



# Asian Development Bank & Georgia

## FACT SHEET

**Table 1. Georgia: Development Indicators**

Non-MDG	
Population in millions	4.44 (2010)
Annual population growth rate (%)	0.6 (2008–2010)
Adult literacy rate (%)	99.7 (2008)
Percent of population in urban areas	52.8 (2009)
MDG	
Percent of population living on less than \$1.25 a day	14.7 (2008)
Percent of population living below the national poverty line	21.0 (2009)
Under-5 mortality rate per 1,000 live births	29.0 (2009)
Percent of population using an improved drinking water source	98.0 (2008)

MDG = Millennium Development Goal.

Sources: ADB, 2011. *Basic Statistics 2011*. Manila; UNESCO, 2011. Institute for Statistics Data Centre; World Bank, 2011. World Development Indicators Online.

**Table 2. Georgia: Economic Indicators, 2006–2010**

Economic Indicator	2006	2007	2008	2009	2010
Per capita GNI, Atlas method (\$)	1,680	2,090	2,450	2,530	...
GDP growth (% change per year)	9.4	12.3	2.3	(3.8)	6.4
CPI (% change per year)	9.2	9.2	10.0	1.7	7.1
Unemployment rate (%)	13.6	13.3	16.5	16.8	...
Fiscal balance (% of GDP)	(3.0)	(4.7)	(6.3)	(9.2)	(6.5)
Export growth (% change per year)	13.2	25.3	16.3	(22.0)	23.5
Import growth (% change per year)	37.2	35.2	25.6	(31.4)	15.8
Current account balance (% of GDP)	(15.2)	(19.7)	(22.8)	(11.2)	(11.4)
External debt (% of GNI)	22.9	19.5	25.0	30.5	...

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

Sources: ADB, 2011. *Asian Development Outlook 2011*. Manila; ADB staff estimates; World Bank, 2011. World Development Indicators Online.

Georgia joined ADB in 2007 as a Group B1 developing member country, making it eligible for financing from ADB's concessional Asian Development Fund, as well as its ordinary capital resources. Georgia's current loan portfolio comprises both kinds of resources. ADB recently established a resident mission in Georgia, after a host country agreement was signed in September 2008. The resident mission began operations in December of that year.

Georgia is a small, open economy strategically located at the crossroads of Europe and Asia and is an important nodal point for regional trade flows. In recent years the Government of Georgia has implemented far-reaching reforms by further deregulating the economy, removing bureaucratic barriers, and greatly reducing corruption, while strengthening the transparency and accountability of the executive, budgetary, and financial management.

In August 2008, following the armed conflict between Georgia and the Russian Federation, ADB—along with other development partners, including the United Nations, the European Commission, and the World Bank—participated in the post-conflict needs assessment of the damage and economic loss resulting from the conflict. Based on the assessment, ADB pledged \$300 million in assistance to Georgia over the 2008–2010 period. ADB's commitment is part of the \$4.5 billion pledge by donors made in Brussels in order to revitalize the Georgian economy. By the end of 2010, ADB was ahead of its commitment made in Brussels, having approved sovereign loans in the amount of \$673.8 million with disbursements at about \$320 million.

The government's proactive response to the global financial crisis took the form of increased public spending on infrastructure projects with concomitant sizable donor spending as part of the \$4.5 billion donor assistance package pledged in October 2008. Such countercyclical spending was in line with the country's immediate need for strategic infrastructure upgrading, and was made possible due to the low levels of public debt in the precrisis period, owing to sound debt management policy.

ADB's private sector operations are steadily expanding in Georgia, which maintains a liberal trade regime and an investment environment reinforced by low tariffs and taxes, efficient bureaucracy, and an educated labor force. In 2010, ADB's Board of Directors approved a \$50 million loan to the Bank of Georgia for on-lending to small and medium-sized enterprises, in addition to a \$20 million loan to Bank Republic and a \$18 million loan for the Port of Poti.

Georgia is considered a bright spot in the region for private sector development, as evidenced by the World Bank's Doing Business Report 2011, which ranked Georgia 12th in terms of an enabling business environment, and highlighted Georgia's performance as a top reformer in Central and Eastern Europe and the Caucasus. The World Trade Organization's Trade Policy Review of Georgia acknowledged Georgia as one of the world's "fastest reforming" economies under a "liberal trade regime."

