance and Strengthen Innovation Capacity		
Objective Indicators		
<p>Increase in total entrepreneurial activity: Share of population (percentage) who are entrepreneurs/owner managers</p> <ul style="list-style-type: none"> • <i>Baseline: 8.58 (2016)</i> • <i>Target: 11 (2022)</i> 	Dropped	Dropped because of lack of the attribution to the Bank's engagement in Georgia
<p>New/improved products and services introduced to new or existing markets</p> <ul style="list-style-type: none"> • <i>Baseline: 0 (2017)</i> • <i>Target: 200 (2022)</i> 	<p>New/improved products and services introduced to new or existing markets</p> <ul style="list-style-type: none"> • <i>Baseline: 0 (2017)</i> • <i>Target: 70 (2022)</i> 	Revised target value reflects the changes introduced after the GENIE project restructuring.
	<p>New Indicator Private financing catalyzed through GENIE programs (USD)</p> <ul style="list-style-type: none"> • <i>Baseline: 0 (2018)</i> • <i>Target: USD 7 million (2023)</i> 	This indicator was added to the GENIE PDO Indicators as part of the project's second restructuring in November 2020.
Objective 1.4: Increase Economic Participation in the Regions		
Objective Indicators		
<p>Growth of tourism employment in targeted regions as measured by the increase in number of people employed in hotels and restaurants</p> <ul style="list-style-type: none"> • <i>Baseline: 5320 (2018)</i> • <i>Target: 8722 (2022)</i> 	Dropped	The indicator and its baseline and target implied the entire regions, while the project activities were designed for the selected locations only. Therefore, the indicator was ambitious in the first place and attribution became an issue. The attribution concern can apply even to the project affected areas, as there are other investments implemented by the donor community and the GoG. Finally, the COVID-19 pandemic severely affected the tourism sector growth in 2020 and 2021. The sector saw substantial decrease in number of visitors, resulting in the decreased employment.
<p>Increased tourism spending in targeted regions as measured by increased tourism enterprise VAT receipts</p> <ul style="list-style-type: none"> • <i>Baselines (2017):</i> <i>Samtskhe-Javakheti – GEL 1.4 million</i> <i>Mtskheta-Mtianeti – GEL 2 million</i> 	Dropped	This indicator, as it was proposed earlier, holds attribution issues. The baseline covers the entire regions, while the project interventions are focused on the selected locations only. Furthermore, each of the project locations are also benefiting from various activities financed by other donors and the GoG. For example, while the Bank financed project is

<p><i>Imereti – GEL 3.6 million</i></p> <ul style="list-style-type: none"> • <i>Target (2021): 100% increase in Samtskhe-Javakheti and Mtskheta-Mtianeti, 30% increase in Imereti</i> 		<p>supporting the rehabilitation of key municipal and tourism facilities, the GoG is investing funds in the promotion and marketing, yet other donors are financing another set of relevant activities.</p>
	<p>New Indicator People provided with improved urban living conditions (Number, Corporate)</p> <ul style="list-style-type: none"> • <i>Baseline 190,000 (2018)</i> • <i>Target: 263,500 (2023)</i> 	<p>Improved living conditions as a result of rehabilitated or newly delivered municipal and public services for water, roads, public facilities, etc., creating better conditions for business activities</p>
	<p>New Indicator Rehabilitated museums and urban centers in the regions contributing to tourism value chains</p> <ul style="list-style-type: none"> • <i>Baseline: 0 (2018)</i> • <i>Target: 5 (2022)</i> 	<p>Refurbished and modern museums and rejuvenated urban centers attract higher number of visitors – domestic and international – requiring services which are then provided by the local communities. All of these support local economic development.</p>
Focus Area 2: Invest in Human Capital		
Objective 2.1: Support Education System for Improved Quality and Relevance		
Original Indicators	Revised Indicators	Rationale for Change
Objective Indicators		
<p>Introduction of performance-based funding system in higher education institutions</p> <ul style="list-style-type: none"> • <i>Baseline: Formula-based funding system (2018)</i> • <i>Target: Performance-based funding system developed (2022)</i> 	<p>Higher Education performance-based funding options developed in consultation with Higher Education Institutions, relevant government entities and external stakeholders</p> <ul style="list-style-type: none"> • <i>Baseline: Formula-based funding system (2018)</i> • <i>Target: Performance-based funding system developed (2023)</i> 	<p>The wording and target year of the indicator is revised to accurately reflect the Bank’s actual role and engagement.</p>
<p>Increase in share of new entrants into the teacher preparation programs with above average achievement in university admission exams</p> <ul style="list-style-type: none"> • <i>Baseline: 10%, (2018)</i> • <i>Target: 30% (2022)</i> 	Dropped	<p>The indicator isn’t attributable to the Bank’s engagement in education sector.</p>

	<p>New Indicator: Support integration of digital technologies for COVID-19 induced blended learning in selected public schools.</p> <ul style="list-style-type: none"> • <i>Baseline: 0 (2021)</i> • <i>Target: 475 schools equipped with projectors, notebooks and Wi-Fi to benefit about 150,000 teachers and 100,000 students (2022)</i> 	The indicator reflects current repurposing of the project funds to respond to the distance learning needs in wake of COVID-19 pandemic.
Objective 2.2		
Objective in the Original CPF RF	Revised Objective	Rationale for Change
Enhance Efficiency of Healthcare Delivery System	Enhance Resilience of Healthcare Delivery System	Before the COVID-19 pandemic, efficiency of the health system, measured as whether health care resources are being used to get the best value for money, was the priority area for an intervention. However, COVID-19 has caused an unprecedented global crisis that shocked health systems and disproportionately affected the most vulnerable populations. It has challenged health systems' capacities to prepare and respond and demonstrated that a resilient health system should be able to effectively adapt in response to any crisis and reduce vulnerability. Therefore, the health system's readiness for any disaster, including pandemics, and ability to adapt and withstand the shock quickly should be prioritized.
Objective Indicators		
Reduction in household out-of-pocket spending on health care. <ul style="list-style-type: none"> • <i>Baseline: 57% (2015)</i> • <i>Target: 50% (2022)</i> 	Dropped	The indicator doesn't reflect the Bank's engagement so far. Reduction of out-of-pocket spending will be targeted through the upcoming HC P4R and results will be observed during the next CPF cycle.
Decrease maternal mortality rate/ratio (per 100,000 live births) <ul style="list-style-type: none"> • <i>Baseline - 23.0 (2016)</i> • <i>Target - 20 (2022)</i> 	Dropped	This indicator doesn't reflect the Bank's engagement in the country, thus not attributable to the program.
Decrease under-5 mortality rate (per 1.000 live births) <ul style="list-style-type: none"> • <i>Baseline – 10.7 (2016)</i> 	Dropped	This indicator doesn't reflect the Bank's engagement in the country, thus not attributable to the program.

<ul style="list-style-type: none"> • <i>Target - 9 (2022)</i> 		
	<p>New Indicator Number of COVID-19 patients treated per SSA reimbursement guidelines</p> <ul style="list-style-type: none"> • <i>Baseline: 67,280 (2020)</i> • <i>Target: 100,000 (2022)</i> 	The indicator reflects the Bank's actual intervention through the COVID-19 Emergency operation.
	<p>New Indicator Development of the vaccination plan and procurement of eligible COVID-19 vaccines</p> <ul style="list-style-type: none"> • <i>Baseline: No vaccination plan available and 0 vaccines in place (2020)</i> • <i>Target: Vaccination plan developed, and 5,000,000 vaccines procured (2023)</i> 	The indicator reflects the Bank's actual intervention through the COVID-19 Emergency Project
	<p>New Indicator Number of public hospitals and laboratories strengthened to respond to the COVID-19 and pandemics in the future.</p> <ul style="list-style-type: none"> • <i>Baseline – 0 (2020)</i> • <i>Target – 32 (2022)</i> 	The designated hospitals and labs will strengthen the resilience of Georgian health care systems against health-related shocks.
Focus Area 3: Build Resilience		
Objective 3.1: Improve Macro-Fiscal Management and Mitigate Risks		
Original Indicators	Revised Indicators	Rationale for Change
Objective Indicators		
<p>Compliance with fiscal rule, and public debt remains sustainable</p> <ul style="list-style-type: none"> • <i>Baseline: Actual fiscal aggregates partly in line with fiscal rule; Public debt: 44 percent of GDP (2017)</i> • <i>Target: Actual fiscal aggregates in line with fiscal rule and public debt stabilizes below 50 percent of GDP (through 2022)</i> 	Dropped	The indicator is dropped. It cannot be achievable by target date since it is no longer relevant due to COVID.
<p>Government devises plan to address contingent liabilities</p> <ul style="list-style-type: none"> • <i>Baseline: Contingent liabilities only reported (2018)</i> 	<p>Government devises plan to address contingent liabilities</p> <ul style="list-style-type: none"> • <i>Baseline: Contingent liabilities only reported (2018)</i> 	The revision of the target is justified because the mechanisms for addressing legacy and new PPAs under the new electricity market rules minimizes possible obligations borne by PPA. This mechanism is defined under the amendment to the Law of

<ul style="list-style-type: none"> • <i>Target: Fiscal Risk Annex contains well-defined and realistic plan to manage contingent liabilities with PPA obligations included in the budget law (2022)</i> 	<ul style="list-style-type: none"> • <i>Target: The government introduced mechanisms to manage existing and new contingent liabilities with PPA obligations (2023)</i> 	Georgia on Energy and Water Supply. It introduces an electricity tariff surcharge which covers the cost of feed-in premium or contract for difference, thus the cost of PPA is minimized.
<p>PFM improves at the subnational level following PEFA</p> <ul style="list-style-type: none"> • <i>Baseline: will be set in 2019</i> • <i>Target: to be set at PLR stage after subnational PEFA's are performed</i> 	<p>PFM improves at the subnational level following PEFA</p> <ul style="list-style-type: none"> • <i>Baseline: PFM arrangements are weaker at the subnational level as reflected in lower scores on local-level PEFA assessments. Material issues, and systemic and control risks are identified (2017)</i> • <i>Target: PFM arrangements improved in at least 20 municipalities (2023).</i> 	Baseline and target set, as indicated in the CPF.
Objective 3.2		
Objective in the Original CPF RF	Revised Objective	Rationale for Change
Strengthen Resilience of Households	Strengthen Resilience of Households to Shocks	Objective is revised to align with the current COVID-19 context, changes in the social protection priorities and the Bank's actual engagement. The revised objective specifies resilience toward shocks
Original CPF Indicators	Revised CPF Indicators	Rationale for Change
Objective Indicators		
<p>Coverage of the bottom quintile by TSA</p> <ul style="list-style-type: none"> • <i>Baseline: 50% (2018)</i> • <i>Target: 60% (2022)</i> 	<p>Share of the people in the bottom quintile receiving the TSA</p> <ul style="list-style-type: none"> • <i>Baseline: 36% (2018)</i> • <i>Target: 40% (2023)</i> 	Both objective wording and values are revised to align with the Bank's engagement.
<p>Deposit Insurance Agency is fully operational with payout procedures and contingency financing framework developed</p> <ul style="list-style-type: none"> • <i>Baseline: DIA created, and DIA household insurance launched, no payout procedures and funding gap for DIA, no contingent financing arrangements (2017)</i> • <i>Target: DIA is fully operational with established deposits payout procedures,</i> 	<p>Deposit Insurance Agency is fully operational with payout procedures developed</p> <ul style="list-style-type: none"> • <i>Baseline: DIA created, and DIA household insurance launched, no payout procedures and funding gap for DIA (2017)</i> • <i>Target: DIA is fully operational with established deposits payout procedures (2022)</i> 	The indicator is revised. Contingent financing is removed from the indicator and values. Contingent financing arrangements haven't been met as this required cross-ministerial coordination and policy decisions outside the scope of the project.

