



Technical Assistance Report

Project Number: 53114-001
Transaction Technical Assistance Facility (F-TRTA)
May 2019

Georgia: Preparing Integrated Solutions for Livable Cities

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 2 May 2019)

Currency unit	–	lari (GEL)
GEL1.00	=	\$0.36969
\$1.00	=	GEL2.705

ABBREVIATIONS

ADB	–	Asian Development Bank
TA	–	technical assistance
WSS	–	water supply and sanitation

NOTES

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

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TRANSACTION TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 53114-001	
Project Name	Preparing Integrated Solutions for Livable Cities	Department/Division	CWRD/CWUW
Nature of Activity	Project Preparation	Executing Agency	Asian Development Bank
Modality	Facility		
Country	Georgia		
2. Sector	Subsector(s)	ADB Financing (\$ million)	
✓ Water and other urban Infrastructure and services	Other urban services		0.20
	Urban policy, institutional and capacity development		0.20
	Urban sanitation		0.30
	Urban solid waste management		0.20
	Urban water supply		0.60
Agriculture, natural resources and rural development	Rural water supply services		0.10
Transport	Transport policies and institutional development		0.20
	Urban public transport		0.50
	Urban roads and traffic management		0.30
	Total		2.60
3. Strategic Agenda	Subcomponents	Climate Change Information¹	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive	Climate Change Impact on the Project	Low
Environmentally sustainable growth (ESG)	Disaster risk management		
Regional integration (RCI)	Urban environmental improvement		
	Pillar 4: Other regional public goods		
4. Drivers of Change	Components	Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Client relations, network, and partnership development to partnership driver of change	Effective gender mainstreaming (EGM)	✓
	Institutional development		
	Organizational development		
Knowledge solutions (KNS)	Application and use of new knowledge solutions in key operational areas		
	Knowledge sharing activities		
Partnerships (PAR)	Implementation		
	International finance institutions (IFI)		
	Private Sector		
Private sector development (PSD)	Conducive policy and institutional environment		
	Public sector goods and services essential for private sector development		
5. Poverty and SDG Targeting		Location Impact	
Geographic Targeting	No	Rural	Low
Household Targeting	No	Urban	High
General Intervention on Poverty	No		
SDG Targeting	Yes		
SDG Goals	SDG1, SDG3, SDG5, SDG6, SDG9, SDG10, SDG11		
6. Risk Categorization	Complex		
7. Safeguard Categorization	Safeguard Policy Statement does not apply		
8. Financing			
Modality and Sources	Amount (\$ million)		
ADB			2.60
Transaction technical assistance: Technical Assistance Special Fund			2.60
Cofinancing			0.00
None			0.00
Counterpart			0.00
None			0.00
Total			2.60
Currency of ADB Financing: USD			

¹ The project reduces greenhouse gas emissions. However, it does not fall under the eligibility criteria for climate mitigation finance as defined by the joint multilateral development bank methodology on tracking climate finance, which notes that not all activities that reduce greenhouse gases in the short term are eligible to be counted towards climate mitigation finance. Accordingly, greenfield fossil fuel projects are excluded, and climate mitigation finance is considered zero.

I. THE TECHNICAL ASSISTANCE FACILITY

A. Justification

1. The transaction technical assistance facility (TA facility) will support project preparation to ensuing urban development and water investment projects, comprising Livable Cities Investment Program and Water Supply and Sanitation (WSS) Service Improvement Project, Phase 2, included in the country operations business plan 2019–2021 for Georgia.¹ The TA facility will enable Asian Development Bank (ADB) to be responsive in addressing the country’s dynamic and evolving needs and its desire to apply integrated urban solutions for livable cities. The TA facility will also cover technical assistance (TA) needs for the ongoing projects that are difficult to be accommodated under the existing financing arrangement.² The list of ADB-financed urban development projects in Georgia is in Appendix 3.

2. **Strategic linkages.** ADB’s assistance is harmonized with the strategic regional development priorities of the government of Georgia (the government).³ The ensuing projects aim to incorporate the key reform areas outlined in its national development strategy of Georgia,⁴ and support all seven operational priorities of ADB’s Strategy 2030.⁵ They will also contribute to the Sustainable Development Goals.

3. The TA facility will prepare integrated urban solutions and programmatic investment program for Georgia with a series of cross-cutting multisectoral, multi-region interventions for improved livable cities in Georgia (impact)—economically competitive, socially inclusive, and environmentally resilient. The ensuing projects will contribute to improved urban infrastructure and services in selected areas of Georgia (outcome). In addition, support for governance and institutional capacity will underpin all ADB-financed activities to ensure results and sustainability. Further, ADB will help to increase prospect, and more effectively engage private sector knowledge and expertise, technologies, and innovation to improve access, efficiency, and quality of urban services.

4. **Rationale for TA facility.** ADB has a strong urban development and water sector pipeline in Georgia. The TA facility will allow adequate time and resources to conduct thorough scoping, fieldwork, participatory planning, and stakeholder consultation. It provides flexibility to accommodate a comprehensive scope of services, to be responsive and tailored to the remaining and emerging development needs. Moreover, it is cost-efficient and can effectively avoid duplication of work.

