

FRAMEWORK FINANCING AGREEMENT
(GEO: Sustainable Urban Transport Investment Program)

Parties	This Framework Financing Agreement ("FFA") dated [____ June] 2010 is between Georgia and Asian Development Bank ("ADB").
MFF Investment Program	<p>Georgia is committed to and will implement improvement of urban transport system in urban areas of Georgia. The total cost of the Investment Program (to be implemented from 2010 to 2018) is estimated at \$351.63 million equivalent. The total cost of the entire investment requirements for the sector, over the period of next 10 years is estimated at around \$1 billion equivalent.</p> <p>The investment program will improve access to efficient, reliable, and sustainable urban transport for about 2.5 million urban residents in Georgia. It will provide, as appropriate, targeted assistance to municipalities and Municipal Development Fund of Georgia (MDF) focusing on financial, managerial, and technical performance.</p> <p>The investment program will comprise the following parts:</p> <p>Component I: Urban Transport Infrastructure Improvement</p> <ol style="list-style-type: none">1. Road and bridge construction and urban habitat and waterfront improvement2. Public transport network and infrastructure rehabilitation and extension3. Multimodal facilities including parking and traffic management <p>Component II: Institutional Capacity Development</p> <p>Component III: Program Management Facility</p>
Multi-Tranche Financing Facility	<p>The Multitranche Financing Facility (the Facility or MFF) is intended to finance projects under the investment program, provided that such projects comply with the criteria set out in Schedule 4 hereto and that understandings set out in this FFA are complied with.</p> <p>The projects under the facility may include, but not limited: (i) construction, upgrading, and rehabilitation of urban transport systems such as roads, bridges, public transport, multimodal facilities, traffic management and parking, urban habitat improvement measures in the context of sustainable urban development; and (ii) policy and institutional support to implement efficient and reliable urban transport services, sustainable financing mechanism for investment and operation, improved financial management and revenue mobilization, and developing efficient accountable service providers.</p> <p>This FFA does not constitute a legal obligation on the part of ADB to commit any financing. At its sole discretion, exercised reasonably, ADB has the right to deny any financing request made by Georgia, cancel the uncommitted portion of the Facility, and withdraw Georgia's right to request any financing</p>

tranche under the Facility. Financing tranches may be made available by ADB provided matters continue to be in accordance with the general understandings and expectations on which the Facility is based and which are laid out in this FFA.

This FFA does not constitute a legal obligation on the part of Georgia to request any financing. Georgia has the right not to request any financing under the Facility. Georgia also has the right at any time to cancel any uncommitted portion of the Facility. Georgia and ADB may exercise their respective rights to cancel the Facility or any committed portion thereof, and ADB may exercise its right to refuse a financing request, by giving written notice to such effect to the other parties. The written notice will provide an explanation for the cancellation or refusal and, in the case of a cancellation, specify the date on which the cancellation takes effect.

This FFA will enter into force upon notice from Georgia to ADB on the fulfillment of domestic procedures for entering into force in accordance with Georgia's applicable legislation, but not later than effectiveness of the loan agreement for tranche 1 project.

Financing Plan

The financing plan for the Investment Program is summarized below.

Financing Source	Total (\$million)	Share (%) of Total
Asian Development Bank	300.00	85.32%
Government	51.63	14.68%
Total	351.63	100.00%

Source: Asian Development Bank estimates.

Financing Terms

ADB will provide loans to finance components under the Investment Program, as and when the latter are ready for financing, provided, Georgia is in compliance with the understandings hereunder, and the components are in line with those same understandings.

Each loan will constitute a tranche under the Facility. Each tranche may be financed under terms different from the financing terms of previous or subsequent tranches. The choice of financing terms will depend on the project, capital market conditions, and ADB's financing policies, all prevailing on the date of signing the legal agreement for such tranche. Tranches may be provided in sequence or simultaneously, and some may overlap in time with each other. There is no maximum or minimum size for a tranche. Interest, commitment charges or guarantee fees are not payable on the Facility. They are payable only on financing actually committed by ADB as a loan or guarantee. ADB rules on interest, commitment charges and guarantee fees, which are in effect when the legal agreements are signed for a tranche, will apply with respect to such tranche.

Amount

The maximum financing amount available under the Facility is \$300 million. It will be provided in individual tranches from ADB's ordinary capital

resources¹ and Special Funds resources², subject to the latter availability and allocation under ADB's applicable policies and procedures, from time to time.

Availability Period

The last date on which any disbursement under any tranche may be made will be 30 December 2018. The last Periodic Financing Request (PFR) is expected to be submitted no later than 31 August 2016.

Terms and Conditions

Georgia will cause the proceeds of each tranche to be applied to the financing of expenditures of the investment program, in accordance with the conditions set forth in this Agreement and the legal agreements for each tranche. The loan proceeds under the Facility will be used to finance urban transport projects, for which eligibility and approval criteria are set out in Schedule 4 to this FFA.

Execution

The Executing Agency (EA) for the Investment Program will be MDF with the assistance of the participating municipalities. The EA will execute the subprojects under the Investment Program in accordance with the principles set forth in Schedule 1 to this Agreement and the selection criteria set forth in Schedule 4 to this Agreement, as supplemented in the legal agreements for each loan.

Periodic Financing Requests

Georgia may request, and ADB may agree, to provide loans, under the Facility to finance the investment program and its related subprojects upon the submission of a Periodic Financing Request (PFR). Each PFR should be submitted by Georgia. Georgia will make available to MDF the proceeds of the loan in accordance with the related PFR and the legal agreements for the tranche.

Each individual tranche will be for an amount of no less than US\$50 million, or its equivalent. ADB will review the PFRs, and if found satisfactory, will prepare the related legal agreements.

The subprojects for which financing is requested under the PFR will be subject to the selection criteria and approval process set out in Schedule 4 hereto, satisfactory due diligence, and preparation of relevant safeguards, fiduciary requirements and other documents. The Facility will be implemented in accordance with the general framework set out in Schedule 3 to this FFA and the Facility Administration Manual agreed between the parties.

Unless otherwise notified by Georgia in writing, PFR will be signed on behalf

¹ Provisions of the Ordinary Operations Loan Regulations applicable to LIBOR-Based Loans Made from ADB's Ordinary Capital Resources, dated 1 July 2001, would apply to each such Loan, subject, to modifications, if any, that may be included under any Loan Agreement (said Ordinary Operations Loan Regulations, as so modified, being hereinafter called the OCR Loan Regulations).

² Provisions of the Special Operations Loan Regulations applicable to Loans Made by ADB from its Special Funds Resources, dated 1 January 2006, would apply to each such Loan, subject, to modifications, if any, that may be included under any Loan Agreement (said Special Funds Loan Regulations, as so modified, being hereinafter called the SF Loan Regulations and, collectively with the OCR Loan Regulations, the Loan Regulations).

of Georgia by the Ministry of Finance.

General Implementation Framework.

The Facility will be implemented in accordance with the general framework set out in Schedule 3 hereto. Specific implementation details may be set out in the relevant legal agreements.

