

COUNTRY STRATEGY FINAL REVIEW

CPS Priorities	Validity of the Strategic Focus	Resource Allocation Retrospectives	Lessons
Core areas of specialization			
Infrastructure: transport	ADB's focus on road improvements to promote trade and regional connectivity was responsive to the needs of Georgia and consistent with the government's plan to mobilize support from several partners to upgrade the East-West road corridor, Georgia's main trade and transit route. Located on the shortest route between Europe and Asia, rebuilding regional transport networks is integral to Georgia's strategy of boosting trade, transit flows and tourism, and is a priority to foster regional economic integration.	\$609.91 million, 57% of total, 2008–2012	<p>Inclusive growth. A stronger focus on inclusive growth is needed to ensure benefits for the rural population. Reducing transport bottlenecks and adding value through support for logistics and other trade-related services is needed, as are improving linkages between urban areas and rural growth centers.</p> <p>Sustainability. New models for transport planning and infrastructure management, giving priority to service quality, adequate cost recovery, and sustaining investments, including diagnostic studies on the efficiency of operations and maintenance financing in transport sector, should be explored.</p> <p>Project preparation. Close oversight of preparatory TA outputs and validation of project designs and cost estimates by ADB and the government is essential.</p>
Infrastructure: water supply and other urban infrastructure	ADB's strategy focused on improving service delivery in municipal infrastructure within the evolving decentralization process. This strategy was consistent with government plans for greater regional balance and establishing capable self-government. ADB has responded to the need to improve urban water and sanitation and urban transport facilities. With half of the population based in the cities, and with more than 80% of GDP generated in urban areas, developing well-serviced clusters of smaller urban centers is important for inclusive economic growth.	\$155.78 million, 15% of total, 2008–2012	<p>Sustainability. Policy and institutional achievements could have been more substantial if policy advisory and capacity development assistance had been more consistently provided to lay the foundation for service delivery.</p> <p>Inclusive growth. While major improvements in regional roads and urban infrastructure are required, more inclusive approaches are needed to address unemployment, poverty and vulnerability, both in the urban and rural context.</p> <p>Project preparation. Consideration may also be accorded to the use of a loan-financed project preparation facility to help the government prepare infrastructure projects.</p>
Infrastructure: energy	The strategy supported upgrading and developing energy infrastructure, including assistance for renewable energy initiatives, power transmission, and hydropower generation. This was consistent with the government's desire to boost power generation through the use of renewable energy resources and to develop power systems synchronized with neighboring countries' systems.	\$48.00 million, 5% of total, 2008–2012	<p>Energy planning. ADB could increase TA support to assist energy sector planning for prioritizing hydropower sites and least-cost generation planning. ADB assistance can ensure Georgia's substantial hydropower resources are developed efficiently and that the domestic market benefits from low-cost hydroelectric power.</p>

Finance sector	ADB program loan assistance was closely aligned with government sector priorities and provided budget support in line with the 2008 Joint Needs Assessment commitments. Three program loans assisted the government to meet budget obligations without recourse to central bank finance, and allowed the government to protect social sector spending, improve standards for education and healthcare, and protect public pension outlays. Absent budget support, the effects of the twin crises on the poor and vulnerable would have been far more severe and recovery would have been more subdued.	\$249.70 million, 23% of total, 2008–2012	Financial sector reforms. ADB should renew its dialogue with the government on finance sector reforms that would benefit a broader range of society. Advisory and capacity development support to improve access to finance in rural and pension system reforms should be considered. There is also need to boost the efficiency and impact of public spending, while at the same time creating more opportunities to boost private sector participation in delivering essential services.
Regional cooperation and integration	ADB support for regional transport corridors and regional energy trade followed the government's strategy to develop Georgia as a regional transport hub. Transport support focused on development of the Georgian section of the Eurasian transport corridor and improving trade facilitation. Energy sector support aimed at developing a Caucasus energy market.		Private investment. Leveraging public infrastructure investment to galvanize foreign and domestic private investment and to steadily improve cross-border connectivity is also important, particularly to position Georgia as a regional hub economy.
Environment	The strategy linked environmental sustainability to renewable energy resources, urban public transit and investments in urban water supply and sanitation systems.		Sanitation and wastewater treatment. The lack of fully functioning wastewater and solid waste management treatment contributes to environmental and health problems. ADB should consider support to solid waste and wastewater treatment as part of its water supply projects.
Drivers of change			
Private sector development and private sector operations	Georgia's SMEs have faced difficulties in accessing finance. ADB's private sector support has helped respond to this gap in the financial markets by providing local banks with funds for on-lending to SMEs, and through support for trade finance.	\$95.00 million in bank loans (non-sovereign), 2008-2012	Agribusiness finance. Financial support for commercial agribusinesses, through ADB's private sector operations, could make an important contribution to boosting rural productivity.
Good governance and capacity development	Support provided to improve project management contributed to building country systems and fostering good governance. Stand-alone advisory and capacity development TA flows were not anticipated under the strategy, but were responsive to evolving government demands.	Support under TA	Role of non-physical investment. While ADB flexibility and responsiveness were key strengths, capacity development, policy reform, knowledge service, and innovative pilot-project support were fairly modest compared to lending. More attention to policy and institutional prerequisites for sustainable infrastructure was needed. There is scope to supplement lending programs with grant support for capacity development and policy reform.
Gender equity	ADB projects and programs have mainstreamed gender elements. Program lending helped the government to maintain sustainable, inclusive social sector financing, and promoted adoption of the law on gender equality.	Support under TA	Mainstreaming. Efforts to mainstream gender elements in ADB assistance should be maintained to enhance impacts on gender equity.

ADB = Asian Development Bank, GDP = gross domestic product, SMEs = small and medium-sized enterprises, TA = technical assistance.

Sources: ADB. 2013. *Final Review of Country Operations, 2008–2012*. Manila and ADB. 2013. *Georgia: Validation Report of the Final Review of Country Operations, 2008–2012*. Manila.