



## Asian Development Bank & Georgia

### FACT SHEET

**Table 1. Georgia: Development Indicators**

Non-MDG	
Population in millions	4.38 (2008)
Annual population growth rate (%)	-0.2 (2006–2008)
Adult literacy rate (%)	...
Percent of population in urban areas	52.7 (2007)
MDG	
Percent of population living on less than \$1.25 a day	13.4 (2005)
Percent of population living below the national poverty line	39.4 (2005)
Under-5 mortality rate per 1,000 live births	30 (2007)
Percent of population using an improved drinking water source	99 (2006)

... = data not available, MDG = Millennium Development Goal.

Sources: ADB. 2009. *Basic Statistics 2009*. Manila.  
World Bank. 2009. World Development Indicators Online.

Since 2004, the Government of Georgia has implemented radical and far-reaching economic reforms. Widely acknowledged improvements have been achieved in such areas as anticorruption policies, fiscal management, improvement in business environment, and social assistance.

Some of the impressive results of these reforms include

- Gross Domestic Product (GDP) growth at 7.8% on average between 2004 and 2008 generating about 45% increase in real GDP.
- The doubling of Net Foreign Direct Investment (FDI) as a share of GDP from 9.7% to 19.8% between 2004–2007.
- Increase in tax revenue collection from 18.6% to 25.8% of GDP between 2004–2007.
- The country's global ranking on the World Bank's Ease of Doing Business Index improved drastically to number 15 (2009).
- 24-hour electricity supply compared to an average of 7 hours per day before the reforms.
- The implementation of the first targeted social assistance program for 600,000 beneficiaries.

In order to further redistribute the gains of the recent economic reforms to the poor, in January 2008, the Government instituted a 5-year program "United Georgia Without Poverty". The key target objectives of the program include allocating one third of the state budget on social protection programs; creating 200,000 new jobs; halving the number of social program beneficiaries through poverty alleviation; increasing the minimum monthly pension to an equivalent of \$100; and providing access to state-funded health insurance for 1.2 million people, including the socially vulnerable.

The Georgian economy, reshaped and accelerated by economic reforms, demonstrated significant resilience to the impact of two major external shocks in 2008—the armed conflict with the Russian Federation and the global financial crisis. Sharp economic downturn has been averted as a result of counter-cyclical fiscal and monetary response to the crises reinforced with the strong support of international donor community. The immediate risks of a liquidity crunch were rapidly addressed by the National Bank of Georgia (NBG) and the Financial Supervisory Agency (FSA) through easing monetary conditions and selected regulatory forbearance. The provision of financing to leading banks by International Financial Institutions have fully addressed the liquidity constraints and raised confidence.

International donors have committed an exceptional sum of assistance to Georgia in order to cope with the effects of the global economic crisis and mitigate its impact on the economically vulnerable. Following the Joint Needs Assessment (JNA) undertaken by the development partners under the umbrella of World Bank and the United Nations Development Programme, with participation of ADB, a donor conference held in Brussels in October 2008 pledged \$4.5 billion within 2008–2010 in order to revitalize the Georgian economy.

Despite the external shocks, Georgian economy grew slightly above 2% in 2008 and the real GDP growth rate is projected by the Government at 2% for 2009. Poverty reduction through economic growth and strengthening of social safety nets remains top priority for Georgia.

## Relationship with ADB

Georgia joined ADB in 2007 as a B1 developing member country with access to the Asian Development Fund (ADF) and Ordinary Capital Resources. The Interim Operational Strategy was endorsed by ADB's Board of Directors in March 2008, and the Host Country Agreement for establishing ADB's Georgia Resident Mission was signed in September 2008.

So far, the Government has only considered borrowing on ADF terms. \$110 million of ADF funds were approved for Georgia in 2008. The ADF allocation for the years 2009–2010 stands at \$149.36 million.

ADB's first private sector loan in Georgia was approved and disbursed in 2007 in the amount of \$25 million to the Bank of Georgia for lending to small and medium-sized enterprises.

## Impact of Assistance

In August 2008, following the conflict between Georgia and the Russian Federation, ADB, along with other development partners, including the United Nations, European Commission, and the World Bank, participated in the post-conflict needs assessment of the damage and economic loss resulting from the conflict. The Joint Needs Assessment for Economic Recovery (JNA) examined the overall impact of the conflict, assessed the needs for recovery, and presented an overall strategy

Table 2. Georgia: Economic Indicators, 2004–2008

Economic Indicator	2004	2005	2006	2007	2008
Per capita GNI, Atlas method (\$)	1,050	1,330	1,670	2,120	...
GDP growth (% change per year)	5.9	9.4	9.2	12.4	2.0
CPI (% change per year)	5.7	8.3	9.2	9.2	10.0
Unemployment rate (%)	12.6	13.8	13.6	13.3	...
Fiscal balance (% of GDP)	3.2	-1.5	-3.0	-4.7	-5.7
Export growth (% change per year)	31.5	34.8	13.2	25.3	19.7
Import growth (% change per year)	36.7	33.8	37.2	35.2	20.0
Current account balance (% of GDP)	-6.9	-11.1	-15.2	-19.7	-20.1
External debt (% of GNI)	39.5	29.4	24.9	21.7	...