Procedures

Each tranche to be provided under the Facility will be subject to the following procedures and undertakings:

- (i) Georgia will have notified ADB of a forthcoming PFR at least 15 days in advance of the submission of the PFR;
- (ii) Georgia will have submitted a PFR in the format agreed with ADB;
- (iii) ADB may, in its sole discretion, decline to authorize the negotiation and execution of any legal document for a tranche; and
- (iv) Once ADB confirms acceptance of the PFR, the legal agreements will be negotiated and executed by the parties.

PFR information

The PFR will substantially be in an agreed format, and will contain the following details:

- (i) Loan amount;
- (ii) Description of components to be financed;
- (iii) Appraisal reports for all constituent subprojects including environmental assessment report, resettlement plan, if any, and a due diligence report on safeguards implementation in the previous PFR;
- (iv) Cost estimates and financing plan for the proposed loan and the subprojects;
- (v) Implementation arrangements specific to the subprojects or components;
- (vi) Confirmation of the continuing validity of, and adherence to, the provisions of this Agreement;
- (vii) Confirmation of compliance with the provisions under previous Loan Agreement and Project Agreement, as appropriate; and
- (viii) Other information as may be required under the Facility Administration Manual as reasonably requested by ADB.

Safeguards

Attached as Schedule 5 to this Agreement, are the social and environmental safeguards frameworks that will be complied with during the implementation of the investment program.

ADB safeguard policies in effect at the time ADB approves the provision of a financing tranche will be applied with respect to the subprojects financed under such tranches.

Procurement

All goods and works to be financed under the Facility will be procured in accordance with ADB's Procurement Guidelines (2010, as amended from time to time).

Consulting Services

All consulting services to be financed under the Facility will be procured in accordance with ADB's Guidelines on the Use of Consultants (2010, as

amended from time to time).

Advance Contracting and Retroactive Financing

Under each tranche, ADB may, subject to its policies and procedures, allow on request (a) advance contracting and (b) retroactive financing of eligible expenditures for up to 20% of the proposed individual loan, incurred prior to loan effectiveness but not earlier than 12 months before the date of signing of the related legal agreement. Georgia acknowledges that any approval of advance contracting and/or retroactive financing will not constitute a commitment by ADB to finance the related project.

Disbursements

Disbursement for each tranche will be made in accordance with the conditions of disbursement in the relevant Loan Agreement and in accordance with ADB's Loan Disbursement Handbook (2007, as amended from time to time).

Monitoring, Evaluation, and Reporting Arrangements

Within 3 months of the effectiveness date of the loan agreement for each loan under the Facility, the EA will establish a Program Performance Monitoring System (PPMS) in forms and substance acceptable to ADB. The PPMS will first select a set of performance monitoring indicators relating to physical implementation and institutional reform, and capacity building milestones including those in the Design and Monitoring Framework (Schedule 2). The EA will establish baseline data for each of the selected indicators and will conduct annual surveys and update ADB on the progress against each indicator.


The EA will also prepare and submit consolidated semiannual progress reports in English for each loan on all aspects of project implementation within 30 days of the end of each 6 months; the reports will give the details of overall implementation progress, problems encountered during the reporting period, measures taken or proposed to remedy these problems, and the proposed program of activities for the next 6 months. The EA will submit to ADB a project completion report within 3 months of physical completion of the subprojects financed under each loan, and a facility completion report within 3 months of the physical completion of each individual tranche. These reports will describe the details of implementation, costs, monitoring and evaluation results, problems encountered and action taken, and other information that ADB may request. With the second PFR, the EA will submit a compliance report confirming the continued validity and the adherence to provisions of FFA and preceding agreement on each component.

ADB will field review missions as required to discuss the progress of the Investment Program under each loan, any changes in the implementation arrangements, or remedial measures that are needed to achieve the overall objectives of specific subprojects and of overall Investment Program. In addition to regular reviews, including a midterm review for each loan, a detailed midterm review of the Facility will be done 3 years after the first loan takes effect. The midterm review for each loan under the Facility will be done in accordance with the implementation period of each loan. The midterm reviews will evaluate in detail the scope of the Facility and projects,

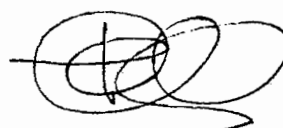
implementation arrangements, any outstanding issues, environment and resettlement as well as other safeguard issues, achievement of scheduled targets, contract management progress, and other issues, as appropriate.

Representations and Warranties Schedule 6 hereto sets out the undertakings provided by Georgia in relation to the Facility

GEORGIA

By 
Authorized Representative

ASIAN DEVELOPMENT BANK

By 
Authorized Representative

SCHEDULE 1: FACILITY CONSTITUTENTS
 SCHEDULE 2: DESIGN AND MONITORING FRAMEWORK FOR THE FACILITY
 SCHEDULE 3: IMPLEMENTATION FRAMEWORK
 SCHEDULE 4: SELECTION CRITERIA AND APPROVAL PROCESS FOR SUBPROJECTS
 SCHEDULE 5: SAFEGUARD REQUIREMENT AND SOCIAL DEVELOPMENT POLICIES
 SCHEDULE 6: UNDERTAKINGS

SCHEDULE 1

(GEO: Sustainable Urban Transport Investment Program)

A. Strategic Context

1. Georgia is one of the most urbanized countries in South Caucasus with an urban population expected to reach 56% of the total population by 2030. There is an urgent need to rehabilitate, upgrade and improve urban transport infrastructure in major cities and towns in Georgia, to provide more competitive platforms for economic growth and improve living standard. Georgian cities and towns are constrained by unequal local government capacity and remaining organizational gaps in: infrastructure management ensuring effective management and regulation of transport operators; effective project implementation and monitoring; revenue generation in the transport sector; and integrated urban management and planning systems.

2. Since the Government's vision is to make sure cities play their proper role as engines of national growth, centers of economic activity and knowledge, and focal points for cultural change the investment program offers a programmatic, long-term approach to the revitalization of cities guided by road maps for urban sector and institutional reforms. The investment program is fully consistent with ADB's long-term assistance program in Georgia that includes urban service delivery, sustainable basic infrastructure, improved urban transport systems, and strengthened governance and institutions for better municipal management. It also matches the Government policy to improve urban and municipal infrastructure and reduce road transportation constraints on economic activity.¹

3. The development of a sustainable urban transport network is also a key component for the development of urban areas and to enhance the role of Tbilisi as an important business centre in the Caucasus region. Based on local strategy and existing masterplans, the Government has prioritized the improvement of transport services in all towns and cities through the country, starting in areas of most urgent or strategic needs. The Government has already invested significantly during 2005–2010, and there is need for more than \$1 billion of further investments in order to: (i) meet the increasing demand and guarantee good mobility conditions for all citizens; (ii) improve inhabitant's quality of life, protect the environmental conditions, and support development of tourism; and (iii) provide world-class infrastructure to allow private companies and investors to find a convenient and efficient environment.

