



საქართველოს ეროვნული ბანკი
National Bank of Georgia

Sustainable Finance Development in Georgia: key steps and regulation

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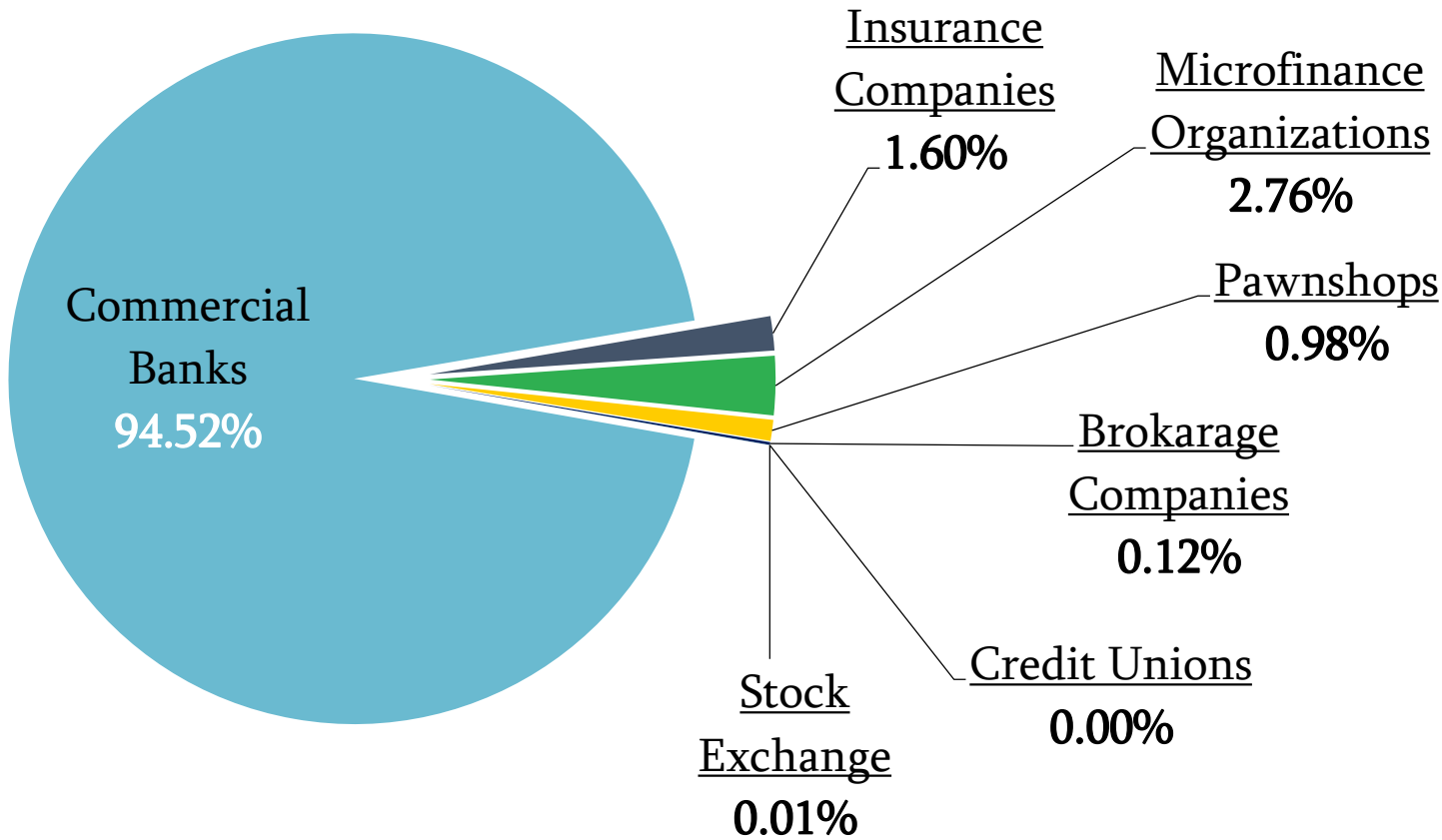
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RAEX Sustainability Webinar: Sustainable Finance in Georgia
September 2020



