

# Georgia

## Climate-informed Public Investment Management

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# Public Investment Management (PIM) Reform

*The aim of the reform is:*

- *Implement a unified system/cycle of Public Investment Management;*

*To Ensure:*

- *Implementation only the investment projects that are prepared in line with the PIM Methodology and meet the requirements of the relevant stages of the project management cycle;*
- *Sustainable medium-term planning;*
- *Effective use of Public Finances;*

*PIM Reform is based on:*

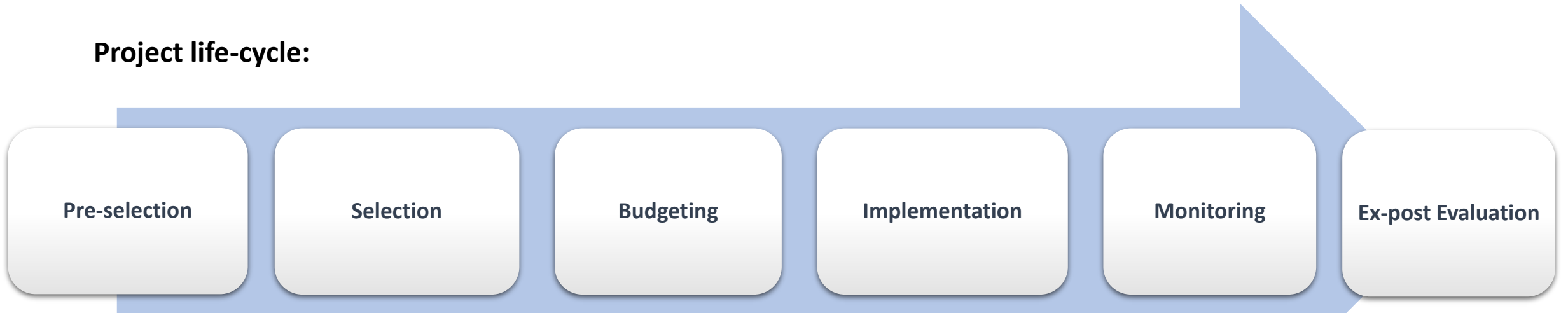
- *PIM Methodology adopted by the Government of Georgia (N65, February 16, 2023)*



# Public Investment Management (PIM) Reform

N	Category of Project	Value (in Million Georgian GEL)
1	Small	<5
2	Medium	≥5- <20
3	Major	≥20

## Project life-cycle:



*The methodology applies to all new investment/capital projects despite the source of funding*

**WB, EU Support**



# Key Stakeholders



Spending Unit



**PIM Working Group  
(MOF Georgia)**

- **Budget Department**
- Macroeconomic analyses and fiscal policy planning department
- Fiscal risks management department
- State debt management department



**Economic Council  
(Government of Georgia)**

Prime-Minister is chairing the council;  
Ministry of Finance  
Ministry of Economy and Sustainable Development  
Ministry of Agriculture and Environmental Protection



