

DEVELOPMENT COORDINATION

A. Major Development Partner: Strategic Foci and Key Activities

1. The Asian Development Bank (ADB) is the lead development partner for Georgia's water supply and sanitation (WSS) services in terms of lending volumes and engagement with United Water Supply Company of Georgia (UWSCG).¹ Three other development partners are supporting UWSCG, with a focus on infrastructure development: Agence Française de Développement (AFD), the European Investment Bank (EIB), and German development cooperation through KfW. The table below summarizes the key development partner projects in Georgia.

2. **Strategic foci and key activities.** In 2011, ADB's Board of Directors approved a multitranche financing facility (MFF) of \$500 million.² The MFF was designed to strengthen WSS services in 12 cities and towns across 10 regions of Georgia through (i) infrastructure improvements to rehabilitate and expand WSS services; (ii) capacity building of UWSCG and the sector regulator to boost institutional effectiveness; and (iii) program implementation support. Challenges experienced during the implementation include poor project management and weak governance.³ The new ADB program will further support targeted infrastructure investments but include critical policy reforms by applying a sector development program modality, the first for the country. The program builds on the experience of previous and ongoing ADB projects to transform WSS by strengthening the policy, legal, regulatory, and institutional frameworks. The new program was prepared in close consultation with other partners.

3. AFD plans to construct a water supply and wastewater network and wastewater treatment plant in Khashuri in 2021–2024. ADB and AFD are exploring potential cofinancing opportunities for that program. The EIB finances wastewater collection and treatment infrastructure in Kutaisi, the second-largest city in Georgia.⁴ KfW focuses on the renewal and expansion of the drinking water and sewerage systems in Batumi, the third-largest city in the country. The World Bank supports municipal WSS infrastructure through the Municipal Development Fund of Georgia.⁵ The Government of the Republic of Korea complements WSS policy support under the ADB Knowledge Sharing Program.

Table 1: Major Development Partners

Development Partner	Project Name	Duration	Amount (million)
Water and other urban infrastructure and services			
ADB	Municipal Services Development Project	2008–2011	\$17.00
	Municipal Services Development Project (Phase II)	2009–2011	\$9.00 ^a
	Urban Services Improvement Investment Program (MFF)	2011–2021	\$500.00
Total:			\$526.00

¹ The sector policy dialogue was undertaken with Agence Française de Développement, the European Investment Bank, the International Monetary Fund, German development cooperation through KfW, and the World Bank.

² ADB. 2011. *Urban Service Improvement Investment Program*. Manila.

³ As of August 2020, 18 contracts were still ongoing under the MFF.

⁴ Grants from the Neighborhood Investment Facility (€4.75 million) and the Eastern Partnership Technical Assistance Trust Fund (€3.25 million).

⁵ The Municipal Development Fund was established in 1997. The fund is cooperating with all large investment banks and financial institutions operating in Georgia and implements different type of infrastructure projects financed by government and international financial institutions. The fund represents the legal entity of public law under the Ministry of Regional Development and Infrastructure of Georgia. The fund used to finance all water supply and sanitation project before UWSCG's establishment. Now the fund's role is limited to mainly rural and small-scale water project in municipalities.

Development Partner	Project Name	Duration	Amount (million)
EBRD	Poti Municipal Water Project	2006–2008	€2.50
	Kutaisi Municipal Water Project	2006–2010	€3.00
	Kobuleti Wastewater Project (Tranche I)	2008–2016	€1.50
	Borjomi Water Project	2008–2013	€1.50
	Kobuleti Wastewater Project (Tranche II)	2016–2021	€2.50
	Regional Infrastructure Development Project	2006–2018	€17.50
	Total:		€28.50
EIB	Water Infrastructure Modernization Project I	2010–2014	€40.00
	Water Infrastructure Modernization Project II)	2013–2018	€48.00
	Kutaisi Wastewater Project	2015–2024	€108.00
	Total:		€196.00
KfW	Rehabilitation of Municipal Infrastructure Facilities in Batumi – Phase I	2006–2014	€18.64
	Rehabilitation of Municipal Infrastructure Facilities in Batumi – Phase II	2006–2016	€40.49
	Rehabilitation of Water Supply in Coastal Villages of Khelvachauri Municipality	2008–2016	€6.70
	Rehabilitation of Municipal Infrastructure Facilities in Batumi – Phase III (Water supply and sewerage of Batumi and surrounding villages)	2011–2021	€43.70
	Rehabilitation of Municipal Infrastructure Facilities in Batumi – Phase III (Stormwater System) - Portion I	2012–2021	€2.99
	Rehabilitation of Municipal Infrastructure Facilities in Batumi – Phase III (Stormwater System)- Portion II	2012–2021	€4.00
	Rehabilitation of Municipal Infrastructure Facilities in Batumi – Phase IV	2015–2020	€32.00
	Rural Water Supply and Wastewater Programme – Adjara	2018–2024	€43.00
	Communal Water Infrastructure Batumi Project Phase V	2019–2024	€60.00
	Water Supply and Sanitation in Rural and Semi Urban Communities of Adjara	2019–2024	€6.96
	Communal Infrastructure for Environment and Tourism Improvement (planned in second half of 2020)	2020–2025	€135.00
	Total:		€393.48
World Bank	Regional Municipal Infrastructure Development Project	2009–2019	\$33.40
	Regional Development Project	2012–2017	\$2.90
	Total:		\$36.30
Sida	Supporting Wastewater Sustainable Management	2013–2020	\$10.00
	Wastewater Treatment Plant in Telavi	2016–2018	\$6.50
	Wastewater Treatment Plant in Tskhaltubo	2016–2018	\$4.60
	Total:		\$21.10
USAID	Georgia Municipal Infrastructure Program	2013–2014	\$13.30
EU	Infrastructure Development Project	2011–2013	€6.50
MCC	Regional Infrastructure Development	2007–2011	\$49.00
AFD	Water Supply and Sanitation Services Improvement in the town of Khashuri and Surrounding Settlements	2020–2024	€67.00