B. Road Map

1. A vision for Sustainable urban transport in Georgia by 2030

4. The strategic vision of the project is to promote a sustainable, integrated, socially affordable, environmentally friendly and cost efficient urban transport system. By 2030, with the benefits of the investment program, urban transport will play a major role in improving access to businesses and communities, attracting investments, and enabling citizens to tap economic and social opportunities. This investment program will promote efficient and effective urban transport services with incentives and capacity to improve quality, efficiency, reliability, accessibility, affordability, integration and coverage of transport services. It will help resolve heavy traffic congestion and air and noise pollution, caused by increased private car ownership, inadequate roads, weak traffic management, and imperfect public transport services. It will also boost the

¹ ADB. 2007. Interim Operational Strategy 2008-2009 and Country Partnership Strategy under preparation, Manila.

economy, sustain tourism development, and strengthen employment. The investment program financed by ADB is structured as a multitranche financing facility and will support a program of investments to resolve these issues mainly in Tbilisi, Kutaisi and Mestia in the first tranche and in other main cities in Georgia in subsequent tranches. It provides financing for physical improvements in main urban areas, benefiting a total population of 2.2 million, and for institutional strengthening and capacity building.²

5. Five main goals have been identified for the urban transport sector in Georgia:

- *Goal 1: Complete and upgrade the road network in urban areas to boost the economy and strengthen employment.* A coherent, optimized, efficient time saving road network, decreasing congestion and urban barrier effects, and sustaining economic development in general and development of tourism in particular.
- *Goal 2: Promote a sustainable development of road network operation.* In order to maintain a proper quality of road network, the management of the traffic, the quality of service and the organisation of its maintenance will be improved using private sector involvement and public private partnership (PPP).
- *Goal 3: Improve public transport network to match demand; and reduce congestion and car usage:* An affordable, environmentally friendly and energy saving strategy to upgrade, renovate, complete public transport infrastructures, and renew vehicle fleet.
- *Goal 4: Improve public transport efficiency, profitability and quality of service with integrated and sustainable urban transport system* with an easy to implement strategy for public transport and tailored solutions to promote intermodality and maximize the benefits of an integrated transport network.
- *Goal 5: Improve quality of life with specific measures for non motorized transport to reduce pollution, noise and traffic accidents.* An ambitious strategy in order to limit the flow of cars inside the dense parts of the cities and to develop exemplary urban renewal project in each city particularly sustainable coastal waterfront improvement to promote non motorized transport uses (pedestrian, two-wheeler, etc).

6. The sector roadmap aims to allocate over its 20 year-period equal effort for the road sector and for public and non-motorized transports and improvement of urban living habitat conditions in order to offer reliable alternative to car use, promote a more sustainable mobility in Georgian cities. This is particularly relevant considering the ADB policy paper on sustainable transport,³ which suggests that the three strategy elements of a sustainable urban transport model policy should be 'avoid', 'shift' and 'improve'. These refer to the principle of reducing the need to travel and to encourage travelers to use sustainable modes and energy efficient, "green" vehicles and fuels.

2. A sequenced urban transport development plan

7. The principle of the urban sustainable transport road map is to propose a list of actions which aim to deal with different issues identified. These actions are integrated and inter-related projects, in order to implement a coherent development of the transport network in Tbilisi and in

² ADB is already financing urban transport improvements in small municipalities through Municipal services Phase 1 and 2 (MSDP 1 and 2) implemented by the Municipal Development Fund of Georgia (MDF)

³ ADB. 2009 "Changing Course, A new paradigm for sustainable urban transport", Manila, and ADB, 2010, Sustainable Transport Operational Plan, Manila

other participating municipalities. The different infrastructures are developed in a holistic vision: the key issue is to propose complementary projects for all transport modes, especially road and public transport networks. The road map will be implemented in 3 phases which may coincide with the three tranches of the MFF:

- (i) Immediate action plan, with urgent actions and investment. It mainly includes the already planned projects.
- (ii) Medium term actions: aim at providing transportation and sustainable urban habitat improvement solutions to match increase in demand in the next few years.
- (iii) Long term development: the objective is to strategize and coordinate the urban development and the transport network.

8. The **immediate action** plan mainly includes projects and measures already projected or under construction. The objective is to achieve all the forecast interventions by 2013 – 2015. For instance, the metro extension in Tbilisi to the University district (V. Pshavela Av) is expected to start operations in 2013. The medium term action plan can be achieved by 2020, and the long term in 2025 – 2030. The priority of the different actions has to be defined with the participating municipalities. They have to be coordinated, as actions are deeply related. Given this schedule, the implementation of the road map consists in the following objectives:

9. **Medium term actions:** different actions are proposed to cope with the increasing demand. It aims at improving the current transport provision and creating new urgent infrastructures:

- (i) Road network: creation of missing links, upgrading existing road to improve safety, re-designing main problematic crossroads and renovation of the main roads
- (ii) Public transport: restructuring and developing public transport network according to demand and new development in the city, and integration of the different public transport services; extension of the metro network in Tbilisi to the densest areas, refurbishment of the main stations and renovation of the rolling stock; and reorganization of minibuses services.
- (iii) Parking organization and management: reform of the parking policy and concession for new parking lot.
- (iv) Non motorized transport: develop urban projects which combine urban renewal and facilities to promote pedestrian and other soft modes uses, including sustainable coastal waterfront improvement given its importance for pedestrian and recreational life quality improvement, urban regeneration and coastline tourism development.

10. **Long term development:** it promotes a dramatic increase of quality of transportation and quality of life in the participating municipalities, including:

- (i) Road network: creation of new roads connecting the surrounding areas, to limit traffic in the downtown area, and refurbishment and upgrading of the road network.
- (ii) Public transport: refurbishment of the whole public transport system including interchanges facilities to provide safe, attractive and affordable services, creation of new fast, attractive and high-capacity public transport lines on the main corridors of demand.
- (iii) Parking organization: creation of safe parking lots and "park and ride" facilities at the extremities of the metro lines to encourage people to leave their car and use public transport or walking zones for their trip in the centre.

- (iv) Non-motorized transport: creation of traffic calming zones in touristic areas of city center to improve the quality of life, enhance cultural heritage and promote the use of pedestrian and other soft modes.

3. Overview of Roadmap interventions

11. The proposed infrastructure development for the **short term** mainly deals with the already on-going or planned projects. Based on the existing mobility and the transport demand generated by the new urban and economic developments in various urban areas a list of key infrastructure has been elaborated and agreed. A number of significant projects are already in progress and sponsored by the Government, in particular construction of the highway in Tbilisi which will decongest the bottleneck on Chachavadze Avenue in Vake business district through a connection between the two dense districts adjacent to Vake.

12. Mtkvari River in Tbilisi represents a natural barrier which constraints the connections between the banks. Given the current congestion observed on the nine existing road bridges, a new bridge is proposed linking the districts of Saburtalo and Digomi to Didube. Congestion in Kavtaradze Street in Tbilisi is also noteworthy as it constitutes the main access to a densely inhabited area, including the university campus buildings and research centers. Today, multiple microbus lines link the university to the city center. The completion of the 1.5 km extension of metro line 2 and the opening of the University station will relieve pressure on the road network and will have clear real estate and sustainable urban development-related benefits. Tbilisi and Rustavi have effectively become two poles of a single urban agglomeration. An important commuting traffic is observed between Tbilisi and Rustavi, its main adjoined city (120,000 inhabitants) which extend the urban area and creates a 30km-long metropolitan area. The Tbilisi-Rustavi urban interconnection upgrade will contribute to traffic safety, reduction in the transportation time and congestion, and will foster sustainable planning all along the interconnection. It is thus recommended to upgrade the existing road linking these two cities, effectively turning it into an urban boulevard which could convey a high frequency bus line.

