



Country Operations Business Plan

December 2014

Georgia
2015–2017

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 2 December 2014)

| | | |
|---------------|---|------------|
| Currency Unit | – | lari (GEL) |
| GEL1.00 | = | \$0.5417 |
| \$1.00 | = | GEL1.846 |

ABBREVIATIONS

| | | |
|-----|---|------------------------------|
| ADB | – | Asian Development Bank |
| ADF | – | Asian Development Fund |
| CPS | – | country partnership strategy |

NOTE

In this report, "\$" refers to US dollars.

| | |
|-------------------------|---|
| Vice-President | W. Zhang, Operations 1 |
| Director General | K. Gerhaeusser, Central and West Asia Department (CWRD) |
| Team leader | K. Julian, Country Director, Georgia Resident Mission, CWRD |
| Team members | F. Catacutan, Associate Programs Officer, CWRD I. Chkonia, Senior Project Officer, CWRD G. Kiziria, Senior Project Officer (Infrastructure), CWRD G. Luarsabishvili, Associate Economics Officer, CWRD N. Nikuradze, Operations Assistant, CWRD T. Papuashvili, Associate Project Analyst, CWRD L. Vavakis, Economist, CWRD |

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I. CONSISTENCY OF THE BUSINESS PLAN WITH THE COUNTRY PARTNERSHIP STRATEGY

1. The country operations business plan, 2015–2017 of the Asian Development Bank (ADB) is consistent with its draft country partnership strategy (CPS), 2014–2018 for Georgia,¹ the findings from the recent Midterm Review of Strategy 2020,² and the Socio-economic Development Strategy of Georgia (Georgia 2020) approved by the government in June 2014.³ Georgia 2020 has as its vision a country where every member of society will enjoy the benefits of economic growth and where the potential of every citizen will fully contribute to the country's development. The draft CPS, 2014–2018 and Georgia 2020 share a common goal of fostering inclusive economic growth through measures to (i) enhance private sector competitiveness; (ii) improve public sector management, including domestic resource mobilization for investment; and (iii) finance priority infrastructure that is essential for connectivity and broader access to economic activity. Both strategies also emphasize the need to ensure environmentally sustainable growth, including the integration of climate risk management into infrastructure planning. Georgia's vision to leverage its strategic location and develop as a transport corridor is consistent with the Midterm Review of Strategy 2020 and its emphasis on regional cooperation and integration.

2. The strategic thrust of the country operations business plan, 2015–2017, is consistent with the CPS priorities. The plan will support the government to (i) improve internal and regional market connectivity to enhance private sector competitiveness and to broaden community access to economic opportunities; (ii) make essential drinking water, sewerage, and sanitation services more accessible and reliable, particularly in smaller towns and secondary cities that are potential hubs for agribusiness and tourism; (iii) improve the security and stability of power systems, especially for communities in lagging regions; (iv) strengthen public sector management for domestic resource mobilization and investment in business and infrastructure; and (v) increase access to finance and promote financial inclusion, particularly for micro, small, and medium-sized enterprises. Consultations between ADB and the government during April–August 2014 confirmed the overall validity of ADB's strategic approach and the indicative assistance pipeline.

II. INDICATIVE RESOURCE PARAMETERS

3. Georgia is eligible for resources from the Asian Development Fund (ADF) and ADB's ordinary capital resources. The indicative resources available for 2015–2017 are \$482.0 million, including \$132.0 million from the ADF⁴ and \$350.0 million from ordinary capital resources.

4. The total firm lending pipeline proposed for Georgia in 2015–2017 amounts to \$516.0 million, comprising \$132.5 million from the ADF⁵ and \$383.5 million from ordinary capital resources.⁶ In addition to \$100 million in financing for secondary roads in 2016 and \$50 million

¹ The draft CPS is in the final stages of preparation with consideration by the ADB Board of Directors envisaged for Q1 2015.

² ADB. 2014. *Midterm Review of Strategy 2020: Meeting Challenges of a Transforming Asia and Pacific*. Manila.

³ Government of Georgia. 2014. *Socio-economic Development Strategy of Georgia (Georgia 2020)*. Tbilisi.

⁴ In August 2014, ADB approved the formal graduation of Georgia from access to ADF resources with effect from 1 January 2017.

⁵ The final ADF allocation depends on available commitment authority and outcome of country performance assessments.