In 2010, GDP grew by a robust 6.5% compared to a contraction of 3.8% in 2009. Structural reforms and sound policy responses solidified the growth momentum. The high GDP growth was broad-based, involving most key sectors and subsectors of the economy. A significant fiscal stimulus created space and conditions for private demand to take up the slack and substantially improved the availability of private credit. The finance sector weathered the crisis well, and was instrumental in propping up economic activity.

ADB's interim operational strategy, 2008–2009 was endorsed by ADB's Board of Directors in March 2008, and was extended until the country partnership strategy (CPS) is launched. The interim operational strategy focuses on the priority areas of improving service delivery in municipal infrastructure, reducing road transportation constraints to economic activity, and upgrading and developing energy infrastructure. Despite the fact that it is so new, the partnership between Georgia and ADB has expanded at a rapid pace, and ADB's country portfolio and pipeline is expanding rapidly.

## Impact of Assistance

The armed conflict with the Russian Federation in August 2008, and the world economic crises that followed, caused economic distress in Georgia. In this context, ADB has played a significant role in helping the country sustain social spending at desirable levels and maintain alignment of government spending with the country's developmental priorities.

ADB promptly extended assistance to Georgia through the Emergency Assistance for Post-Conflict Recovery in 2008, the Growth Recovery Support Program in 2009, and the Improved Social Protection Finance and Service Delivery Program in 2010. Georgia received a total of \$250 million as budget support to help authorities address emergency needs, meet critical public spending, and maintain their alignment with poverty reduction priorities.

A two-phase Municipal Services Development Project (total of \$70 million from the Asian Development Fund), currently under implementation, supports the efforts of the authorities to rehabilitate municipal infrastructure, including roads and water supply and sanitation systems across the country. The first two phases encompass a complex package of more than 100 subprojects and are expected to be completed in 2011, 2 years earlier than initially estimated. The majority of subprojects have been concluded, bringing potable water and sanitation to many communities across Georgia. The project is implemented by the Municipal Development Fund—a special intermediation fund designed to be the executive and implementing agency for many donor-funded projects. Technical assistance (TA) for capacity building has been duly addressed and integrated into the project to support the creation of the Municipal Development Fund's long-term vision, corporate strategy, and business model.

The Sustainable Urban Transport Investment Program, a \$300 million multitranchise financing facility (MFF) approved in 2010, will improve the public transport network and support the development of green and efficient transportation modes in key urban areas. The program will bring about the development of the Transport Master Plan for Tbilisi. It will also extend the subway network to one of the densely populated areas of the capital; construct the Gorgasali tunnel to decongest the historical heart of Tbilisi; and lay the vital Mestia road segments connecting Georgia's high mountainous communities to the rest of the country. The program will also help the region tap its tourism potential.

The Road Corridor Investment Program, a 7-year, \$500 million MFF, was approved in 2009 and is currently in the early stage of implementation. The program is financing the expansion and modernization of Georgia's strategic East–West Highway including the construction of Adjara Bypass Roads to support the development of the regional transport network, promote trade flows, improve road safety and facilitate the development of Georgia's Black Sea coastal area.

## Cofinancing and Procurement

Cofinancing operations enable ADB's financing partners—government or their agencies, multilateral financing institutions, and commercial organizations—to participate in the financing of ADB projects.

**Table 3. Georgia: 2010 Loan, Technical Assistance, and Grant Approvals (\$ million)**

Loans		Technical Assistance	Grants	Total
Sovereign	Nonsovereign			
335.00	88.00	3.36	–	426.36

– = nil.

Cumulative Lending (as of 31 Dec 2010) : \$786.8 million  
 Cumulative Disbursements (as of 31 Dec 2010) : \$369.5 million

**Table 4. Georgia: Cumulative ADB Lending as of 31 December 2010**

Sector	Loans (no.)	Amount (\$ million)	% <sup>a</sup>
Agriculture and Natural Resources	–	–	–
Education	–	–	–
Energy	–	–	–
Finance	3	95.00	12.07
Health and Social Protection	–	–	–
Industry and Trade	–	–	–
Public Sector Management	1	100.00	12.71
Transport and ICT	5	401.80	51.07
Water Supply and Other Municipal Infrastructure and Services	1	40.00	5.08
Multisector	3	150.00	19.06
<b>Total</b>	<b>13</b>	<b>786.80</b>	<b>100.00</b>

– = nil, ICT = information and communication technology.