13. Pedestrian accessibility and promotion of non motorized transport are urgent issues in Tbilisi and Kutaisi. In Kutaisi, bicycle lanes and related pedestrian/clean transportation development is projected to ease pedestrian movement and safety, and have positive public health implications. The construction of the Gorgasali underpath in Tbilisi, while improving traffic conditions by removing a major traffic bottleneck, also aims at providing a new pedestrian zone on the banks of the Mtkvari River, offering direct pedestrian pathway from the Old City to the river bank.

14. The investment program will allow to improve accessibility of cities with high economic and touristic potential. In this respect, the program will support the Government in its efforts to enhance and open up urban areas in Georgia's mountainous and coastal areas such as, Anaklia Batumi and Mestia. This aims to create incentives for private investors benefiting from strong governmental investment stimuli in tourism development activities. Completion of the urban road access to Mestia is part of the Government's broader effort in the context of sustainable development of Georgia's Upper Svaneti area – the UNESCO World Heritage Site which is conspicuous by its exceptional mountain scenery, architectural heritage, climatic conditions, cultural and sports tourism potential. The investment program will support the Government in its effort to ensure sustainable development of waterfronts in the Black Sea coastal cities of Batumi and Anaklia. This will take form of coastal protection and coastline pedestrian infrastructure development measures with significant positive externalities in terms of

development of the related urban areas and enhancing their attractiveness for domestic and international tourists which generate employment and revenues.

15. In the **mid-term**, the assessment of the economic development and the numerous urban projects currently in progress in Tbilisi will require new transport infrastructures in the next few years. Congestion on the road network is currently mainly caused by 5-6 road junctions, which are strong blockages for the network. The increase in car traffic will reinforce the negative impact of these points within the next few years. A new design, including flyovers and tunnels should be considered for these bottlenecks to improve the capacity of the road network. Traffic congestion will also be worsened by inter-city through traffic. The existing ring road may not be attractive enough due to its long distance from the city centre. Different options could be considered to create a new fast and high-capacity inner ring road, which will enable both (i) to connect quickly the main highways arriving in Tbilisi and (ii) to link the surrounding districts of the city without going through the avenues in the centre.

16. Several dense areas of Tbilisi are not connected to the metro network. Several feeder alternative with transfers at the terminus station are being investigated but considering the high forecasted ridership on these sections, new metro extension to northern and southern dense areas could be relevant. Similarly, the traffic forecasted on the corridors connecting Digomi, Vake, Delisi, Rustaveli, Didi Digomi, may require a mass transit solution such as LRT or BRT which will depend on demand, alignment and traffic capacity.

17. The quality and functionality of the interchange stations can be considered for improvement particularly the metro stations of Vagzlis Moedani, Samgori and Akhmeteli which experience significant transfers with the bus and coach lines. These could consist of a holistic urban redevelopment project, including the full refurbishment of the metro stations; the creation of intermodal facilities such as pedestrian paths and bus terminals; and the development of office buildings, commercial and recreational amenities involving private sector.

18. Parking lots are missing in Tbilisi, especially secured spaces. It has a direct impact on traffic congestion by causing random parking. New lots are recommended in the densest business areas, to limit curb parking. Around old Tbilisi, the implementation of secured lots could also enable the creation of a car free zone in downtown, which could reinforce its attractiveness in terms of tourism and leisure.

19. In the **long term**, the removal of the railway infrastructure in the centre will imply major development projects in Tbilisi as the land made available by the removal of the tracks may be used to erect a new district with residential building, business activities, and public equipments. It is a great opportunity to create an integrated urban project including a combined public and road transport network to replace the existing railway corridor. Depending on the expected traffic, an urban boulevard could be designed, with pedestrian facilities and attractive public transport system.

20. Also the increase of mobility will entail important traffic congestion. This will require new roads to link the areas that have been getting denser. The creation of new bridges to connect the two banks of the city could be needed, notably between Grmagele and Digomi. The long term development of the public transport network could also propose alternative and efficient solutions to car use such as the transformation of the main bus routes into fast, high capacity transport systems. When metro will be upgraded, park and ride facilities could be developed to provide alternative solutions for commuters.

C. Policy and Reform Framework

21. In order to meet the objectives of the investment program it is necessary to develop an urban sector roadmap anchored within a holistic and integrated reform agenda improving the sustainability, quality, and reliability of urban transport services. This requires incentives and support through (i) an enabling policy framework; (ii) effective institutions, professional operation and management; and (iii) sustainable financing for operation and investment.

22. Outside Tbilisi, in Georgia's secondary cities, further improvements need to be made in urban planning and service delivery. This includes but is not limited to: clear long-term vision; clarity of institutional mandates, the process and the outputs of integrated and strategic action planning; and coordination in investment decisions that would ensure effective spending. In addition, here is a potential of improvement in development and implementation of Policy Frameworks.

1. Institutional change options

23. One of the institutional reform could ultimately lead to the creation of a Transport Authority⁴ under the Municipality organizing all modes of transport in the city and managing all aspects of transportation: traffic management, road maintenance, public transport services, non motorized transport and parking. It could enable a global vision and coherent actions in order to promote an integrated public transport system.

2. Financial opportunities

24. Different financial solutions could be investigated to better cover operating and investment costs for transportation. Others options could also be proposed to finance new road investments, especially tolls on main highways or public private partnership (PPP) to finance new public transport stations.

3. Monitoring

25. Monitoring refers to the regular and systematic collection of data on specified indicators to provide stakeholders of an ongoing activity with indications of the extent of progress and achievement of objectives. Monitoring systems (i) analyze services and measure the operator's performances according to the contract conditions, (ii) determine the amount of operating subsidies to cover social discount in public transport, (iii) propose alternative solutions to limit road congestion; (iv) help to decide on set incentives; and (v) direct on the future organization of the public transport market (e.g. benchmarking among different operators, tendering decisions, etc.)

4. Capacity building through assistance and training

26. To implement the proposed roadmap, with these infrastructures projects and organizational reforms, Tbilisi and other municipalities will require assistance and training. Assistance will be required for engineering, project management and supervision to implement properly the proposed infrastructure according to international standards.

⁴ This type of organization is found in most western and developed countries and is called "Verkehrsverbund" in Germany, Passenger Transport Authority (PTA) in UK, Urban Transport Management Authority (AOTU) in France, Land Transport authority (LTA) in Singapore, Tokyo metropolitan Bureau of Transportation or Road and Transport Authority (RTA) in Dubai. There are usually headed by Mayor or Vice Mayor.

27. To strengthen the transport sector stakeholders, capacity building will be needed including: (i) professional tours and visits; (ii) a twinning with relevant municipalities to provide benchmark and good practices for implementation; and (iii) the development of specific tools, including professional documentation, studies and software to better assess transportation trends, take into consideration urban development, and help the authorities to anticipate the future needs and focus on the main futures issues.

