

## MAIN CHALLENGES, PROSPECTS AND IMPACT OF GEORGIAN ECONOMY UNDER THE CONDITIONS OF “EUROPEAN GREEN DEAL”

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### **Abstract**

Modernization of Georgian economy is quite difficult and nonreversible process. Despite of some success of country's economic transformation, legal or market reforms, the country still stands to a number of challenges.

In last decade, the idea of green economy, green growth and inclusive development of economic have become much more popular. The idea of green economy is based on the sustainable development of the economy and values it on the basis to its natural capital. Georgia is rich in natural resources, including biodiversity, water and mineral resources and landscape diversity. Consequently, country has a great potential for long-term sustainable economic development in areas such as energy, agriculture, transport, tourism and forestry. According to GGND analysis, these sectors are identified as faster yield, both economically and environmentally. For reaching these preconditions is the preparation of specific policies and legislative documents and then harmonization then with EU legislation.

These processes are accompanied by ne policy initiated by European Union, which is known as “European Green Deal.” The main aim of this new imitative is making European continent a climate-neutral by 2050. It represents a completely new vision of establishing a new European order, which may have a major impact on its neighborhood, including Georgia.

What economic impact should have European “Green Deal” on Georgian economy depends on the transformation degree of country's economy and its transformability and compatibility with the EU economy. Here some important factors should be considered: what impact will have Green Deal on Georgian-EU relations in terms of deep and comprehensive free trade agreement? The second and even more important fact is: what impact should have European Green Deal on Georgian economy in the context of formation opportunities of green economy. These processes are analyzed in this article, are outlined ways and relevant recommendations are developed.

**Key words:** European Union, Green Deal, Green economy, Green growth.

### **Introduction**

The Green Deal represents an EU long-term strategy, aimed at reducing carbon emissions in accordance with the terms of the Paris Agreement. The main idea of these is making Europe the first carbon-neutral continent by 2050. All this is achieved through the establishing some appropriate decisions and at later stage implementation these established decisions.

The plan includes potential carbon tariffs for countries that don't curtail their greenhouse gas pollution at the same rate. The mechanisms to achieve this is called the Carbon Border Adjustment Mechanisms (CBAM). It also includes: a circular economy action plan, review and possible revision of the all relevant climate-related policy instruments, including the emissions trading system. a farm to fork strategy along with a focus shift from compliance performance, revision of the energy taxation directive which is looking closely at fossil fuel subsidies and tax exemptions, a sustainable and smart mobility strategy and EU forest strategy.

It also learns on Horizon Europe, to play a pivotal role in leveraging national public and private investments. Through partnerships with industry and member states, it will support research and innovations on transport technologies, including batteries, clean hydrogen, low-carbon steel making, circular bio-based sectors and the built environment.

The EU plans to finance the policies set out in the Green Deal through an investment plan – InvestEU which forecasts at least €1 trillion in investment. Furthermore, for the EU to reach its goals set out in the deal, it is estimated that approximately €260 billion a year is going to be required by 2030 in investments.

Talking about the green transformation began in 1970s, when the Rome club first announced about the depletion of resources, which was prevented by the growing population and increased demand to be fulfilled. These principles were represented in Brutland report<sup>1</sup>, in three conventions of Rio, Climate Change conventions and later in goals of sustainable development.

In addition to the above legislative packages, there exists several approaches which are represented in Paris Climate Change Framework and other policy documents. Some decisions were made in Paris, mainly preparing a special report called as IPCC-1.5. The main idea of these was the increasing temperature by 1.5 point in all region of the world and also, some recommendations were given to countries how to maintain this temperature point<sup>2</sup>. During these period, in European Union and the USA began active preparation about the agreement on Green Deal, which despite to some differences, address common issues and goals on systematic transformation in areas associated with environmental, fiscal and industrial issues<sup>3</sup>.

In December 2019, European Union was adopted new action plan (COM/2019/640 final) which is publicly known as European Green Deal. The European Green Deal represents new direction, new part of economic and sustainable development of European Union, whose aim is reaching and ensuring climate neutrality of European continent by 2050. European Green Deal should be considered one of the integral part of European Union's strategy for achieving certain goals and aims, also part of UN2030 agenda for achieving economic sustainable development. At the same time, it should be considered as an effective tool for meeting the requirements of the Paris Agreement.