¹ ADB. 2018. [Georgia Country Operations Business Plan, 2019–2021](#). Manila. The proposed technical assistance facility (TA facility) will be reflected in the next rolling country operations business plan.

² Sustainable Urban Transport Investment Program (\$300 million) and Urban Services Improvement Investment Program (\$500 million) will close in July 2020 and March 2021, respectively. They consist of 11 active projects. Implementation and capacity development support for active and/or completed projects will be included such as safeguards assessment and monitoring, that are difficult to be accommodated under the existing financing arrangement because of constrained time, cost, and scope of services.

³ Ministry of Regional Development and Infrastructure of Georgia. 2018. *Regional Development Program of Georgia 2018–2021*. Tbilisi.

⁴ Government of Georgia. 2016. *Freedom, Rapid Development, Prosperity: Government Program 2016–2020*. Tbilisi. The government aims to achieve inclusive economic growth by developing infrastructure, innovation and technologies, human resources, and private sector participation.

⁵ ADB. 2018. [Strategy 2030: Achieving a Prosperous, Inclusive, Resilient and Sustainable Asia and the Pacific](#). Manila.

5. **Integrated solutions for livable cities.** Georgia is strategically located at the crossroads of Europe and Asia, rich in natural resources and cultural heritage. Despite these comparative advantages, substantial infrastructure and capacity gaps remain to realize its economic potential. Besides, its mountainous terrain and regions have placed more barriers on the provision of basic infrastructure, access to essential urban services, and economic growth opportunities.⁶

6. To drive growth, the government will continue to (i) build its transit potential to promote international trade and commerce,⁷ and (ii) prioritize the provision of urban basic services where larger populations have increased demand and there are greater pressures on accessible, quality service delivery. Still, the prevalent—large and growing—disparities in regional development and uneven access to basic services will crimp inclusive and sustainable growth and underlie key development challenges of the government.

7. Since November 2016, the government has mainstreamed participatory planning and visioning to map out upstream integrated urban action plans and investment programming.⁸ For inclusive economic growth and balanced regional development, strategic planning of select urban area clusters are strengthened. Building on this, the government has (i) prioritized crucial multisectoral, multi-region urban investments,⁹ and (ii) provisioned resources to prepare integrated urban development solutions.¹⁰ ADB will support the government (i) capitalize on ongoing investments in connectivity and accessibility, and (ii) develop economic corridors and clusters as hubs for tourism, agribusiness, small and medium enterprises, and logistics.¹¹ Basic urban services and transport will be prioritized, particularly in small towns and regional cities that are potential hubs for tourism and agribusiness as key drivers of economic growth. It is envisaged that additional income and jobs—especially for women, the youth, and the poor—would result in stimulating local growth, economic diversification and balance between urban and rural development.

8. **Water supply and sanitation.** WSS has a high potential impact on poverty reduction, gender equality, social inclusion, and environment. Well-governed WSS sector has an extensive general impact on the economy and contributes to productive economic activity of women. Georgia has made great strides in restoring WSS infrastructure and meeting the Millennium Development Goals.¹² Albeit, Georgia has (i) 73% of population using safely managed drinking

⁶ ADB. 2016. [Realizing the Urban Potential in Georgia: National Urban Assessment](#). Manila. Income inequality in Georgia is one of the highest in the Central Asia region. In Georgia, about half of the population lives in rural areas. Out of 3.7 million population, estimated 0.8 million people (22%) are living below the national poverty line (2017) and 0.3 million (8%) of these are extremely poor. About 4% of population has below \$1.90 purchasing power parity a day. Women account for a significant proportion of the poorest.

⁷ Georgia is the latest member of Central Asia Regional Economic Cooperation (CAREC).

⁸ ADB. 2016. [Technical Assistance to Georgia for Livable Urban Areas: Integrated Urban Plans for Balanced Regional Development](#). Manila (policy and advisory technical assistance (PATA) 9220).

⁹ This includes, among others, water supply, sewerage and sanitation (including off-network solutions), urban transport and mobility (including nonmotorized and public transport), solid waste management, economic corridors, cultural and historical heritage conservation, flood control and drainage, urban safety and resilience.

¹⁰ Project Readiness Financing is under preparation for the Livable Cities Investment Program to support detailed engineering designs to ensure design and procurement ready projects.

¹¹ It will also contribute to regional cooperation and CAREC 2030 by supporting regional transport and mobility plan, improving regional connectivity via public and cargo transport and airport, as well as inter-municipal and regional connectivity via public transport.

¹² World Health Organization–United Nations Children’s Fund (UNICEF). 2017. *Joint Monitoring Program*. Washington, DC. In 2015, Georgia has reached universal access to improved water source and 86% access to improved sanitation (95% in urban and 76% in rural areas) with about 98% of urban population having access to piped water supply and 77% to piped sewerage connection.

water services, and (ii) 17% using safely managed sanitation services, based on the Sustainable Development Goals indicators (2015).¹³ Estimated 64% customers experience intermittent service.¹⁴ Inadequate wastewater treatment and solid waste management are threatening public health and environment. The problem gets more acute outside of the urban centers. Still, there are huge financing needs for WSS infrastructure, for some lagging regions have only 34% of households with water supply systems and lack access to basic sanitation.