<i>contingent financing arrangements developed (2022)</i>		
CPF Objective 3.3: Enhanced management of natural resources and climate risks		
Original CPF Indicators	Revised CPF Indicators	Rationale for Change
Objective Indicators		
<p>Forest area under sustainable management (% of forest area – excluding protected areas – with updated forest management plans under implementation)</p> <ul style="list-style-type: none"> • <i>Baseline: 0% (2018)</i> • <i>Target: 20% (2022)</i> 	Dropped	The indicator was related to the forestry operation, which hasn't materialized; hence, the indicator is no longer relevant and attributable to the current program
<p>Cost of environmental degradation from land degradation and deforestation reduced</p> <ul style="list-style-type: none"> • <i>Baseline: 191 million USD (2012)</i> • <i>Target: 80 million USD (2022)</i> 	Dropped	The indicator was related to the forestry operation, which hasn't materialized; hence, the indicator is no longer relevant and attributable to the current program
	<p>New Indicator</p> <p>Improve tagging, formulation of climate indicators and measurement for achieving of NDC targets in the public finance management system</p> <ul style="list-style-type: none"> • <i>Baseline: No climate tagging of public investments (2020)</i> • <i>Target: Methodology and guidelines developed for climate tagging and measurement in GoG's public finance management system (2023)</i> 	Decarbonization and adaptation targets and ambitions raised upon the update of NDC in 2021. To operationalize recommendations from the Bank's analytics, the Bank continues delivery of technical assistance for prioritizing of climate actions, understanding which investments in mitigation could have the greatest impact for economy and people, and what financing mechanisms would work best to make this happen.
	<p>New Indicator</p> <p>Financial business plan developed for implementing climate adaptation actions in coastal Georgia</p>	The Bank's climate-related work in Georgia responds to the raising need for stronger integration of climate perspective into the process of State budget planning, tracking, and gauging effectiveness of public expenditures for the fulfillment of Georgia's international commitments as well as for implementation of the adopted national strategies and action plans in the field of climate mitigation and adaptation.

	<ul style="list-style-type: none">• <i>Baseline: No financial business plan for climate adaptation in coastal Georgia (2020)</i>• <i>Target: Investment plan for climate adaptation in coastal Georgia developed and discussed with stakeholders (2022)</i>	
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ANNEX 3: PROGRESS TOWARD THE ORIGINAL CPF RESULTS MATRIX

Focus Area 1: Enhance Inclusive Growth and Competitiveness				
CPF Objective 1.1: Support agricultural modernization and access to markets				
CPF Objective Indicators	Progress to Date	Supplementary Indicators	Progress	WBG Program
<p># of farmers reached with IFC direct investments and advisory</p> <ul style="list-style-type: none"> • <i>Baseline:</i> 750 (2016) • <i>Target:</i> 1500 (2019) 	<p>Achieved and surpassed</p> <p>Actual: 1613 (2019)</p> <p><i>Source: IFC</i></p>	<p>Investment generated by investment climate interventions in targeted sectors (IFC)</p> <ul style="list-style-type: none"> • <i>Baseline:</i> 0 (2018) • <i>Target:</i> USD 10.5 million (2022) 	<p>Achieved and surpassed</p> <p>Actual: USD 72.2 million (2020)</p> <p><i>Source: IFC</i></p>	<p><u>Current programs:</u></p> <ul style="list-style-type: none"> • Irrigation and Land Market Development Project <p><u>Current ASA/TA/BETFs:</u></p> <ul style="list-style-type: none"> • Georgia – Agricultural, Land and Water Policies to Scale Up Sustainable Agri-food Systems • Georgia Trade, Investment and Agri competitiveness Project (IFC) <p><u>Completed Program:</u></p> <ul style="list-style-type: none"> • Georgia: Empowering Local Community Entrepreneurs <p><u>Completed ASA/TA/BETFs:</u></p> <ul style="list-style-type: none"> • SC: Digital agriculture and agriculture mechanization in the climate change context • MFD of Agri-food Value Chains in Georgia
<p>Area provided with new/improved irrigation and drainage services (Ha)</p> <ul style="list-style-type: none"> • <i>Baseline:</i> 0 (2018) • <i>Target:</i> 20,000 (2022) 	<p>On track</p> <p>Note that the project is on track to meet the revised target (11.500 ha) proposed after the restructuring. Actual result as of Oct 2021 is 5883 ha.</p> <p><i>Source: Irrigation and Land Market Development</i></p>	<p># of firms that export to the EU Market (IFC AS)</p> <ul style="list-style-type: none"> • <i>Baseline:</i> 0(2018) • <i>Target:</i> 6 (2022) 	<p>Off track</p> <p>Actual: 1 (2020)</p> <p>Due to the COVID-19 pandemic, fewer firms are able to export. The project is ongoing but will achieve results beyond CPF life cycle (currently actual number is 1 firm).</p> <p><i>Source: IFC</i></p>	
<p>Number of land titles registered under the ILMD Project</p> <ul style="list-style-type: none"> • <i>Baseline:</i> 14,550 (2018) • <i>Target:</i> 48,000 (2022) 	<p>On track</p> <p>Note that the project is on track to meet the target (178,000) revised after the restructuring. Actual as of Dec 2021: 51,308</p> <p><i>Source: Source: Irrigation and Land Market Development ISR</i></p>	<p>National diagnostic assessment on Digital Agriculture opportunities in Georgia undertaken and National Roadmap developed.</p> <p><i>Source: SC Digital Agri ASA</i></p>	<p>Partially achieved</p> <p>Diagnostic assessment has been conducted but no roadmap developed.</p>	

CPF Objective 1.2: Improve Connectivity and Integration				
CPF Objective Indicators	Progress to Date	Supplementary Progress Indicators	Progress to Date	WBG Program
<p>Contribute to increased asset value of the East West Highway corridor from Tbilisi to Sarpi (GEL Million)</p> <ul style="list-style-type: none"> • <i>Baseline:</i> 812 (2018) • <i>Target:</i> 4,880 (2022) 	<p>On track</p> <p>Current status: GEL 1,878 Million. By end of 2022 amount should be GEL 5,755 Million</p> <p>Note that the target value has been increased to 5,755 and the target date extended to 2023.</p> <p><i>Source: East-West Highway Corridor Improvement</i></p>	<p>Length of project roads managed under innovative practices in (OPRC)</p> <ul style="list-style-type: none"> • <i>Baseline:</i> 80 km (2018) • <i>Target:</i> 340km (2022) 	<p>Off track</p> <p>After the project restructuring a single OPRC has been removed and design-build method introduced.</p> <p><i>Source: Secondary Road Asset Management Project</i></p>	<p><u>Current Programs:</u></p> <ul style="list-style-type: none"> • Third Secondary and Local Roads Project • East-West Highway Corridor Improvement Project • Secondary Road Asset Management Project • Transmission Grid Strengthening Project • Energy Supply Reliability and Financial Recovery • Georgia National Innovation Ecosystem (GENIE) Project • Log-in Georgia • Kakheti Connectivity Improvement Project
<p>Reduction in travel time to socio-economic centers or district centers in Guria region (minutes):</p> <p>Under design-build contracts:</p> <ul style="list-style-type: none"> • <i>Baseline:</i> 135 (2018) • <i>Target:</i> 100 (2022) <p>Under OPRC roads:</p> <ul style="list-style-type: none"> • <i>Baseline:</i> 320 (2018) • <i>Target:</i> 255 (2022) 	<p>Mostly on track</p> <p>Indicator and values have been adjusted to reflect changes proposed after the project restructuring.</p> <p>Progress under design-build contacts is 100.1 - achieved</p> <p><i>Source: Secondary Road Asset Management Project</i></p>	<p>Private sector participation in the maintenance of the road infrastructure and monitoring of logistics performance along corridors</p>	<p>Partially achieved</p> <p>The Improving Freight Transit and Logistics Performance of the Trans-Caucasus Transit Corridor study has been completed. The GIF-funded T.A. "Private Sector Participation and Sustainability Options for the East-West Highway" has also been completed together with an ASA on "Innovative Financial Solutions". The T.A.s and studies have contributed to strengthening Government knowledge on the topic and the dialogue continues regarding the engagement of private</p>	<p><u>Current ASA/TA/BETFs:</u></p> <ul style="list-style-type: none"> • MFD in Georgian Power Sector • Armenia and Georgia Energy Engagement • Creating a Framework for the Digitalization of Logistics Corridor between SC and Central Asia • SC Transport PASA

