

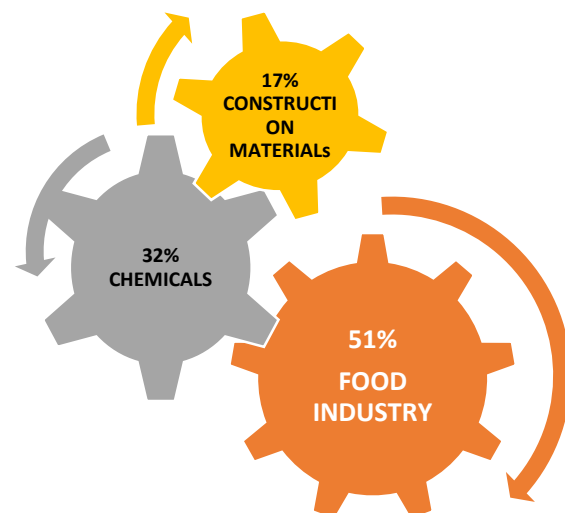


OPPORTUNITIES AND BARRIERS TO RECP FINANCING IN GEORGIA

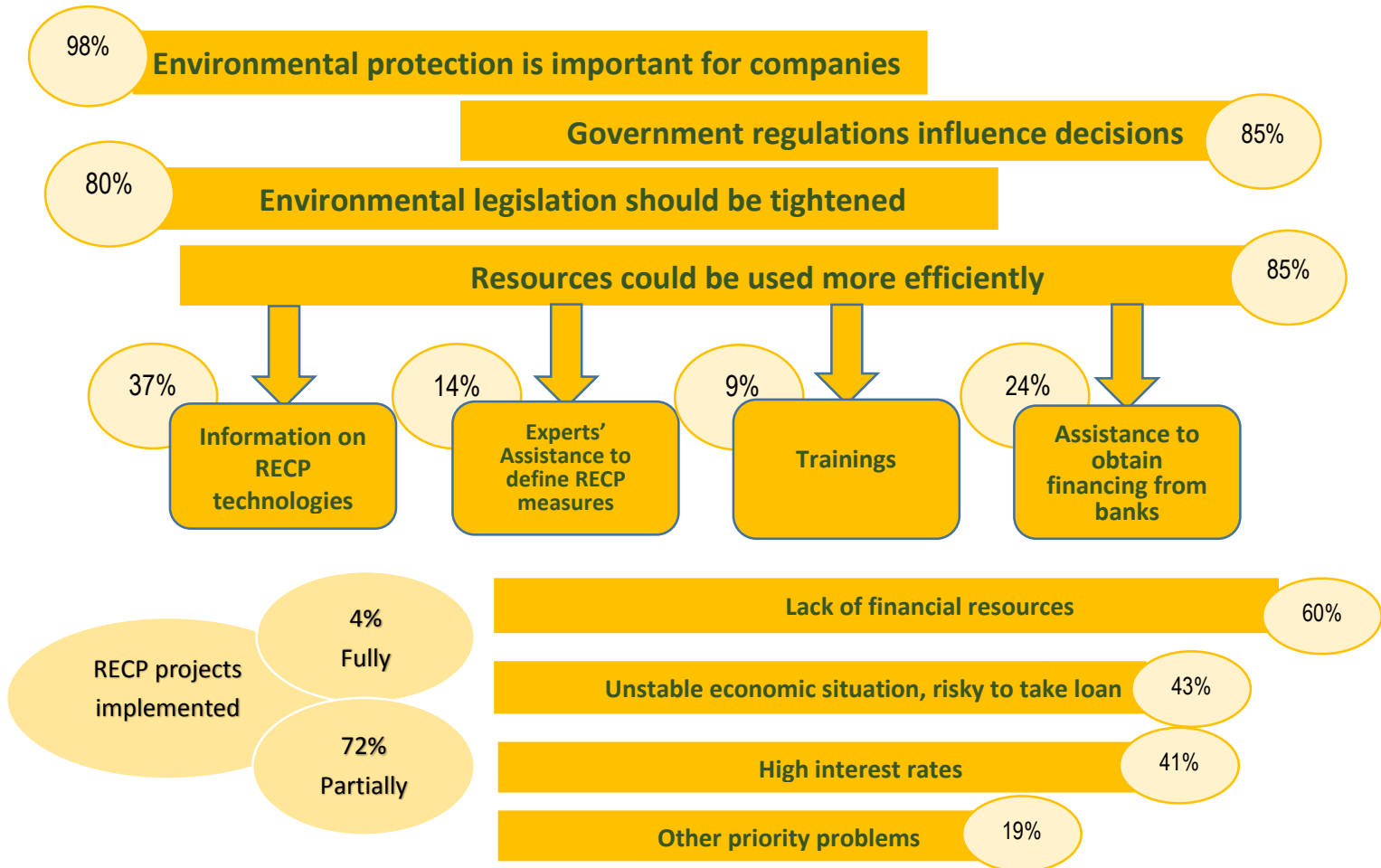
Green Economy is still a novel concept and needs a more integrated approach for developing, especially it is a challenge for Georgia. Regulatory framework is a key driver for green growth and clear orientation and guidance is needed for the transformation process. Effective assessments require a green economy strategy to be at the very heart of the national or regional decision-making process. Private sector in Georgia has significant potential to undertake green investments particularly in energy efficiency and renewable energy. Enterprises that are oriented in low carbon power generation and more environmentally friendly infrastructure and production processes are determinant in the green economic transformation process. The existence of a strong banking sector is vital for enhancing the investments in green projects that enable SMEs to respond to challenges and opportunities for having better equipped enterprises, meeting health and safety standards of their workers and introducing more efficient and less polluting plant equipment and practices that comply with EU and international environmental legislation. The aggregation of these three key players and their joint action will provide fast transition to green economy. UNIDO-led RECP demonstration project in Georgia puts strong emphasis on cooperation with local financial institutions and building local capacities to enhance SME's access to existing financial schemes and credit lines for adoption of environmentally friendly technologies and implementation of RECP projects. With this objective, in the framework of the project, a set of activities were carried out with support from the Development Bank of Austria including:

