



## **Comments of Association Green Alternative regarding Interim Operational Strategy (2008-2009)**

Interim Operational Strategy of Asian Development Bank for Georgia in 2008-2009 is focusing on the pillar of enhancing sustainable economic growth with the cross-cutting themes of governance, regional cooperation and environmental protection through:

- (i) improved service delivery in Municipal Infrastructure within evolving decentralization process;
- (ii) reduced road transportation constraints on economic activity;
- (iii) increased energy security;
- (iv) broader and more efficient financial system with development of non-bank sector.

### **(i). Improved Service Delivery in Municipal Infrastructure**

For improving service delivery in Municipal Infrastructure ADB plans to (i) improve quality of life of the population in the municipalities covered, (ii) stimulate local economic development; (iii) strengthen the link between financing local infrastructure projects and decentralization reforms; and (iv) supporting sector reforms in terms of ensuring sustainability of infrastructure assets by supporting an appropriate long-term business model.

By focusing support on financing municipal infrastructure and for ensuring effective results in the area of municipal infrastructure services it is also necessary that ADB's operational engagement contribute for **strengthening formal mechanisms that integrate civil society into public debates.**

### **(iii) Increased energy security**

According to IOS ADB's operational engagement in this area involve support for renewable energy initiatives and developing at least one of them as a CDM project, combined with technical assistance for an adequate CDM policy framework and infrastructure at the governmental level.

It is noteworthy to mention that the reforms in the energy sector in Georgia before and after the “Rose Revolution” can be said to be almost completely a product of the government. In the initial stage of their design the government consulted with the IMF, the World Bank and other donor organizations. **However, elaboration of any document and its implementation was in the hands of the Ministry of Energy, and the other stakeholders were left in the dark, without any public consultation or hearings.**

The energy sector is a key factor in the development of the economy and the eradication of poverty. At present, there is still a problem of access to energy as well as affordability of energy services for Georgian citizens, especially in rural areas.

Despite the fact that the document on “The Main Directions of Georgian State Energy Policy” addresses the following positive goal: “full satisfaction of the country’s electricity needs through Georgia’s own hydro power resources: step by step, first to replace imported volumes and at the next stage to replace thermal power generation with hydro power generation”, the main governmental priority addresses the issue of the existence of energy resources rather than the creation of a sustainable energy system.

In this regard the policy document clearly showed that it does not intend to establish a basis for the creation of a sustainable energy system in Georgia. For example, according to the document, “the use of traditional and alternative energy sources should be regulated under the same conditions”. This statement clearly excludes incentives for the development of renewables. Furthermore, energy efficiency, one of the major components of a sustainable energy system, is almost ignored within the priorities of the policy paper and does not represent a strategic direction for the government.

It should also be mentioned that a friendly investment environment in the energy sector has not been created. Therefore investment in the energy sector is scarce, which creates significant barriers for the development of the country’s economy. Furthermore, the decision makers are mainly focusing their attention on large and expensive projects such as the construction of new high-capacity hydro power stations and power transmission lines.

A good example of the above mentioned is the Khudoni hydro power station construction project that is under preparation by the WB and the Georgian government. According to the WB, the project aims at the development of new hydropower resources, which would be able to generate an amount of electricity, which would be able to satisfy more than 10 percent of Georgia’s needs in electricity annually and will represent 20 percent of existing energy resources; According to the Bank, this will strengthen Georgian energy security. In addition, the project is oriented towards exporting electricity to neighboring countries.

Decision makers often try to represent these type of activities as another step towards ensuring the country’s energy security; however, they tend to forget the problem of energy accessibility, as the construction of Khudoni and other high-capacity hydro power

stations have the potential to increase the electricity tariff in a way that the local industry that is still based on old energy intensive technologies may become totally uncompetitive.

So Rehabilitation of hydro power stations with state money must be, if private investors are not interested. It is important as the energy deficit and problems with regard to energy accessibility pose a direct threat to the Georgian economy's further growth. **Taking into account the potential of Georgia's power sector, the growth of energy consumption and the energy balance structure should be planned based on the use of local, mainly hydro resources, which should be based on the principles of sustainable development.**

## **Recommendations**

For enhancing successfully sustainable economic growth by the strategy it is necessary:

- To ensure transparency and disclosure of documents regarding the projects that will be financed and strengthen formal mechanisms that integrate civil society into public debates;
- To plan the growth of energy consumption and the energy balance structure based on the use of local, mainly hydro resources, which should be based on the principles of sustainable development;

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