



Technical Assistance Report

Project Number: 52161-002
Transaction Technical Assistance (TRTA)
September 2018

Georgia: Preparing the Second Domestic Resource Mobilization Program

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 14 September 2018)

Currency unit	–	lari (GEL)
GEL1.00	=	\$0.3846
\$1.00	=	GEL2.60000

ABBREVIATIONS

ADB	–	Asian Development Bank
PDF	–	project development facility
PPP	–	public–private partnership
SMEs	–	small and medium-sized enterprises
TA	–	technical assistance

NOTE

In this report, “\$” refers to United States dollars.

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TRANSACTION TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 52161-002	
Project Name	Preparing the Second Domestic Resource Mobilization Program	Department/Division	CWRD/CWPF
Nature of Activity Modality	Project Preparation Regular	Executing Agency	Asian Development Bank
Country	Georgia		
2. Sector	Subsector(s)	ADB Financing (\$ million)	
✓ Finance	Finance sector development		0.07
	Infrastructure finance and investment funds		0.17
	Money and capital markets		0.13
	Small and medium enterprise finance and leasing		0.06
Public sector management	Public expenditure and fiscal management		0.10
	Social protection initiatives		0.22
		Total	0.75
3. Strategic Agenda	Subcomponents	Climate Change Information	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive Pillar 3: Extreme deprivation prevented and effects of shocks reduced (Social Protection)	Climate Change impact on the Project	Low
4. Drivers of Change	Components	Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Institutional development Public financial governance	Effective gender mainstreaming (EGM)	✓
Knowledge solutions (KNS)	Application and use of new knowledge solutions in key operational areas		
Partnerships (PAR)	Implementation Private Sector		
Private sector development (PSD)	Conducive policy and institutional environment Promotion of private sector investment Public sector goods and services essential for private sector development		
5. Poverty and SDG Targeting		Location Impact	
Geographic Targeting	No	Nation-wide	High
Household Targeting	No		
SDG Targeting	Yes		
SDG Goals	SDG8		
6. Risk Categorization	Low		
7. Safeguard Categorization	Safeguard Policy Statement does not apply		
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		0.75	
Transaction technical assistance: Technical Assistance Special Fund		0.75	
Cofinancing		0.00	
None		0.00	
Counterpart		0.00	
None		0.00	
Total		0.75	

I. THE ENSUING PROGRAM

1. The proposed Second Domestic Resource Mobilization Program will support the Government of Georgia in sustaining medium-term growth by mobilizing domestic resources for private sector development and diversifying the economy and creating value-added jobs. The program is consistent with the Government Platform, 2016–2020;¹ the Four Point Reform Program;² and the Asian Development Bank (ADB) country partnership strategy, 2014–2018 for Georgia.³ It is also included in ADB’s country operations business plan, 2019–2021 for Georgia.⁴

2. The overarching development objective and program impact is inclusive economic growth sustained. The effect of the reforms will be effective mobilization of domestic resources for public and private investment increased. The reform areas are (i) generation of domestic savings enhanced; (ii) comprehensive public–private partnership (PPP) program operational; (iii) access to financial services for small and medium-sized enterprises (SMEs) increased; and (iv) mobilization of private resources for long-term investment enhanced. This is a programmatic approach policy-based loan comprised of two subprograms.

II. THE TECHNICAL ASSISTANCE

A. Justification

3. The transaction technical assistance (TA) will help the government undertake diagnostics in the key areas of program scope, identify key policy actions and design their implementation plan, and assess the costs of undertaking the agreed reforms/actions. It will help identify and implement policy, institutional, and related measures to support the development of a PPP enabling environment and pilot projects; fiscally sustainable pensions system; improve access to financial services for SMEs; and development of capital markets. The TA will ensure that the proposed program advances the reforms made under the first Domestic Resource Mobilization Program for Inclusive Growth,⁵ complements relevant interventions of development partners, and dovetails with the government’s medium- to long-term development strategy. TA consultants will prepare the program with a focus on subprogram 1 to ensure that the ensuing loan/program complies with ADB and government requirements.⁶

B. Outputs and Activities

4. **Output 1: Risk-sharing facility for small and medium-sized enterprise finance designed.** This output will develop a detailed design for a self-sustainable SME risk-sharing facility suited to Georgia. It will assess various operating models for credit guarantee/risk-sharing

¹ Government of Georgia. 2016. *Government Platform, 2016–2020—Freedom, Rapid Development, Prosperity*. Tbilisi.

² Government of Georgia. 2013. *Socio-Economic Development Strategy of Georgia: Georgia 2020*. Tbilisi. The Four Point Program of reforms focuses on supporting investment and improving education, improving the business environment and public administration efficiency to boost potential growth while preserving macro stability and fiscal discipline. The program recognizes that structural reforms are critical to support higher, sustainable, and more inclusive growth.

³ ADB. 2014. *Country Partnership Strategy: Georgia, 2014–2018*. Manila.

⁴ ADB. 2018. *Country Operations Business Plan: Georgia, 2019–2021*. Manila. An initial draft of the design and monitoring framework is in Appendix 1 of the program concept paper.

⁵ ADB. 2014. [Report and Recommendation of the President to the Board: Proposed Programmatic Approach and Policy-Based Loans for Subprogram 1 to Georgia for the Improving Domestic Resource Mobilization for Inclusive Growth Program](#). Manila.

⁶ The TA first appeared in the business opportunities section of ADB’s website on2018. The TA is included in the country operations business plan, 2019–2021.

facilities, requirements of the target market, financial analysis, and risk assessment and management. This will cover (i) the ownership and governance structure, (ii) capital structure and funding, and (iii) selection criteria for participating financial institutions. The output will help undertake preliminary work on establishing the facility with a sound operational strategy, covering operational procedures (e.g., administration and financial management, contract drafts, procedures for complaints and disbursement, risk management, and policies related to staff and code of conduct); and operational tools, including a management information system.

