

Georgia's Foreign Debt Policies:

PRC's bank
among
Georgia's
top
creditors



ADB



ILIFAD



AIIB





ABOUT CIVIC IDEA

Civic Initiative for Democratic and Euro-Atlantic Choice – Civic IDEA is a non-governmental organization based in Georgia, covering global issues.

The mandate of the organization serves the realization of Democratic and Euro-Atlantic choice, institutionalizing it and bringing to every citizen.

Democratic and Euro-Atlantic choice means the formation of free and fair state based on equality, where citizens equipped with the rule of law feel safe and secure.

Civic IDEA has been actively monitoring China's growing influence in Georgia.

Civic IDEA case studies Georgia, however, the reports are written with a comparative perspective of similar practices in other countries.

Today, China's activities in Georgia do not pose a direct, visible and immediate threat, but the ignorance of respectable and authoritative organizations, security services of our partner countries, numerous EU studies, recommendations and decisions by the Georgian government is another clear example of the disruption of foreign policy incentives and a vague vision concerning Georgia's long-term success and the development.



Georgia Foreign Debt Policy, Priorities and Risk Factors

Civic IDEA started observing Georgia's foreign debt policy after the Georgian Dream officially refused financial assistance from the European Union. It turns out that Georgia is still actively borrowing from various financial institutions or directly from other countries, and the two main creditors of the country are the Asian Development Bank (ADB) and the Asian Infrastructure Investment Bank (AIIB). On September 21, the Asian Development Bank (ADB), which is highly affected by China, officially announced that it would provide the Georgian government with a USD 100 million loan, aiming to strengthen Georgia's electricity sector. On September 24, ADB already approved a [USD 15 million loan](#) to assist Georgia in effectively implementing the vaccination programs. Three weeks before the debt approval from the ADB, the Georgian government publicly [refrained from taking 75 million Euros worth of aid](#) from the European Union. According to Prime Minister Irakli Gharibashvili's official statement, Georgia has begun the reduction of its foreign debt, and therefore, no additional assistance from the EU was needed.

“The Georgian government decides when to take a loan and when not to take a loan. This is our decision... Firstly, we rejected this debt because the government decided to gradually reduce the foreign debt and we reject the debt that will not create special problems, will not create any problems for our country. Secondly, this loan has acquired a special load, a political load, and you have seen how our opponents have been speculating on this debt in the run-up to the election. Thirdly, the loan was certainly related to judicial reform, the appointment of judges. “When we focus on such trifles with the EU, I think it is detrimental and damaging to Georgia-EU relations - we have a much higher level of strategic relationship and cooperation with the EU.” - The Prime Minister of Georgia, Irakli Gharibashvili.

To make it even more obvious to the reader, here is a comparison chart of these two specific programs - the EU Assistance Program and the Asian Development Bank, which clearly shows how favorable was the EU assistance program for Georgia and what an important opportunity the Georgian government has missed:

	Amount	Annual interest rate	Loan period
EU Assistance	75 million euros	0.125%	15 year
ADB Loan	\$ 115 million	0.6%	12 year

As for the Asian Infrastructure Investment Bank (AIIB), which is under the influence of the Chinese Communist Party, is ranked as Georgia's second-largest creditor after the ADB, with borrowings of USD 188,915 million (As of November 2021). As early as August 2021, the debt received from the AIIB equaled [USD 184,706 million](#), indicating that the amount of debt is increasing every month.

Below we provide Georgia's external debt statistics based on [November 2021 data of the Ministry of Finance of Georgia](#):