			<p>sector in maintenance and monitoring of logistics on corridors.</p> <p><i>Sources:</i></p> <ul style="list-style-type: none"> • <i>Secondary Road Asset Management Project</i> • <i>Improving Freight Transit and Logistics Performance of the Trans-Caucasus Transit Corridor</i> • <i>Private Sector Participation and Sustainability Options for the East-West Highway</i> • <i>Innovative Financial Solutions for Georgia's Road Sector</i> 	<ul style="list-style-type: none"> • Digital Economy for South Caucasus <p><u>Completed Program:</u></p> <ul style="list-style-type: none"> • Fourth East -West Highway Improvement • Second Secondary and Local Roads Project <p><u>Completed ASA/TA/BETFs:</u></p> <ul style="list-style-type: none"> • Improving Freight Transit and Logistics Performance of the Trans-Caucasus Transit Corridor • Private Sector Participation and Sustainability Options for the East-West Highway • Innovative Financial Solutions for Georgia's Road Sector
<p>Improvement in Georgia's score on the Logistics performance index</p> <ul style="list-style-type: none"> • <i>Baseline:</i> 2.35 (2016) • <i>Target:</i> 2.51 (2022) 	<p>Off track</p> <p>The indicator was dropped following announcement by the Bank that the methodologies for calculating LPIs will change, making the current targets irrelevant.</p>	<p>Development of a prioritized green transport investment plan to integrate Georgian with the core Trans-European Network for Transport (TEN-T).</p>	<p>Achieved</p> <p>The Green Connectivity Report has been completed.</p> <p><i>Source: Greener Transport Connectivity for the Six Eastern Partnership Countries</i></p>	<ul style="list-style-type: none"> • Eastern Partnership Transport Panel Secretariat (Georgia is one of six countries) • Greener Transport Connectivity for the Six Eastern Partnership Countries • Increasing Sustainability of Georgia's Road Network through
<p>Rural Households with access to the Internet (%)</p> <ul style="list-style-type: none"> • <i>Baseline:</i> 57% (2017) • <i>Target:</i> 75% (2022) 	<p>On track</p> <p>Current value is 74.5%. Target value has been revised upwards. The indicator was initially monitored under GENIE but is now observed under the Log-in Georgia IPF.</p>	<p>Assessment of barriers to women's employment in the road sector is undertaken and policy recommendations are adopted by the Roads Department and the Ministry of Regional Development and Infrastructure.</p>	<p>Partially Achieved</p> <p>The assessment alongside policy recommendations was undertaken and provided to the Road Department. However, due to significant delays to launch Guria OPRC followed by Covid-19 lockdowns, the team was unable to complete all activities such as, to train and employ women in Guria OPRC work. This resulted in donor (PPIAF) and the WB team's mutual agreement to conclude the assignment without the</p>	

			client adopting the recommendations in Guria project. <i>Source: Secondary Road Asset Management Project</i>	Performance-Based Contracting <ul style="list-style-type: none"> • Energy Sector PPPs and MFD • Assessment of Fiscal Costs and Tariff Impact of Power Purchase Agreements • Broadband for All Strategy • SC Digital Development Initiatives • Regional Digital Initiatives S. Caucasus • Georgia's Energy Efficiency and Social Equity
Power Generation (GWh) supported (IFC) <ul style="list-style-type: none"> • <i>Baseline: 11,530 GWH (2017)</i> • <i>Target: 11,960 GWH (2022)</i> 	Off track Actual: 378 (2019) The target was based on three operational HPPs, however only one is currently reporting/contributing to this indicator: Paravani. Adjaristskali started operation only in 2020, Nenskra is on hold). <i>Source: IFC</i>	Power Generation (# of customers reached) (IFC) <ul style="list-style-type: none"> • <i>Baseline: 0 (2017)</i> • <i>Target: 71,000 (2019)</i> 	Partially Achieved Actual: 30 000 (2019) The target is calculated based on Nenskra HPP project, which is currently on hold. The objective was partially achieved. It is unlikely that the indicator will be fully materialized before the end of CPF period. <i>Source: IFC</i>	
New Investment Financing Facilitated by IFC AS in power sector <ul style="list-style-type: none"> • <i>Baseline: 0 (2017)</i> • <i>Target: 0.9 billion USD (FY19)</i> 	Off track Nenskra HPP is on hold. It was expected to generate up to USD 1.1 billion in investment, but due to the project being on hold, results are unlikely to materialize in the CPF period <i>Source: IFC</i>	Electricity transmission lines constructed or rehabilitated (km) <ul style="list-style-type: none"> • <i>Baseline: 103 (2018)</i> • <i>Target: 244 (2022)</i> 	On track As of June 2021, 63% of the end target achieved. 154.4 km of electricity transmission lines (Akhalsikhe-Batumi OHL) constructed or rehabilitated. The achievement of the indicator for 2021 is expected at 63 %. The target for 2022 is expected to be achieved fully. <i>Source: Transmission Grid Strengthening Project</i>	<u>IFC current and planned program:</u> <ul style="list-style-type: none"> • Investment in power generation, distribution, and transmission • Investment and/or PPP advisory in the transportation/logistics

		Georgian electricity exchange platform is available for regional electricity exchange/trade.	<p>On track</p> <p>The target is expected to be achieved fully for 2022.</p> <p><i>Source: Transmission Grid Strengthening Project</i></p>	<ul style="list-style-type: none"> Advisory in the ICT sector (Global Digital Infrastructure Initiatives)
<p>Total electricity evacuated from newly developed power generation stations in Southwestern Georgia through the grid (GWh)</p> <ul style="list-style-type: none"> Baseline: 0 (2018) Target: 400 (2022) 	<p>On track</p> <p>Segment II of the Akhaltsikhe-Batumi OHL line (financed by TGSP) was completed in late 2019, it connected the Shuakhevi hydropower station with the grid.</p> <p>In 2020, 64% of the end target was achieved. Total electricity evacuated from newly constructed generation station in Southwestern Georgia for 2020 was 258.4 GWh. The target is expected to be achieved fully.</p> <p><i>Source: Transmission Grid Strengthening Project</i></p>			
<p>Reduction in vehicle operating costs and travel times along the Zemo Osiauri – Chumateleti – Khevi section of the East-West Highway</p> <p>Vehicle operating costs for cars (USD/km):</p> <ul style="list-style-type: none"> Baseline: 0.24 	<p>On track</p> <p>1.9 km of the highway have been completed and opened to traffic. For the remaining sections target year revised to 2023.</p>			

<p>(2018)</p> <ul style="list-style-type: none"> • <i>Target:</i> 0.21 (2022) <p>Vehicle operating costs for trucks (USD/km):</p> <ul style="list-style-type: none"> • <i>Baseline:</i> 0.63 (2018) • <i>Target:</i> 0.50 (2022) <p>Travel time:</p> <ul style="list-style-type: none"> • <i>Baseline:</i> 12 minutes (2018) • <i>Target:</i> 6 minutes (2022) 	<p>The project can be considered a green field project, and all the sections constructed to date will not be open to traffic until the full completion of the whole Highway section. Until then traffic will continue to use the existing road network, hence no change in baseline indicators. So the current indicators are as follows:</p> <p>VOC (cars): 0.31 VOC (trucks): 0.557 Travel Time: 17.7 minutes</p> <p><i>Source: East-West Highway Corridor Improvement</i></p>			
<p>New household and MSME broadband subscriptions catalyzed by voucher program.</p> <ul style="list-style-type: none"> • Baseline: 0 • Target: 33,000 	<p>Off track</p> <p>The BfD program supporting this indicator was scaled back during GENIE restructuring due to limited uptake of the vouchers. Hence, indicator remains no longer relevant.</p> <p><i>Source: Georgia National Innovation Ecosystem (GENIE)</i></p>			
<p>MSMEs selling via e-commerce platforms</p> <ul style="list-style-type: none"> • Baseline: (will be established during CY 2018) • Target: 400 (2021) 	<p>Off track</p> <p>The BfD program supporting this indicator was scaled back during GENIE restructuring due to limited uptake of the</p>			

	vouchers. Hence, indicator remains no longer relevant. <i>Source: Georgia National Innovation Ecosystem (GENIE)</i>				
CPF Objective 1.3: Diversify Sources of Finance and Strengthen Innovation Capacity					
CPF Objective Indicators	Progress to Date	Supplementary Indicators	Progress	Progress to Date	WBG Program
Outstanding SME portfolio (IFC Client Banks): <ul style="list-style-type: none"> Baseline: 1.37 billion USD (2017) Target: 2 billion USD (2022) 	On track Actual: USD 1.62 billion (2018) <i>Source: IFC</i>	# of Outstanding MSME portfolio (IFC) <ul style="list-style-type: none"> Baseline: 151,000 (2016) Target: 400,000 (2022) 		Off track The indicator is off track due to CREDO Bank exiting portfolio with large # of micro loans <i>Source: IFC</i>	<u>Current Program:</u> <ul style="list-style-type: none"> Georgia National Innovation Ecosystem (GENIE) Project Georgia Relief and Recovery for MSMEs
Enhanced access to credit by SMEs: Total SME lending (Gel billion) <ul style="list-style-type: none"> Baseline (Gel billion): 5.2 (end 2017) Target: Increase by 15% (2022) 	Achieved and surpassed As of February 2021, outstanding SME loan portfolio is GEL 10.1 billion. This is almost a double increase from 2017 level.	Credit Reporting Regulation <ul style="list-style-type: none"> Baseline (2017): no regulatory framework is in place Target: NBG enacted regulation for credit bureau licensing and oversight (2020) 		Achieved In September 2019, National Bank of Georgia adopted two regulations: (i) Rule for Submission of Information to Credit Information Bureau in Georgia, Records Keeping and Accessibility of a Credit Information Bureau Database; and (ii) Rule for Registration, Deregistration and Regulation of Credit Information Bureau at the NBG <i>Source: Georgia Financial Sector Deepening and Inclusion FIRST TF (P159890)</i>	<u>Current ASA/TA/BETFs:</u> <ul style="list-style-type: none"> Georgia FSAP Update Georgia Financial Inclusion and Accountability Project Georgia Economic Governance and Fiscal Accountability South Caucasus Pensions <u>Completed ASA/TA/BETFs:</u> <ul style="list-style-type: none"> Strengthening auditing and reporting in the Eastern Partnership (STAREP) Improving efficiency and transparency in public procurement
Volume of fixed income securities (GoG & corporate securities) <ul style="list-style-type: none"> Baseline (2017): GEL 2.8 billion Target (2022): Increase by 30% 	Achieved and surpassed <ul style="list-style-type: none"> Current: Increase by 54% As of end 2019, corporate and GoG bond outstanding were GEL 4.4 billion that is 54	Secure transactions for movable assets <ul style="list-style-type: none"> Baseline: Existing registry is redundant (2018) Target: legal framework is 		Off track This reform was being supported by the Georgia Financial Sector Deepening and Inclusion FIRST TF (P159890). Reforms were not completed within the timeline due to the complexity and the limited	

	<p>percent increase from 2017 level.</p> <p><i>Source: Georgia Financial Sector Deepening and Inclusion FIRST TF (P159890)</i></p>	<p><i>enhanced and registry is in line with international best practice and online (2022)</i></p>	<p>cross-ministerial coordination. It is now included as a component of the Georgia MSME Relief and Recovery IPF. However, given the complexity of the reform, the indicator won't be achieved within the defined timeline.</p> <p><i>Georgia Financial Sector Deepening and Inclusion FIRST TF (P159890)</i></p>	<ul style="list-style-type: none"> IT Audit Development in the State Audit Office of Georgia Georgia PFM Implementation Support PEMPAL Community of Practice <p><u>IFC current and planned program</u></p>
<p>Increase in total entrepreneurial activity: Share of population (percentage) who are entrepreneurs/owner managers</p> <ul style="list-style-type: none"> Baseline: 8.58 (2016) Target: 11 (2022) 	<p>Off track</p> <p>Proposed indicator isn't attributable to the Bank program</p>	<p>Capital markets development strategy is developed</p> <ul style="list-style-type: none"> Baseline: 2016 Capital market strategy designed but expired, no longer-term vision exists Target: New comprehensive 5-year capital market strategy with action plan developed (2020) 	<p>Off track</p> <p>MOESD is working on a capital markets action plan together with ADB, but this process has been very slow. We have provided the comments in August 2020 and stand ready to engage as needed. WB's engagement in the document development is limited (reviewing and providing comments); but is supporting MOESD/ADB in the process. The document is more of an action plan than a strategy.</p> <p>FSAP is looking into capital markets development aspects, so there will be recommendations to better inform the strategy.</p>	<ul style="list-style-type: none"> Long-term finance to banks and NBFIs to expand financing to under-served segments Advisory projects on SME finance, corporate governance, and risk management for financial intermediaries Investments in the financial sector (equity, MSME loans, revolving credit lines, risk mitigation) Trade Finance
<p>New/improved products and services introduced to new or existing markets</p> <ul style="list-style-type: none"> Baseline: 0 (2017) Target: 200 (2022) 	<p>Mostly on track</p> <p>Target value has been decreased reflecting the changes introduced after the project restructuring.</p>	<p>Capital markets legal and regulatory framework enhanced.</p> <ul style="list-style-type: none"> Baseline: There are gaps in Capital markets legal and regulatory framework 	<p>Achieved</p> <p>Amendments to the Law on Securities Market and a new Law on Investment Funds have been adopted by the Parliament in July 2020.</p>	