5. **Output 2: Project development facility established and pilot projects prepared.** This output will assess the potential role of a project development facility (PDF), given its legal basis under the PPP Law, 2018 as an institutional support mechanism to fund the preparation of PPP projects. It will prepare the concept and initial design of a PDF—covering the concept, role, business plan, and guidelines for operation—and reach preliminary agreement on the establishment of the PDF. The output will also support pilot project identification and preparation by undertaking preliminary technical, financial, economic, legal, institutional, social, and environmental due diligence of select pilot projects; and prepare project briefs.

6. **Output 3: Pension reforms action plan implemented.** This output will help implement the pension reforms action plan, including establishing the pensions management agency and preparing legislation for indexation of pensions.

7. **Output 4: Long-term national capital market master plan formulated.** This output will help develop the capital market master plan in accordance with the priorities of Georgia's key capital market stakeholders. The capital market master plan will form the basis of policy actions to develop the equity market, government bond market, and corporate bond market under subprogram 2 of the proposed program.

C. Cost and Financing

8. The TA is estimated to cost \$750,000, which will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-other sources). The key expenditure items are listed in Appendix 1. The government will provide counterpart support in the form of staff, office space and supplies, translation, workshop venues, and other in-kind contributions. The government was informed that approval of the TA does not commit ADB to finance any ensuing project.

D. Implementation Arrangements

9. ADB will administer the TA. The Central and West Asia Regional Department will select, supervise, and evaluate consultants; and procure goods, if applicable. ADB will be the executing agency and the Ministry of Economy and Sustainable Development, Ministry of Finance, Ministry of Regional Development and Infrastructure, Ministry of Health, and National Bank of Georgia will be the implementing agencies. The TA implementation period will be from October 2018 to October 2019. All disbursement under the TA will be made in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time). The implementation arrangements are summarized in Table 1.

Table 1: Implementation Arrangements

Aspects	Arrangements		
Indicative implementation period	October 2018–October 2019		
Executing agency	ADB		
Implementing agencies	MOESD, MOF, MRDI, MOH, and National Bank of Georgia		
Consultants	To be selected and engaged by ADB		
	Individual: individual selection	International expertise (19 person-months)	\$556,000
	Individual: individual selection	National expertise (12 person-months)	\$109,800
Disbursement	The TA resources will be disbursed following ADB's <i>Technical Assistance Disbursement Handbook</i> (2010, as amended from time to time).		

ADB = Asian Development Bank, MOESD = Ministry of Economy and Sustainable Development, MOF = Ministry of Finance, MOH = Ministry of Health, MRDI = Ministry of Regional Development and Infrastructure, TA = technical assistance.

Source: Asian Development Bank.

10. **Consulting services.** ADB will engage individual consultants or a firm to implement the TA. It is estimated that 19 person-months of international and 12 person-months of national consultants' services will be required. Given the highly specialized expertise needed, the TA will follow quality- and cost-based selection using a standard quality–cost ratio of 90:10. ADB will select the consulting firm based on a simplified technical proposal and quality- and cost-based selection. The multidisciplinary team of consultants will have expertise in SME finance, capital markets and financial sector development, project finance, public financial management, economics, law, financial management, and social and environmental safeguards for infrastructure projects and financial intermediation projects. Where applicable, technical resource persons will be recruited as individual consultants and single-source selection will be used for key positions to ensure continuity and link with the first program, subject to the conditions prescribed in the Guidelines on the Use of Consultants (2013, as amended from time to time). Advance contracting will be considered. ADB will engage the consultants following the ADB Procurement Policy (2017, as amended from time to time) and its associated project administration instructions and/or staff instructions.⁷ The outline terms of references for the TA consultants are described in Appendix 1.

Table 2: Summary of Required Consulting Services

Position	Person-Months
A. International	
1. Pension reform specialist	3.00
2. Pension legal specialist	3.00
3. PPP specialist	3.00
4. PPP finance specialist	3.00
5. PPP legal specialist	1.00
6. Capital markets specialist	2.50
7. SME finance specialist	3.50
Subtotal	19.00

⁷ Terms of Reference for Consultants (accessible from the list of linked documents in Appendix 2).

Position	Person-Months
B. National	
1. Pension reform implementation specialist	3.00
2. PPP specialist	3.00
3. Capital markets specialist	3.00
4. Gender specialist	3.00
Subtotal	12.00
Total	31.00

PPP = public-private partnership.

Source: ADB

E. Governance

11. The TA will undertake financial management assessment as needed of the proposed SME risk-sharing facility and the PDF for PPP projects. It will undertake preliminary safeguards screening (social, environmental, gender, poverty) of the demonstration PPP projects and prepare documents as needed.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Amount
Asian Development Bank^a	
A. Consultants	
1. Remuneration and per diem	
a. International consultants	418.00
b. National consultants	105.60
2. Out-of-pocket expenditures	
a. International and local travel	131.91
b. Reports and communications	10.35
c. Miscellaneous administration and support costs (meetings)	15.00
d. Others	14.14
B. Workshops and trainings	
a. Participants	15.00
C. Contingencies	40.00
Total	750.00

ADB = Asian Development Bank.

Note: The TA is estimated to cost \$750,000, of which contributions from ADB are presented in the table above. The government will provide counterpart support in the form of staff, office space and supplies, translation, workshop venues, radio and television time for communication campaigns, and other in-kind contribution.

^a Financed by ADB's Technical Assistance Special Fund (TASF-other sources).

Source: Asian Development Bank estimates.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=52161-002-TARreport>

1. Terms of Reference for Consultants