Sustainable development, in turn is an organizing principle for meeting human development goals while also sustaining the ability of natural systems to provide the natural resources and ecosystem services on which the economy and society depend. The desired result in a state of society where living conditions and resources are used to continue to meet human needs without undermining the integrity and stability of the natural system. Sustainable development can be defined as development that meets the needs of the present

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<sup>1</sup> World Commission on Environment and Development, "Our Common Future." 1989.

<sup>2</sup> Mikadze, E., "European Green Deal and it's importance for Georgia" Tbilisi, 2021.

<sup>3</sup> European Commission – "The European Green Deal".

without compromising the ability of future generations to meet their own needs. It is necessary the creation of such environment, where environmental issues will be taken into account as much as possible.

The modern concept of sustainable development is derived mostly from the 1987 Brundtland Report, is also rooted in earlier ideas about sustainable forest management and 20<sup>th</sup> century environmental concerns. As the concept of sustainable development developed, it has shifted its focus more toward the economic development, social development and environmental protection for future generations. The UN level sustainable development goals (2015-2030) address the global challenges, including poverty, inequity, climate change, environmental degradation, peace and justice.

A documentation, that is associated with Green Deal and was published by European Union, states that these goals cannot be achieved only by EU. It is a global agreement and not only EU states should be involved in it, but also its partner member-states. This primarily related with Georgia, as a closer partner of European Union and a country that is deeply and actively participates in European Neighborhood Policy and Eastern Partnership format. At the same time, it should be noted that EU and Georgia have signed an association agreement. Another important factor that should be noted is that, under the Green Deal, a number of changes must be made in EU legislation system, including the adoption of new legislative laws, as well as changes to an existing, adopted acts.

If we consider those fact that, most of these legislative acts are reflected in the association agreement, Georgia, as one of the main partner of European Union, is obliged to be involved in the implementation of this agreement. According to the paragraph 301 of association agreement: “The Parties shall develop and strengthen their cooperation on environmental issues, thereby contributing to the long-term objective of sustainable development and greening the economy. It is expected that enhanced environment protection will bring benefits to citizens and businesses in Georgia and in the EU, including through improved public health, preserved natural resources, increased economic and environmental efficiency, as well as use of modern, cleaner technologies contributing to more sustainable production patterns. Cooperation shall be conducted considering the interests of the Parties on the basis of equality and mutual benefit, as well as taking into account the interdependence existing between the Parties in the field of environment protection, and multilateral agreements in the field.” The indispensability of these principles is clear forasmuch Georgia is planning making a requisition form on EU membership in 2024.

### **1. Modern aspects of Greening an economy and European Green Deal**

In modern era, in most studies is expressed an opinion about the unsustainability of production and consumption. This is reflected from the fact that if the same population consume the same amount of resources, then the demand for the resources will exceed 4 times to the total resource capacity of the earth. Therefore, it starting time for making some changes in the structure of resources, otherwise the fight for resources will be intensified. The result of unsustainability of resources may be attributed in a number of environmental risks, ranging from global to local ones. In this context the opportunities of greening economy and forming green business can play a huge role.

“Green economy” can be considered as a broad concept. The main aim of it is to ensure a sustainable development of economic by introducing green principles. As a result, we get improved welfare, high degree of social equality, reduced environmental and ecological risks. Green economy is closely related with ecological economics but has a more politically applied focus. The 2011 UNEP Green Economy Report argues that to be a green, an economy must not only be efficient but fair. Fairness implies

recognizing global and country level equity dimensions, particularly in assuring a just transition to an economy that is low-carbon, resource efficient and social inclusive.

Some economists view green economics as a branch or subfield of more established school. For instance, it is regarded as classical economics, where traditional land is generalized to natural capital and has some attributes in common with labor and physical capital (since natural capital assets like rivers directed substitute for man-made ones such as canals). Or, it is viewed as Marxist economics with nature represented as form of lumpen proletariat, an exploited base of non-human workers providing surplus-value to the human economy, or as a branch of neoclassical economics, in which the price of life for developing vs developed nations is held steady at the ratio reflecting a balance of power that of non-human life is very low.