	Source: Georgia National Innovation Ecosystem (GENIE)	<ul style="list-style-type: none"> Target: Amendments to the Law on securities submitted to the Parliament (2020) 	Source: Georgia Financial Inclusion and Accountability EU TF (P169543)	
		Regional Innovation Hubs and/or Community Innovation Centers Operating: <ul style="list-style-type: none"> Baseline: 0 Target: 8 (2022) 	Largely achieved 7 instead of 8 hubs/centers operating. The slightly decreased target value reflects changes introduced after the GENIE project restructuring. Source: Georgia National Innovation Ecosystem (GENIE)	
		Firms having received innovation financing (matching grants): <ul style="list-style-type: none"> Baseline: 0 (2016) Target: 80 (2022) 	Achieved and surpassed Due to the high demand, the component has been scaled up during restructuring, as a result, instead of originally envisioned 80, up to 145 companies have received financing. Source: Georgia National Innovation Ecosystem (GENIE)	
		Enhanced transparent financial reporting by SMEs: Number of SMEs preparing financial statements based on IFRS/IFRS for SMEs: <ul style="list-style-type: none"> Baseline: 0 (2016) Target: 500 (2022) 	Achieved and surpassed As of February 2022, 4,711 SMEs filed their financial statements based on IFRS for SMEs, which are available at SARAS web-portal- Source: SARAS portal https://reportal.ge/	
CPF Objective 1.4: Increase Economic Participation in the Regions				
CPF Objective Indicators	Progress to Date	Supplementary Indicators	Progress to Date	WBG Program
Growth of tourism	Off track	Number of micro and small	Off track	<u>Current Programs:</u>

<p>employment in targeted regions as measured by the increase in number of people employed in hotels and restaurants</p> <ul style="list-style-type: none"> • <i>Baseline: 5320 (2018)</i> • <i>Target: 8722 (2022)</i> 	<p>The indicator and its baseline and target implied the entire regions, while the project activities are designed for the selected locations only. Therefore, the indicator was ambitious in the first place and attribution also became an issue. The attribution concern can apply even to the project affected areas, as there are other investments implemented by the donor community and the GoG. Finally, the COVID-19 pandemic severely affected the tourism sector growth.</p>	<p>businesses started or expanded by poor and vulnerable households in the tourism sector in Kakheti and Imereti regions</p> <ul style="list-style-type: none"> • <i>Baseline: 513 (end 2017)</i> • <i>Target: 600 (2019)</i> 	<p>The referenced project closed in 2017, therefore the attribution cannot be proven.</p>	<ul style="list-style-type: none"> • Third Regional Development Project • Second Regional and Municipal Infrastructure Development Project <p><u>Completed Programs:</u></p> <ul style="list-style-type: none"> • Second Regional Development Project • Empowering Local Community Entrepreneurs • Sustainable Wastewater Management Project <p><u>IFC current and planned program</u></p>
<p>Increased tourism spending in targeted regions as measured by increased tourism enterprise VAT receipts</p> <ul style="list-style-type: none"> • <i>Baselines (2017): Samtskhe-Javakheti – GEL 1.4 million</i> • <i>Mtskheta-Mtianeti – GEL 2 million</i> <p>4. Imereti – GEL 3.6 million</p> <ul style="list-style-type: none"> • <i>Target (2021): 100% increase in Samtskhe-Javakheti and Mtskheta-Mtianeti, 30% increase in Imereti</i> 	<p>Off track</p> <p>The indicator isn't attributable to the Bank program</p>	<p>Number of community-led investments supporting tourism-related local infrastructure in Kakheti and Imereti.</p> <ul style="list-style-type: none"> • <i>Baseline: 15 (end 2017)</i> • <i>Target: 35 (2019)</i> 	<p>Off track</p> <p>The indicator isn't attributable to the Bank program</p>	<ul style="list-style-type: none"> • Investment in export-related sectors including logistics, services, and light manufacturing

		<p>Number of female-owned or run enterprises in targeted regions supported by the Empowering Local Community Entrepreneurs project</p> <ul style="list-style-type: none"> • <i>Baseline 80% (end 2017)</i> • <i>Target: Remain at baseline level or increase (2020)</i> 	<p>Off track</p> <p>The indicator is related to the Empowering Local Community Entrepreneurs project, though baseline and target values, as well as formulation isn't accurate, thus progress can not be tracked.</p> <p><i>Source: Empowering Local Community Entrepreneurs (P146123)</i></p>	
Focus Area 2: Invest in Human Capital				
CPF Objective 2.1: Support Education System for Improved Quality and Relevance				
CPF Objective Indicators	Progress to Date	Supplementary Indicators	Progress to Date	WBG Program
<p>Introduction of performance-based funding system in higher education institutions</p> <ul style="list-style-type: none"> • <i>Baseline: Formula-based funding system (2018)</i> • <i>Target: Performance-based funding system developed (2022)</i> 	<p>On track</p> <p>The wording and target year of the indicator is revised to accurately reflect the Bank's actual role and engagement.</p> <p><i>Source: Georgia Innovation, Inclusion and Quality Project</i></p>	<p>Number of target Municipalities that undergo preschool benchmarking assessment</p> <ul style="list-style-type: none"> • <i>Baseline: 0 (2018)</i> • <i>Target: 27 (2022)</i> 	<p>Achieved and surpassed</p> <p>In total, 32 municipalities went through the benchmarking process exceeding the original target of 27 municipalities.</p> <p><i>Source: Improving Preschool Education in Georgia through Social Accountability Processes</i></p>	<p><u>Current program:</u></p> <ul style="list-style-type: none"> • Georgia I2Q – Innovation, Inclusion, Quality • Georgia Human Capital P4R <p><u>Current ASA/TA/BETFs:</u></p> <ul style="list-style-type: none"> • Human Development Assessments in Eastern Neighborhood Countries • SC Education Sector Analytics • SC COVID Response and Human Development Strengthening
<p>Increase in share of new entrants into the teacher preparation programs with above average achievement in university admission exams</p>	<p>Off track</p> <p>No attribution to the Bank Program.</p>	<p>New higher education financing model developed</p> <ul style="list-style-type: none"> • <i>Baseline: 0 (2018)</i> • <i>Target: 1(2020)</i> 	<p>Off track</p> <p>This wasn't achieved by 2020, although the Bank is supporting the GoG to develop performance-based funding</p>	

<ul style="list-style-type: none"> • <i>Baseline: 10%, (2018)</i> • <i>Target: 30% (2022)</i> 			system for HEs, this is captured under the respective indicator above.	<u>Completed program:</u> <ul style="list-style-type: none"> • RETF - Improving Preschool Education in Georgia through Social Accountability Processes GPSA grant. 	
<p><i>Share of Survey respondents in communities targeted with GPSA grant reporting positive views on new preschool benchmarking and monitoring system</i></p> <ul style="list-style-type: none"> • <i>Baseline: n/a (Survey to be carried out in June 2018)</i> • <i>Target: 20 percent increase of survey respondents who confirm positive changes (2022)</i> 	<p>Achieved and surpassed</p> <p>A total of 52 percent of respondents in 2019 and 72.6 percent of respondents in 2020 confirmed positive changes in their kindergartens as a result of the benchmarking system.</p> <p><i>Source: Improving Preschool Education in Georgia through Social Accountability Processes</i></p>	<p>New general education financing model developed</p> <ul style="list-style-type: none"> • <i>Baseline: 0 (2018),</i> • <i>Target: 1 (2020)</i> 	<p>Off track</p> <p>The indicator was foreseen under the unrealized pipeline operation. Since this remains highly relevant to the education system, it has been captured under the pipeline HC P4R and will be achieved during the next CPF period.</p>	<p><u>Completed ASA:</u></p> <ul style="list-style-type: none"> • Georgia: Strengthening Teacher Quality in VET Education 	
		<p>Diagnostics of major issues and bottlenecks in vocational education sector for producing skills with market relevance carried out.</p>	<p>Off track</p> <p>No attribution to the Bank's program. Several analytical pieces were produced under the VET ASA focusing on VET teachers, but not on market relevant skills.</p>		
CPF Objective 2.2: Enhance Efficiency of Health Care Delivery System					
CPF Objective Indicators	Progress to Date	Supplementary Indicators	Progress	Progress to Date	WBG Program

<p>Reduction in household out-of-pocket spending on health care.</p> <ul style="list-style-type: none"> • <i>Baseline:</i> 57% (2015), • <i>Target:</i> 50% (2022). 	<p>Off Track</p> <p>The indicator doesn't reflect the Bank's engagement so far. Reduction of out-of-pocket spending will be targeted through the upcoming HC P4R and results will be observed during the next CPF cycle.</p>	<p>E-health system rolled out</p> <ul style="list-style-type: none"> • <i>Baseline:</i> 0 (2018) • <i>Target:</i> 1 (2021) 	<p>Off track</p> <p>Target wasn't achieved within defined timeframe, but the Bank is supporting the ministry in developing digital health strategy. The new objective indicator reflects actual nature of intervention.</p>	<p><u>Current Program:</u></p> <ul style="list-style-type: none"> • Georgia Emergency COVID-19 Response Project • Georgia Human Capital P4R <p><u>Current ASA/TA/BETFs:</u></p> <ul style="list-style-type: none"> • Human Development Assessments in Eastern Neighborhood Countries • SC COVID Response and Human Development Strengthening • SC Strengthening the strategic purchasing of health care services to improve health system efficiency and equity <p><u>Completed ASA/TA/BETFs:</u></p> <ul style="list-style-type: none"> • Georgia Health Sector Support ASA • South Caucasus Social Protection and Economic Opportunities ASA
<p>Decrease maternal mortality rate/ratio (per 100,000 live births)</p> <ul style="list-style-type: none"> • <i>Baseline</i> - 23.0 (2016) • <i>Target</i> - 20 (2022) 	<p>Off Track</p> <p>The indicator doesn't reflect the Bank's engagement in the country, thus not attributable to the program.</p>	<p>Average length of hospital stay.</p> <ul style="list-style-type: none"> • <i>Baseline:</i> 5 days (2016) • <i>Target:</i> 4.7 days (2022). 	<p>Off Track</p> <p>The indicator doesn't reflect the Bank's engagement in the country, thus not attributable to the program.</p>	
<p>Decrease under-5 mortality rate (per 1.000 live births)</p> <ul style="list-style-type: none"> • <i>Baseline</i> - 10.7 (2016) • <i>Target</i> - 9 (2022) 	<p>Off Track</p> <p>The indicator doesn't reflect the Bank's engagement in the country, thus not attributable to the program.</p>	<p>Outpatient visits per person per year.</p> <ul style="list-style-type: none"> • <i>Baseline:</i> 3.9 visits (2016) • <i>Target:</i> 4.2 visits (2022) 	<p>Off Track</p> <p>The indicator doesn't reflect the Bank's engagement in the country, thus not attributable to the program.</p>	
		<p>Introduction Performance-based health care financing system by 2021.</p>	<p>Off Track</p> <p>This activity remains relevant, but non-achieved under the defined period. The system will be introduced by the CPF end period.</p> <p><i>Source: SC: Strengthening the strategic purchasing of health care services to improve health system efficiency and equity</i></p>	