WB, EU, IMF



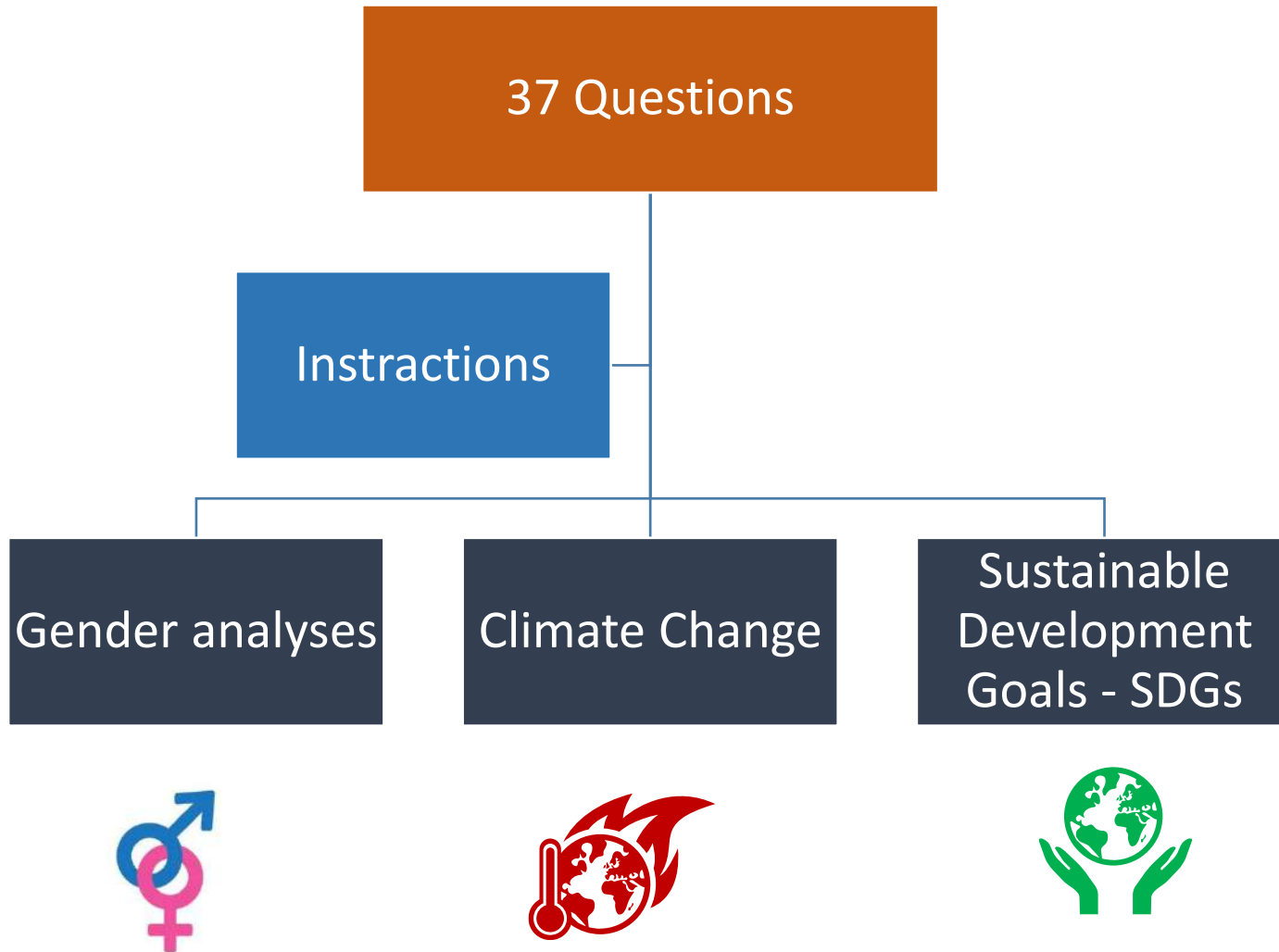
# PIM Documentation



Project value/ requirement	Small (GEL below 5m)	Medium (GEL from 5 to 20m)	Large (GEL from 20m and above)
<b>Project Concept Note (Annex N1)</b>	No	Yes	Yes
<b>Financial analysis (Annex N2)</b> (Cost-benefit analysis)	Yes (submitted upon WG request) <b>(Annex N3)</b>	Yes	Yes
<b>Economic analysis (Annex N2)</b> (Cost-benefit analysis)	No	Upon Request	Yes
<b>Feasibility Study</b> (in-depth analysis in line with preliminary analysis in the PCN)	No	Upon Request	Upon Request



# PIM Documentation: Project Concept Note (PCN)



## ❑ 3 questions need to be answered in PCN:

1. Describe the significant risks expected to impact the project's economic efficiency and identify any necessary mitigation measures. Ensure that climate change-related risks are identified, indicating potential hazards that may affect the project's implementation or subsequent operation.
2. Identify the required climate change adaptation measures or outline the steps that will be taken to enhance the project's resilience to anticipated climate change threats, as per the risk analysis.
3. Please specify the measures that will be implemented to mitigate the project's impact on climate change.



## Economic Values Used for CBA that is common for all projects

- Discount rate - 8.9%
- Inflation - 3%
- Nominal wage growth - 9.9%
- The value of life - 649 720 GEL;
- **The shadow price of carbon (CO<sub>2</sub>) is equivalent to a ton expressed in GEL – 1Ton 50 GEL;**
- The value of time – 1 hour 7.9 GEL;
- The value of one additional job created - 1591 GEL \* on the number of months;
- In addition, the value of benefits received from one tourist (foreign and domestic).
  - *Local tourist - 60.0 GEL*
  - *Foreign tourist - 220.0 GEL*