II. INDICATIVE INVESTMENT PLAN

Subsector Investment Requirements to 2030 - US\$ Millions					
	2010-2013	2013-2016	2016-2020	2020-2030	Total
Road improvements and infrastructure upgrading	186.84	127.00	180.00	tbd	493.84
Traffic Management Improvements	7.00	15.00	0.00	tbd	22.00
Car Parking	11.00	20.00	40.00	79	150.00
Mass rapid transit Construction, Upgrading and Extension	34.51	70.00	124.00	255	483.51
Public Transport Improvements and Investments	15.00	19.00	75.00	tbd	109.00
Interchange and intermodal connection	5.00	25.00	15.00	tbd	45.00
Intermodality and integrated measures	8.00			tbd	8.00
Non motorized transport facilities	25.83	37.00		tbd	62.83
Branding, signage, information and communication	15.00	2.00		tbd	17.00
Policy and Institutional Reform	5.50	6.50	3.50	tbd	15.50
Program management capacity	10.92	10.92	10.92	tbd	32.75
Total Investment US\$ Million	324.59	332.42	448.42	334	1439.43

Source: SYSTRA, ADB

SCHEDULE 2
(GEO: Sustainable Urban Transport Investment Program)

DESIGN AND MONITORING FRAMEWORK FOR THE INVESTMENT PROGRAM

Design Summary	Indicative Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
Impact Improved urban environment, local economy and better living conditions within urban areas	By 2018 Attractiveness and preservation of cultural heritage with 10% increase in tourist nights compared to baseline in 2008 Reduce urban road accidents and casualties by 5% compared to baseline in 2009 Citizens will benefit from project construction through job increase (between 1,000 to 1,500 jobs) Private sector involved in specific tasks for streamlined implementation	Report on multiple Indicators from Municipal departments, Municipal companies and NGO Surveys by Tourism Department or other entities as appropriate Statistical surveys (MRDI or other agencies) Surveys by Tbilisi Municipality or other entities as appropriate	Assumptions The Government pursues strategy of growth Appropriate environmental framework in place Political and economic stability. Dully implementation of the urban transport MFF Risk Economy vulnerability to exogenous shocks
Outcome Efficient, reliable and affordable urban transport services provided in relevant cities	By 2018 Program will benefit at least 2 million people in urban areas compared to 2009 Urban population in Tbilisi with direct access to public transport increase by 5% compared to 2008 Public transport ridership increased by 5% compared to 2009 baseline Maintain public transport modal split in Tbilisi at least as the same level as 2009 Women using municipal urban transport increased by 5% compared to 2008	NGO and international or national transport associations reports Municipal statistics Metro, bus companies or other agencies statistics as appropriate MRDI data base	Assumptions Implementation of the urban transport roadmap Prompt decision-making, releasing counterpart funds release by GoG MDF, Tbilisi and other municipalities follow safeguards policy Risk Weak coordination among government departments and municipalities undermines operations.
Outputs Urban transport infrastructure extended, rehabilitated and improved by MDF and relevant municipalities	By 2014 A 1,5 km long Tbilisi Metro Extension to University completed One urban redevelopment on Gorgasali implemented including one underpass 20 km of Mestia road upgraded 27 km bicycles lanes implemented in Kutaisi All design and construction address specific needs of women and men riders By 2016 One Bridge on Mtkvari completed in Tbilisi A 15km urban link Tbilisi-Rustavi completed Footbridges constructed in relevant cities 10 km of urban road and coastal waterfront improvement Traffic management center in operation in Tbilisi	Urban transport roadmap published by the relevant municipality enforced Tbilisi Metro and bus Company, annual reports Participating city website and other municipal communication and media materials Press release reports and press review Municipal transport statistics Municipality reports Surveys conducted by the Municipality	Assumptions Properly staffed and empowered institutions are able to effectively deliver, operate, and manage municipal services Management capacity for the relevant municipalities strengthened Risks New municipal government shifting focus from urban transport investments Capacity of domestic contractors is exhausted due to large number of ongoing externally- funded projects Rising energy costs increase operation cost and tariff increases not

	<p>By 2018</p> <p>10 km of urban road with urban renewal upgraded in urban areas</p> <p>Multimodal interchanges redesigned and upgraded</p> <p>Segregated bus and tram lines, and for riverside urban regeneration considered</p>		supported by consumers
<p>Institutional and management capacity of MDF and relevant municipalities strengthened</p>	<p>By 2014</p> <p>Gender-responsive urban transport roadmap endorsed by Tbilisi</p> <p>One sex-disaggregated household survey carried out in Tbilisi (50% of respondents women)</p> <p>One multimodal traffic model implemented</p> <p>A multimodal team set up in Tbilisi with women representatives</p> <p>One multimodal transport website with gender responsive design of public transportation</p> <p>A city twinning with focus on gender public transport design implemented</p> <p>By 2016</p> <p>Urban transport masterplan developed and endorsed including PPP options</p> <p>One integrated ticketing system implemented</p> <p>A parking management outsourcing carried out</p> <p>Microbus organization set up rethought in the context of the urban transport masterplan</p> <p>Planning processes streamlined and monitoring tools established</p> <p>By 2018</p> <p>One Public Service Contracts (PSC) considered</p> <p>Traffic calming zones or pedestrianization considered</p>	<p>Participating city website and municipal organization chart</p>	<p>Assumption</p> <p>Municipalities receptive to reform agenda and strategic planning</p> <p>Agreed institutional reforms are implemented and continued political will to manage and monitor program development and implementation</p> <p>Risks</p> <p>Interdepartmental coordination and support within municipality is not forthcoming.</p> <p>Divergence between central government and municipal authorities on the reform to implement</p>
<p>Establishment of skilled and experienced units to oversee the management and the implementation of the Program in MDF and the relevant municipalities</p>	<p>By 2011,</p> <p>Feasibility studies and project due diligences timely prepared by MDF and participating municipalities</p> <p>Gender sensitive public awareness campaigns organized</p> <p>Financial management, gender sensitization procurement, safeguards and training provided</p> <p>By 2013,</p> <p>Professional staff hired by MDF with 15% recruitment of qualified women</p> <p>Training on concession, lease and</p>	<p>MDF annual report and communication</p>	<p>Assumptions</p> <p>MDF is giving priority to the urban transport projects and is willing to hire necessary resources</p> <p>Risk</p> <p>Political issues shift urban transport priority</p>