2021 წლის 30 ნოემბერი

November 30, 2021

საქართველოს სახელმწიფო საგარეო ვალი
External Public Debt of Georgia

კრედიტორი Creditors		კრედიტის ვალუტა Currency	ვალის ნაშთი (ათასი) Debt Stock (thousand)		
			კრედიტის ვალუტაში in Credit Currency	აშშ დოლარში in USD	ლარში in GEL
სახელმწიფო საგარეო ვალი External Public Debt				7 855 129	24 246 428
მთავრობის საგარეო ვალი Government External Debt				7 386 563	22 800 104
მრავალმხრივი კრედიტორები Multilateral				5 370 972	16 578 578
აზიის განვითარების ბანკი (ADB)	USD	401 348	401 348	1 238 841	
Asian Development Bank	SDR	417 633	585 019	1 805 777	
აზიის ინფრასტრუქტურის საინვესტიციო ბანკი (AIIB)	EUR	640 888	723 566	2 233 432	
Asian Infrastructure Investment Bank	USD	46 777	46 777	144 387	
ევროსაბჭოს განვითარების ბანკი (CEB)	EUR	125 896	142 138	438 736	
Council of Europe Development Bank	EUR	2 692	3 040	9 382	
ევროპის რეკონსტრუქციისა და განვითარების ბანკი (EBRD)	EUR	203 855	230 153	710 413	
European Bank For Reconstruction and Development	EUR	721 415	814 482	2 514 061	
ევროპის საინვესტიციო ბანკი (EIB)	EUR	133 000	150 158	463 492	
European Investment Bank	USD	877 689	877 689	2 709 163	
ევროკავშირისა (EU)	EUR	277 936	313 791	968 578	
European Union	SDR	597 096	836 409	2 581 745	
მსოფლიო ბანკი, რეკონსტრუქციისა და განვითარების საერთაშორისო ბანკი (IBRD)	SDR	22 433	31 424	96 995	
International Bank For Reconstruction and Development	EUR	5 818	6 569	20 276	
მსოფლიო ბანკი, განვითარების საერთაშორისო ასოციაცია (IDA)	SDR	147 000	205 917	635 604	
International Development Association	EUR	2 209	2 493	7 697	
სოფლის მეურნეობის განვითარების საერთაშორისო ფონდი (IFAD)					
International Fund for Agriculture Development					
საერთაშორისო სავალუტო ფონდი (IMF)					
International Monetary Fund					
სკანდინავიური გარემოსდაცვის საფინანსო კორპორაცია (NEFCO)					
Nordic Environment Finance Corporation					
ორმხრივი კრედიტორები				1 514 096	4 673 561
Bilateral					
სომხეთი	Armenia	USD	4 210	12 994	
აზერბაიჯანი	Azerbaijan	USD	4 400	13 581	
ავსტრია	Austria	EUR	15 054	52 461	
ჩინეთი	China	CNY	3 000	1 451	
საფრანგეთი	France	EUR	472 490	1 646 581	
გერმანია	Germany (KfW)	EUR	609 889	2 125 401	
ირანი	Iran	USD	3 265	10 078	
იაპონია	Japan	JPY	21 859 723	595 065	
ყაზახეთი	Kazakhstan	USD	5 374	16 587	
კუვეიტი	Kuwait	KWD	3 274	33 392	
ნიდერლანდები	Netherlands	EUR	196	683	
რუსეთი	Russia	USD	31 570	97 447	
თურქეთი	Turkey	USD	8 529	26 326	
თურქმენეთი	Turkmenistan	USD	211	652	
უკრაინა	Ukraine	USD	24	74	
ამერიკა	United State	USD	13 188	40 706	
უზბეკეთი	Uzbekistan	USD	26	82	
ფასიანი ქაღალდები Bonds				500 000	1 543 350
ევროობლიგაცია	2021 Eurobond 2021	USD	500 000	1 543 350	
გარანტირებული კრედიტები Guaranteed				1 495	4 615
გერმანია	Germany (KfW)	EUR	1 324	4 615	
საქართველოს ეროვნული ბანკის საგარეო ვალი External Debt of National Bank of Georgia				468 566	1 446 323
საერთაშორისო სავალუტო ფონდი (IMF)	International Monetary Fund	SDR	334 500	1 446 323	
სახელმწიფო ვალის მართვის დეპარტამენტი საქართველოს ფინანსთა სამინისტრო			Public Debt Management Department Ministry of Finance of Georgia		

სახელმწიფო ვალის მართვის დეპარტამენტი
საქართველოს ფინანსთა სამინისტრო

Public Debt Management Department
Ministry of Finance of Georgia

Based on the information we have, the question naturally arises:

Why does the Georgian government take debt from the Asian Development Bank and the Asian Infrastructure Investment Bank when their services are twice as expensive as the EU's?