# Project Assessment Criteria

Criteria	Description	Method of measurement	weight
<b>The economic viability of the project</b>	Whether the economic viability of the project is confirmed by relevant arguments, implying positive economic benefits, and there is no possibility of implementing the project in a better way.	<p><b>3 Point</b> - Economic benefits are described and their value is estimated. The economic rate of return (EIRR) is twice the discount rate;</p> <p><b>2 Point</b> - Economic benefits are described and their value is estimated. The economic internal rate of return (EIRR) is greater than the discount rate;</p> <p><b>1 Point</b>- The economic benefit is described, but its monetary value cannot be determined. Economic internal rate of return (EIRR) is less than the discount rate;</p> <p><b>0 Point</b>- Economic benefits are not described.</p>	<b>5</b>
<b>Analysis of the number of users of the project/demand</b>	As a result of the implementation of the project, the number of population/users of the project in the relevant area (city, municipality, settlement)..	<p><b>3 Point</b> - More than 5% of the population of the municipality;</p> <p><b>2 Point</b> - More than 20% of the relevant area;</p> <p><b>1 Point</b> - from 5% to 20% of the relevant area;</p> <p><b>0 Point</b> - Less than 5% of the relevant area.</p>	<b>2</b>
<b>Financial sustainability</b>	Whether the direct revenues obtained from the implementation of the project cover the current costs or not.	<p><b>3 Point</b> - Direct income exceeds operating expenses;</p> <p><b>2 Point</b> - Direct revenue covers 75% or more of operating costs;</p> <p><b>1 Point</b> - Direct revenues cover 30% to 75% of operating costs;</p> <p><b>0 Point</b> - Revenues cover less than 30% of operating revenues.</p>	<b>2</b>
<b>Climate change</b>	Ability to consider climate-related risk and economic adaptation measures, as well as the impact of the project on climate change.	<p><b>2 Point</b>- The project is adapted to the identified risks of climate change or the project does not have a negative impact on climate change and the implementation of the project contributes to the reduction of CO<sub>2</sub> emissions;</p> <p><b>1 Point</b>- The project takes into account the identified risks of climate change or the project does not have a negative impact on climate change or the implementation of the project contributes to the reduction of CO<sub>2</sub> emissions;</p> <p><b>0 Point</b> - The project does not take into account the risks related to climate change and/or the implementation of the project contributes to the increase of CO<sub>2</sub> emissions.</p>	<b>3</b>

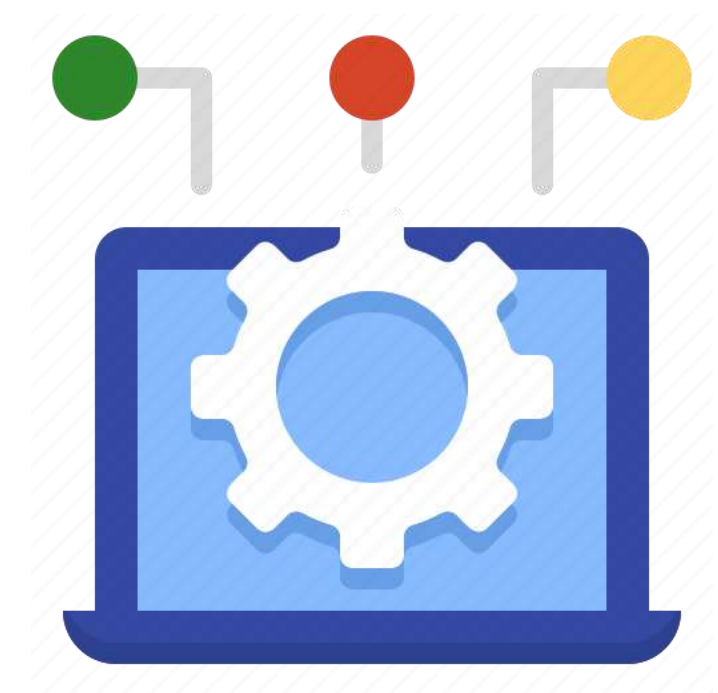


## ePIM

- Within the framework of the technical support of the World Bank and in cooperation with the Financial and Analytical Service of MOF, work is underway to create an Electronic System for Public Investment Management Project (E-PIM)

### Plans for 2024:

- ✓ To create the demo version of the Electronic System for Public Investment Management Project (E-PIM);
- ✓ At least 3 investment/capital projects are carried out through the electronic system at the pre- and final selection stages.