Green economy is the main force in the formation of ecosystems. If we rely on classical economic hypothesis, the green economy can't be considered as separate, independent direction of the economic science. It is considered as one of the field of sciences. A feature distinguishing it from prior economic regimes is the direct valuation of natural capital and ecological services as having economic values and full cost accounting regime in which costs externalized onto society via ecosystems are reliably traced back to and accounted for as liabilities of, the entity that does the harm on neglects some assets.

The Green economy tries to find a golden mean, a positive economic solution, an alternative, because it doesn't separate public and private sectors. Society comes from the main regulator in the conditions of green economy. In modern stage a green economy is more market-oriented than existing models, because if we neglect environmental and social issues we make wrong economic decisions, business operators misuse natural resources. If we combine the abovementioned factors we can get those type economic crisis, that was in 1978, 1996 and 2008<sup>4</sup>.

There exists two main precondition situation how green economy should be formed. First of all, the changings should be made in the production process. This is mainly expressed using, establishing and introducing efficient energy and resource consumption business operations. Changings should be made in increasing producing environmental products and services and reducing consumptions. Green business opportunities are essential in this process. The main task of any business is to make profit. For making this profit, business operators are producing goods and services that should become competitive in the market. The main difference between conventional business and green business profit maximization is that green business is oriented making profit maximization in long-term period. For reaching this, it uses modern knowledge, information and planning tools. As a result, companies that are involved in green economy are more competitive.

In the context of green economy, we must say a few words on green growth, that is deeply related to the concept of green economy. Green growth can be described as hypothetical path of economic growth that is environmentally sustainable. It is based on the understanding that as long as economic growth remains a predominant goal, a decoupling of economic growth from resource use and adverse of environmental impacts is required. A main driver of green growth is the transition towards sustainable energy systems. Advocates of green growth policies argue that well-implemented green policies can create opportunities for employment sectors such as renewable energy, green agriculture or sustainable forestry.

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<sup>4</sup> Green Alternative – “Green Policy and environmental protection” Tbilisi, 2013, pg.41.

Critics of green growth highlight how green growth approaches do not fully account for the underlying economic systems change needed in to order to address the climate crisis, biodiversity crisis and other environmental degradation. Critics point instead to alternative frameworks for economic change such as circular economy, de-growth, doughnut economics or similar fundamental changes which better account for planetary boundaries.

During the last financial and economic crisis, the UN has developed a new economic concept that is known as global green agreement. This concept should be addressed to the recent world problems and was focused on three main objectives: contribution of recovering world economy and the creation of new jobs, achieving the goals of inclusive economic development by 2015 and reducing the risks of carbon dependence and ecosystem degradation<sup>5</sup>. Later 2009 country members of OSCE was adopted green growth strategy.<sup>6</sup> The main idea of green growth strategy was development and encouragement low-emission process, minimization of inefficient use of waste and natural resources, keeping biodiversity and using a sustainable and assimilation of soft energy sources.

Most international financial institutions and states viewed green economy as a trade-off concepts, but none of them denies the need of transformation, which is mainly expressed establishing competitive principles, liberalization of economics. As a result, we got such environmental crisis, which is challenge for modern world, including Georgia. Green growth and green economy should be considered as one of the most perspective directions for solving such crisis, which are mainly reflected by dividing the ways of production and consumption. Ecosystem services are natural process. In green economy, this ecosystem services were divided and specific price was set for each of these services.

In recent period, globalization process blurred borders between economic sectors. This was dramatic for industrialization process, because it demanded additional knowledge and skills. In contrast to these complex processes, the main task of green economy is to eliminate the events involved in industrialization process, especially the impact on the environment or the dependence to the natural resources. The task has become to minimize these processes. How to achieve this is depended on several factors, directions. First of all, we have to point the transformation degree of country's economy, the level of technology, as well as requirements that the country has to meet in terms international environmental legislation.