According to Georgian opposition party leaders, the refusal of the EU aid due to unfounded reasons and the acceptance of the Asian loan demonstrates that the Georgian ruling party has deviated from the country's Euro-Atlantic path. Consequently, we face a reality where, in addition to rendering major infrastructure projects to Chinese companies in legally erroneous and dubious circumstances, the PRC is also indirectly (through various organizations/institutions) becoming Georgia's main creditor. Moreover, according to the following year's budget document, the Georgian government plans to take out a new foreign debt of GEL 3.1 billion by 2022, most of which will be provided by the ADB. The occasion contradicts that previous statement concerning the reduction of Georgia's foreign debt.

The table below displays the debts incurred by the Georgian government in August-November 2021. It clearly shows that just when the government refused to receive EU assistance, it had no other inconvenience of concluding loan terms and borrowing on much worse terms.

კრედიტორი Creditors	Date			
	August	September	October	November
აზიის განვითარების ბანკი (ADB) Asian Development Bank	1,754,556	1,732,143	1,739,028	1,709,933
აზიის ინფრასტრუქტურის საინვესტიციო ბანკი (AIIB) Asian Infrastructure Investment Bank	189,772	190,585	193,414	188,915
ევროსაბჭოს განვითარების ბანკი (CEB) Council of Europe Development Bank	3,176	3,139	3,138	3,040
ევროპის რეკონსტრუქციისა და განვითარების ბანკი (EBRD) European Bank For Reconstruction and Development	236,840	236,567	239,241	230,153
ევროპის საინვესტიციო ბანკი (EIB) European Investment Bank	855,984	846,052	840,742	814,482
ევროგაერთიანება (EU) European Union	156,886	155,066	154,999	150,158
მსოფლიო ბანკი, რეკონსტრუქციისა და განვითარების საერთაშორისო ბანკი (IBRD) International Bank For Reconstruction and Development	1,183,136	1,185,668	1,195,237	1,191,480

მსოფლიო ბანკი, განვითარების საერთაშორისო ასოციაცია (IDA) International Development Association		865,325	848,277	848,802	836,409
სოფლის მეურნეობის განვითარების საერთაშორისო ფონდი (IFAD) International Fund for Agriculture Development		37,893	37,811	37,955	37,992
საერთაშორისო სავალუტო ფონდი (IMF) International Monetary Fund		209,366	207,104	208,061	205,917
სკანდინავიური გარემოსდაცვის საფინანსო კორპორაცია (NEFCO) Nordic Environment Finance Corporation		2,217	2,191	2,190	2,493
ორმხრივი კრედიტორები Bilateral		1,571,029			
სომხეთი	Armenia	4,210	4,210	4,210	4,210
აზერბაიჯანი	Azerbaijan	4,400	4,400	4,400	4,400
ავსტრია	Austria	17,757	17,551	17,544	16,996
ჩინეთი	China	464	464	469	470
საფრანგეთი	France	559,091	552,000	553,295	533,444
გერმანია	Germany (KfW)	713,484	706,113	710,146	688,567
ირანი	Iran	3,265	3,265	3,265	3,265
იაპონია	Japan	198,996	196,260	192,193	192,784
ყაზახეთი	Kazakstan	5,374	5,374	5,374	5,374
კუვეიტი	Kuwait	8,686	9,719	10,809	10,818
ნიდერლანდები	Netherlands	231	229	228	221
რუსეთი	Russia	31,570	31,570	31,570	31,570
თურქეთი	Turkey	8,529	8,529	8,529	8,529
თურქმენეთი	Turkmenistan	211	211	211	211
უკრაინა	Ukraine	24	24	24	24
ამერიკა	United State	14,711	14,711	13,953	13,188
უზბეკეთი	Uzbekistan	26	26	26	26


As you can see, the Georgian state has signed a loan agreement with the Asian Infrastructure Investment Bank (AIIB), and according to the October 2021 data published by the Ministry of Finance of Georgia, the loan obligation is 193,414,000 USD.

We will provide our readers with a consistent history of when, why and under what conditions the Government of Georgia decided to cooperate with the bank, which was established only recently, in 2016.

