



Georgia: Municipal Services Development Project

Project Name	Municipal Services Development Project
Project Number	41198-013
Country	Georgia
Project Status	Closed
Project Type / Modality of Assistance	Loan
Source of Funding / Amount	Loan 2441-GEO: Municipal Services Development Project Concessional ordinary capital resources / Asian Development Fund US\$ 40.00 million
Strategic Agendas	Environmentally sustainable growth Inclusive economic growth
Drivers of Change	Governance and capacity development
Sector / Subsector	Water and other urban infrastructure and services - Urban policy, institutional and capacity development
Gender Equity and Mainstreaming	Some gender elements
Description	The objective of the Project is assist project municipal governments to improve delivery of basic urban services. The Project comprises two components: investment projects and capacity development. The outputs of the investment component are loans and grants to municipalities and local utility companies to improve basic urban services and infrastructure. The outputs of the capacity development component are (i) feasibility, engineering design, environmental and social, and other related studies for project preparation and appraisal; (ii) decentralized process for identification, planning, preparation and implementation of subprojects; (iii) institutionalized corporate and business planning process within MDF; and (iv) studies and training to develop MDF capacity.

Project Rationale and Linkage to Country/Regional Strategy

Municipal services including water supply and sanitation, solidwaste management, road repair, and urban transport in Georgia have deteriorated due to economic collapse, political instability, and a vitiated policy and institutional environment since the dissolution of the former Soviet Union. Capital investments in infrastructure and operation and maintenance (O&M) have been neglected nationwide. As a result, the quality of municipal services is low. Ownership and delivery of these services belongs to municipal government. Although municipalities have a mandate to deliver these services, in many instances they do not have the financial and technical resources to do the job. Key service targets such as coverage, quality, and continuity have been falling or are already at unreasonably low levels. This situation affects the quality of life of people but also constrains investment, business development, and ultimately the creation of jobs. Most principal and secondary towns are equally affected by this problem.

The Government understands the issue and has started to put together a strategic framework and support actions to address it. The most effective of the measures taken is the establishment of the MDF. This fund provides finance and technical advice to municipal governments. Its work so far has been effective but coverage needs to be expanded further. To date, more than 10 municipalities have benefited from MDF operations. Decentralization was seen as central to achieving the objectives. Since 1997, the Government has carried out local government reforms in two stages, and in that time MDF has managed to extend finance to local governments while generating enough revenues to convert it into effectively a revolving fund.

The Project will focus on improving basic municipal services and the rehabilitation, repair, and extension of dilapidated urban infrastructure. It will also provide technical assistance to assist the participating municipalities in improving local revenues, financial management, and reporting systems. Moreover, an integral part of the Project is to provide institutional strengthening and capacity development to municipalities to ensure the sustainability of project benefits.

The Asian Development Bank (ADB) is not the only international financing institution working with the Government and MDF. The World Bank has already financed two municipal development projects. The European Bank for Reconstruction and Development has also participated in several large water supply projects, some of them cofinanced with the Millennium Challenge Corporation on a parallel basis. The Millennium Challenge Corporation is the largest bilateral source of grant aid for Georgia, and is mainly involved in the rehabilitation of water supply, sewerage, and irrigation systems. The other bilateral aid agencies are involved in the municipal sectors, mostly through technical cooperation by cofinancing with multilateral financial agencies.

The Project is the first ADB intervention in the country. It will build on the experience of other multilateral and bilateral financial institutions' projects. Cooperation with other financial institutions is critical and the Ministry of Finance has taken an impressive lead in ensuring such cooperation. This is particularly important for the institutional strengthening activities under the Project, which will be designed in consultation with other international aid agencies. This will maximize benefits, avoid unnecessary and costly overlap, and prevent confusion in policy matters.

Impact	Improved urban environment and public health within urban areas.
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Project Outcome

Description of Outcome	Improved service delivery and better living conditions within urban areas.
Progress Toward Outcome	As of date, 105,000 households benefit from improved municipal services.

Implementation Progress

Description of Project Outputs	Part A - Investment Projects Financing Facility Part B - Project Management and Capacity Development
Status of Implementation Progress (Outputs, Activities, and Issues)	Project Completion Review Mission fielded on 4-9 September 2012. Draft Project Completion Report to be circulated in October 2012.
Geographical Location	All municipal governments within Georgia

Safeguard Categories

Environment	FI
Involuntary Resettlement	C
Indigenous Peoples	C

Summary of Environmental and Social Aspects

Environmental Aspects	
Involuntary Resettlement	
Indigenous Peoples	

Stakeholder Communication, Participation, and Consultation

During Project Design	The main stakeholders will be MDF, participating municipal governments, communities, and civil society organizations. MDF and participating municipal governments (MG) will ensure that for all subprojects the results of social assessments and stakeholder consultations will be adequately taken into account in identifying investment priorities. Consultation will be carried out through public hearings, surveys, workshops, and other meetings during project implementation and monitoring.
During Project Implementation	i) Municipal Government to prepare and submit a project proposal to MDF; ii) Municipal Government to provide necessary information, statistics, and project data during various studies including feasibility of the subproject; iii) MDF to carry-out preparation of investment projects; iv) MDF responsible for the coordination and overall management of its activities; v) MDF to carry-out all financial management activities in accordance with Georgian law and regulations, and donors' requirements; vi) MDF to oversee day-to-day operations of project management office and manage project implementation; vii) MDF to provide technical and logistical support required for efficient operation; viii) Municipal Government to provide necessary inputs such as logistics during project implementation; ix) Municipal Government to join commissioning of the project facilities after completion of the project facilities; x) Municipal Government to operate and maintain the project facilities in accordance with the operations manual of the project facilities prepared; xi) MDF to carry-out procurement for investment projects.