Important role can play those economic stimulus packages that exists within a country, which will be triggered by the existing economic policy and what policy has institutions on promoting green growth. We can give an example those practice that exist in EU, in parallel of developing the energy efficiency or renewable energy, the relationship between CO<sub>2</sub> and GDP must be eliminated. It also should be noted that energy and resource efficiency do not preclude energy consumption or using fewer resources. They both imply increasing efficiency or productivity, which in turn leads to green capitalism.

Green economy has a potential of growth. We have to analyze this growth potential on the basis of sustainable economic development. Here we should note that, European Union, World Bank and International Monetary Fund have so-called the "predominant" view about those fact that with a help liberalization and market can be achieved low-emission development, which prevents even the partial

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<sup>5</sup> Green Alternative – "Green Policy and environmental protection" Tbilisi 2013 pg. 41.

<sup>6</sup> Declaration on Green Growth Adopted at the Meeting of the Council at Ministerial Level on 25 June 2009 [C/MIN(2009)5/ADD1/FINAL].

exploitation of this great potential<sup>7</sup>. International financial corporations offer countries relatively broad financial assistance for strengthening green economy. One of the financial instrument is called “blending instruments,” guarantees, public and private partnership. In developing countries these financial aids are transferred not only from international financial institutions, but also from new industrial countries and institutions, such as BRICS, AIIB and son on. It is important that green capitalism uses such market mechanisms as emission trading, market development mechanisms for developing low-emission development<sup>8</sup>.

If we rely on the logic of green economy, the main reason of environmental degradation in tradition economics is that, government and large corporations fail to realize the real economic value of the environment and nature. From all above mentioned, it is possible to determine the true value of environment, which comes from the interest of nature conservations. As a result, we get less polluting innovative technologies and more investments in nature conservation projects.

Innovations can play a huge role on the way of formatting green economy. If we closely look the transformation process, production process has shifted to information and biotechnology software. Over the next 30 years, approaches toward the industrial revolution will grow even more and will rely on modern advances in artificial intelligence and robotics, radical resource efficiency, industrial ecology and nanotechnology.

If we review modern researches<sup>9</sup>, innovative technologies can have a positive impact on economic growth. Despite the fact that in short-term period revenues may decline, but long-term effect will be huge and quite large. At the same time, income of highly qualified workers is increased sharply, which can't be said the same for low-skilled workers. There exist several ways for eliminating this imbalance. First of all, we have to talk about the level of education. Level of tax rates are also important. It also be emphasized that the pressure on natural resources will be increased in the case of declining revenues. As a result, we will get sustainability excluding, if the formatting green economy will be depended on technology, without reducing consumption and understanding the ecological limitations.

Georgia's economic outlook is quite optimistic about the further implementation and formation of a green economy and green growth. Government of Georgia introduced a number programs. The main aim of this programs was changing, developing and introducing tradition economic activities. Among them we must highlight such important areas as the efficiency of resources and materials, reduction and prevention of waste generations, sustainable using of water resources, increase of producer responsibility and reasonable using of resources from an environmental point of view.

Georgia is rich in natural resources or biodiversity, much of which is still intact. The main aim of the government is to conserve them untouched. In general, it should be said, economic development represents the main for further modernization of the country. This doesn't mean that it is caused by the development of an industry or other types of business activity. In this process public activity also plays an important role, which often supports such economic development, where environmental isn't taken into account. A Green economy and green growth requires community involvement and doesn't involve a specific stakeholder group

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<sup>7</sup> Knight, Daniel, M., The green economy as a sustainable alternative?.

<sup>8</sup> Green alternative – “Dilemma of Green Economy” – Essay on public policy Tbilisi, 2019 pg. 3.

<sup>9</sup> Should We Fear the Robot Revolution? (The Correct Answer is Yes), Author/Editor: Andrew Berg; Edward F Buffie; Luis-Felipe Zanna, May 21, 2018.

By UN green growth and green economy is recognized as one of the key areas for the sustainable development of national economics, which in turn both of them are part of Millennium Development Goals. These goals were adopted by 2015. Georgia also shares these goals and takes the initiative for making green growth as one of the most important directions of country's economic modernization. There exist certain types of initiatives that should be considered as the part of country's further sustainable development. Among these initiatives we must highlight the development of ecosystems, clean production, environmental education and creation of green jobs.