Focus Area 3: Build Resilience

CPF Objective 3.1: Improve Macro-fiscal Management and Mitigate Risks

CPF Objective Indicators	Progress to Date	Supplementary Indicators	Progress	Progress to Date	WBG Program
<p>Compliance with fiscal rule and public debt remains sustainable</p> <ul style="list-style-type: none"> • <i>Baseline: Actual fiscal aggregates partly in line with fiscal rule; Public debt: 44 percent of GDP (2017)</i> • <i>Target: Actual fiscal aggregates in line with fiscal rule and public debt stabilizes below 50 percent of GDP (through 2022)</i> 	<p>Off track</p> <p>The indicator isn't achievable by target date, and remains no longer relevant due to COVID</p>	<p>PFM strategy adopted (2018)</p>	<p>Achieved</p> <p>Georgia PFM Strategy for 2018-2021 was approved and is currently operational.</p> <p><i>Source: Georgia PFM Implementation Support (P165226) And EU TFOA6814</i></p>	<p><u>Current ASA/TA/BETFs</u></p> <ul style="list-style-type: none"> • Georgia Country Economic Memorandum • FY22 Governance in SC • SC Financial and Private Sector • Georgia Economic Governance and Fiscal Accountability • Georgia Financial Inclusion and Accountability Project <p><u>Completed Program</u></p> <ul style="list-style-type: none"> • Economic Management and Competitiveness DPO 	
<p>Government devises plan to address contingent liabilities</p> <ul style="list-style-type: none"> • <i>Baseline: Contingent liabilities only reported (2018)</i> • <i>Target: Fiscal Risk Annex contains well-defined and realistic plan to manage contingent liabilities with PPA obligations included in the</i> 	<p>On track</p> <p>Target has been revised to accurately reflect the Bank's engagement.</p>	<p>SOE Governance</p> <ul style="list-style-type: none"> • <i>Baseline: 15 SOEs publish IFRS FS (2017)</i> • <i>Target: corporate governance assessment for 4 pilot SOEs; 25 SOEs publish IFRS financial statements (2022)</i> 	<p>On track</p> <p>Corporate governance assessment completed for 1 SOE in 2021; 2 more are planned for 2022.</p> <p>10 SOEs publish their IFRS based financial statements; 279 SOEs IFRS based financial statements are available at SARAS web-portal.(2022)</p> <p><i>Source: Georgia Financial Inclusion and Accountability Project</i></p>	<p><u>Completed ASA/TA/BETFs</u></p> <ul style="list-style-type: none"> • Macroeconomic Monitoring – Country Economic Update • Strengthening Auditing and Reporting in the Eastern Partnership (STAREP) • Improving the Efficiency and Transparency of Public Procurement ASA • PFM TA (PEFA, PFM Strategy, PIM) 	

<i>budget law (2022)</i>				
PFM improves at the subnational level following PEFA <ul style="list-style-type: none"> • <i>Baseline: will be set in 2019</i> • <i>Target: to be set at PLR stage after subnational PEFA are performed</i> 	On track Baseline and target have been set. PFM arrangements will be improved in at least 20 municipalities by 2023	Subnational-level PEFA <ul style="list-style-type: none"> • <i>Target: Undertake local PEFA assessments for two self-governing municipalities --Tbilisi and Batumi</i> 	Achieved and surpassed 3 subnational PEFA assessments done in 2018 for Batumi, Tbilisi and Martvili. <i>Source: Georgia PFM Implementation Support (P165226) And EU TFOA6814</i>	
CPF Objective 3.2: Strengthen Resilience of Households				
CPF Objective Indicators	Progress to Date	Supplementary Progress Indicators	Progress to Date	WBG Program
Coverage of the bottom quintile by TSA <ul style="list-style-type: none"> • <i>Baseline: 50% (2018)</i> • <i>Target: 60% (2022)</i> 	On track The indicator has been reformulated and values adjusted to accurately reflect actual intervention.	Methodology for measuring informal sector size developed <ul style="list-style-type: none"> • <i>Baseline: 0 (2018)</i> • <i>Target: 1 (2022)</i> 	Off track Informality in Georgia ASA which was to measure the sector has been dropped.	<u>Current Program:</u> <ul style="list-style-type: none"> • Georgia Emergency COVID-19 Response Project <u>Current ASA/TA/BETFs</u> <ul style="list-style-type: none"> • Georgia FSAP Update • Georgia Financial Inclusion and Accountability Project • SC Financial and Private Sector • Strengthening Social Projection Systems in SC 6. <u>Completed ASA/TA/BETFs:</u> <ul style="list-style-type: none"> • Operationalizing the Jobs Agenda in Georgia • South Caucasus Pensions
Pension reform legislation enacted and Pension Agency Established <ul style="list-style-type: none"> • <i>Baseline: Draft pension reform package in Parliament; no Pension Agency (2017)</i> • <i>Target: Pension reform legal package enacted; Pension Agency is created (2022)</i> 	Achieved The Law on Private Pensions was passed in August 2018. The Pension Agency was established rapidly following the passage of the law and the new pension system began to accept contributions from January 2019 onwards.			

<p>Deposit Insurance Agency is fully operational with payout procedures and contingency financing framework developed</p> <ul style="list-style-type: none"> • <i>Baseline: DIA created and DIA household insurance launched, no payout procedures and funding gap for DIA, no contingent financing arrangements (2017)</i> • <i>Target: DIA is fully operational with established deposits payout procedures, contingent financing arrangements developed (2022)</i> 	<p>On track</p> <p>The indicator is on track, after the objective and values are corrected. Contingent financing has been removed from the revised indicator. The project was not able to meet the contingent financing arrangements as this required cross-ministerial coordination and policy decisions outside the scope of the project.</p>			<ul style="list-style-type: none"> • Financial Sector Deepening and Inclusion TA • Financial Sector Advisory TA • Deposit Insurance TA • Programmatic PERs
CPF Objective 3.3: Enhanced management of natural resources and climate risks				
CPF Objective Indicators	Progress to Date	Supplementary Progress Indicators	Progress to Date	WBG Program
<p>Forest area under sustainable management (% of forest area – excluding protected areas – with updated forest management plans under implementation)</p> <ul style="list-style-type: none"> • <i>Baseline: 0% (2018)</i> • <i>Target: 20% (2022)</i> 	<p>Off track</p> <p>The indicator isn't attributable to the Bank program. Forestry project envisioned at CPF writing has not been materialized.</p>	<p>National capacity to accurately monitor carbon sequestration in Georgian Forests is available.</p>	<p>Off track</p> <p>The indicator isn't attributable to the Bank program. Forestry project envisioned at CPF writing has not been materialized.</p>	<p><u>Current Program:</u></p> <ul style="list-style-type: none"> • Transmission Grid Strengthening Project • Energy Supply Reliability and Financial Recovery <p><u>Current ASA/TA/BETFs:</u></p>

<p>Cost of environmental degradation from land degradation and deforestation reduced</p> <ul style="list-style-type: none"> • <i>Baseline: USD 191 million (2012)</i> • <i>Target: USD 80 million (2022)</i> 	<p>Off track</p> <p>The indicator isn't attributable to the Bank program. Forestry project envisioned at CPF writing has not been materialized.</p>	<p>Updated forest management plans prepared (area, Ha)</p> <ul style="list-style-type: none"> • <i>Baseline: 0 (2018)</i> • <i>Target: 400,000 (2022)</i> 	<p>Off track</p> <p>The indicator isn't attributable to the Bank program. Forestry project envisioned at CPF writing has not been materialized.</p>	<ul style="list-style-type: none"> • MFD in the Georgian Power Sector • Supporting Sustainable Mining sector development in Georgia and Armenia • SC: Regional Environment and Climate Program • South Caucasus Smart Villages Program • Armenia and Georgia Energy Engagement • Georgia - Agricultural, Land and Water Policies to Scale up Sustainable Agri-food Systems <p><u>Completed ASA/TA/BETFs:</u></p> <ul style="list-style-type: none"> • Household Surveys on Forest Use, Poverty & Vulnerability to Natural Hazards • Forestry and Mining Dialogue • Georgia: National Action Plan for Adapting to Climate Change Impacts in the Coastal Zone • Georgia's Energy Efficiency and Social Equity • Municipal Solid Waste Management
<p>Disaster risk emergency preparedness and response investment plan developed and adopted</p> <ul style="list-style-type: none"> • <i>Baseline: Investment plan has not been developed (2018)</i> • <i>Target: Investment plan in place (2022)</i> 	<p>On track</p> <p>The plan has been developed and will be adopted in CY22</p> <p><i>Source: Emergency Preparedness and Resilient Critical Infrastructure Project (P173026)</i></p>	<p>Forest officials from the National Forest Agency trained in modern forest management practices (%)</p> <ul style="list-style-type: none"> • <i>Baseline: 0 (2018)</i> • <i>Target: 75% (2022)</i> 	<p>Off track</p> <p>The indicator isn't attributable to the Bank program. Forestry project envisioned at CPF writing has not materialized.</p>	
		<p>Number of forest user villages supported and involved in management of their local forests</p> <ul style="list-style-type: none"> • <i>Baseline: 0 (2018)</i> • <i>Target: 500 (2022)</i> 	<p>Off track</p> <p>The indicator isn't attributable to the Bank program. Forestry project envisioned at CPF writing has not been materialized.</p>	
		<p>National Action Plan for Adapting to Climate Change Impacts in the Black Sea Coastal Zone is developed</p>	<p>Achieved</p> <p>Action Plan for Adapting to Climate Change Impacts in the Coastal Zone was</p>	

