

45 **On October 2nd 2018, German KfW and French AFD Signed Loan Agreements to support Georgia’s Energy Sector Reform” in the context of the EU approximation agenda of the Georgian government. Additional financial assistance by the EU will also become available.**

- 50 • **KfW signed a Loan Agreement of EUR 49 mln for the program “Support of Georgia’s Energy Sector Reform”;**
- 55 • **AFD signed in parallel a Loan Agreement of EUR 25 mln for the same purpose as co-financier;**
- **The EU will provide an additional EUR 8,5 mln (approx GEL 26 mln) in grants for Energy Efficiency as part of this programme;**
- 60 • **The objectives of the programme are (a) regional integration of the energy market in compliance with EU Energy Community (EUEC) treaty to strengthen Georgia’s position as a regional energy hub and (b) Energy Efficiency (especially in buildings), the National Energy Efficiency Action Plan (NEEAP, released 2017) and the definition and implementation of respective Energy Efficiency Standards.**
- 65 • **The program follows a 4-year strategy, outlined in a jointly developed Road Map. Clearly defined indicators on the required progress of the reforms to enable the government to fulfill its commitment for sector reform by nationally transposition of EU legislation and implementing mechanisms and standards.**
- 70 • **The outcome of Georgia’s accedence to the Energy Community and its plans to reform its market in alignment and compliance with EnC’s acquis is Georgia’s long-term plan of approaching and eventually participating within the EU’s Internal (electricity) Market.**
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80 On October 2nd 2018 the Minister of Finance of Georgia, H.E. Mr. Ivane Matchavariani and KfW’s Director Eastern Europe, Caucasus, Central Asia KfW Development Bank, Mr. Olaf Zymelka have signed a Loan Agreement of EUR 49 mln for the “Support of Georgia’s Energy Sector Reform”.

A 2nd Loan Agreement of EUR 25 mln was signed on the same day by the Minister of Finance of Georgia, H.E. Mr. Ivane Matchavariani, the French Ambassador in Georgia, H.E. Pascal Meunier, and AFD’s Head of the

**GERMAN DEVELOPMENT
COOPERATION
KfW LOCAL OFFICE
TBILISI**

PRESS RELEASE

Tbilisi, 2 October 2018

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regional office for the South Caucasus, Ms Gaëlle Assayag, with the same purpose.

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The objectives of the programme are

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(1) regional market integration in compliance with the EUEC treaty to strengthen Georgia's position as a regional energy hub, and to assure the economic sustainability of the investments into the transmission infrastructure of Georgia, supported by the international donor community and, closely linked to a sustainable marked development.

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(2) Energy Efficiency (especially in buildings), in compliance with the National Energy Efficiency Action Plan (NEEAP, released 2017) and the definition and implementation of respective Energy Efficiency Standards, it's further development and Georgia's obligations under the EUEC treaty.

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The EU will allocate a grant contribution of EUR 8,5 mln (approx. GEL 26 mln) through its Neighbourhood Investment Platform (NIP) to support the scope of this agreement. The grant will support the establishing of a strategic, institutional, and financial vision and framework for Energy Efficiency in Georgia, especially in the building sector. It will also promote energy efficiency through a reform program that moves Georgia from a centralized electricity market to an organised market as envisaged by EU's Third Energy Package.

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Further support to prepare the Sector Reform was granted by the Governments of Germany via the Federal Ministry of Cooperation and Sustainable Development (BMZ) and of France via the Agence Française de Développement (AFD).

The program's implementation period will last until 2021.

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"We are delighted to witness today the signing of the two Loan Agreements with our Georgian partners. It is another step into the future

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The European Union for Georgia

175 *for Georgia's Energy Market, considering its importance not only for Georgia but also for the whole region. In particular I would like to underline the importance of our Cooperation with our French colleagues from the AFD as another example for bundling capacities to achieve a joined goal. The EU as trusted partner plays another key role for a successful Energy Sector Reform in Georgia. EU (NIP) contributes to the program ensuring a sustainable development of Energy Efficiency as a key factor for Georgia's energy future.*

180 *The EU has contributed not only to this program but to a number of energy infrastructure projects in Georgia financed by German Financial Cooperation with regional importance. Among them are: Black Sea Energy Transmission Project and Jvari substation construction project. We believe that our joint contribution plays a significant role in the further development of the country's economy", said KfW' Olaf Zymelka. Once*
185 *again we would like to express our gratitude to all signatory parties to this Agreement.*

190 *"It is also a great honour to contribute to the enforcement of such expected reforms in the energy sector. They will not only lead to a significant modernisation for the Georgian electricity market but will also be a most encouraging milestone in the efforts of the country to promote sustainable development and green economy, through the promotion of voluntarist public policies in favour of Energy Efficiency.*

195 *We are delighted to start our collaboration in the energy sector with the Government of Georgia through this ambitious program. We also extremely value to team up with our German partners from KfW as their long involvement in the energy field in Georgia is a great asset for fostering the successful implementation of the program. Finally, we are more than glad that this project benefits from the full assistance of the European Union*
200 *which is a key supporter of the efforts that Georgia has constantly deployed over the past years to promote the modernisation of its energy sector " said Gaëlle Assayag, Head of AFD's the regional office for the South Caucasus.*

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235 *"The European Union is a long-standing supporter of Georgian energy sector development. We are happy to boost further our assistance for increased energy efficiency under the Georgian Energy Sector Reform programme together with KfW and AFD, for which today's signature ceremony is the first step.*

240 *The combined forces of the EU, KfW and AFD will help Georgia speed up progress under the Energy Community, towards a more competitive and efficient energy market, attractive for investors and bringing benefits to Georgian business and citizens" said Carl Hartzell, Ambassador of the European Union to Georgia.*

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KfW Development Bank

245 KfW Development Bank is one of the leading financiers of development in Georgia and in the Caucasus Region. The aim of KfW's work on behalf of the German Government is to assist in improving economic and social conditions in Georgia and the other countries of the South Caucasus. Accordingly, KfW finances investments in economic and social infrastructure and promotes the private sector - in particular small and medium enterprises.

255 KfW's activities in Georgia started already in 1993. Since then more than EUR 750 million have been invested in different sectors, among them are energy, financial, municipal infrastructure, environment and health sectors. More than 50% of the whole investment (EUR 400 million) is attributed to the energy sector of Georgia.

The French Development Agency (AFD)

260 AFD is an inclusive public financial institution and the main actor in France's development policy. AFD works in many sectors – energy, health, biodiversity, water, digital technologies, training – and supports the



KFW



transition to a safer, more equitable and more sustainable world. Through its network of 85 agencies, AFD operates in 109. In 2017, it earmarked EUR 10.4bn to finance these projects.

275 AFD's commitment in Georgia was first materialized by the opening in 2016 of its South Caucasus Office in Tbilisi. Since then, AFD and the Government of Georgia have established a flourishing collaboration that has for the moment being led to an active portfolio of 124 million of euros of engagements, mainly in the sectors of energy and social welfare.

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