The main basis of green economy is demand-supply chain of resources. Therefore, it is important launching products and services that will satisfy consumers. Consequently, efforts should be made from consumers and manufacturers achieving this point. Some companies, in certain fields, especially in agriculture and tourism, are taking appropriate actions for sustainable production. People has a feeling that buying organic agricultural products are useful for them. As a result, trading in organic food has increased quite a bit. Consumers buy this product not only on price basis, but also on different types of values. Introduction of eco-labeling will also bring positive benefits, which will help manufacturers in terms of reliability of their products.

## **2. Main challenges and challenges of Georgian economy under green deal**

By 2020 were completed those 20 goals, that were set by Easter Partnership. Four key areas were identified by these goals: stronger economics, better governance, more interconnectedness and relatively strong society. The main goal of green economics, is reaching carbon neutrality by 2050. How to reach this carbon neutrality. First of we have identify several sectors that needs structural modification. These sectors are energy, environment and industry

Main attention must be paid to the promotion of circular economy in Easter Partnership countries, especially in the fields of electronics, batteries, packaging, textiles and construction. Biodiversity is another area, that have to be paid much more attention, because European Union has tough approaches to the illegal and unregulated fishing, which in turn reflects Georgia's policy.

One of the important aspect is the issue of sustainability. A comprehensive approach of sustainability covers all sectors of economics but focuses on low carbon emissions that creates jobs. This approach will be beneficial in waste, resource inefficiency and pollution directions, but at the same time improves health, biodiversity and ecosystem sustainability. Despite this, we have to take account such spheres of public policy which can have a major impact on environment. In these spheres unify taxes and subsidies, state procurements, infrastructure design, business development. So, green growth policy facilitates specific measures of sector in short, medium and long term. This requires cooperation and consultations with private sector representatives or business associations.

In recent period, climate changing convention and its related documents are related to the main objects of green agreement. "Paris Agreement, which was ratified by Parliament of Georgia in 2017, the European Union, as a leader organization, helps Georgia for implementation of the agreement. In European Union, climate changing and environmental protections have become priority. Moving to a new strategy will be effective only in those case, if the main partner of European Union will make concrete measures. At the same time, European Union takes consideration partnership in environmental, energy and climate changing with South and Eastern partnership countries.

What kind of impact European “Green Deal” should have on Georgian economy? Several factors have to be identified that associated with this impact. First of we must identify the transformation degree of Georgian economy, and how this is compatible to European Union’s economy. Also, it should be considered those fields, especially innovative technologies and recycling of wastes, that should be economically beneficial. At first this may require large investments, but in long-term period there will exist cost saving. In such circumstances, it is important to define the role government and private sector and the state must dovetail the role of moderator for the implementation of less attractive financial projects. According to this, we must identify two main directions, that this impact should have on Georgian economy – environmental and economic.

The integration of Georgia’s environmental agendas in national development plans should be the priority of the government. Despite the fact that Georgia has overhauled its environmental components and in Georgia’s socio-economic strategy “Georgia 2020” is clearly mentioned about the rational use of natural resources, environmental security and sustainability, reforms, are still incomplete. Several types of goals have been set for climate change. Through the United Nations Framework Convention on Climate change (UNFCCC) and National Defined Contribution (NDC) document Georgia had joined the Organization for Economic Co-operation and Development (OECD) Green growth declaration. It has already finished working the low-emission development strategy (LEDS) and National Energy Efficiency Action Plan (NEEAP) documents. Despite this, there exists gaps on lower-level enforcement regulations and in institutional capacity, that should ensure policy implementation.

On April 2016, ministry of Environmental protection and natural resources of Georgia, within the project of European Union, developed road maps in the field of environmental protection and climate-related activities. Nine such road maps were created: direction of environment, water quality and water resources management, waste management, nature protection, industrial pollution and hazards, chemical waste management, climate actions and forestry sector<sup>10</sup>.