⁶ The utilization of external resources, such as trust funds and other cofinancing, will be actively explored.

in financing for power transmission in 2017, public sector lending operations will finance subprograms of two multitranche financing facilities, the Urban Services Improvement Investment Program and the Sustainable Urban Transport Investment Program. A project development assistance for \$10 million in 2017 will finance the design of urban infrastructure and services in the context of sustainable cities. Policy-based lending operations of \$50 million in 2015 and \$75 million in 2016 will support public sector management and finance sector reforms. Nonsovereign lending will complement public sector borrowing. Nonsovereign operations will explore financing to commercial banks for micro, small, and medium-sized enterprises and to bankable projects in renewable energy, agro-processing, transport logistics, and other priority areas.

5. An estimated \$9.2 million in technical assistance grants during 2015–2017 will support project preparation, capacity development, and policy advice. Nearly 50% of technical assistance grant funding is allocated for project preparation, while the remainder supports policy reform and capacity development in infrastructure planning, public–private partnerships, finance sector development, public sector management, and operationalizing knowledge management. Support for the key drivers of change is integrated into the proposed projects and programs.

INDICATIVE ASSISTANCE PIPELINE

Table A1.1: Lending Products, 2015–2017

| Project/Program Name | Sector | Poverty Targeting | Strategic Agendas and Drivers of Change | Division | Year of PPTA/PDA | Cost (\$ million) | | | | | | |
|---|----------|-------------------|---|----------|------------------|--------------------|--------------|-------------|------------|--------------|-------------|------------|
| | | | | | | Total ^a | ADB | | | Gov't | Co-finance | |
| | | | | | | | OCR | Loans | Grants | | | Total |
| 2015 Firm | | | | | | | | | | | | |
| MFF Sustainable Urban Transport Investment Program, Tranche 4 | TRA | GI | IEG, ESG, GCD, KNS, PAR | CWUW | 2009 | 67.0 | 57.0 | 0.0 | 0.0 | 57.0 | 10.0 | 0.0 |
| MFF Urban Services Improvement Investment Program, Tranche 5 | WUS | GI | IEG, ESG, GEM | CWUW | 2010 | 90.0 | 42.5 | 32.5 | 0.0 | 75.0 | 15.0 | 0.0 |
| Improving Domestic Resource Mobilization for Inclusive Growth Program, Subprogram 2 | PSM, FIN | GI | IEG, GCD, KNS, PAR, PSD, GEM | CWPF | | 50.0 | 0.0 | 50.0 | 0.0 | 50.0 | 0.0 | 0.0 |
| Total | | | | | | 207.0 | 99.5 | 82.5 | 0.0 | 182.0 | 25.0 | 0.0 |
| 2016 Firm | | | | | | | | | | | | |
| Secondary Road Improvement Project | TRA | GI | IEG, ESG, GCD, RCI | CWTC | 2013 | 118.0 | 100.0 | 0.0 | 0.0 | 100.0 | 18.0 | 0.0 |
| Improving Domestic Resource Mobilization for Inclusive Growth Program, Subprogram 3 | PSM, FIN | GI | IEG, GCD, KNS, PAR, PSD, GEM | CWPF | | 75.0 | 25.0 | 50.0 | 0.0 | 75.0 | 0.0 | 0.0 |
| Total | | | | | | 193.0 | 125.0 | 50.0 | 0.0 | 175.0 | 18.0 | 0.0 |
| 2016 Standby | | | | | | | | | | | | |
| MFF Urban Services Improvement Investment Program, Tranche 6 | WUS | GI | IEG, ESG, GEM | CWUW | 2010 | 117.0 | 99.0 | 0.0 | 0.0 | 99.0 | 18.0 | 0.0 |
| Power Transmission Network Rehabilitation | ENE | GI | IEG, ESG, GCD | CWEN | 2015 | 58.0 | 50.0 | 0.0 | 0.0 | 50.0 | 8.0 | 0.0 |
| Total | | | | | | 175.0 | 149.0 | 0.0 | 0.0 | 149.0 | 26.0 | 0.0 |