	management contracts carried out Studies and due diligences for subsequent projects prepared		
Indicative Activities with Key Milestones 1. Construction, improvement and rehabilitation of urban transport infrastructure Tranche 1: <ul style="list-style-type: none"> • Detailed design completed by month 12 from the effectiveness of the tranche 1 loan agreement (MDF, PM) • Urban infrastructures constructed, commissioned, and made operational in phases by month 60 (MDF, PM, Contractors) • Equipment procured and delivered by month 36 (MDF, PM, Manufacturers) Tranche 2: <ul style="list-style-type: none"> • Detailed design completed by month 12 from the effectiveness of the tranche 2 loan agreement (MDF, PM) • Timely land acquisition and implementation of resettlement plans before contract awards (MDF, PM) • Urban infrastructures constructed, commissioned, and made operational in phases by month 60 (MDF, PM, Contractors) • Equipment procured and delivered by month 36 (MDF, PM, Manufacturers) Tranche 3: <ul style="list-style-type: none"> • Detailed design completed by month 12 from the effectiveness of the tranche 3 loan agreement (MDF, PM) • Timely land acquisition and implementation of resettlement plans before contractors contract awards (MDF, PM) • Urban infrastructures constructed, commissioned, and made operational in phases by month 60 by contractors (MDF, PM, Contractors) • Equipment procured and delivered by month 36 (MDF, PM, Manufacturers) 2. Institutional Capacity Development Plan <ul style="list-style-type: none"> • Household survey and strategic traffic model developed by month 12 (MDF, TM) • Multimodal team set-up at the municipal level by Month 12 and multimodal concept initiated by month 18 (PM) • Sex-disaggregated public transport survey and database developed by month 24 (PM, Operators) 3. Program Management Facility <ul style="list-style-type: none"> • Safeguards specialist(s) recruited by month 6 (MDF, PM) • Gender Focal point in MDF identified and supported by ADB • Training plan carried out as appropriate by month 48, with at least 30% of women participants (MDF, PM) • Support provided to the Program development, implementation and management for the whole duration of the Program (MDF, PM). Tranche II: to be approved by end of 2010-beginning of 2011 Tranche III: to be approved by end of 2013			Inputs ADB: \$300.00 million with ADF/OCR T1: \$85 million (ADF) Government: \$51.63 million

ADB = Asian Development Bank, MDF = Municipal Development Fund, MRDI = Ministry of Regional Development and Infrastructures, NGO = non-government organization, O&M = operation and maintenance, PM = Participating municipalities, PPMS = project preparation and monitoring system, TM = Tbilisi Municipality.
Source: Asian Development Bank.

Matthew Westfall
Director, CWUS

Juan Miranda
Director General, CWRD

SCHEDULE 3 (GEO: Sustainable Urban Transport Investment Program)

IMPLEMENTATION FRAMEWORK

1. Unless modified and amended in loan or project agreements under the Facility, the investment program will be implemented as follows.

A. Implementation Arrangements

2. The executing agency for the investment program will be the Municipal Development Fund (MDF). Participating municipalities will assist MDF for the implementation of the projects under the Investment Program for their perimeter.

3. MDF Supervisory Board which is chaired by the Prime Minister of Georgia will provide overall policy direction and guidance for the investment program. The board includes *inter alia* Ministry of Finance (MOF); Ministry for Regional Development and Infrastructure (MRDI) and Ministry of Economic Development (MoED). Representative of other relevant ministries and of municipalities can be invited to attend as appropriate. The board will be providing overall guidance, reviewing investment program performance, and deciding on all major issues of the investment program management. The duties of the MDF will include:

- (i) provision of strategic guidance on and overseeing the implementation of the investment program
- (ii) preparation of the periodic financing requests (PFRs) for their submission to ADB
- (iii) preparation of annual budget estimates for activities under the investment program for their eventual approval;
- (iv) recruitment of additional staff and consultants, as necessary, to prepare and manage the program
- (v) procurement of services, works, and goods, and approval of disbursements; and
- (vi) approval of the subprojects and ensuring compliance with safeguards and acquisition of land, and other similar matters with the help of the participating municipalities.

4. MDF will be expanded as appropriate to execute, manage, and monitor the implementation of the investment program. The team dedicated to the MFF will comprise technical, financial, procurement, social and environment, and administrative specialists. The MDF will have adequate staff with relevant expertise and should include: a road engineer, a financial management specialist, an accountant, a procurement specialist, an environment specialist, a social safeguards specialist, a monitoring and evaluation specialist, an interpreter, and a management information system specialist. Supported by consultants under the program management facility (PMF) (Component 3 of the investment program), MDF will be responsible for:

- (i) appraising subprojects;
- (ii) undertaking feasibility studies;
- (iii) supervising detailed designs;
- (iv) procuring the goods and services;
- (v) directing construction supervision;
- (vi) overseeing the implementation of the institutional strengthening and capacity development;

- (vii) monitoring and evaluating the implementation progress and impact;
- (viii) checking and guiding safeguards compliance;
- (ix) coordinating among government agencies; and
- (x) consolidating and preparing periodic reports for the investment program.

5. A municipal project implementation team (MPIT) will be set up in each participating municipality and will be responsible for day-to-day implementation of the subprojects within its perimeter. Each MPIT will be headed by a municipal focal point.

B. Approval Procedure for Tranches

6. For the subprojects that will be included in the latter PFRs, the selection and approval are set forth in Schedule 4 to this FFA.

C. Reviews

7. After review of the semi-annual progress reports, ADB will field review missions as required to discuss the progress of the investment program under each loan, any changes in the implementation arrangements, or remedial measures that are needed to achieve the overall objectives of specific subprojects and of overall investment program.

8. In addition to regular reviews, including a midterm review for each loan, a detailed midterm review of the investment program will be done 3 years after the effectiveness of the loan for the first tranche. The midterm review for each loan will be done in accordance with the implementation period of each loan. Such midterm reviews will evaluate in detail the project activities, implementation arrangements, any outstanding issues, environment and resettlement as well as other safeguard issues, achievement of scheduled targets, contract management progress, and other issues, as appropriate. The midterm review for the investment program will focus on: (i) performance under the Components of the investment program; and (ii) any changes to implementation arrangements or remedial measures needed to be undertaken toward achieving the objectives of the investment program.

9. The ADB review missions will be undertaken jointly with MDF and MPITs.

SCHEDULE 4
(GEO: Sustainable Urban Transport Investment Program)

SELECTION CRITERIA AND APPROVAL PROCESS FOR SUBPROJECTS

A. SELECTION CRITERIA

1. The Asian Development Bank (ADB) will finance projects and/or subprojects that (i) are part of the Investment Program and/or achieving the objectives of the Sustainable urban transport sector roadmap as described in Schedule 1 of the Framework Financing Agreement (FFA), (ii) adhere to the implementation arrangements set forth in Schedule 3 of the FFA, (iii) fully comply with the social dimensions and safeguard frameworks in Schedule 5 of the FFA, and (iv) meet the eligibility requirements set forth in this appendix.

1. Selection of Participating Municipalities

2. All municipalities in Georgia are eligible. For activities to be financed under Component 1 of the Investment Program, the participating municipalities should present an overall assessment of the urban transport (UT) situation which includes (i) city urban area population and demographic trends, (ii) urban transport network and public transport services, (iii) urban and economic developments prospects, and (iv) urban transport management system.

2. Selection of Subprojects

3. In selecting the subprojects for each municipality, the following general criteria should be followed:

- (i) The subproject deals with (i) urban and urban transport infrastructures¹, (ii) transport services management, or (iii) intermodal measures and transport management improvements.
- (ii) The subproject has a proven consumer demand analysis, is likely to trigger positive externalities in terms of tourism development and economic regeneration; is technically sound, and its feasibility assessment meets the engineering, financial, economic, environmental, and social requirements of Georgia and ADB;
- (iii) The subproject has been granted government approvals and endorsements and has been allocated sufficient counterpart funding to implement the project or subproject as scheduled and maintain such project/subproject facilities upon completion; and

4. For projects or subprojects that are added in the course of updating the Government's Investment Plan, all relevant clearances should be sought prior to submission of the PFRs to ADB.