In the following chapters of our study, you will find the history of the creation of the Asian Infrastructure Investment Bank (AIIB) and its international reputation. As already mentioned, it was founded in 2016 under the 2013 initiative of the PRC and is mainly focused on financing infrastructure projects in Asia, although the ranks of its members are also enriched with the influential European countries. Despite the bank's short existence, significant problems are already associated with it and the following claims have been made by various states or organizations:

- Problems related to the protection of the environment
- Neglection of human rights and gender equality
- Numerous risky and suspended energy projects (nuclear power plants, coal mining plants, etc.) rehabilitated in India, Myanmar and other parts of the world thanks to the generous funding provided by the AIIB.

We will discuss these problems in more detail below, but before we will briefly review the cooperation of the Georgian government with the Asian Infrastructure Investment Bank and the state's growing foreign debt policy.



Purposes and Outcomes of the Cooperation Between the Georgian State and the AIIB

On March 26, 2015, the Prime Minister - Irakli Gharibashvili - issued a [Government Decree № 630](#), instructing the Ministry of Finance of Georgia, to express the will, on behalf of Georgia, to join the Asian Infrastructure Investment Bank (AIIB) as a Founding Member.¹

On April 13, 2017, the then Prime Minister Giorgi Kvirikashvili issued a decree of the Government of Georgia №753,² according to which the Proposal of the Ministry of Finance of Georgia for a \$ 114 million loan from the Asian Infrastructure Investment Bank (AIIB) to finance the Batumi New Bypass Project, is approved. The loan term is 25 years and the loan [interest rate is variable and ranges from 0.30% to 1.68%](#).³

On June 15, 2017, Giorgi Kvirikashvili issued [Decree No. 1215 of the Government of Georgia](#), according to which the Ministry of Finance of Georgia should approve the issuance of a letter of support on behalf of Georgia to the Asian Infrastructure Investment Bank (AIIB) on the issue of AIIB status, privileges, immunities and exemptions under the Articles of Agreement (AOA).⁴

In 2019-2020, 3 amendments were made to the “Loan Agreement between Georgia and the Asian Development Bank” and the document was signed by Archil Talakvadze.⁵

On May 21, 2020, a loan agreement (loan number L0388A) was signed between Georgia and the Asian Infrastructure Investment Bank (AIIB), under which Georgia received USD 100,000,000.

AIIB Debt Statistics from 2017 to 2018 ⁶
2017 - USD 9,267,000
December 2018 - USD 14,428,000
December 2019 - USD 26,666,000
December 2020 - USD 159,524,000
October 2021 – USD 193,000,414,
Source: https://mof.ge/saxelmwifo_sagareo_valis_statistika

From 2017 to 2021, funding received from the Asian Infrastructure Investment Bank (AIIB) by the government of Georgia has gradually increased almost 13 times. We asked the Ministry of Finance of Georgia about the purpose of the loan received from the AIIB. In response, they explained that these resources are used for three projects:

- [“Batumi Bypass Road Project”](#), which aims to improve traffic efficiency on Georgia’s east-west highway.⁷
- [“Covid-19 Rapid Response Project”](#), which aims to prevent, detect, and respond to the threat posed by the COVID-19 pandemic and strengthen national systems for public health preparedness in Georgia.
- [“Economic Management and Competitiveness Program: COVID-19 Crisis Mitigation.”](#)⁸

The construction work of the [Batumi Bypass Road Project](#) was set for [2017-2020](#),⁹ [but it has not been completed yet.](#)¹⁰

As for the “Georgia Emergency COVID-19 Response Project”, the Ministry of Internally Displaced Persons from the Occupied Territories, Labor, Health and Social Affairs of Georgia explained that within the framework of the project, as of November 2021, the following were purchased::

- Resources required for laboratory diagnosis of Covid-19
- Various protective equipment (masks, gloves, respirators, headlights, etc.) for personal;
- Procured for leading state clinic clinics (Tbilisi, Rukhi and Batumi Republican Hospitals, as well as Kutaisi Public Health Center Clinic,

⁶ საგარეო ვალუბის სტატისტიკა https://mof.ge/saxelmwifo_sagareo_valis_statistika

⁷ „ბათუმის შემოვლითი გზის პროექტი“, <https://www.aiib.org/en/projects/details/2017/approved/Georgia-Batumi-Bypass-Road.html?fbclid=IwAR1HnbjS2qM0wYfbszCRahNGJfnaRD-KqBmXnKjRTYgwEXve8tUxGNYxbF8>