- Two roundtables organized in Tbilisi to explore possible ways to bridge the gap between companies and financial institutions for financing and implementing RECP activities;
- A study on opportunities and barriers for green investments in Georgia;
- Preparation of pilot RECP project proposals including financial analysis of the proposed investments for 15 SME as well as dialogue between local banks and the SMEs to mobilize funds for the implementation of the pilot RECP projects;
- Training on financial analysis of investment project scenarios using specialized software COMFAR.

In order to understand whether the enterprises are interested in improving their environmental and economic performance and what are the major obstacles and opportunities faced by these companies in implementing the Resources Efficient and Cleaner Production (RECP) measures, a survey of 47 SMEs from which 46 were participating in RECP demonstration project was conducted.



As the survey has shown environmental protection is important for the companies, but their decisions are influenced by the regulations. Georgian enterprises, especially SMEs, consider stricter environmental policies to be the most important lever for them to invest in resource efficiency and cleaner production measures. Company representatives think that they can use resources more efficiently, but they need trainings and information to introduce new technologies. Most of the respondent companies are willing to finance the lucrative projects, but they do not want to take a risk, because they think that economic situation in the country is unstable, they need help to take low rate debts and grants mentioning that interest rates are high. The Companies expressed satisfaction by cooperation process and outcomes with the RECP Demonstration Project and think that the RECP measures identified by project experts were important. Lack of financial resources was the main reason why only some of the companies implemented the proposed projects fully or partially.



IFI financing and Governmental programs applicable for promotion of RECP investments in Georgian industrial sector



The European Bank for Reconstruction and Development (EBRD) in conjunction with the European Commission (EC) has developed a 3 Phases EU/EBRD Deep and Comprehensive Free Trade Area ("DCFTA") Programme for Georgia, Moldova and Ukraine. The EBRD DCFTA Programme will assist the development of the SME sector through a variety of investments supported by grant funding from the EU for risk mitigation, investment incentives to SMEs and technical assistance. Government Program "Produce in Georgia" is implemented by Enterprise Georgia and provides support mechanisms tailored to the specific stages of development and financial needs of a business. ProCredit Bank has green finance program – ECO loans Eco loans for businesses are designed to help businesses to improve energy efficiency, increase competitiveness and reduce negative impact on the environment. JSC MFO Crystal is a dynamically growing local microfinance organization, supporting development of micro and small business sectors in Georgia. Crystal offers a wide range of high quality financial services to the customers including: micro, SME and agro loans for start-ups and operating businesses; etc.

Further information is available at: www.recp.ge; EaP GREEN program website: www.green-economies-eap.org