			<p>developed on the proceeds of the NDC Support Facility grant. An analytical study on vulnerability and adaptation was carried out in support of the Action Plan, resulting in an e-published report. The report was launched in a high-level representative webinar attended by all key national stakeholders.</p> <p><i>Source: National Action Plan for Adapting to Climate Change Impacts in the Coastal Zone (P165927)</i></p>	<ul style="list-style-type: none"> • Advancing the Disaster Risk Management Agenda in Georgia • Resilient Building Regulation and Emergency Preparedness • Tbilisi Urban Regeneration and Resilience – Phase 2 • TA to Increase Climate Resilience of Georgia’s Road Network
		National Annex of Eurocode 8 is developed and adopted by the Ministry of Economy and Sustainable Development	<p>Achieved</p> <p>The technical committee under the Ministry of Economy and Sustainable Development adopted the national annex in 2019.</p> <p><i>Source: Resilient Building Regulation and Emergency Preparedness (P166986)</i></p>	
		New energy efficiency legislation is adopted	<p>Achieved</p> <p>The following new energy efficiency legislation has been adopted: 1. Law on Georgia on Energy Efficiency, May 28, 2020, and 2. Law of Georgia on Energy Efficiency of Buildings, May 21, 2020.</p> <p><i>Source: http://matsne.gov.ge</i></p>	
		Action Plan for increasing the climate resilience of Racha’s road network is developed and adopted by the Roads Department.	<p>Achieved</p> <p>A prioritized work program for climate resilience adaptation measures of Racha’s secondary road network was developed with a grant from the Global Facility for Disaster Reduction and</p>	

			Recovery (GFDRR). Action Plan developed and adopted by the Roads Department. <i>Source: Secondary Road Asset Management Project</i>	
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ANNEX 4: PROGRESS TOWARD ACHIEVING CPF OBJECTIVES

FOCUS AREA 1: ENHANCE INCLUSIVE GROWTH AND COMPETITIVENESS

1. Despite programming challenges and adjustments to some of the CPF objectives, the focus area remains relevant and partially on track to be achieved by the end of the CPF coverage period. Investments in high-value irrigated agriculture and land market development have been successful and will support the expansion of the agri-food industry in the medium term and job creation and shrinking of urban-rural disparities in the long term. Important progress has been made to strengthen connectivity (in transport and energy), which remains critical for Georgia achieving its full growth potential. The WBG's has also contributed significantly to the Government's regional development agenda, although the original objective-level indicators are no longer attributable and will be replaced with more relevant ones. IFC continued its support to agricultural modernization and access to markets through a multi-year advisory engagement and maintained a strong focus on strengthening the financial sector and improving MSME access to finance.

Objective 1.1: Support agricultural modernization and access to markets

2. The WBG's engagement in agricultural modernization has been significant with expected long-term benefits. The combination of investments in the modernization of irrigation infrastructure, improved irrigation service delivery, and land management instruments that facilitate access to finance and land market mobility have already resulted in an increase in the share of high-value irrigated crops in areas supported by the *Irrigation and Land Market Development (ILMD) Project*. Measures to scale up farmers' productive investments and improve their access markets have contributed to Georgia's integrated approach to expand the agri-food industry while enhancing the sustainability of irrigation infrastructure. In the long term, WBG interventions will also help shrink urban-rural disparities. The target values of the irrigation and land market-related indicators will be revised upward to reflect more accurate data proposed after the second restructuring of the Project. The indicator on digital agricultural opportunities was partially achieved; the national diagnostic assessment was successfully carried out, but the roadmap for digital agriculture has not yet been developed.

3. IFC's multi-year advisory engagement focused on the development of competitive agri - food value chains. In 2020 under the *Georgia Agribusiness Competitiveness Project*—implemented in partnership with Swedish International Development Cooperation Agency (SIDA), and in close collaboration with the Ministry of Agriculture and National Food Agency—IFC engaged with the country's public and private sectors to help boost agricultural exports. One tangible outcome is 200 percent increase in 2020 of honey exports from Georgia to the EU, compared to the baseline of 2019 of 21 tons. The project also resulted in USD72 million in investments, exceeding the CPF target more than six times. The project adjusted the sector scanning methodology due to COVID-19, which resulted the addition of new sectors, including biopharma. New sectoral opportunities in logistics and warehousing have also been identified for further development by the Enterprise Georgia Agency.

Objective 1.2: Improve connectivity and integration

4. Progress under this objective has been mixed and values will be adjusted to reflect more realistic outcomes. At CPF approval, the GoG envisioned the expansion of ICT connectivity and support to MSMEs through the *GENIE project*. However, due to the low uptake of the broadband vouchers, *GENIE's* Broadband for Development project component was scaled down; hence, related objective indicators have not been met. The objective indicator on Georgia's LPI will also be dropped due to the changes in LPI methodology. The restructuring of the *SRAM Project* removed the single Output and Performance-

based Road Contract (OPRC) and replaced it with a design-build method. The related objective indicators have been revised accordingly. The *SRAM Project* has partially supported women's employment opportunities in the roads sector. Although all *East-West Highway Corridor Improvement Project* related indicators are on track, they will not be met within the original timeframe. In the energy sector, the World Bank support in the construction and rehabilitation of transmission lines is on track, with 63 percent of the end target already achieved by 2020. Total electricity evacuated from the newly constructed generation station in Southwestern Georgia for 2020 was 258.4 GWh. The targets for 2022 are expected to be achieved fully. Also, MIGA's guarantee covering the *Adjaristskali Hydro Project* is expected to improve reliable domestic energy supply for firms and homes and to strengthen electricity production from Hydro Power Plants.

5. IFC maintained a strong focus on strengthening the financial sector and improving MSME access to finance, providing long-term finance to banks and expanding longer-tenor financing to underserved segments, including women entrepreneurs, as well as providing risk management for financial intermediaries. Additionally, IFC provided six short-term trade finance lines under its *Global Trade Finance Program* to three client banks in the amount of USD 9 million, to support trade flows during the pandemic.

Objective 1.3: Diversify sources of finance and strengthen innovation capacity

6. There was mixed progress under this objective; the World Bank has partially supported the Government's needs in developing a savings market and diversifying access to finance. World Bank interventions have helped the GoG enhance access to credit. As a result, the outstanding SME loan portfolio has displayed a double increase from the 2017 level and has surpassed the initial target. The volume of fixed income government and corporate securities has also increased by 54 percent from the 2017 level. The program has also been successful in enhancing the capital markets' legal and regulatory frameworks. The restructuring of the *GENIE project* resulted in two indicators being dropped; however, the number (target value) of the start-ups receiving innovation financing has almost doubled due to the scale-up of the respective component. Support under the multi-year *Georgia Financial Sector Deepening and Inclusion* analytical and advisory services did not result in the completion of reforms for updating the secured transactions framework due to the complexity of the reform and the need for cross-ministerial coordination. However, the work was included in Relief and Recovery for *MSMEs Project* and is expected to be achieved by 2024.

7. IFC's long-standing engagement in the financial sector is well coordinated with the World Bank policy dialogue and technical assistance aimed at strengthening credit market infrastructure (secured transactions framework and credit reporting supervision) to streamline access to finance and reduce credit risks. Recognizing the importance of enabling South-South transactions in the region, IFC invested in a Turkish bank's expansion to Georgia, with focus on providing increased access to finance to the SME segment.

8. MIGA's guarantee in the financial sector will reduce the regulatory risk weighting applied to ProCredit mandatory reserves at the consolidated level, freeing up capital for its subsidiary in Georgia. This capital (100 percent) will improve access to finance and strengthen climate finance lending in the country. As part of the COVID-19 response strategy, MIGA guarantees are also expected to mitigate the adverse impact of the pandemic on SMEs, thereby supporting a green and inclusive recovery.

Objective 1.4: Increase economic participation in the regions

9. Progress has been limited under this objective, with the need to introduce new indicators to reflect the World Bank’s actual interventions. The CPF indicators are deemed too ambitious and not attributable to the World Bank’s ongoing program. While the WBG portfolio includes a sizable portion of regional and tourism development operations, the original objective, and supplementary progress indicators (SPIs) do not monitor the progress of actual activities. Two new indicators have been added to monitor the progress toward improved living conditions in the regions. The SPI on female-owned enterprises has also been dropped due inadequate M&E, making progress difficult to track.

FOCUS AREA 2: INVEST IN HUMAN CAPITAL

10. The CPF’s human capital pillar has experienced programming challenges. At CPF approval, the Georgia portfolio did not include a single lending operation in the human development sector and the pipeline was only notionally defined due to borrowing constraints. Only one Recipient-executed trust funded (RETF) activity focused on the sector, specifically on preschool education. The results framework includes under Focus Area 2 includes many objective and supplementary progress indicators have not been linked to any specific project and hence are not attributable to the actual program. It is noteworthy that the Human Development portfolio now includes three large-scale education, health and social protection and jobs operations, most notably the newly approved *Human Capital Program for Results*. The revised Results Framework will also include several country-specific and regional analytical activities.

Objective 2.1: Support education system for improved quality and relevance

11. While the World Bank program achieved some progress against the CPF indicators, progress was stymied by substantial obstacles. Four of the seven indicators are off track since they were linked to two notional pipeline operations (Education Sector Improvement Program and Innovation and Skills for 21st Century) that have not materialized in a way they were initially envisioned. Two indicators linked to the RETF – the Global Partnership for Social Accountability (GPSA) grant on *Improving Preschool Education in Georgia through Social Accountability Processes*—have exceeded initial targets; thirty-two municipalities (against a target of 27) went through the benchmarking assessment process. The indicator on higher education financing now monitored under *Georgia I2Q* has been reformulated and is firmly on track to be achieved by 2023. The World Bank has repurposed part of Georgia I2Q funding to address immediate COVID-19 needs on distant learning and the respective objective indicator has also been added to the revised Results Framework.

Objective 2.2: Enhance efficiency of the healthcare delivery system

12. Progress has been limited under this objective due to concerns around the indicators’ attribution and relevance. The objective has experienced both programming challenges and the radical shift in Government priorities. The *Georgia Health Care System Strengthening operation* did not materialize; hence, related indicators have not been met and will be dropped in the updated matrix. New indicators introduced at the PLR phase will replace original indicators and monitor the progress toward the enhanced resilience of the health care delivery system. The Objective will also be adjusted to reflect a more pronounced focus on building a resilient health care delivery system.

13. IFC’s portfolio companies contributed to the expansion and improvement of service delivery by private health care providers. This is expected to lift overall standards of health care service delivery in the country through a demonstration effect. The number of patients served has increased by 40 percent, from 213,000 in 2017 to nearly 300,000 in 2019.