⁸ "ეკონომიკური მართვისა და კონკურენტუნარიანობის პროგრამის ფარგლებში COVID-19-ის კრიზისის შემსუბუქება." https://www.aiib.org/en/projects/details/2020/approved/_download/Georgia/PSI-P000417-Georgia-Budgetary-Support-18Jul2020.pdf

⁹ ბათუმის შემოვლითი გზის პროექტის მშენებლობა იწყება <http://www.georoad.ge/?lang=geo&act=news&id=1477482075>

¹⁰ <https://1tv.ge/news/batumis-shemovliti-gzis-mshenebloba-wlis-bolos-dasruldeba/>

and Center for Infectious Diseases, AIDS and Clinical Immunology): More than 600 hospital beds and patient transport stretchers, up to 2000 yards Medical supply equipment (fans, switches, high-flow and bipa-sipa-mode oxygenation equipment), and accessories (18,000 bipa-sipa-mask); Also, cardiographs, patient monitors, defibrillators, plethysmographs and spirometers. Laboratory and dialysis equipment as well as ultrasound diagnostics.

- The Emergency Coordination and Emergency Assistance Center was equipped with Tetra system radios, basic medical equipment, and high-end off-road vehicles (38 units, including five complete high-tech resuscitators); Server and other IT equipment were also provided;
- More than 30 vehicles were purchased for the Medical and Pharmaceutical Regulatory Agency and the National Health Agency in the context of the Covid-19 pandemic;
- Technical assistance was provided for the technological improvement of self-isolation and contact tracking systems, as well as communication projects aimed at facilitating crisis management and vaccination, which also helped the agency increase the public visibility of the project.

The information provided by the Ministry is awe-inspiring and if we rely on it, today, Georgia should have been a leading state in the fight against Covid-19. However, unfortunately, this is only a “rose-colored glasses effect”. The reality is that according to official data, Georgia is not advanced in the fight against Covid-19. Based on a comparison of coronavirus new cases and deaths in 207 countries relative to their population, Georgia is among the top 15 countries that had the most losses to COVID-19, also had most new cases, and unfortunately, the vaccination rate is meager (approximately 36%) so far. Despite borrowing \$ 100,000,000 from the AIIB, the country does not have enough hospital beds; there is a shortage of medical staff, the quality of face masks and other personal protective equipment is questionable, there is not enough oxygen equipment. Nevertheless, in August 2021, the [Georgian government has decided to turn down a 75-million-euro loan from the European Union](#). The loan aimed to help the country manage the COVID-19 pandemic and, in general, “the welfare of citizens”.¹¹ Prime Minister Irakli Garibashvili has justified and announced that [“the European Union was lending the money to Georgia, and the government has started reducing its foreign debt and will no longer need to receive the money.”](#)

Unfortunately, the government did not act with such “prudence” in May 2020, when Georgia received a loan of \$ 100,000,000 from a bank of Chinese origin and for the above period, due to severe restrictions and self-isolation (and not due to the existence of sufficient amount

¹¹ <https://www.radiotavisupleba.ge/a/31438499.html>

of hospital beds, other medical equipment in the country, or effective measures taken by the government), the daily rate of infections and mortality was ten times and 20 times lower in the country.

Of course, the Prime Minister's explanation regarding reducing foreign debt is just a shameful attempt to cover the country's deviation from the Euro-Atlantic course, which is confirmed by the facts and reasoning presented in our report.



The letter of support, on behalf of Georgia, to the Asian Infrastructure Investment Bank (AIIB)

As already mentioned above, On June 15, 2017, Giorgi Kvirikashvili issued Decree No. 1215 of the Government of Georgia, according to which the Ministry of Finance of Georgia should [approve the issuance of a letter of support on behalf of Georgia to the Asian Infrastructure Investment Bank \(AIIB\) on the issue of AIIB status, privileges, immunities and exemptions under the Articles of Agreement \(AOA\)](#). According to the letter:

Georgia became a member of the AIIB in 2015 and has accepted the obligations of membership (Instrument of Ratification dated 24.08.2015);

The Government takes note that all members of the AIIB have granted to the Bank the status, immunities, privileges and exemption outlined in Chapter IX of the Articles of Agreement. It is further noted that all members have accepted the obligations set forth in Chapter IV, Article 19, not to impose any restrictions on currencies, including the receipt, holding, use or transfer by the Bank or by any recipient from the Bank, for payments in any country.