| Project/Program Name | Sector | Poverty Targeting | Strategic Agendas and Drivers of Change | Division | Year of PPTA/PDA | Cost (\$ million) | | | | | | |
|--|----------|-------------------|---|----------|------------------|--------------------|--------------|------------|------------|--------------|-------------|------------|
| | | | | | | Total ^a | ADB | | | Gov't | Co-finance | |
| | | | | | | | OCR | ADF | | | | Total |
| | | | | | | | Loans | Grants | | | | |
| 2017 Firm | | | | | | | | | | | | |
| MFF Urban Services Improvement Investment Program, Tranche 6 | WUS | GI | IEG, ESG, GEM | CWUW | 2010 | 117.0 | 99.0 | 0.0 | 0.0 | 99.0 | 18.0 | 0.0 |
| Power Transmission Network Rehabilitation | ENE | GI | IEG, ESG, GCD | CWEN | 2015 | 58.0 | 50.0 | 0.0 | 0.0 | 50.0 | 8.0 | 0.0 |
| PDA for Sustainable Cities Development Program | TRA, WUS | GI | IEG, ESG, GCD | CWUW | | 10.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total | | | | | | 185.0 | 149.0 | 0.0 | 0.0 | 149.0 | 26.0 | 0.0 |
| 2017 Standby | | | | | | | | | | | | |
| Roads and Market Connectivity Project | TRA | GI | IEG, RCI | CWTC | 2015 | 290.0 | 240.0 | 0.0 | 0.0 | 240.0 | 50.0 | 0.0 |
| Total | | | | | | 290.0 | 240.0 | 0.0 | 0.0 | 240.0 | 50.0 | 0.0 |

ADB = Asian Development Bank; ADF = Asian Development Fund; CWEN = Energy Division; CWPF = Public Management, Financial Sector, and Trade Division; CWTC = Transport and Communications Division; CWUW = Urban Development and Water Division; ENE = energy; ESG = environmentally sustainable growth; FIN = finance; GCD = governance and capacity development; GEM = gender equity and mainstreaming; GI = general intervention; Gov't = government; IEG = inclusive economic growth; KNS = knowledge solutions; MFF = multitranches financing facility; OCR = ordinary capital resources; PAR = partnerships; PDA = project design advance; PSD = private sector development; PSM = public sector management; PPTA = project preparatory technical assistance; RCI = regional integration; TRA = transport; WUS = water supply and other urban infrastructure and services.

^a The total cost and total financing do not tally because of the PDA estimated at \$10.0 million, which will be refinanced by the ensuing loan scheduled for 2019.

Source: ADB estimates.

Table A1.2: Nonlending Products and Services, 2015–2017

| Assistance Name | Sector | Division | Assistance Type | Sources of Funding | | | | Total (\$'000) |
|---|----------|----------|-----------------|--------------------|-----------------|----------|-----------------|----------------|
| | | | | ADB | | Others | | |
| | | | | Source | Amount (\$'000) | Source | Amount (\$'000) | |
| 2015 Firm | | | | | | | | |
| Roads and Market Connectivity | TRA | CWTC | PPTA | TASF | 1,000.0 | 0 | 1,000.0 | |
| Capacity Development for Roads Department | TRA | CWTC | S-CDTA | TASF | 200.0 | 0 | 200.0 | |
| Power Transmission Network Rehabilitation | ENE | CWEN | PPTA | TASF | 1,000.0 | 0 | 1,000.0 | |
| Support for Financial Sector Supervision and Corporate Governance | FIN | PSFI | S-CDTA | TASF | 200.0 | 0 | 200.0 | |
| Support for Operationalizing Country Knowledge Plan | PSM | GRM | S-PATA | TASF | 100.0 | 0 | 100.0 | |
| Development for Public–Private Partnerships | FIN, PSM | CWPF | PATA | TASF | 500.0 | 0 | 500.0 | |
| Total | | | | | 3,000.0 | 0 | 3,000.0 | |
| 2015 Standby | | | | | | | | |
| Promoting Innovative Financing for Hydropower Development | ENE | CWEN | PATA | | | CEFPF | 1,000.0 | 1,000.0 |
| Total | | | | | | | 1,000.0 | 1,000.0 |
| 2016 Firm | | | | | | | | |
| Preparing Sustainable Cities Development Program | TRA, WUS | CWUW | PPTA | TASF | 1,500.0 | 0 | 1,500.0 | |
| Support for Financial Inclusion | FIN | CWPF | PATA | | | TBD | 1,500.0 | 1,500.0 |
| Promoting Innovative Financing for Hydropower Development | ENE | CWEN | PATA | | | CEFPF | 1,000.0 | 1,000.0 |
| Total | | | | | 1,500.0 | | 2,500.0 | 4,000.0 |
| 2017 Firm | | | | | | | | |
| Support for Regulatory Mechanisms for Water Utilities | WUS | CWUW | CDTA | TASF | 500.0 | | | 500.0 |
| Development for Public–Private Partnerships 2 | FIN, PSM | CWPF | PATA | TASF | 500.0 | 0 | | 500.0 |
| Preparing Transport Sector Connectivity Project | TRA | CWTC | PPTA | TASF | 1,000.0 | 0 | | 1,000.0 |
| Support for Knowledge Solutions | PSM | GRM | S-PATA | TASF | 200.0 | 0 | | 200.0 |
| Total | | | | | 2,200.0 | 0 | | 2,200.0 |