3. Appraisal of Subprojects

5. When appraising the subprojects, following general criteria should be followed:

- (i) The feasibility study shows that the subproject meets ADB's technical, economic, financial, and institutional requirements;

¹ Construction, extension, upgrading, or rehabilitation of urban transport infrastructures, including, without limitation, roads, urban waterfronts, public transport, traffic management, parking and multimodal facilities

- (ii) The economic viability of the subproject should have been demonstrated by an economic analysis undertaken in accordance with ADB's *Guidelines for the Economic Analysis of Projects* (1997).
- (iii) The financial sustainability of the subproject should have been demonstrated through a financial analysis and financial management assessment undertaken in accordance with Chapters 3, 4, and 5 of ADB's *Handbook for Borrowers on the Financial Management and Analysis of Projects* (2006).
- (iv) For a subproject with land acquisition and resettlement impact, a resettlement plan will be prepared, in accordance with the Land Acquisition and Resettlement Framework of the investment program (incorporated by reference in Schedule 5 to this FFA);
- (v) An initial environment examination (IEE) or an environment impact assessment (EIA) as applicable should have been undertaken for the subproject with sufficient mitigation measures and budget for managing potential negative environmental impacts, in accordance with the Environment Assessment and Review Framework of the Investment Program (incorporated by reference in Schedule 5 to this FFA); and
- (vi) The implementation arrangements and institutional strengthening and capacity development plan for the subproject have been prepared.

B. SELECTION AND APPROVAL PROCESS

6. Approval procedures for projects proposed for financing under the MFF will follow the required review and approval processes in Georgia as supplemented by the requirements attached to Schedule 5 of this FFA. For the Tranche 1 subprojects proposed for financing under this MFF, all necessary approvals in Georgia have been obtained prior to the contract awards. The following process will be followed when preparing and submitting a periodic financing request:

- (i) MDF reviews and screens the subproject proposals to confirm their compliance with eligibility criteria, and has them reviewed and endorsed by the Supervisory Board;
- (ii) MDF, with the support from the Program Management Facility, ensures implementation and appraisal of the feasibility and due diligence studies for the subprojects;
- (iii) MDF prepares the periodic financing request (PFR) based on the subproject feasibility and due diligence reports;
- (iv) The Supervisory Board reviews and endorses the subproject feasibility and due diligence reports as well as the corresponding PFR;
- (v) MDF submits, through Ministry of Finance (MoF), the endorsed PFR together with subproject feasibility and due diligence reports for ADB's approval.
- (vi) Subject to satisfactory compliance with the selection criteria and approval procedures, and in compliance with ADB's relevant policies, ADB will approve the proposals of the projects.
- (vii) MDF will proceed with procurement exercise in accordance with ADB's Procurement Guidelines and Guidelines on the Use of Consultants (2010, as amended from time to time).

7. MoF, MRDI, Municipal Development Fund of Georgia, participating municipalities, and ADB will maintain contact through periodic ADB review missions and semi-annual progress reports, and in so doing may effect advanced consultation on PFRs prior to submission to ADB.

SCHEDULE 5
(GEO: Sustainable Urban Transport Investment Program)

ENVIRONMENT AND SOCIAL SAFEGUARDS

1. Georgia will ensure that all the requirements prescribed in this Schedule and the following safeguard frameworks and plans that have been prepared with respect to the Facility and the first tranche, and of which ADB has been provided full copies, and which are deemed incorporated herein by reference, are complied with during the processing and implementation of the projects financed under the Facility:

- (i) environmental assessment and review framework (EARF),
- (ii) land acquisition and resettlement framework (LARF), and
- (iii) environmental management plan (EMP).

2. The frameworks cover the Facility-specific information and requirements in accordance with ADB's safeguard policies: (i) the general anticipated impacts of the components or projects likely to be financed under the MFF on the environment and involuntary resettlement; (ii) the safeguard criteria that are to be used in selecting components, projects; (iii) the requirements and procedure that will be followed for screening and categorization, impact assessments, development of management plans, public consultation and information disclosure (including the 120-day disclosure rule, if required), and monitoring and reporting; and (iv) the institutional arrangements (including budget and capacity requirements) and the client's and ADB's responsibilities and authorities for the preparation, review and clearance of safeguard documents.

3. Prior to the preparation of each PFR, the applicability and relevance of each Safeguard framework for environmental assessment, involuntary resettlement, and indigenous people will be reviewed and updated to ensure relevance and consistency with applicable country legal frameworks and ADB's Safeguard Policy Statement (2009), as amended from time to time.

4. In all cases, for each new PFR preparation, MDF will review ongoing projects under the Facility to check on the status of compliance with the safeguards plans and frameworks, and submit the review reports to ADB, together with other required safeguard documents relevant to the projects included in the tranche being processed. In any case if major noncompliance is discovered in the course of the review of ongoing subprojects, a corrective action plan will be prepared and submitted to ADB.

5. In addition, all ADB Safeguards Policies in effect as of the date the financing of a project is prepared or provided under the Facility will apply to such project. In the event there is a discrepancy between the laws and regulations of Georgia and ADB's Safeguards Policies, then the stricter of these two regulations shall be applied.

A. Environment

6. MDF shall ensure that each project and all facilities financed under the Facility are developed, conducted, implemented and maintained in accordance with all applicable laws and regulations of Georgia and ADB's Safeguard Policy Statement (2009).

7. MDF shall ensure that a relevant environmental impact assessment (EIA) or initial environmental examination (IEE) (as applicable) is prepared for each project financed under the

Facility in accordance with all applicable laws of Georgia and ADB's Environment Policy, and that all EIA/IEEs are approved by ADB and Georgia's Ministry of Natural Resources and Environment Protection (when required by Georgian legislation) and are adhered to during design, construction and operation phases of such projects.

8. MDF shall ensure that the EMP is implemented. All recommendations of the EMP are incorporated in the bidding documents, civil works contracts and consultant's contracts to ensure compliance.

9. MDF shall: (i) monitor the implementation of EMPs by the contractor; (ii) ensure that civil works and consulting services contracts include specific provisions for EMPs' preparation, implementation and monitoring, (iii) ensure that mitigation measures in EMPs are adequately implemented by the contractors, and (iv) provide adequate budgetary allocation for this activity. MDF shall also ensure timely submission of semi-annual monitoring reports on EMPs implementation to ADB on a project during project implementation.

10. No civil works contract shall be awarded until the corresponding initial environmental examination or environmental impact assessment as may be applicable to project financed under the Facility has been approved by ADB.

B. Land Acquisition and Resettlement

11. MDF with the participating municipality shall ensure that land and rights-of-way required by the projects are made available free and clear from any and all rights and claims of third parties and any other encumbrances whatsoever in a timely manner and that the provisions of the LARPs are implemented in conformity with (i) all applicable laws and regulations of Georgia, (ii) ADB's 'Safeguard Policy Statement (2009) on Involuntary Resettlement, and the agreed LARF.