The partnership between Georgian and European moved to a new level when was signed the association agreement. This agreement applies almost to all sector and the main goal is to approximate Georgian legislation to European. The agreement introduces a preferential trade regime – Deep and Comprehensive Free Trade Area (DCFTA). This regime increases market access between Georgia and European Union on the basis of relatively preferential regulations.

The funding measures associated with climate changing is not only in the interest of environmental protection. Access to financial resources promotes transferring technologies and creating jobs. Georgian companies saw their future activities in “Green investments” and began their portfolio diversification for gaining competitive advantage. Under the association agreement, Georgia took obligation for promoting efficiency buildings for the next 3 years. In general, construction sector is one of the promising sectors for inculcating green business. Nowadays, one of the main problem in construction business is the fact that they are using outdated thermal engineering norms, which is very far from the European standards. There exists much more cases when these specific standards are nor met, thus causing quite large losses.

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<sup>10</sup> Kakulia, E., Gogokhia, T., Bibilashvili, N. “EU-Georgia Association agreement – Green economy support in Georgia” – Proceeding of materials of international scientific conference “Current Problems of formation of Green Economy” dedicated to 75<sup>th</sup> anniversary of the institute and the 10<sup>th</sup> anniversary of Journal “Ekonomisti” Tbilisi, 2019 pg. 145.

Despite this, positive steps have been done for eliminating these problems. The clear example of this is an opening plant which produces energy efficiency building materials (building blocks) for Georgian market. Investment was made by State Partnership Fund and Ytong Caucasus.

Association agreement requires the adoption and implementation of a number of legislative acts in the fields of energy and environment. This process is complicated and time-consuming process in existing institutional arrangement and human capital. There is also added setting goals of Eastern Partnership, mapping general terms and conditions of green deal in developing plans, which shouldn't be done without proper energy system. That's why, it is crucial element focusing on increased energy consumption and to those resources from which this increased consumption should be allocated, even more on renewable energy issues.

What about the energy sector itself. On July 1, 2017 Georgia became a member of energy community. Association agreement stipulates a schedule for major energy market reforms, including market of natural gas, electricity, energy efficiency and renewable energy. According to the assessment of energy secretariat, the total level of compliance with the laws related to energy resources in Georgia is 23%. The expansion of South Caucasus Pipeline has already been completed. The main level of Energy Community is creating a common European market, in which we must include the European Union and its neighbors.

Green growth in energy should be based on renewable energy and energy efficiency, demand and supply balance management. In energy sector, government is focusing on security of supply and building generation facilities, mainly based on large hydropower plants and not on a sustainable energy system. Main priorities of energy policy that was adopted by government in 2006 is still unchanged. This is shown in the policy document "Energy Policy of Georgia" that was submitted by ministry of energy of Georgia in 2014.

According to Georgian Electricity Development Plan, the share of wind and solar power plant is only 18%, but it also should be noted that significant increase in thermal power plant is not provided. One of the important point to be mentioned is the replacement of natural gas and its reflection in strategic documents. In 2020 parliament of Georgia got a law about energy efficiency. At the same time, country is obliged to submit annual report about the target indicators to the Energy Union. If we rely on 2019-2020 annual report, by 2025, energy savings in primary energy sources could reach 13% and in final consumption 9%. This figure in 2030 should be 14% in primary energy and 11% in final consumption<sup>11</sup>. It should also be mentioned, from where is calculated this development trend is not specified. As an example, we can bring an example of European Union data, where, according to the updates directive, by 2030 the primary energy source should be increased nearly 33% in energy efficiency source.<sup>12</sup>

According to OSCE report, country can improve the status of energy efficiency if it has flexible legislation that meets the UNEP-2006 criteria. These criteria include environmental and economic efficiency, budget expenditures, capabilities and skill implementation and supporting of interested party.<sup>13</sup>

From the barriers of the development of renewable energy and energy efficiency we should highlight the existence of independent government structure, lack of new technologies and low level of awareness in the

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<sup>11</sup> Government of Georgia – "Georgian energy efficiency National Action Plan 2019-2020".

<sup>12</sup> ESIA, "Energy Efficiency".