... = data not available, CPI = consumer price index, GDP = gross domestic product, GNI = gross national income.

Sources: ADB. 2009. *Asian Development Outlook 2009*. Manila.  
ADB staff estimates.  
World Bank. 2009. World Development Indicators Online.

Table 3. Georgia: 2008 Loan, TA, and Grant Approvals (\$ million)

Loans		TA	Grants	Total
Sovereign	Nonsovereign			
110.0	–	0.6	–	110.6

– = nil.

Cumulative Lending (as of 31 Dec 2008) : \$135.0 million  
Cumulative Disbursements (as of 31 Dec 2008) : \$94.9 million

for recovery, as well as priority actions and investments. It was based on the JNA that a donor conference held in October 2008 in Brussels pledged \$4.5 billion within 2008–2010 in order to revitalize the Georgian economy.

In the immediate aftermath of the conflict, ADB also satisfied the request of the Government of Georgia for rapid budget support. As a result of sharp revenue shortfall and a rise in expenditure, the Government had to seek more than \$480 million budget support from development partners for deficit financing. The ADB loan was signed on 19 November, and funds were disbursed in a single tranche on 12 December 2008. A loan of Special Drawing Right (SDR) 46,879,000 (equivalent to \$70 million) from ADF resources was allocated. ADB's assistance helped the Government adopt a countercyclical fiscal stance. Without such development partner support, including ADB's, the Government would have had to resort to its cash balances at the National Bank of Georgia, at the risk of depleting them.

ADB approved the \$40 million Loan under ADF terms for the Municipal Services Development Project to be executed by the Municipal Development Fund (MDF). This loan will complement earlier efforts made under the World Bank loan to MDF in developing a strong institution to deal with infrastructural bottlenecks in Georgia. The ADB loan incorporates both a time-bound action plan and a capacity-development component to provide the assistance necessary for ensuring appropriate development of MDF's long-term vision, corporate strategy, and business model. Two water supply rehabilitation subprojects have already been selected and 16 candidate subprojects have been identified. The project implementation, including feasibility studies, engineering design, preparation of bidding documents, and subsequent procurement activities, is under way.

## Future Directions

The Interim Operational Strategy was endorsed by ADB's Board of Directors in March of 2008. The Strategy for 2008–2009 will focus limited resources on a few priority areas:

- improving service delivery in municipal infrastructure within the evolving decentralization process,
- reducing road transportation constraints on economic activity, and
- upgrading and developing energy infrastructure.

Table 4. Georgia: Cumulative ADB Lending as of 31 December 2008

Sector	Loans (no.)	Amount (\$ million)	% <sup>a</sup>
Finance	1	25.50	18.52
Multisector	2	110.00	81.48
<b>Total</b>	<b>3</b>	<b>135.00</b>	<b>100.00</b>

<sup>a</sup> Total may not add up because of rounding.

Table 5. Georgia: Portfolio Performance Quality Indicators for Sovereign Lending, 2007–2008

	Number of Ongoing Loans (as of 31 Dec 2008)	
	2007 (\$ million)	2008 (\$ million)
Contract Awards/Commitments	–	69.9
Disbursements	–	69.9
Loans at Risk (%)	–	–

– = nil.

ADB and the Government have identified two projects that will constitute the core program of the IOS (2008–2009): the municipal infrastructure development project and the regional roads development project. The possibility of introducing ADB's Carbon Market Initiative will be explored, with a view to supporting the development of clean energy, energy efficient, and greenhouse gas abatement projects that are eligible under the Clean Development Mechanism of the Kyoto Protocol. ADB also will pursue opportunities for private sector operations given that ADF availability is constrained and the Government is seeking to limit public non-concessional external borrowing.

## Partnership

In August 2008, ADB joined forces with other development partners, including the United Nations, the European Commission, and the World Bank, to produce The Joint Needs Assessment for Economic Recovery (JNA). The JNA was produced under the umbrella of World Bank and UNDP, assessing the impact of the conflict and offering a recovery strategy. A special ADB team was fielded to Georgia to work together with other development partners on the ground.

As aforementioned, ADB also closely collaborated with the World Bank to provide rapid budget support for Georgia at the end

of 2008. ADB's \$40 million loan to the Municipal Development Fund complemented earlier efforts made under the World Bank loan to MDF in developing a strong institution to deal with infrastructural bottlenecks in Georgia.