ADB = Asian Development Bank; CDTA = capacity development technical assistance; CEFPF = Clean Energy Financing Partnership Facility; CWEN = Energy Division; CWPF = Public Management, Financial Sector, and Trade Division; CWTC = Transport and Communications Division; CWUW = Urban Development and Water Division; ENE = energy; FIN = finance; PATA = policy and advisory technical assistance; PPTA = project preparatory technical assistance; PSFI = Financial Institutions Division; PSM = public sector management; S-CDTA = small-scale capacity development technical assistance; S-PATA = small-scale policy and advisory technical assistance; TASF = Technical Assistance Special Fund; TBD = to be determined; TRA = transport; WUS = water and other urban infrastructure and services.

Source: ADB estimates.

ASSISTANCE PROGRAM FOR CURRENT YEAR

Table A2.1: Lending Products, 2014

| Project/Program Name | Sector | Poverty Targeting | Strategic Agendas and Drivers of Change | Division | Year of PPTA/ PDA | Cost (\$ million) | | | | | | |
|---|----------|-------------------|---|----------|-------------------|-------------------|--------------|-------------|------------|--------------|-------------|------------|
| | | | | | | Total | OCR | ADB | | Total | Gov't | Co-finance |
| | | | | | | | | Loans | Grants | | | |
| Firm | | | | | | | | | | | | |
| MFF Urban Services Improvement Investment Program, Tranche 4 | WUS | GI | IEG, ESG, GEM, GCD, PSD | CWUW | 2010 | 128.0 | 108.0 | 0.0 | 0.0 | 108.0 | 20.0 | 0.0 |
| Improving Domestic Resource Mobilization for Inclusive Growth Program, Subprogram 1 | PSM, FIN | GI | IEG, GCD, KNS, PAR, PSD | CWPF | | 75.0 | 16.0 | 59.0 | 0.0 | 75.0 | 0.0 | 0.0 |
| Total | | | | | | 203.0 | 124.0 | 59.0 | 0.0 | 183.0 | 20.0 | 0.0 |

ADB = Asian Development Bank; ADF = Asian Development Fund; CWPF = Public Management, Financial Sector, and Trade Division; CWUW = Urban Development and Water Division; ESG = environmentally sustainable growth; FIN = finance; GCD = governance and capacity development; GI = general intervention; Gov't = government; IEG = inclusive economic growth; KNS = knowledge solutions; MFF = multitranches financing facility; OCR = ordinary capital resources; PAR = partnerships; PDA = project design advance; PPTA = project preparatory technical assistance; PSD = private sector development; PSM = public sector management; WUS = water and other urban infrastructure and services.

Source: ADB estimates.

Table A2.2: Nonlending Products and Services, 2014

| Assistance Name | Sector | Division | Assistance Type | Sources of Funding | | | | Total (\$'000) |
|--|--------|----------|-----------------|--------------------|-----------------|--------|-----------------|----------------|
| | | | | ADB | | Others | | |
| | | | | Source | Amount (\$'000) | Source | Amount (\$'000) | |
| Support for Transportation Policy | TRA | CWTC | PATA | TASF | 750.0 | | 0 | 750.0 |
| Strengthening Domestic Resource Mobilization | PSM | CWPF | PATA | TASF | 500.0 | | 0 | 500.0 |
| Total | | | | | 1,250.0 | | 0 | 1,250.0 |

ADB = Asian Development Bank; CWEN = Energy Division; CWPF = Public Management, Financial Sector, and Trade Division; CWTC = Transport and Communications Division; ENE = energy; PATA = policy and advisory technical assistance; PSM = public sector management; TASF = Technical Assistance Special Fund; TRA = transport.
Source: ADB.