To facilitate the extension of financial support by the AIIB, Georgia designated the National Bank of Georgia as a depository with which the Bank may keep its holdings of the currency of the Member as well as other assets of the Bank.

Consistent with the terms of the Articles of Agreement, Georgia shall not impose any restrictions on convertible currency as and when needed for the purpose of payment of all amounts due to the AIIB, in respect of any (i) loan, whether financed from the Bank's own resources or funded by banks or other financial institutions participating in such loan, (ii) equity investment, (iii) guarantee, or (iv) other financing

facilities by the Bank. All transfers of such amounts shall be free and clear of all withholding and other direct taxes imposed by Georgia or any political subdivision thereof.

Accordingly, the Government hereby reiterates that special provisions should be established with regard to the privileges and immunities to be enjoyed by the AIIB on the territory of Georgia.

In the event that the AIIB opens an office in Georgia or hosts an official event on the territory of Georgia, the Government shall enter into further legal instruments in a form to be decided.

The document is signed by Dimitri Kumsishvili. The letter is accompanied by an annex specifying the commitments made under the letter:

All property and assets of the AIIB shall be free from restrictions, regulations, controls and moratoria of any nature. Also, following its Articles of Agreement, the AIIB may, in the Member, freely: (i) buy, hold and dispose of the ordinary resources and the Special Funds resources of the AIIB, currencies, security, operate accounts in any currency, engage in transactions and conclude contracts; (ii) whenever it shall become necessary to value any currency in terms of another or determine whether any currency is convertible, such valuation or determination shall be made by the AIIB; and (iii) borrow and if needed, in the lawful currency of the Member provide financing in its operations and issue securities.

No action shall be brought against the Bank by the Member, or by any agency or instrumentality of the Member, or by any entity or person directly or indirectly acting for or deriving claims from the Member or any agency or instrumentality of the Member. The Member shall have recourse to such special procedures to settle controversies between the Bank and its members. Property and assets of the Bank shall wherever located and by whomsoever held, be immune from all forms of seizure, attachment, or execution before the delivery of final judgment against the Bank.

All Governors, Directors, Alternates, the President, Vice-Presidents and other officers and employees of the Bank, including experts and consultants performing missions or services for the Bank, (i) shall be immune from legal process with respect to acts performed by them in their official capacity, except when the Bank waives the immunity and shall enjoy inviolability of all their official papers, documents and records; (ii) where they are not local citizens or nationals, shall be accorded the same immunities from immigration restrictions, alien registration requirements and national service obligations, and the same facilities as regards exchange regulations, as are accorded by the Government to the representatives, officials and employees of comparable rank of other members of the Bank; and (iii) shall be granted the same treatment in respect of travelling facilities as is accorded

by the Government to representatives, officials and employees of comparable rank of other members of the Bank.

As for the AOA, the functions and goals of the AIIB (from now on referred to as the Bank) are very attractive and diverse at first glance. The Bank promises member states to promote economic development, make investments, encourage various initiatives, offer a variety of services, etc. In return, however, Member States make a number of commitments. Georgia's initial contribution to AIIB is \$ 53.9 million.

We asked the Ministry of Finance if Georgia was a member of other similar international financial organizations other than the Asian Infrastructure Investment Bank (AIIB) and if it had any obligations to them as it has to the Asian Infrastructure Investment Bank (AIIB). Despite requesting detailed information, unfortunately, the agency gave us a very general and scant answer to our question, although it still turned out that:

"In addition to the AIIB, Georgia is a member of the World Bank Group (IBRD, IDA, IFC, ICSID, MIGA), the International Monetary Fund (IMF), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the Council of Europe Bank (CEB), a member of the Black Sea Trade and Development Bank (BSTDB), and a contributor to and recipient country of the Eastern European Energy Efficiency and Environment Partnership (E5P) Regional Fund and Georgia have undertaken the obligations of the member states under the founding agreements of the relevant international financial institutions, including the obligations related to the privileges, immunities and exemptions of the respective bank/organization." From the response of the Ministry of Finance, we can conclude that:

Although Georgia is a member of the World Bank, the European Bank for Reconstruction and Development (EBRD), the Council of Europe Bank (CEB), the Black Sea Trade and Development Bank (BSTDB), unlike the AIIB, in these cases, Georgia is not a contributor member and does not have financial obligations to the above organizations, unlike the AIIB.