FOCUS AREA 3: BUILD RESILIENCE

14. All three objectives of the CPF's third focus area remain relevant to the current context with significant progress already achieved under 3.1 and 3.2 and mixed progress under 3.3. As envisioned, the CPF program has deepened the World Bank's engagement in financial sector modernization and Public Financial Management (PFM). The program has been successful in terms of improving micro-fiscal management and financial inclusion and building households' resilience through stronger safety nets. The objective on enhancing management of natural resources and climate risks has shown partial progress; CPF was not able to increase the sustainability of Georgia's forests since the pipeline operation envisaged at CPF writing has been dropped.

Objective 3.1: Improve macro-fiscal management and mitigate risks

15. There has been satisfactory progress under this objective with five out of six indicators either achieved or on track to be met. In partnership with the EU, three (two were originally envisioned) subnational PEFA (Public Expenditure and Financial Accountability) assessments were carried out in Batumi, Tbilisi, and Martvili. PEFA findings informed the 2018–2021 PFM Strategy, which is approved and already operational. Moreover, new PFM arrangements at the subnational level will be improved in at least 20 municipalities by the end of the CPF period. To ensure fiscal sustainability, the CPF program is supporting the improvement in governance and financial reporting of State-owned Enterprises. The indicator on the compliance with fiscal rules and sustainability of public debt is unlikely to be achieved and will be dropped in the updated Results Framework since it no longer relevant due to the pandemic.

Objective 3.2: Strengthen resilience of households

16. Important progress has been made to strengthen households' resilience framework. Three out of four objectives are either achieved or on track while one SPI will be dropped due to the changes in the program. The World Bank has successfully supported the GoG in implementing the comprehensive pension reform by assisting in the preparation of the reform law and the establishment of the Pension Agency. Partial progress has been observed in meeting the objective related to the Deposit Insurance Agency (DIA). While the DIA is fully operational with established deposits payout procedures, contingent financing arrangements are not yet in place due to limited cross-ministerial coordination and policy decisions outside the scope of the project. The objective indicator is revised accordingly. The CPF program has been successful in supporting efforts to improve the efficiency of Georgia's social safety nets; the respective indicator remains on track to achieve its target by FY22, although the values as well as the objective have been revised to capture more accurate results. The SPI measuring the size of the informal sector is off track as the supporting analytical activity was canceled.

Objective 3.3: Enhanced management of natural resources and climate risks

17. Progress has been limited with the need to adjust the indicators to reflect the WBG's actual interventions in environment and climate. Since the notional *Forestry Project* did not materialized due to shifts in government priorities, there was no progress under the two related objectives and four SPIs. The CPF program has successfully supported the Government in developing and adopting two new energy efficiency laws, including the one on the energy efficiency of buildings. Through the WBG's long-standing engagement in the area of Disaster Risk Management (DRM), the Ministry of Economy and Sustainable Development adopted the National Annex of Eurocode 8 in 2019. Development and adoption of the DRM emergency preparedness and response investment plan are on track. Two new indicators proposed in the revised matrix capture the World Bank's extensive support to the Government to develop action plans for the NDC implementation and an investment plan for climate adaptation in the coastal zones.

ANNEX 5: KEY ECONOMIC INDICATORS

Table 1: Key economic indicators (% growth, unless otherwise indicated)

	2018	2019	2020	2021	2022f	2023f	2024f
Real GDP growth, at constant prices	4.8	5.0	-6.8	10.4	2.5	5.5	5.0
↳	5.8	7.2	8.8	9.6	3.0	3.8	4.8
Gross investment	1.9	-0.1	-16.5	-14.6	-4.6	-0.5	2.2
Exports, goods and services	10.1	9.8	-37.6	25.0	-4.0	11.0	13.0
Imports, goods and services	10.3	6.6	-16.6	8.5	-5.0	5.0	9.0
Real GDP growth, at constant factor cost	4.9	5.1	-6.6	11.5	2.5	5.5	5.0
Agriculture	13.8	0.7	8.1	-1.4	3.0	5.0	4.0
Industry	-0.5	2.7	-6.8	2.6	2.0	5.0	4.0
Services	5.6	6.3	-8.1	16.2	2.6	5.7	5.4
Prices: Inflation	2.6	5.0	5.2	9.6	11.0	6.6	3.8
Current account balance (percent of GDP)	-6.8	-5.5	-12.4	-9.8	-13.0	-9.6	-8.2
Financial and capital account (percent of GDP)	6.8	5.5	12.4	9.8	13.0	9.6	8.2
Fiscal balance (percent of GDP)	-2.6	-3.4	-9.8	-7.1	-4.7	-3.6	-3.0
Public debt (percent of GDP)	40.4	41.8	62.6	51.9	51.0	49.8	48.0
Primary fiscal balance (percent of GDP)	-1.4	-2.2	-8.2	-5.8	-3.3	-2.3	-1.8
International poverty rate (USD 1.9 in 2011 PPP)	4.5	3.8	4.2	3.4	3.2	2.9	2.5
Lower middle-income pov. rate (USD 3.2 in 2011 PPP)	15.5	14.8	17.0	14.1	13.9	12.1	10.5
Upper middle-income pov. rate (USD 5.5 in 2011 PPP)	42.5	41.9	46.6	40.6	39.8	36.4	33.3

Source: Ministry of Finance of Georgia, Geostat and staff estimates



ANNEX 6: KEY FINDINGS OF THE GEORGIA GENDER ASSESSMENT 2021

Human Endowments

- Girls and women in Georgia enjoy substantial access to education, nonetheless these endowments do not necessarily translate to improved skills and income opportunities. Girls enjoy almost universal primary and secondary school enrolment and more women than men attend tertiary education. Despite high educational achievements, women face more limited access to economic opportunities than men.
- Women’s segregation by industry and occupation—and degree concentration in humanities, education, and health care—locks them in economic activities with lower earnings. Only 16 percent of graduates of science, technology, engineering, and math (STEM) programs in tertiary education were women in 2018 (WDI 2020).
- Health and demographic indicators show gender imbalances. In a context of stagnant population growth, women constitute the largest share (62 percent) of the elderly population, while men make up the majority of the youth. One in ten Georgians is an elderly woman. Female life expectancy at birth is substantially higher than males’, and boys face substantially higher infant and child mortality.

More and Better Jobs

- Georgia has a large gender gap in labor force participation of 19 percentage points, as only 43 percent of working-age females participate in labor markets. Gender-based wage gaps in Georgia remain large, at 16 percent of men’s earnings, after controlling for differences in demographic and job characteristics (World Bank 2020). Cuberes and Teignier (2016) estimate the economic costs of gender gaps in labor participation in Georgia at 11 percent of GDP. Domestic responsibilities and low wages are barriers to women’s labor force participation.

Ownership and Control of Assets

- Female entrepreneurial potential faces several limitations. Only one-fifth of firms have female participation in ownership, and 16 percent of firms have a female top manager (Enterprise Survey 2019). Access to finance, political instability, and an inadequately educated workforce are identified as the biggest obstacle for doing business by female top managers.

Voice and Agency

- Female political representation has increased since 2010, though progress remains slow and insufficient. In 2019, women held nearly 15 percent of all seats, compared to 6.5 percent in 2010. Between 2010 and 2018, the share of ministerial-level positions occupied by women rose from 5.6 percent to 27.3 percent.
- Like in many other countries, limited data is a major barrier to understand and address gender-based violence (GBV) in Georgia. Available indicators suggest that 6 percent of women suffer lifetime physical and/or sexual intimate violence from their partners. However, the real prevalence of GBV is difficult to assess. Despite policies and services in place, GBV is often underreported.

The World Bank has worked to address many of these issues in lending operations. As noted in Table 2 operations delivered under this CPF have been gender tagged.

Box 1: COVID-19 and Gender

COVID-19 risks overturning progress on gender and could widen existing gender gaps. The long-term effects of COVID-19 will likely be mediated by pre-existing gender gaps across endowments, economic conditions, and agency. Women are more vulnerable because of their role as primary caregivers and homemakers, their occupational segregation in labor markets, their lack of labor protections and legal rights to assets, biased intra-household allocations, and prevailing social norms and behaviors under confinement.

Available firm-level data suggest that women can be most affected by unemployment and furloughs related to COVID-19 (*Enterprise Survey COVID-19 Follow-Up*, June 2020). Evidence on the short-term effects of COVID-19 on household incomes and monetary poverty does not highlight significant gender differences. Nonetheless, a comprehensive understanding of gender disparities in the effects of the pandemic requires further attention to longer-term effects, nonmonetary welfare, and intra-household dynamics.

Table 2: List of Gender Tagged Projects (FY19-FY21)

List of Gender Tagged Projects (FY19–FY21)			
ID	Project	GP	FY
P173975	Georgia Relief and Recovery for Micro, Small, and Medium Enterprises	FCI	2021
P169698	Log-in Georgia	Digital Development	2021
P173965	Economic Management and Competitiveness Development Policy Operation: COVID19 Supplemental Financing	MTI	2020
P169082	Additional Financing for the Second Regional and Municipal Infrastructure Development Project	URL	2020
P169913	Economic Management and Competitiveness Development Policy Operation	MTI	2020
P171796	Additional Financing for Irrigation and Land Market Development Project	Water	2020
P168481	Georgia I2Q - Innovation, Inclusion and Quality	Education	2019

Note: FCI = Finance, Competitiveness, and Innovation; MTI = Macroeconomics Trade, and Investment; URL = Urban, Disaster Risk Management, Resilience and Land.

ANNEX 7: PROGRESS ON CITIZEN ENGAGEMENT

During the CPF period, the enabling framework for civil society and the engagement of citizens has remained relatively constant. Georgia ranks relatively well on Voice and Accountability in the *Worldwide Governance Indicators*. However, the percentile rank has decreased to 49.8 in 2020, compared to 55.6 in 2019,⁹ reflecting the lack of consistency in maintaining the space for genuine civic engagement.¹⁰ Given past governance challenges, Georgia has committed to an Open Government Partnership Action Plan in 2018 and continues to implement the reforms.¹¹ Since then, the GoG has enhanced transparency and access to information around court decisions, public services, and public procurement and has developed a monitoring and analysis system for legislative acts. At the same time, a number of commitments were not fulfilled, including the development of an innovative platform for CE, increasing citizen oversight of public finances, increasing transparency of the public grant funding system, and strengthening the existing major Anti-Corruption Institutions.¹² Georgia has committed to an increased role for civil society in the new Environmental Assessment Code (2018) which establishes stricter guidelines for citizens' participation in the environmental impact assessment process,¹³ and the enactment of Decree 629 on the Rules of Procedure for Development, Monitoring and Evaluation of Policy Documents in 2020 requires public institutions to hold public consultations before the approval of draft policy documents.