<sup>13</sup> Green Alternative – "Opportunities of development of green economy in Georgia" Tb. 2014 pg. 13.

private sector, lack of tax and tariff incentives, limited access to the financial resources<sup>14</sup>. Energy efficiency and renewable energy legislation can play a huge role in the development of the sector. Specific state grants will be helpful in this case, because it will encourage introducing new technologies that saves energy. Based on all this, developing certain types of necessary measures, among which we should distinguish the developing energy efficiency and renewable energy legislation, financing research activities through which new professional staff will be trained.

European green deal means a systematic transformation for Georgia. This plays a crucial role in modern, technological period, where the economic model is needed for rearranging to this system. New goals proposed by European Union will be a new challenge for the country, because they can create new perspectives. Among these goals are access to the information, creation new capabilities and increased financial aid. This is necessary in the context of Covid-19 pandemic, because as it shows, that concentrating on only one sector of the economy is wrong approach and it is necessary investment diversification in difference sectors of the national economy. This requires appropriate institutional readiness, which is expressed in greater investments in environmental management, to policy planning and implementation, as well as in administrative skills. Green deal is not considered not just an environmental document. Its main idea is to ensure the social equality as much as possible. It should also lay to the formation and foundation of equal and healthy societies.

## **Conclusion**

In what forms is it possible and what should be considered from Georgia for joining to its partner's new strategy, especially in the conditions the country plans to enter to European Union by 2024. Reforms need to be implemented in three main areas – institutional, legislative and economic.

If we rely on the logic of the Association Agreement, where only part of EU directives must be implemented, we must outline those main areas that need to be considered at the stage. We also take account Georgia's capabilities, when we are talking about those recommendations that Georgia have to do.

First of all, the starting point for Georgia should be the Association Agreement. Accordingly, Georgia should negotiate with European Union in the format of an Association Agreement, because EU will provide financial and institutional support to all its partner countries that will be involved in the implementation of European Green Deal.

The European Green Deal is not only the environmental document. It covers all area of development. Accordingly, it would be desirable from the authorities to set up working groups, which will study the possible impact of Green Deal on the country and then develop relevant recommendations, which will be in full compliance with Association Agreement and in future time, these recommendations should be reflected at the local legislative level.

We have to consider the green growth and green economy factor while talking about the modernization of Georgian economy in the context of Green Deal. At the present stage, environmental and social responsibility is considered the main driving force of economic development. From the environmental point of view, moving to the green activity will not happen instantly, because both approaches are very complex

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<sup>14</sup> Center of Business and Economics – “Green Business Support Strategy for Georgian Private Business Organizations” - UBCCE–GIZ joint project, 2011.

and requires scientific knowledge, society's awareness and developing and implementing effective economic policies.

Environmental innovations have a high export potential but requires introduction of modern technologies. Accordingly, European Union is ready for implementing these methods of technologies. This coincides with the interests and readiness of Government of Georgia for facilitating these processes. To do this, at the first stage, it is necessary for implementing principles and policies of sustainable development both in national and local levels

Attention must be paid to energy sector, because under a Green deal, a number of reforms are needed to be conducted. First of all, it is associated with the energy efficiency and renewable energy legislations and preparing some actions plans. Implementation of pilot projects will play a huge role. Conducting energy audit to state building is another important factor for further improvement of energy consumption. The result will be the reduced public finances and energy consumption.

Much more attention should be paid to those companies that are exporting goods to the European Union and their carbon intensity production cycles, because there exist strict requirements on these points. These goods must be complying with those requirements that exists in Green Deal and carbon border control mechanisms.”

Generally, in Green Deal important factor is production of organic products. European Union has made significant changes to the regulations on organic products and on labeling. These regulations will enter into force this year. The main idea of this change is that, exporters to the European Union will be required to do the same as producers in the European Union. Therefore, the country and agricultural exporting companies must be prepared for meeting these new requirements. Despite the fact that government of Georgia is implementing some projects in agriculture, the sector facing a number of challenges. For solving these challenges, it is necessary developing educational programs that will raise public awareness about organic food. Another important factor is the introduction of certification process through internationally recognized schemes.

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