- (i) LARF shall be reviewed, if necessary updated, and submitted for ADB approval at least annually and at the beginning of the preparation of each tranche under the Facility. A LARP consistent with the reviewed and updated LARF shall be prepared for each project entailing land acquisition and resettlement under the Facility.
- (ii) The review and update of LARF and preparation of a LARP for each subsequent project consistent with the LARF shall be a condition for such project appraisal.
- (iii) Preparation of an updated LARP for each project based on the final design and consistent with the LARF shall be a condition for approval of the award of relevant civil works contract(s).
- (iv) Completion of the implementation of the LARP shall be a condition for the commencement of civil works.

12. Pursuant to ADB's Safeguard Policy Statement (2009) on Involuntary Resettlement, the following shall be required:

- (i) compensation shall be provided at replacement cost together with any entitlements as stipulated in the approved LARF and LARP;
- (ii) lack of formal title will not be a bar to resettlement assistance or rehabilitation for land or any other loss;
- (iii) counterpart funds and disbursements shall be timely provided to affected persons, with agreed compensation and rehabilitation provided to them prior to any land, house or other affected asset being taken;
- (iv) Georgia shall meet any unforeseen obligations in excess of budget estimates;

- (v) consultations and grievances related to the investment project's resettlement activities shall be documented;
- (vi) LARPs shall be updated if an investment project is modified such that there are different or additional resettlement impacts; and resettlement activities shall be reported to ADB as part of the semi-annual progress reports by MDF.

13. MDF shall ensure that within 3 months of the effective date of the loan agreement under relevant tranche an independent expert, acceptable to ADB, is engaged to conduct independent external monitoring and evaluation of the resettlement process and impacts. Reports of the independent monitoring expert will be submitted to ADB on a semi-annual basis.

14. No civil works contract shall be awarded until an LARP as may be applicable to the project financed under the Facility has been approved by ADB.

15. Contractors may only commence civil works after the LARP has been implemented in accordance with its terms.

C. Social Impacts, Gender Development and Other Issues

16. MDF with the participating municipality shall ensure a monitoring of the social impacts throughout implementation of the Facility, in consultation with local governments, local communities, and nongovernment organizations. In this respect, MDF shall ensure that all civil works contractors (i) comply with all applicable labor laws, (ii) use their best efforts to employ women and local people, including disadvantaged people, living in the vicinity of the project/subproject financed under the Facility, (iii) disseminate information at worksites on health safety for those employed during construction, (iv) provide equal pay to men and women for work of equal type, (v) provide safe working conditions and separate culturally appropriate facilities for male and female workers, and (vi) abstain from child labor. Contracts for all projects/subprojects to be financed under the Facility must include specific clauses on these undertakings, and compliance will be strictly monitored during Road Corridor Investment Program implementation.

17. MDF with the participating municipality shall develop, as appropriate, the gender action plan (GAP) within six (8) months of the Effective Date of each Tranche, and ensure that it is timely implemented over the Project period. MDF shall monitor GAP implementation and report the progress to ADB semiannually.

SCHEDULE 6
(GEO: Sustainable Urban Transport Investment Program)

UNDERTAKINGS

In addition to such undertakings as ADB will reasonably require in legal agreements for individual tranches under the Facility, Georgia undertakes that it will ensure that:

- (i) **Urban transport subsector plan:** Cities of more than 100,000 inhabitants willing to get funding from the investment program will maintain sound transport subsector roadmaps in line with their long term urban development.
- (ii) **Urban transport policy and sector management:** (i) ADB is kept informed of Georgia's policies and programs related to the road sector that will materially affect the economic viability of each project, subproject, or component financed under the Facility; (ii) Best efforts are used to sustain and strengthen urban transport sector; including human managerial and technical capacity building.
- (iii) **Counterpart funding and resources:** (i) Financial, technical and human resources and the implementation arrangements necessary for the investment program will be provided on a timely basis; (ii) Adequate funds to sustainably maintain the infrastructure developed and items procured under the investment program throughout its service life will be allocated seeking cost recovery where applicable; and (iii) human and technical resources to implement the urban transport subsector plan will be made available.
- (iv) **Construction quality:** (i) Subprojects under the Investment Program are compliant with the international standards and relevant agreements to which Georgia is a contracting party; (ii) Sound contract management and quality control procedures are performed in accordance with internationally acceptable standards; and (iii) Completed works comply with the design drawings, construction specifications and other documents stipulated in the bidding documents.
- (v) **Land acquisition and resettlement:** (i) In the event that any land acquisition or resettlement becomes necessary, appropriate land acquisition and resettlement plans (LARPs) will be prepared in accordance with the national laws and regulations, the resettlement framework and the ADB's *Safeguard Policy Statement* (2009) in consultation with the affected people; (ii) All LARPs are disclosed to the public and submitted to ADB for approval; (iii) All land and right-of-way required for the project implementation are made available in a timely manner, (iv) Land acquisition and resettlement are carried out promptly and efficiently following the LARPs agreed with ADB and monitored, evaluated, and reported to ADB as required in the LARPs; and (v) Any civil works will be commenced only after the required land has been acquired and affected households have been compensated at full replacement cost.
- (vi) **Environment:** (i) projects under the investment program are designed, carried out, maintained, and monitored in compliance with (a) all applicable environmental laws and regulations of Georgia; (b) ADB's *Safeguard Policy Statement* (2009); (c) environmental assessments (IEEs/EIAs) prepared for each individual project; and (d) EMPs, including the mitigation measures and monitoring requirements arising

from the implementation of the IEEs/EIAs; (ii) civil works contractors' specifications include requirements to comply with the environmental mitigation measures contained in the IEEs/EIAs and EMPs, and (iii) civil works contractors are supervised to ensure compliance with the requirements of the IEEs/EIAs and EMPs.

- (vii) **Local consultation and gender:** (i) Gender Action Plan agreed under the MFF is implemented; (ii) all local consultations to address safety, social, and cultural issues during implementation of the investment program are carried out as recommended in the summary poverty reduction and social strategy; (iii) men and women are given equal employment opportunities directly, or indirectly, arising from the Investment Program and without any differentiation of wages for equal work; and (iv) mechanisms for maximizing local employment benefits will be promoted.
- (viii) **Health risks and prevention:** all civil works contracts will include a requirement to conduct an information and education campaign on sexually transmitted diseases and HIV/AIDS for construction workers as part of the health and safety program at campsites during the construction period.
- (ix) **Anticorruption; transparency and good governance:** MDF will follow ADB's *Anticorruption Policy* (1998, as amended to date) and acknowledge that ADB, consistent with its commitment to good governance, accountability and transparency, reserves the right to undertake directly, or through its agents, investigation of any alleged corrupt, fraudulent, collusive or coercive practices related to the MFF and cooperate with such investigation and extend all necessary assistance including access to all MFF-relevant books and records, and engaging independent experts who may be needed for satisfactory completion of such investigations. All contracts financed by ADB under the investment program include provisions specifying the right of ADB to audit and examine the MFF-related records and accounts of the MDF and all contractors, suppliers, consultants, and other service providers as they relate to the MFF. Additional measures to improve governance, accountability, and transparency under the MFF, include (i) independent external auditing of contracts, project accounts, and financial statements; (ii) publication of decisions on all procurement-related matters by the MDF; and (iii) timely disclosure of information on selection of consultants and contractors through local newspapers.