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

**Table 5. Georgia: Project Success Rates**

Sector	% <sup>a</sup>	No. of Rated Projects/Programs
Multisector	100.00	2
<b>Total</b>	<b>100.00</b>	<b>2</b>
<b>Year of Approval</b>		
2000s	100.00	2

<sup>a</sup> Based on aggregate results of project/program completion reports (PCRs), PCR validation reports (PCRVRs), and project/program evaluation reports (PPERs) using PCRVR or PPER ratings in all cases where PCR and PCRVR/PPER ratings are available.

Sources: PCRs, PCRVRs, and PPERs containing a rating circulated as of 31 December 2010.

**Table 6. Georgia: Portfolio Performance Quality Indicators for Sovereign Lending, 2009–2010**

Number of Ongoing Loans (as of 31 Dec 2010)	2009 (\$ million)		2010 (\$ million)	
	2009 (\$ million)	2010 (\$ million)	2009 (\$ million)	2010 (\$ million)
Contract Awards/Commitments	111.1	185.6	111.4	138.3
Disbursements	111.4	138.3	–	–
Loans at Risk (%)	–	–	–	–

– = nil.

Note: Totals may not add up because of rounding.

The additional funds are provided in the form of grants, official or commercial loans, and syndications.

As of year-end 2010, cumulative direct value-added cofinancing for Georgia amounted to \$170.0 million for one loan cofinanced by the Japan International Cooperation Agency (JICA) for the Road Corridor Investment Program – Tranche 1 and \$1.6 million for two TA projects.

A summary of projects with cofinancing from 1 January 2006 to 31 December 2010 is available at [www.adb.org/Documents/Fact\\_Sheets/Georgia/cofinancing.asp](http://www.adb.org/Documents/Fact_Sheets/Georgia/cofinancing.asp)

From 1 January 1968 to 31 December 2010, contractors and suppliers were involved in 186,186 contracts for ADB loan projects worth \$97.66 billion. During the same period, contractors and suppliers from Georgia were involved in 154 contracts for ADB loan projects worth \$309.22 million.

From 1 January 1968 to 31 December 2010, consultants were involved in 22,350 contracts for ADB TA projects worth \$3.15 billion. During the same period, consultants from Georgia were involved in five contracts for ADB TA projects worth \$0.31 million.

A summary of procurement contracts awarded to companies and consultants from the Georgia for goods and works, and consulting services can be found at [www.adb.org/Documents/Fact\\_Sheets/Georgia/procurement.asp](http://www.adb.org/Documents/Fact_Sheets/Georgia/procurement.asp)

## Partnership

ADB worked with development partners including the United Nations, the European Commission, and the World Bank, to conduct a post-conflict needs assessment, following the armed conflict between Georgia and the Russian Federation in August 2008. ADB pledged \$300 million in assistance to Georgia over the 2008–2010 period, part of the \$4.5 billion pledge made to Georgia by donors at a conference in Brussels in October 2008, to revitalize the Georgian economy.

ADB and the government worked together to create a new interim operational strategy to guide ADB's investments in the country. Even though ADB has only been working in Georgia since 2007, the partnership has grown quickly, and ADB's country portfolio and pipeline is expanding rapidly.

## Future Directions

While ADB and Georgia will continue the implementation of the already-designed Sustainable Urban Transport and Regional Road Corridor programs in the future, the foundations have been laid for the new directions of ADB's assistance consistent with the objectives set out in the new interim operational strategy. The interim operational strategy, 2008–2009 focused on improving service delivery in municipal infrastructure, reducing road transportation constraints to economic activity, and upgrading and developing energy infrastructure. Under the new strategy, work is in full swing to design a large Water Supply and Sanitation Improvement Program (Urban Services Improvement Program) facility to support the authorities' drive to rehabilitate dilapidated water supply and sanitation systems and improve access to safe and reliable water in key urban areas. Grant-financed TA is already being extended to facilitate the ongoing process of ambitious water supply and sanitation reform.

The government and ADB are also exploring how to upgrade Georgia's power transmission capacity to promote the country's role as an emerging regional energy hub and help Georgia tap its abundant renewable energy resources.