In this context, the Citizen Engagement Country Roadmap for Georgia incorporated in the CPF has been supported to strengthen the engagement of citizens in World Bank-financed projects. During the CPF period to date, all projects have met the CE corporate requirements at approval, and since FY19 all portfolio projects have reported, semiannually, on their CE activities. Moreover, in contrast to the last CPF period in which Georgia's performance on CE was limited, projects approved since FY19 have ensured that the quality of citizen-oriented design is well above minimum standards. ECA measures this quality through a CE Quality Index that assesses criteria regarding the depth and frequency of engagement, the openness to all citizens and areas of concern, and the availability of multiple channels for engagement. Georgia has seen considerable improvement in quality over this CPF period—in FY19, 67 percent of project met the criteria, and this improved to 100 percent in FY21—establishing the potential for genuine mechanisms to engage citizens in all new projects frequently, with proactive approaches that facilitate direct interfaces, and building in mechanisms for Government responses.

While the COVID-19 pandemic has resulted in significant challenges to the implementation of CE activities, projects have continued and adapted to the changing context. Due to restrictions in travel and face-to-face meetings, the engagement of citizens and civil society organizations (CSOs) was inevitably affected, but significant effort has been made. In late 2020, Georgia pioneered a civil society consultation regarding the World Bank response to COVID-19. While CSOs have taken a leading role in supporting

⁹ World Governance Indicator 2019 (<https://info.worldbank.org/governance/wgi/Home/Reports>).

¹⁰ Freedom in the World, 2020. <https://freedomhouse.org/country/georgia/freedom-world/2020> (accessed on September 14, 2021).

¹¹ Open Government Partnership Georgia website, <https://ogpgeorgia.gov.ge/en/about-ogp/> (accessed on August 24, 2021).

¹² Administration of the Government of Georgia. 2020. *Self-Assessment Report On the Implementation of Open Government Georgia Action Plan 2018–2019*. <https://ogpgeorgia.gov.ge/upload/pages/26/Final%20Self-Assessment%20Report%20On%20the%20Implementation%20of%20Open%20Government%20Georgia%20Action%20Plan%20018-2019.pdf> (accessed on August 25, 2021).

¹³ World Bank. 2020. "Analysis of Gaps between National Legislation of Georgia and World Bank Environmental and Social Framework." <http://documents.worldbank.org/curated/en/105031592550795667/Analysis-of-Gaps-between-National-Legislation-of-Georgia-and-World-Bank-Environmental-and-Social-Framework> (accessed on August 24, 2021).

vulnerable groups and complementing state functions during the COVID-19 crisis,¹⁴ in their oversight role, CSOs have flagged some important challenges and risks, for example, that simplified procurement procedures may have led to decreased transparency and difficulty in monitoring the decision-making process by CSOs and the public.¹⁵ A number of World Bank-financed projects have explored how they will continue to adapt the activities to operate in this constrained context, and specifically, the Georgia Emergency COVID-19 Support Project provides a model for best practice in ECA, demonstrating the strong commitment to a citizen-oriented design in emergency operations.

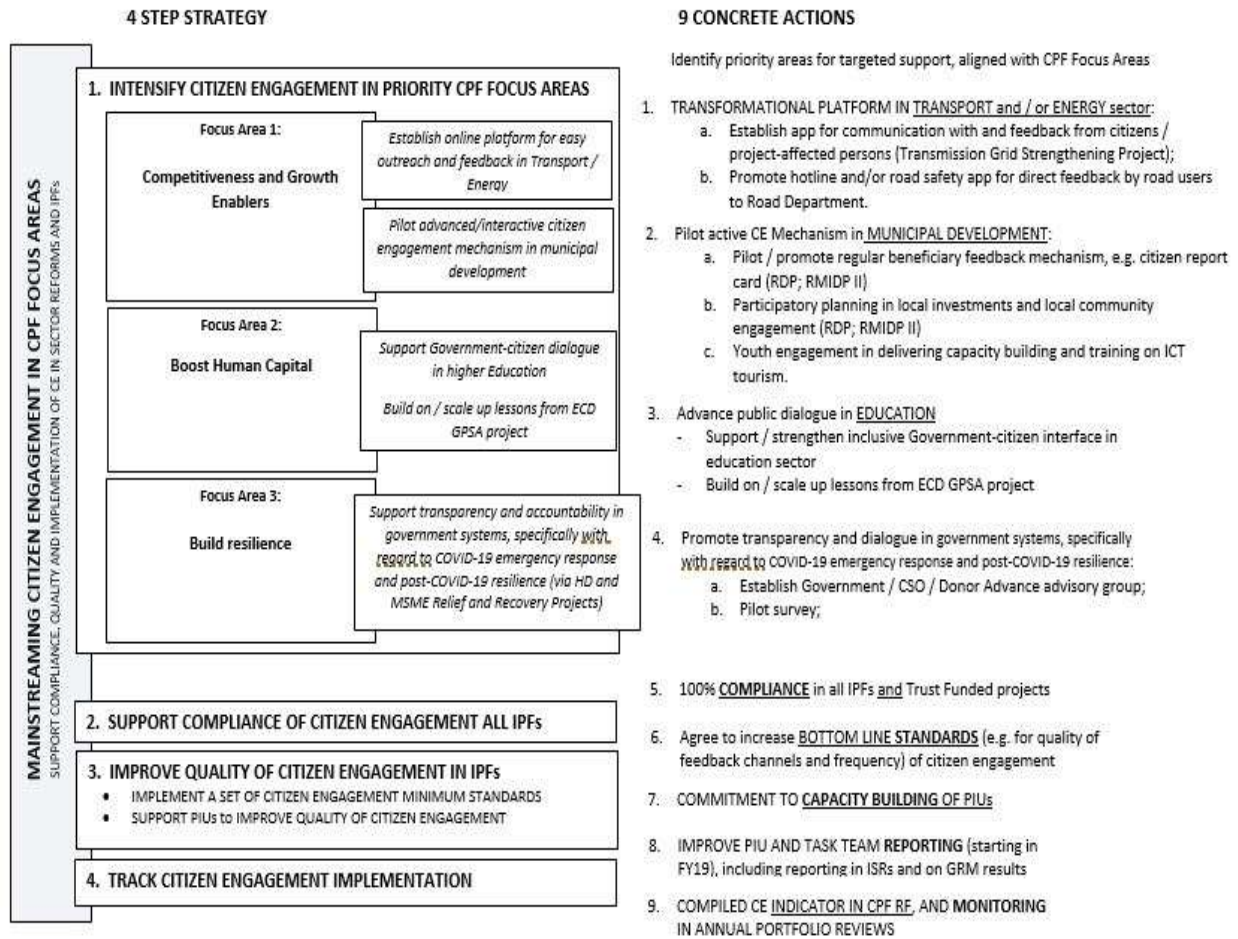
Efforts to intensify the CE in CPF priority areas are well under way. The piloting of CE activity in municipal development is to be implemented under the *Second Regional and Municipal Infrastructure Development Project II*. After restructuring, the project has developed procedures for CE in subproject planning and decision-making. These mechanisms are now used in all participating municipalities. To date, efforts to engage with youth on ICT tourism are yet to start. In addition, the *Log-in Georgia* project is developing a comprehensive CE strategy to inform broader policy reforms in digital development/digital inclusion and education and plans for the engagement of youth in digital services. The platforms for CE intended under the transport and energy sectors have progressed with an online platform developed by Georgia Roads Department. When functional, it will enable direct citizen feedback and an online complaints platform. The CE app planned under the *Transmission Grid Strengthening Project* to enable real-time monitoring and recording of feedback and complaints among project beneficiaries is in the final stages of development before its launch in FY22. Activities to enhance public dialogue and strengthen the Government-citizen interface in the education sector have been led by the *Georgia I2Q* project which plans for a national consultation process on education sector reforms, including feedback collected locally from representative groups and parents/teachers. This process is expected to be completed during FY22. The GPSA grant project *Improving Preschool Education in Georgia through Social Accountability Processes* has also been completed, and its experience and lessons, especially about targeting engagement of a broad range of actors and the alignment of the benchmarking tool with national policies, have been included in the I2Q project. More generally, the focus on improving implementation is promising. In addition to the progress in the quality of CE at design, project implementing agencies have taken proactive steps to ensure CE mechanisms are implemented; clarify the BFI; and improve monitoring through AFs, restructuring, and supervision missions.

Moving forward, for the remainder of the CPF period, projects will be focused on not only completing but also adapting the planned CE mechanisms to the post-pandemic constraints, as well as completing the remaining activities in the CE country roadmap. The CE country roadmap has been revised to include focus on the new norms for citizen engagement in Georgia and the inclusion of the COVID-19 supported projects, and the CE indicator in the Results Framework has been updated to reflect the progress to date.

¹⁴ European Commission. 2021. *Association Implementation Report on Georgia*. https://www.euneighbours.eu/sites/default/files/publications/2021-02/2021_association_implementation_report_in_georgia.pdf (accessed on August 24, 2021).

¹⁵ Institute for Development and Freedom of Information. 2021. "Simplified Procurement Related to Covid-19." https://idfi.ge/ge/simplified_procurements_related_to_covid_19_2021 (accessed on August 25, 2021).

Figure 1: Citizen Engagement Roadmap



ANNEX 8: SUMMARY OF FINDINGS FROM GEORGIA FY21 COUNTRY OPINION SURVEY

The FY21 Country Opinion Survey suggests that stakeholders share positive views about the WBG and its work and engagement in Georgia. The findings demonstrate that perceptions have improved in a number of areas, since the FY18 survey and that those who collaborate with the WBG hold even more positive attitudes than those who do not. This demonstrates the power of collaboration when the country team considers broadening its engagement and creating effective partners within the development arena in Georgia.

- **Development context.** The survey findings overall suggest great emphasis by stakeholders on jobs, growth of business, and opportunity. Education remains at the top of perceived development priorities and contributions to poverty reduction in Georgia, followed by jobs. Judiciary reform, entrepreneurship, and agriculture also emerged as important development priorities.
- **Overall views of the WBG.** Views of the WBG have improved significantly in a range of areas. In particular, perceptions of the WBG's speed related to disbursements, approvals and reviews, and taking decisions are all more positive than in FY18. Views are extremely positive when stakeholders consider the World Bank as a long-term partner, one that is respectful and straightforward. The World Bank's perceived effectiveness, its impact on development results, its relevance and alignment to country priorities have all improved according to survey respondents. The WBG's support in governance, health/disease, energy and natural resources, and financial markets received particularly positive ratings and even more so from those who collaborated with the WBG. Views are less positive (but not negative) when stakeholders consider the World Bank's support on jobs.
- **Looking forward.** Capacity development is on the minds of stakeholders, and this is an area of World Bank emphasis that one-third of respondents said the country would benefit from (capacity development is also viewed by one-quarter of respondents as the greatest value that the WBG brings to the country after financial resources). Nearly three out of ten respondents noted the value that would come from more innovative knowledge products. Further exploration may include a better understanding of what these would look like and what they would accomplish for stakeholders. When considering engagement beyond the Government, pluralities of respondents point to private sector and municipal and local councils for greater World Bank engagement.