Georgia: Railway Sector Reform Program, Subprogram 1

Project Name: Railway Sector Reform Program, Subprogram 1
Project Number: 55192-001
Country / Economy: Georgia
Project Status: Proposed
Project Type / Modality of Assistance: Loan

Source of Funding / Amount:
Loan: Railway Sector Reform Program
Ordinary capital resources: US$ 25.00 million

Operational Priorities:
OP1: Addressing remaining poverty and reducing inequalities
OP3: Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability
OP6: Strengthening governance and institutional capacity

Sector / Subsector: Transport / Rail transport (non-urban)
Gender: Some gender elements

Description:
The proposed program will support Georgia's railway sector reforms, which include sector regulation, corporate governance, financial restructuring, and organizational restructuring, to enhance the subsector's operational efficiency, service delivery, and financial sustainability. The project is aligned with Strategy 2030 of the Asian Development Bank (ADB) and supports the operational priorities to address remaining poverty and reduce inequalities, tackle climate change, strengthen governance and institutional capacity, and foster regional cooperation and integration; and the Central Asia Regional Economic Cooperation Railway Strategy, 2017-2030. The program is consistent with ADB's country partnership strategy for Georgia, 2019-2023, strengthening Georgia's links with global value chains. The proposed programmatic approach comprises two subprograms amounting to a total of $50 million from ADB's ordinary capital resources, will be complemented with parallel financing from Agence Francaise de Developpement (AFD) through a loan of 30 million and technical assistance.
Georgia is located at the crossroads of Europe and Asia. Its development strategy crucially embeds its important role in leveraging international trade and transit corridor possibilities. Establishing financially sustainable and efficient transport networks that improve connectivity with neighboring trading partners can lead to increased trade flows and improved country and regional competitiveness. Georgia needs to leverage such advantages to position itself as an international gateway by enhancing its transport network efficiency and sustainability. This implies addressing current constraints to commercial and financial sustainability and promoting environmentally sustainable transport by eliminating policy biases against railways.

ADB’s policy-based loan (PBL) modality (and its programmatic approach) is the most appropriate instrument to support this reform and institutional development challenge. The PBL can play a key role in creating consensus between implementing agencies on a multiyear, properly sequenced plan of reform steps across each of the four reform areas identified. ADB's role in the policy and reform dialogue is coordinated with AFD and incorporates TA possibilities for a development assistance compact. The policy matrix will incorporate key lessons learned from PBL programs on SOE reforms, as well as ADB’s railway sector reform in Azerbaijan and other developing member countries. This experience provides knowledge for Georgian Railway, the government, and ADB. While the ADB team will remain open to discussions on this with the government, the current proposal is for a programmatic approach with at least two subprograms, given its flexibility in determining phase 2 of the reforms after phase 1 reforms are accomplished, and especially in view of the more fundamental nature of some of the reform challenges (e.g., establishing a sector regulatory architecture) and the difficulties in prescribing ahead of time some particular institutional solutions for phase 2. Subprogram 2 will build on Subprogram 1 and help bring to fruition reform processes initiated in phase 1 but on which there is still some technical uncertainty. A stand-alone PBL approach would not enable such flexibility. The program will support ADB's strategic objective to strengthen regional connectivity through the development of sustainable rail transport. Given Georgia's strategic location connecting Asia and Europe, a well-developed railway sector will contribute to increased trade and tourism flows to Georgia and other countries.

**Project Rationale and Linkage to Country/Regional Strategy**

**Impact**

**Outcome**

**Outputs**

**Geographical Location**

Nation-wide

**Safeguard Categories**

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<tr>
<th>Category</th>
<th>Category Code</th>
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<tr>
<td>Environment</td>
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<td>Involuntary Resettlement</td>
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<td>Indigenous Peoples</td>
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Summary of Environmental and Social Aspects

Environmental Aspects
Involuntary Resettlement
Indigenous Peoples

Stakeholder Communication, Participation, and Consultation

During Project Design
During Project Implementation

Responsible ADB Officer          Sluijter, Jurgen
Responsible ADB Department      Central and West Asia Department
Responsible ADB Division         Transport and Communications Division, CWRD
Executing Agencies              Ministry of Finance

Timetable

Concept Clearance 05 Apr 2022
Fact Finding 06 Feb 2023 to 10 Feb 2023
MRM 10 Mar 2023
Approval -
Last Review Mission -
Last PDS Update 06 Apr 2022

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