Financial intermediation, renewable energy generation, transport infrastructure, and telecommunications are priority areas for private sector development.

**Table 7. Georgia: Projects Cofinanced, 1 January 2006–31 December 2010**

Cofinancing	No. of Projects	Amount (\$ million)
Projects*	1	170.00
Official loans	1	170.00
Technical Assistance Grants	2	1.65

\*A project with more than one source of cofinancing is counted once.

**Table 8. Georgia: Share of Procurement Contracts**

Item	2009		2010		Cumulative (as of 31 Dec 2010)	
	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total
Goods and Works	110.87	1.08	128.50	1.98	309.22	0.32
Consulting Services	–	–	0.31	0.07	0.32	0.00

– = nil, 0.00 = less than .01%.

**Table 9. Georgia: Contractors/Suppliers Involved in ADB Loan Projects, 1 January 2006–31 December 2010**

Contractor/Supplier	Sector	Contract Amount (\$ million)
Inzhmsheni Ltd.	Transport and ICT	5.23
Sakhydroenergomsheni JSC	Transport and ICT	4.01
New Energy Ltd.	Transport and ICT	3.61
Arqopolisi JSC	Transport and ICT	3.38
Sani Ltd.	Transport and ICT	2.22
El-Rio Ltd.	Transport and ICT	2.12
JV Gzamsheni XXI Ltd. and Transwesten	Transport and ICT	1.63
Mshenebeli 80 Ltd.	Transport and ICT	1.60
Indico Ltd.	Transport and ICT	1.51
Tskalkanalremmsheni Ltd.	Transport and ICT	1.50

ICT = information and communication technology.

**Table 10. Georgia: Top Individual Consultants Involved in ADB Technical Assistance Projects, 1 January 2006–31 December 2010**

Consultant	Number of Times Contracted	Contract Amount (\$ million)
Individual consultants	5	0.31

**Table 11. ADB Assistance to Developing Member Countries, 2009–2010<sup>a</sup>**

	2009 (\$ million)	2010 (\$ million)	Change (%)
Lending	13,215.89	11,462.27	(13.27)
ADF, Sovereign	2,210.31	2,212.57	0.10
OCR, Sovereign	10,567.71	8,196.96	(22.43)
OCR, Nonsovereign	437.87	1,052.73	140.42
Public Sector	134.30		
Private Sector	303.57	1,052.73	246.78
Equity Investments	220.00	243.00	10.45
Grants <sup>b</sup>	1,113.52	1,052.86	(5.44)
Technical Assistance	267.00	326.54	22.30

( ) = negative, ADF = Asian Development Fund, OCR = ordinary capital resources.

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

<sup>b</sup> Excludes grant cofinancing not administered by ADB.

## About Georgia and ADB

### ADB Membership

Joined 2007

### Shareholding and Voting Power

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

Figures are as of 1 April 2009, before ADB's Board of Governors voted to adopt the fifth general capital increase. The process is ongoing, and the final figures are expected to be available by 30 June 2011. Current subscription levels are available from the Office of the Secretary.

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. **Rhinehart Silas** and **Zurab Bregvadze** are Executive Director's Advisors.

**George Kiziria** is the ADB Senior Country Coordination Officer 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 2010, lending volume was \$11.46 billion (106 projects), with TA at \$175 million (243 projects) and grant-financed projects at \$982 million (40 projects). In addition, \$3.67 billion in direct value-added loan, grants and TA cofinancing was generated. From 1 January 2006 to 31 December 2010, ADB's annual lending volume averaged \$10.3 billion. In addition, TA and investment grants funded by ADB and special funds resources averaged \$692.6 million and \$175.4 million in TA over the same period. As of 31 December 2010, the cumulative totals excluding cofinancing were \$167.1 billion in loans for 2,328 projects in 42 countries, \$4.4 billion in 163 grants, and \$3.15 billion in TA grants, including regional TA grants.

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### Useful ADB website

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

### Asian Development Outlook

[www.adb.org/documents/books/ado/2011/ado2011-geo.pdf](http://www.adb.org/documents/books/ado/2011/ado2011-geo.pdf)

### Annual Report

[www.adb.org/Documents/Reports/Annual\\_Report/2010/default.asp](http://www.adb.org/Documents/Reports/Annual_Report/2010/default.asp)