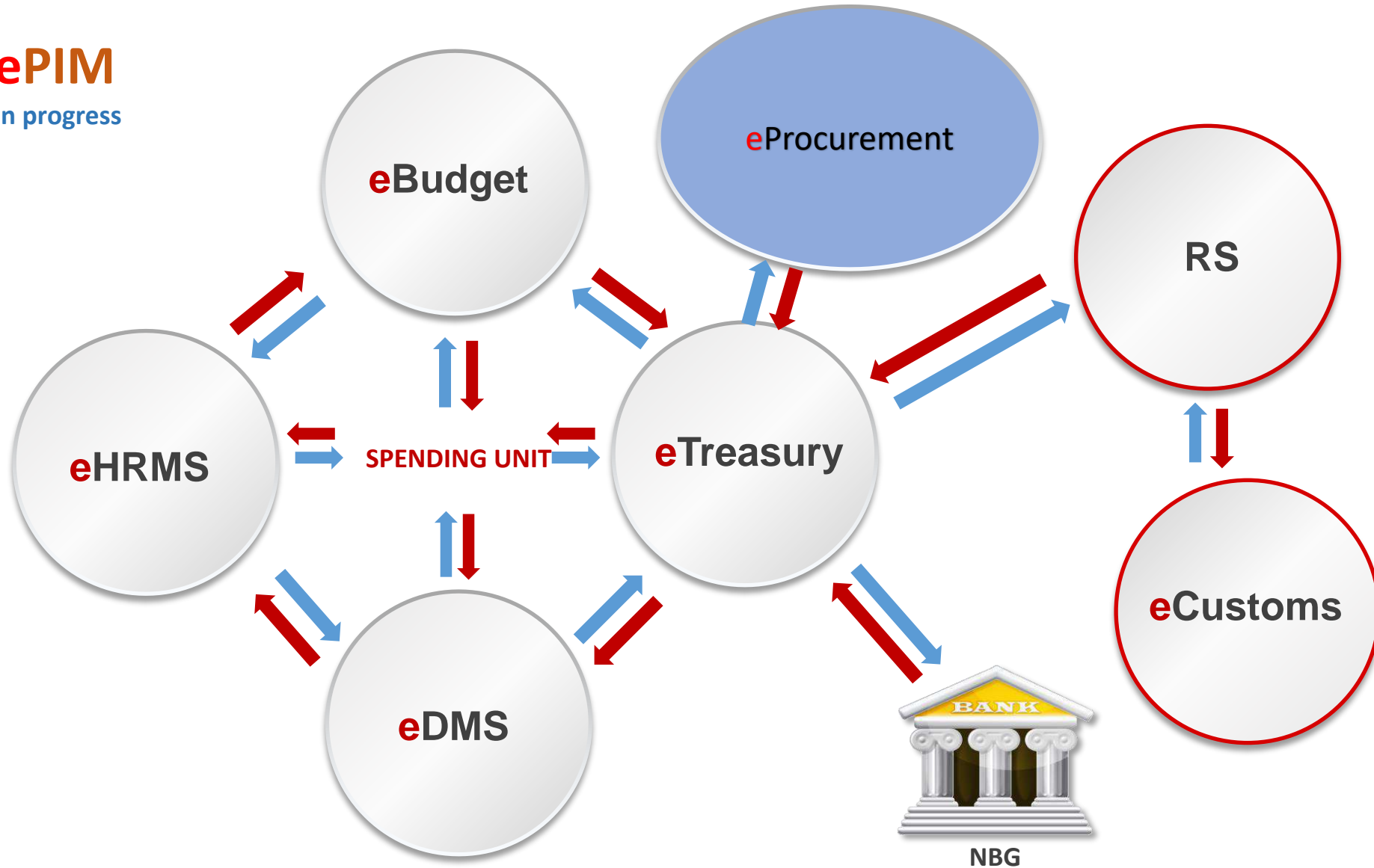




# e-systems: PFMS Module Structure

**ePIM**

in progress







## New “Policy Classifier”

To enhance the alignment between strategic and policy documentation and the budgetary framework, the "tagging" tool was incorporated into the e-budget system. The "**Policy Classifier**" component enables all spending units to link their programs/sub-programs with the relevant policy classifier, including Sustainable Development Goals (SDG), Gender Equality, Climate Change, Sectoral Strategies, etc.

The information about these linkages is reflected in the Program Budget;

According to the policy classifier, the budget documentation will identify and reflect relevant expenses.

- Sustainable Development Goals - SDG;
  - Human Capital Goals
  - Gender Equality
  - **Climate Change**
    - Climate Change - Mitigation;
    - Climate Change - Adaptation;
    - Climate Change - Mitigation and Adaptation;
  - Rural Development
  - Human Rights
  - Energy Efficiency
  - Sector Strategies
- Vision 2030.