Financial sector in Georgia mostly comprises of commercial banks

Structure of the Georgian Financial Sector by Assets,
Dec. 2019

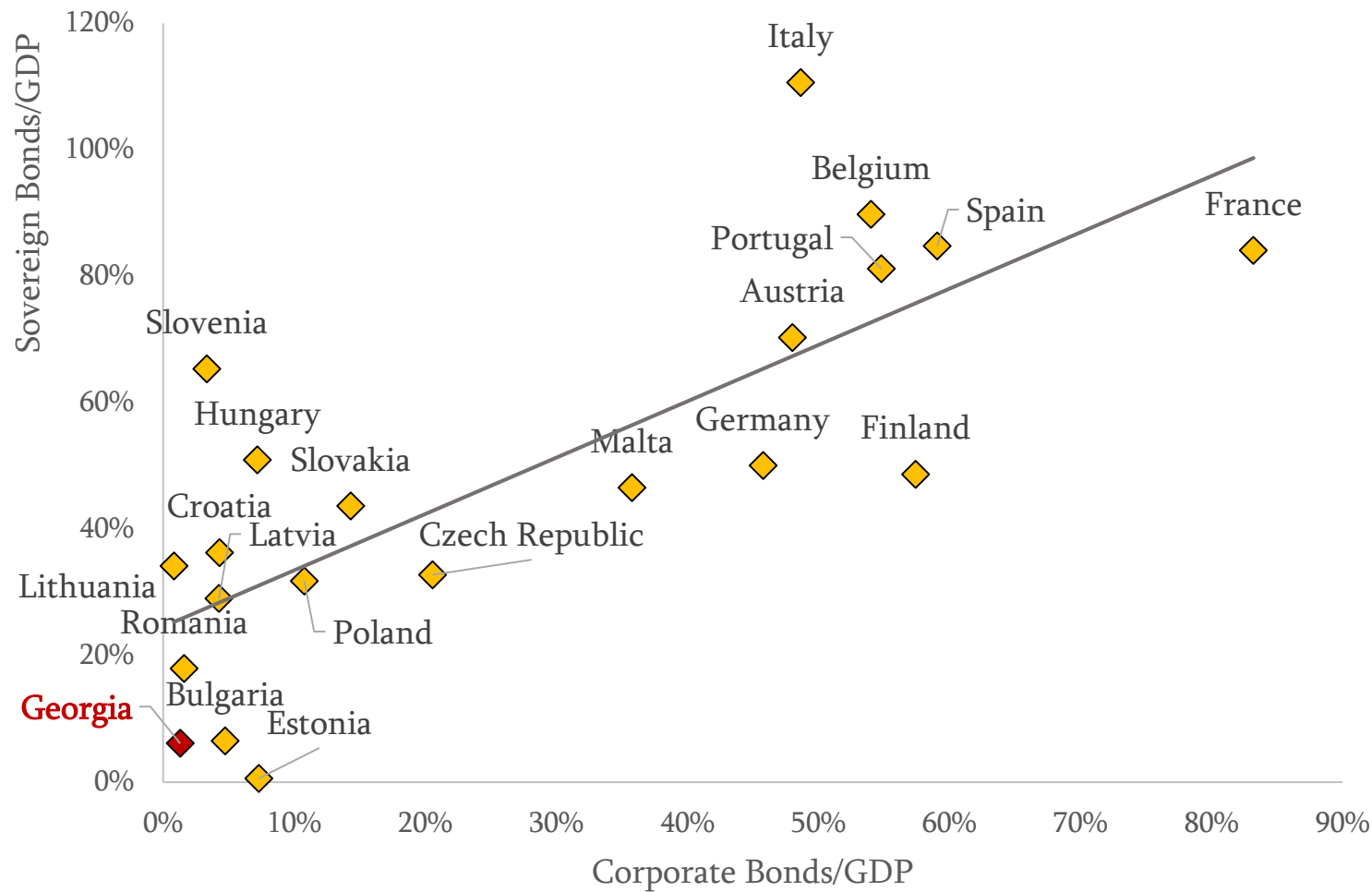


- The financial sector is dominated by commercial banks, with the two largest accounting for around 70% of total assets.
- Insurance market has been developing in recent years, however it has relatively small share in total assets of financial sector.
- Micro-finance institutions (MFIs) play an important role especially for financing SME's and access to finance in rural areas.

Source: NBG

Capital market, despite some progress, is still at an early stage of development

Treasury and commercial debt securities as a % of GDP in selected European countries



Local debt securities market activity has expanded significantly:

- Over the past five years, the government and corporate debt securities market increased by approximately 14 times, amounting to annual growth of 31% and 69% respectively.
- The NBG and the Government of Georgia are currently working on the approximation of regulatory principles to those of the EU.

