

COUNTRY REPORT ON INFRASTRUCTURE AND FINANCE GEORGIA

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I. COUNTRY INFRASTRUCTURE AND POLICY DIRECTIONS

The most important policy directions in the transport sector of Georgia are as follows:

- To develop the national transport infrastructure to better meet the needs of population and business communities;
- To ensure the safety and security of the transport sector i.e. to reduce the number and severity of road accidents;
- To minimise the adverse impact of the transport sector on the environment;
- To improve the rules promoting fair competition and the conditions for providing transport services by using infrastructure;
- To enhance the competitiveness of the transport business, including the transit corridor through Georgia, and to facilitate the export of transport services and the development of the transport business;
- Accessibility: To provide faster and cheaper transport connection;

A transport sector master plan and transport strategy (policy) has been developed by the Transport Policy Department. The document will be available to any interested party.

1.1 IMPLEMENTATION PROCESS

The Road Department of the Ministry of Regional Development and Infrastructure of Georgia systematically announces the tender for construction and reconstruction of infrastructure projects. Stakeholders have the opportunity to take part in this tender if they satisfy the terms of tender. A special team within the Road Department discusses the terms of the stakeholders (interested party) and then is finally responsible for the tendering. The process follows the following principals:

- Initiating the process;
- Identification of the problems;
- Situation Analysis/Policy analysis;
- Working out several versions;
- Determine risk profile;
- Looking for ways of decision and selecting the best version;
- Developing appropriate policy and recommendations;
- Policy implementation and attraction of investors;
- Monitoring and Evaluation;

A framework for technical assistance programs has been prepared for several projects, such as the Highway Improvement Project and Ajara Bypass Road Development Project. Recently technical assistance programs have been financed by *Japan Bank for International Cooperation* and Asia Development Bank.

1.2 LEGAL AND REGULATORY FRAMEWORK FOR INFRASTRUCTURE

The following legislative and regulatory frameworks for infrastructure investment exist in Georgia.

Law of Georgia - State Promotion of Investments

Chapter I

Article 1. Objectives of the Law

The law aims to promote investment in order to improve necessary procedures for capital investments and business activities and creating an additional legal regime.

Article 2. Scope of the Law

1. This law shall apply to any foreign and local investment, which will be invested or used on the territory of Georgia;
2. The law shall provide special rules and additional promotional measurements for the promotion of special importance investments (25.07.2006 N3526);
3. Rights under this law shall apply to any legal and physical entity.

II. GOVERNMENT PERSPECTIVE ON THE ROLE OF PRIVATE SECTOR INVOLVEMENT

The Georgian Government is fully interested in attracting private parties to be involved in the roadway construction process, for example the Road Department and Georgian Railway. Generally, all projects follow a call for tender. Tender information and documentation are published via the website and are available for interested parties.

The following legislation defines the relationship between the Government and private sector:

- The Constitution of Georgia, August 24 1995;
- The Civil Code of Georgia, June 26 1997;
- The Law of Georgia on Ownership to Agricultural Land, March 22 1996, as amended;
- The Law of Georgia on Privatization of State-owned Agricultural Land, July 8 2005, as amended;
- The Law of Georgia on Registration of Rights to Immovable Property, December 28 2005, as amended;
- The Law on the Property of Self-governing Units, March 25 2005, as amended;
- The Law of Georgia on the Rules for Expropriation of Ownership for Necessary Public Need, July 23,1999;
- The Law of Georgia on Motor Roads, November 11 1994;
- The Law of Georgia Licenses and Permits, 2005;

Public-private partnerships in the transport sector have made relatively little headway in Georgia; there are none in the roads sector. This means that all road networks are state owned and the Georgian Government is responsible for all road related questions.

Transport Projects under PPP

- Tbilisi Airport (2008): The project company (TAV Georgia) has an 11.5yr lease on the airport (from 2006) with investment responsibility for a new terminal, taxiways and runway widening (cost US \$76.5 million). The project company is owned by Turkish shareholders. IFC and EBRD have loan participation.
- Batumi Airport: 20 year lease with investment responsibility for new terminal (now complete). US \$28.5 million payment to government. The Project company is controlled by TAV Airports Holding Co.

How is the experience of the government with PPP?

The Georgian Government is currently developing the “Performance Based Contract” project. According to the contract, the winning bidder assumes responsibility for providing reconstruction-modernisation of the road network. A company will be selected by the tender and will become a responsible legal entity for maintenance during the concession period.

2.1 RESPONSIBLE AGENCY FOR PRIVATE SECTOR INFRA-STRUCTURE PROCUREMENT

The Georgian National Investment Agency is responsible for the state promotion of investments.

The Agency has right to represent the relationship of administrative agencies and other entities to investors. For this purpose, the investor and the Agency conclude a treaty to define the scope of representation. According to the treaty the Agency assists the investor in the investment activities related to all the necessary licenses and/or permits for removal, or other representative in the implementation of the authority. The agency implements power and is paid on that basis, with the exception of special importance investment. The cost of service is determined by the Ministry of Economic and Sustainable Development of Georgia. Special importance investments are exempt from the payment of cost of services (25.07.2006 N3526).

2.2 LEGISLATIVE CONSTRAINTS REGARDING PRIVATE SECTOR PARTICIPATION

Georgian legislation gives all private organisations free access and so they do not have any restrictions in PPP relations. Stakeholders may take part in tender when it is announced by the Road Department. This organisation establishes the minimum requirements for participation.

III. SOURCES OF FINANCING

Potential sources for infrastructure development are the: Ministry of Finance of Georgia, World Bank, Japan Bank for International Cooperation, Japan International Cooperation Agency, Asian Development Bank and European Bank for Reconstruction and Development.