Georgia has undertaken the obligations of the member states under the founding agreements of the relevant international financial institutions, including the obligations related to the privileges, immunities and exemptions of the respective bank/organization, it is worth mentioning, unlike the AIIB, these organizations have a decent international reputation and are much more credible than the AIIB, which has been embroiled in several international scandals, which we will discuss in more detail below.

In one case, granting privileges, immunities and exemptions to the World Bank, the European Bank for Reconstruction and Development

(EBRD), the Council of Europe Bank (CEB), the Black Sea Trade and Development Bank (BSTDB) is a step forward for the country in terms of foreign policy, however, offering the same conditions to the AIIB could cause quite a lot of damage to the country and take steps back in terms of development.



AIIB as a Weapon for China's Global Revival

China-led Asian Infrastructure Investment Bank (AIIB), with headquarters in Beijing, was officially established by the 57 founding states in 2016, deriving from the [2013 initiative](#) of the PRC. Initially, the Chinese government [pledged to invest money](#) in the bank to implement infrastructure projects, mainly in Asia. However, despite numerous warnings from [the US and Japan](#) not to join the bank, its members also include the European countries (Germany, France, the United Kingdom, Italy, etc.), including [Georgia](#) (2015).

There exists an assumption that the bank was originally created to outweigh the US-backed World Bank and IMF. The management of the AIIB claims that it has no connections with the Chinese government, although the statements made by the CCP official prove otherwise. For instance, Xi Jinping officially announced the CCP's consent on the US joining the AIIB. He cited the shortfalls associated with the Asian Development Bank (ADB) and [commented](#): "The AIIB serves as a new option to meet this shortfall, and it is therefore welcomed by both Asian countries and the wider international community. But as the funding shortage is huge, it is clear that the AIIB alone cannot possibly meet such demand. As an open and inclusive multilateral development agency, the AIIB will complement other multilateral development banks."

AIIB president, Jin Lique answered Xi Jinping's praising with the following words: "The question is, how do you define international best practice? I will not agree to anything which could be considered international best practice unless this kind best practice incorporates the development experience of China and many countries in Asia and elsewhere over the last three or four decades."

After hearing these comments, one can easily cast doubt on its impartiality from the CCP. If the AIIB is an independent body, Xi Jinping's consent should not be required for US membership. In November 2016, Trump's advisor, James Woolsey, highlighted [that the United States should join the AIIB](#) to make its subsequent membership in Beijing's BRI "much warmer" and benevolent. Although several members of the Trump administration wanted to see the country become a member of the bank, [the US position remains unchanged](#).

Chinese influence on the AIIB is also well reflected in the [2017 article](#) published by the Australian Institute of International Affairs, which states that the PRC intends to provide the bulk of the AIIB funding and that these methods will guarantee its authority over the bank's governance. The articles of the AIIB agreement stipulate that China will be able to veto central issues regarding the bank's operations, including the level of capitalization, the recruitment of new members, and the expulsion of existing members from the financial institution. Korinna Horta, a researcher at the Heinrich Böll Foundation is one of the experts who does not shy away from criticizing the AIIB. She [expressed her criticism](#) towards the AIIB by talking about its links with the Chinese government, environmental and social security risks, lack of transparency and democratic principles, focus on the personal interests of individuals and states, and more. She claims that even though the AIIB is considered an independent financial institution, the Chinese government is responsible for nominating its presidency. Moreover, the CCP grips 26.52% of the voting share, making [it supreme in the decision-making process](#).

"AIIB is the result of China's frustration with being under-represented at established multilateral banks, or whether the AIIB was conceived independently of such considerations to create an instrument more suited to projecting Chinese power and influence." – We read in the Heinrich Böll Foundation report.

Let us briefly look at the misconduct and the alarms related to the AIIB financing coming from different countries.