- Central Banks and supervisors as well as financial institutions across the world are beginning to deepen their understanding of risks stemming from sustainability issues.
- Successful transformation towards sustainable finances requires a number of coherent, consistent actions to be taken at the same time, from both the public and the private sector.
- In order to ensure financial stability in the long run and support sustainable growth, it is becoming more common to incorporate environmental and social sustainability in the central banks' policies.
- The NBG, as the central bank of the country, is committed to promoting the agenda on the role of the financial sector in supporting sustainable development of the country and for this purpose develops a framework for green, social and sustainable finance.
- The key milestone was the launch of **Sustainable Finance Roadmap** for Georgia

Sustainable Finance Roadmap

- The Sustainable Finance Roadmap summarizes all possible actions that the NBG intends to implement regarding the sustainable finance development in the near future with the corresponding timeframe.
- The **ultimate goal of this roadmap** is to provide a credible, predictable and stable regulatory framework and prepare the market for transitioning to sustainable finance.
- The Sustainable Finance Roadmap consists of **four main pillars**:
 - Support capacity building and increase awareness.
 - Guide the financial flows towards sustainable development.
 - Ensure the incorporation of ESG considerations into risk management and decision-making of financial institutions.
 - Support transparency and market discipline.

Sustainable Finance Roadmap for 2019-2022

Increasing Awareness and Capacity Building	Sustainable Finance Flows	ESG Risk Management	Transparency and Market Discipline
<ul style="list-style-type: none">• Develop Policies and Guidance to Support Market Action;• Provide and Facilitate Trainings and Workshops for Stakeholders;• Conduct Research on Sustainable Finance Topics;• Establish Sustainable Finance Working Group.	<ul style="list-style-type: none">• Introduce Sustainable Finance Taxonomy;• Develop Sustainable Finance Guidelines;• Explore Options for Incentives and Regulations to Stimulate Sustainable Finance Flows.	<ul style="list-style-type: none">• Integrate ESG Considerations in Corporate Governance (CG) Code for Commercial Banks;• Integrate ESG Considerations in CG Code for Capital Market;• Develop ESG Risk Management Guidance and Tools.	<ul style="list-style-type: none">• Include Minimum ESG Disclosure Requirements in CG Codes for Commercial Banks and Capital Market;• Provide Guidance on ESG Reporting and Disclosure;• Develop Progress Measurement Tools;• Create an Information Hub.

Pillar 1 - Increasing Awareness and Capacity Building

- Motivation/ Challenges
 - Limited awareness - lack of understanding risks stemming from short-termism and the benefits of developing sustainable finance;
 - Need for capacity building within the NBG as well as among different stakeholders.
- Actions taken:
 - Translation of ICMA green, social and sustainable bond principles in Georgian language;
 - Sustainable Finance conferences in cooperation with the SBN /IFC in 2018 and 2019;
 - Creation of the sustainable finance working group;
 - Cooperation with international organizations and participating in various workshops/seminars;
 - In February, 2020 the NBG joined the Network for Greening the Financial System (NGFS).
- Future Steps
 - More workshops on sustainable finance;
 - Analytical work and research;
 - Develop policies and guidance to support market action.

- Motivation/ Challenges
 - Lack of common definitions/taxonomy;
 - Less developed capital market;
 - Small market.
- Actions taken:
 - Collaboration with SBN/IFC to develop the sustainable finance taxonomy.
- Future Steps
 - Sustainable finance guidelines;
 - Explore options for incentives and regulations to support sustainable finance flows.

- Motivation/ Challenges
 - To ensure that financial institutions and companies take into account risks stemming from sustainability issues.
- Actions taken:
 - Integration of ESG factors in corporate governance (CG) codes for capital market and commercial banks:
 - ESG considerations must be the part of the entity's strategy;
 - ESG risks should be incorporated in its risk management system;
 - CG code also requires entities to disclose ESG related information.
- Future Steps
 - ESG risk management guidance.