Business Opportunities

Consulting Services	<p>The selection and engagement of consulting services to be financed under the Project will be in accordance with ADB's Guidelines on the Use of Consultants (2007, as amended from time to time) and the procurement plan. The following methods of selection will be applied: (i) quality-and cost-based selection; (ii) quality based selection; (iii) consultants' qualifications selection for small consultant assignments that cost less than \$200,000 per contract; (iv) least cost selection for very small consultant assignment that cost less than \$100,000; (v) fixed budget selection; (vi) single source selection and ADB's procedures for individual consultant selection for individual international or domestic consultants for following types of assignments: environmental, social, tariff, and O&M studies.</p> <p>Advance Contracting and Retroactive Financing - To be able to start construction in June 2008, preparation work must begin in April 2008. The Government has requested, and ADB approved advance contracting and retroactive financing for recruitment of consultants for feasibility studies, detailed engineering designs, and preparation of bidding documents for subprojects, and associated civil works.</p> <p>Advance contracting allows the Government and MDF to undertake procurement procedures, at its own risk, prior to the loan becoming effective. The Government and MDF were informed that, for expenses incurred under advance contracting to be eligible for ADB's retroactive financing, such procedures (including advertising) must comply with ADB's Procurement Guidelines and ADB's Guidelines on the Use of Consultants. Once the loan becomes effective, up to 20% of the amount may be used to finance eligible expenditures incurred, pursuant to advance contracting, during the period not exceeding 12 months prior to signing the Loan Agreement. Alternatively, the Government and MDF may opt for advance contracting without retroactive financing, in which case the procurement procedures completed under advance contracting do not conclude with the award of contract until after the loan becomes effective. The Government and MDF acknowledged that such advance contracting will be undertaken at their own risk, and that any concurrence by ADB with the procedures, documentation, or proposal for award of contract does not commit ADB to finance any such expenditures or the Project. The ADB project team will orient Government and MDF staff regarding ADB's Procurement Guidelines and ADB's Guidelines on the Use of Consultants.</p>
Procurement	All procurement financed under the Project will be carried out in accordance with the ADB's Procurement Guidelines (2007, as amended from time to time). Contracts for civil works that are estimated to cost more than \$1 million equivalent and contracts for goods that are estimated to cost more than \$500,000 equivalent will be procured using international competitive bidding procedures. Civil works contracts estimated to cost \$1 million equivalent or less, and contracts for procurement of goods estimated to cost between \$100,000 and \$500,000 equivalent will be carried out through national competitive bidding (NCB). Prior to commencement of any procurement activity under NCB, ADB and the Government will review the public procurement law to ensure that it is consistent with ADB's Procurement Guidelines. Any necessary modifications and clarifications to the public procurement law will be agreed between ADB and the Government and included in the procurement plan. Goods contracts estimated to cost less than \$100,000 equivalent will be carried out through shopping procedures. Goods valued below \$10,000 and civil works valued up to \$10,000 may be purchased directly from the supplier and contractor.

Responsible Staff

Responsible ADB Officer	Goalou, Bertrand
Responsible ADB Department	Central and West Asia Department
Responsible ADB Division	Urban Development and Water Division, CWRD
Executing Agencies	<i>Municipal Development Fund of Georgia</i> <i>Mr. Konstantine Mgeladze</i> <i>kmgeladze@mdf.org.ge</i> <i>150 D. Agmashenebeli Ave., 0112, Tbilisi, Georgia</i>

Timetable

Concept Clearance	09 Oct 2007
Fact Finding	11 Feb 2008 to 22 Feb 2008
MRM	01 Apr 2008
Approval	12 Sep 2008
Last Review Mission	-
PDS Creation Date	04 Mar 2008
Last PDS Update	27 Mar 2013

Loan 2441-GEO

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
12 Sep 2008	11 Nov 2008	12 Dec 2008	30 Jun 2013	-	27 Feb 2013

Financing Plan		Loan Utilization			
	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage
Project Cost	63.25	Cumulative Contract Awards			
ADB	40.00	12 Sep 2008	38.22	0.00	100%
Counterpart	23.25	Cumulative Disbursements			
Cofinancing	0.00	12 Sep 2008	38.22	0.00	100%

Status of Covenants						
Category	Sector	Safeguards	Social	Financial	Economic	Others
Rating	-	Satisfactory	Satisfactory	Satisfactory	-	Satisfactory

Project Page	https://www.adb.org/projects/41198-013/main
Request for Information	http://www.adb.org/forms/request-information-form?subject=41198-013
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