The Cases of India and Myanmar

The example of one of the largest countries in the world, India, will better expose the risks that a small country like Georgia may face in the future. India is the [largest receiver](#) of the AIIB financing in South Asia and, therefore, the core problems of the bank are related to this country. By 2018, AIIB used to be funding seven critical infrastructure projects in India, and local NGOs have expressed concerns over the structure of the deals between the Indian government and the bank. These transactions lack a system to ensure specific guarantees and transparency at all funding levels. CSOs are also concerned that with the advent of this bank, those infrastructure projects that [have been suspended due to various social and environmental risks](#) will be restored in India. [As reported](#) by the Bank Information Center Europe and Centre for Financial Accountability-India, “The AIIB does not have strong enough safeguarding policies necessary to track the projects or sub-investors into which the NIIF (National Investment and Infrastructure Fund) will then invest, or to ensure they will cause no harm to local people.”

Gender equality advocates also aired specific claims against the bank and its activities around the Gujarat roads project, India, where AIIB is



(Source: aiib.org)

very proud for demonstrating constructive gender effects. According to the [2019 Gender Action's summary of a case study](#) published by the New Delhi-based Program on Women's Economic, Social, and Cultural Rights (PWESCR), this particular project did not create the necessary mechanisms for involving and informing women. The project employed far fewer women than men. Many inequalities in housing and other conditions have been observed, suggesting that the AIIB is unable to develop a strong joint system for ensuring gender equality.

However, India is not the only country that points to systemic problems in its relationship with the AIIB. Similar concerns are raised around the controversial infrastructure projects in Myanmar, as AIIB stands behind the expansion of the [Shwe Taung Cement plant](#), posing a [threat to the environment](#). Due to its investment of US20 million in EAF (Emerging Asia Fund) will result in doubling production in the coal mine. Several shareholders claimed that the coal would not be consumed for power, but for industry. Nevertheless, the experts argue that the damage to the ecosystem is inevitable no matter the purpose of its consumption. Therefore, they recommended AIIB to end all support for fossil fuels after 2020.




(Source: climatechangenews.com)



Skepticism Around Germany's Involvement in AIIB

Germany, one of the world's leading economies and Europe's superpower, initially joined the AIIB as a non-regional member. Representatives of various parties and NGOs were [skeptical of Germany's accession](#) to the AIIB due to various reasons. Thomas Gambke, the representative of the Green party, noted that Berlin could not compete with Beijing in achieving the status of main power in the bank. He also disagreed with the construction of nuclear power plants, financed by the AIIB, claiming that Germany's main goal should have been the encouragement of medium and small enterprises for developing renewable energy. Local non-governmental organizations (such as "urgewald") also opposed German involvement in the AIIB because of environmental risks and human rights abuses.

It is noteworthy that the new German government also makes skeptical statements about the PRC. Maybe the authorities, elected during the September elections, will completely change Merkel's 16-year-old policies towards China. Although Merkel has always criticized China for human rights abuses and gross violations, she still supported economic cooperation with Beijing, hoping that it would become an influential global actor. The statements of the newly elected Minister of Foreign Affairs, Annalena Baerbock, also reflect the critical vision of the current government of the Federal Republic of Germany. Before her appointment, she was pretty suspicious of China, calling it a "[systematic competitor](#)" and urging democracies to show strategic solidarity. In her view, Germany, which takes responsibility for its guilt in the Holocaust, cannot support a state currently committing at least one genocide. "We need a common European policy towards China," Baerbock said.



"It is crucial that we speak with one voice here and clearly call human rights violations by their name, and that these violations are investigated. And the German federal government supports the proposals that were made in Europe, and that we see here in the United States here as well, that products hailing from forced labor, resulting from grievous human rights violations, that these products cannot enter the European market." – Baerbock mentioned during her visit in the United States, while she was asked about the genocide occurring in Chinese Xinjiang region.

Therefore, it is crucial to monitor how the German government reflects skepticism in its subsequent actions.

Despite the concerns existing around the projects financed by AIIB worldwide, the Georgian authorities continue taking credits from it. Apparently, the local government considers China-controlled AIIB more “reliable”, while prioritizing their loans over western aid. Nevertheless, various NGOs, European politicians, and the local opposition leaders agree on the fact that by refusing the EU financial assistance, Georgia has taken another step backward in its pursuit of a democratic, European, and Euro-Atlantic future.

OUR TEAM



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