ADB's Adjara Bypass Roads Development Project, to be processed in 2009 at the amount of \$295 million, is part of the East–West Highway rehabilitation plan supported by the World Bank and Japan International Cooperation Agency (JICA). The World Bank has been a key donor to the rehabilitation of the East–West Highway, concentrating on its Eastern part.

In implementing its interim operational strategy for Georgia, ADB will consult and coordinate with key development partners, including the World Bank, the International Monetary Fund, the European Bank for Reconstruction and Development, and the United Nations Development Programme. ADB will also explore cooperation with civil society organizations that are undertaking poverty reduction work in the country.

## Cofinancing

Cofinancing operations enable ADB's financing partners—government or their agencies, multilateral financing institutions, and commercial organizations—to participate in financing of ADB projects. The additional funds are provided in the form of grants, official loans, or credit enhancement products.

As of year-end 2008, there has been no direct value-added cofinancing in Georgia.

Table 6. Cumulative Nonsovereign Operations Portfolio Distribution by Top Countries, 1983–2008<sup>a,b</sup>

Country	No. of Projects	Total ADB Approvals (\$ million)
India	37	2,268
People's Republic of China	21	1,694
Indonesia	15	879
Philippines	28	768
Pakistan	27	721
Kazakhstan	5	550
Thailand	10	319
Viet Nam	8	305
Sri Lanka	13	280
Bangladesh	8	242
Afghanistan	6	208
Lao People's Democratic Republic	1	100
Other DMCs	13	87
Azerbaijan	4	66
Nepal	4	59
Regional	36	930

DMC = developing member country.

<sup>a</sup> Includes nonsovereign projects processed by the Private Sector Operations Department and various regional operations departments of ADB. Regional operations departments started nonsovereign operations in 2007.

<sup>b</sup> Net of facilities cancelled in full before signing.

Source: Private Sector Operations Department.

Table 7. Georgia: Top consultants involved in ADB loan projects, 1 January 2004–31 December 2008

Consultant	Number of Times Contracted	Contract Amount (\$ million)
Various	1	69.9

Table 8. ADB Assistance to DMCs, 2007–2008<sup>a</sup>

	2007 (\$ million)	2008 (\$ million)	Change (%)
Lending	9,965.59	10,494.27	5.3
ADF Sovereign	1,892.84	1,789.56	(5.5)
OCR Sovereign	7,347.48	6,924.48	(5.8)
OCR Nonsovereign	725.27	1,780.23	145.5
Public Sector	10.00	300.00	2,900.0
Private Sector	715.27	1,480.23	106.9
Equity Investments	79.75	123.08	54.3
Grants	672.71	811.37	20.6
Technical Assistance	252.84	274.50	8.6

ADF = Asian Development Fund, OCR = ordinary capital resources.

<sup>a</sup> Excludes terminated loans, equity investments, technical assistance, and grants.

## About Georgia and ADB

Georgia is the 67<sup>th</sup> member of ADB and is the 20<sup>th</sup> largest shareholder among regional members. Overall, Georgia is the 28<sup>th</sup> largest shareholder.

### ADB Membership

Joined	2007
Shares held	12,081 (0.34%)
Votes	25,313 (0.57%)

**Phil Bowen** is the Executive Director and **Dereck Rooken-Smith** is the Alternate Executive Director representing Georgia on the ADB Board of Directors.

**Giorgi Kiziria** is the ADB Country Coordinator for Georgia. The Georgia Resident Mission (GRM) was opened in 2008 and provides the primary operational link between ADB and the government, private-sector, and civil-society stakeholders in its activities. GRM engages in policy dialogue and acts as a knowledge base on development issues in Georgia.

The Georgian government agency handling ADB affairs is the Ministry of Finance.

## About the Asian Development Bank

ADB is a multilateral development bank owned by 67 members, 48 from the region and 19 from other parts of the world. ADB's main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance (TA). In 2008, lending volume was \$10.49 billion (86 projects), with TA at \$274.5 million (299 projects) and grant-financed projects at \$811.4 million (49 projects). This also generated \$1.65 billion in direct value-added cofinancing from financing partnerships operations. Over the last 5 years (2004–2008), ADB's annual lending volume averaged \$7.70 billion, with TA averaging \$231.5 million and grant-financed projects \$655.1 million. As of 31 December 2008, the cumulative totals were \$143.53 billion in loans for 2,147 projects in 41 countries, \$4.08 billion for 263 grant projects, and \$3.55 billion for 6,599 TA projects.

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### Useful ADB website

Asian Development Bank  
[www.adb.org](http://www.adb.org)