## Program Budget - Current Structure

Program Name and Program Code	
Implementing Agency	
Policy Classifier	
Description and Goal of the Program	
Program Outcome	

### Indicator of Program Outcome

N	Name of Indicator	Baseline Indicator	Targeted Indicator	Possibility of Deviation (%/Description)	Potential Risks
1					
2					
3					
4					
5					

- ✓ According to the specifics of the programs, in relation to gender-sensitive programs, it is important to select the gender aspect of the program as one of the program evaluation indicators.



## Policy Classifier – Coordination

### Gender Equality

- Human Rights Secretariat (AoG)
- UN WOMEN

### Climate Change

- Ministry of Environment Protection and Agriculture
- EU
- WB

### Government Sector Strategies

- Administration of Government
- Ministry of Finance

*WB, EU Support*



# The Medium-Term Fiscal Impact Of Policy Classifiers

Thousand GEL

Policy Classifier	Budget Year	Budgeted Year +1	Budgeted Year +2	Budgeted Year +3
<b>Gender Equality</b>				
<b>Climate Change</b>				
Climate Change - Mitigation				
Climate Change - Adaptation				
Climate Change - Mitigation and Adaptation				
<b>The United Nations Sustainable Development Goals - SDG</b>				
SDG 1 – NO POVERTY				
SDG 2 – ZERO HUNGER				
SDG 3 – GOOD HEALTH AND WELL-BEING				
SDG 4 – QUALITY EDUCATION				
SDG 5 – GENDER EQUALITY				
SDG 6 – CLEAN WATER AND SANITATION				
SDG 7 – AFFORDABLE AND CLEAN ENERGY				
SDG 8 – DECENT WORK AND ECONOMIC GROWHT				
SDG 9 – INDUSTRY, INOVATION AND INFRASTRUCTURE				
SDG 10 – REDUCED INEQUALITIES				
SDG 11 – SUSTAINABLE CITIES AND COMMUNITIES				
SDG 12 – RESPONSIBLE CONSUMPTION AND PRODUCTION				
SDG 13 – CLIMATE ACTION				
SDG 14 – LIFE BELOW WATER				
SDG 15 – LIFE ON LAND				
SDG 16 – PEACE, JUSTICE AND STRONG INSTITUTIONS				
SDG 17 – PARTNERSHIPS FOR THE FOALS				
<b>Human Capital Goals</b>				
<b>Rural Development</b>				
<b>Energy Efficiency</b>				
<b>Sector Strategies</b>				
Strategy 1				
Strategy 2				
Strategy 3				
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# The Medium-Term Fiscal Impact Of Policy Classifiers

<i>% of Expenditure</i>				
<b>Gender Equality</b>	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
<b>Climate Change</b>	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Climate Change - Mitigation	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Climate Change - Adaptation	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Climate Change - Mitigation and Adaptation	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
<b>The United Nations Sustainable Development Goals - SDG</b>				
SDG 1 – NO POVERTY	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
SDG 2 – ZERO HUNGER	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
SDG 3 – GOOD HEALTH AND WELL-BEING	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
SDG 4 – QUALITY EDUCATION	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
SDG 5 – GENDER EQUALITY	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
SDG 6 – CLEAN WATER AND SANITATION	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
SDG 7 – AFFORDABLE AND CLEAN ENERGY	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
SDG 8 – DECENT WORK AND ECONOMIC GROWHT	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
SDG 9 – INDUSTRY, INOVATION AND INFRASTRUCTURE	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
SDG 10 – REDUCED INEQUALITIES	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
SDG 11 – SUSTAINABLE CITIES AND COMMUNITIES	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
SDG 12 – RESPONSIBLE CONSUMPTION AND PRODUCTION	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
SDG 13 – CLIMATE ACTION	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
SDG 14 – LIFE BELOW WATER	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
SDG 15 – LIFE ON LAND	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
SDG 16 – PEACE, JUSTICE AND STRONG INSTITUTIONS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
SDG 17 – PARTNERSHIPS FOR THE FOALS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
<b>Human Capital Goals</b>	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
<b>Rural Development</b>	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
<b>Energy Efficiency</b>	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
<b>Sector Strategies</b>				
Strategy 1	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Strategy 2	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Strategy 3	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
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## Challenges

- ✓ Implementing full cycle of Public Investment Management;
- ✓ Implementation of e-PIM system;
- ✓ Capacity Building;
- ✓ Linkages of policy and budget (SDGs, Gender, Climate change, etc.). Identify specific expenses related to each policy classifier and prepare the information about the fiscal impact of policy classifiers.

Thank You