Pillar 4 - Transparency and Market Discipline

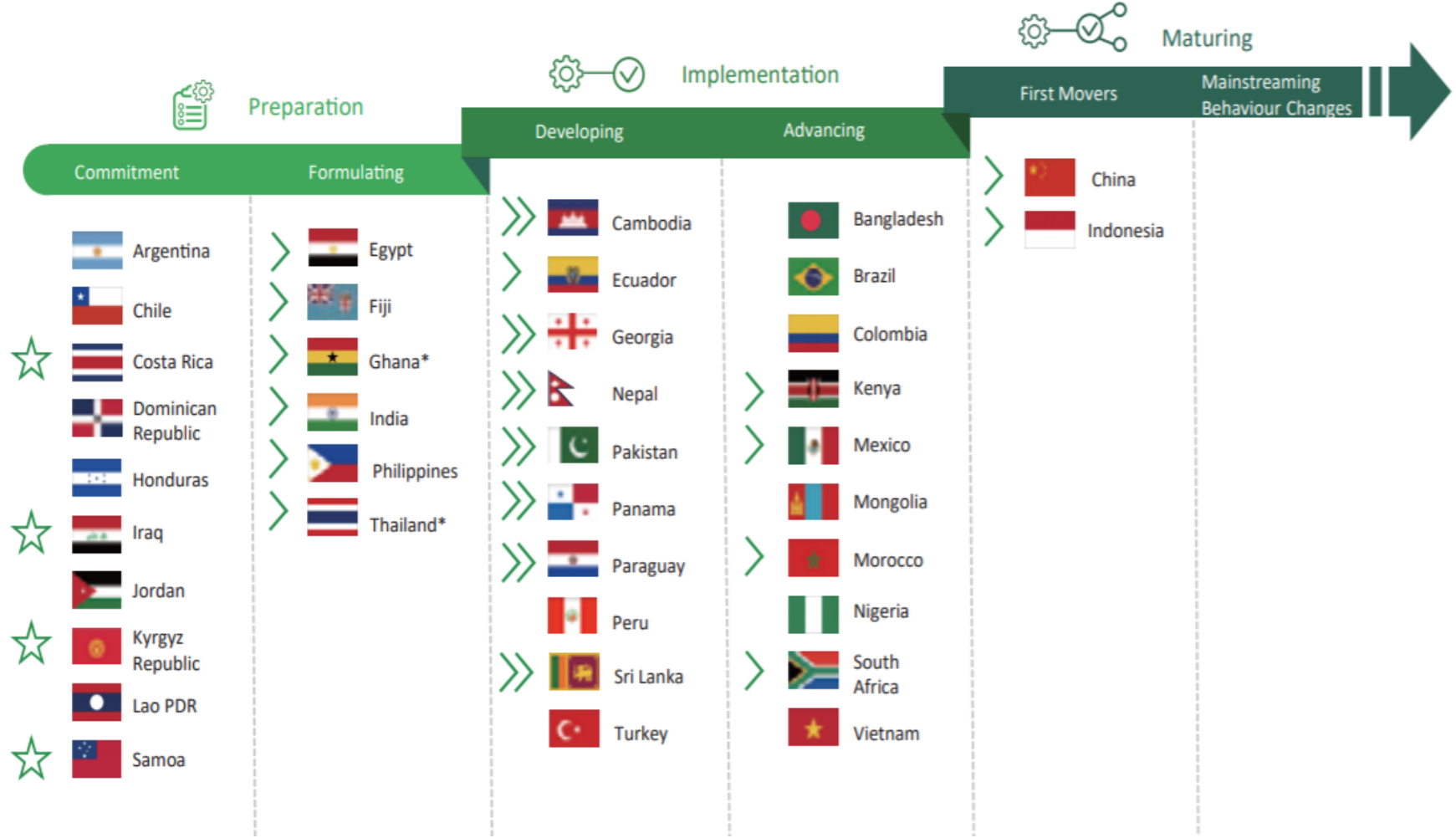
- Motivation/ Challenges
 - Lack of transparency and information regarding sustainable finance.
 - Monitoring and evaluating sustainable finance performance of financial institutions;
- Actions taken:
 - Minimum ESG Disclosure Requirements were set in CG Codes for Commercial Banks and Capital Market;
 - ESG Reporting and Disclosure Principles and the corresponding template have been developed in cooperation with OECD
 - NBG has dedicated a special section on its website to sustainable finance – Sustainable Finance information hub.
- Future Steps
 - Develop progress measurement tools;

Going forward

Planned Actions		2019	2020	2021	2022
Increasing Awareness and Capacity Building	Develop Policies and Guidance to Support Market Action	[Green]			
	Provide and Facilitate Trainings and Workshops for Stakeholders	[Green]			
	Conduct Research on Sustainable Finance Topics	[Green]			
	Establish Sustainable Finance Working Group	[Green]	[Light Green]		
Sustainable Finance Flows	Introduce Sustainable Finance Taxonomy	[Green]		[Light Green]	
	Develop Sustainable Finance Guidelines	[Light Green]	[Green]		
	Explore Options for Incentives and Regulations to Stimulate Sustainable Finance Flows	[Light Green]	[Green]		
ESG Risks Management	Integrate ESG Considerations in Corporate Governance (CG) Code for Commercial Banks	[Green]		[Light Green]	
	Integrate ESG Considerations in CG Code for Capital Market	[Green]		[Light Green]	
	Develop ESG Risk Management Guidance and Tools	[Light Green]	[Green]		
Transparency and Market Discipline	Include Minimum ESG Disclosure Requirements in CG Codes for Commercial Banks and Capital Market	[Green]		[Light Green]	
	Provide Guidance on ESG Reporting and Disclosure	[Green]	[Light Green]		
	Develop Progress Measurement Tools	[Light Green]	[Green]		[Light Green]
	Create an Information Hub	[Green]			

NBG's progress has been recognized by others

- In 2019, Georgia has advanced two steps in SBN's 6-step Progression Matrix – moving from “Commitment” to “Developing” stage.



Source: SBN



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Thank You!

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