ADB = Asian Development Bank, AFD = Agence Francaise de Développement, EBRD = European Bank for Reconstruction and Development, EIB = European Investment Bank, EU = European Union, MCC = Millennium Challenge Corporation, Sida = Swedish International Development Cooperation Agency, USAID = United States Agency for International Development.

Note: The projects were implemented by United Water Supply Company of Georgia, the Municipal Development Fund, and Adjara Municipality.

^a Both project phases covered water and road infrastructure; \$26 million of an approved amount of \$70 million was allocated to finance water supply and sanitation projects, the rest was utilized for road and other urban infrastructure rehabilitation projects.

Source: Ministry of Finance of Georgia.

B. Institutional Arrangements and Processes for Development Coordination

4. Georgia has an established platform for the institutional arrangements governing development coordination in the country. The Administration of the Government of Georgia coordinates external aid since 2014 through regular donor coordination meetings led by the Ministry of Infrastructure and Regional Development (MRDI) and supported by the Ministry of Finance (MOF); annual donor coordination meetings are led by the Prime Minister of Georgia to summarize the achievements and identify core areas of cooperation. The coordination efforts of the Administration of the Government ensure government ownership of official development assistance, strengthen mutual accountability, harmonize external aid with national reform priorities, and avoid overlaps and duplications. The government operates an electronic aid information management system (eAIMS) and publishes the annual Report on External Aid in Georgia for greater transparency and accountability.

5. ADB engages with development partners for the coordination of infrastructure projects, and for strategic and financing partnerships. Its policy actions apply to and complement the sustainability of infrastructure supported by other development partners in the sector, and foster alliance with the private sector. ADB will explore potential development coordination with nongovernment organizations to create shared value in the rational use and management of water through public awareness campaigns under the public communication strategy.

C. Achievements and Issues

6. ADB staff work closely with the MRDI and MOF on donor coordination and regularly update the eAIMS database to ensure the accuracy and completeness of information on ADB's ongoing and pipeline projects. Sector investments are carried out according to the urban WSS sector development 2011–2020.⁶ However, this is largely focused on urban WSS. No platform exists for integrating rural WSS considerations into national WSS development efforts, which requires wider stakeholder consultation. The proposed ADB sector development program targets improvements in rural water supply, including new policies and strategic programs. Moreover, based on lessons from all WSS projects funded by development partners, the ADB program supports high project readiness to avoid delays in the implementation of the investment component.

D. Summary and Recommendations

7. Given the extent of the policy impact across WSS operations, close coordination and consultation between the development partners and with the government are critical to the efficient and effective allocation of resources. ADB, as the lead development partner for WSS, will continue to cooperate with other development partners to ensure consistent policy dialogue, which in turn will maximize benefits and avoid potential conflict and duplication of support. ADB will help establish a regular forum under the proposed program to identify opportunities for greater synergy and results delivery. Under the program, the MRDI will set up a WSS steering committee in charge of formulating and implementing a WSS policy for urban and rural areas. This will serve as a central platform for consultation, information sharing, and development coordination, as well as wider stakeholder consultation. The committee will also lead the policy dialogue with development partners according to the needs identified in the WSS sector development plan, 2021–2030.

⁶ ADB. 2010. *Technical Assistance to Georgia for Developing an Urban Water Supply and Sanitation Sector Strategy and Regulatory Framework*. Manila.