9. Continued investment in WSS infrastructure is critical to address limited, unequal access to WSS services, and nonperforming assets. Low service level and tariff, high waste and losses, and reactive and ineffective maintenance are prevailing in WSS operations. The declining management efficiency and labor productivity have nonrevenue water hovering over 60% across Georgia.¹⁵ The government's recent investments in infrastructure risk suboptimal performance and accelerated physical deterioration, with weak institutional, technical, and financial capacity.

10. Safe and reliable WSS services remain a key development priority of the government. ADB will continue to add value by fostering a sustainable operational model for WSS as well as accelerating progress in skills and capacity development, innovation, technologies, and private sector participation for stronger and sustained results and greater efficiency. ADB will further help to address key challenges in policy and regulatory environment that constrain inclusive growth and development.

B. Outputs and Activities

11. **Output 1: Feasibility study on ensuing project prepared.** The TA facility will prepare transformative, programmatic, and procurement-ready projects catering to local conditions. Feasibility studies will incorporate (i) programmatic, multisectoral, and multi-region solutions that call for large and/or complex public investments; (ii) innovation, technology, and public-private partnership; and (iii) timely project evaluation, selection, implementation, and capacity development support. The TA facility will assess and help to integrate high-level technology, i.e., supervisory control and data acquisition, smart information and communication technology systems, metering and billing, intelligent transport systems, and low emission vehicles, into project designs, where feasible.

12. Outputs include: (i) feasibility studies and master bidding documents;¹⁶ (ii) financial management and capacity assessment, cost estimate and financing plan, project financial viability and entity financial analysis, sustainability assessment of executing and implementing agencies, and fund flow, accounting, auditing, and financial reporting arrangements; (iii) economic analysis; (iv) safeguards documents on the environment, involuntary resettlement, and indigenous peoples; (v) poverty, social and gender analysis, collection of baseline data, and related action plans; (vi) procurement capacity assessment, risk assessment and management, and/or integrity due diligence; (vii) sector assessments; (viii) climate risks and vulnerability assessments; and (ix)

¹³ ADB. 2018. [Basic 2018 Statistics](#). Manila.

¹⁴ The United Water Supply Company of Georgia (UWSCG) services about 0.8 million population in 57 cities and towns. Only 25% of UWSCG service centers provide 24-hour coverage. Among those with access to piped water, about 50% have supply for only 3–4 days per week and mostly for only 2–4 hours per day. About 23% residents lack piped sewer connections and rely on other onsite sanitation systems, including pit latrines and septic tanks. Women are most affected from the unavailability or poor quality of the WSS system since they are managing and distributing water in the households.

¹⁵ Lack of bulk and distribution metering makes accurate nonrevenue water estimation difficult.

¹⁶ Master bidding documents will be prepared for new executing and implementing agencies under ensuing projects.

public consultation and communication strategy. This may include geospatial analysis, earth observation and diagnostic studies, among others.

13. **Output 2: Project management and urban service delivery capacity strengthened.** The TA facility will cover technical and policy advice, reforms, governance, capacity development, and knowledge work to support ensuing and ongoing projects.¹⁷ Activities include: (i) strengthening governance and institutional capacity in operation and maintenance and cost recovery mechanisms, (ii) developing policy, strategy, regulation, and reform measures, and (iii) improving project implementation and contract management capacity. The government's human development initiative will be supported via sharing knowledge and best practices, building capacities—in skills, gender-sensitive professional and workforce development, and human resources management—and increasing opportunities for private sector participation and investment. The TA facility will support knowledge management through gender-inclusive training, publications, and other cost-effective forms of knowledge sharing.

14. **Output 3: Compliance and contractual disputes reduced.** The TA facility will help to (i) preempt and/or resolve safeguards and contractual issues, and (ii) minimize potential contractual disputes. Executing and implementing agencies will be supported to ensure compliance with the Safeguard Policy Statement and facilitate resolution of project-related complaints as well as the development and implementation of remedial actions in projects affected by compliance review. It will assist the government in preparing and managing performance-based contracts, and implementing a range of measures to monitor, manage, and counter risks.

C. Cost and Financing

15. The TA facility is estimated to cost \$2.60 million, 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. Additional resources will be sought during TA facility implementation for prefeasibility, feasibility, and other complementary activities. The government will provide counterpart support in the form of counterpart staff, office accommodation, office supplies, information and documents relevant for the preparation of the ensuing projects, and other in-kind contributions, equivalent to \$260,000.

16. The government was informed that approval of the TA facility does not commit ADB to finance any ensuing project.

D. Implementation Arrangements

17. The TA facility will operate from 2019–2022. The TA activities for an ensuing project will start only after ADB approves the project concept paper on the ensuing project.

18. ADB will administer the TA facility. ADB's Urban Development and Water Division, Central and West Asia Department—with support from other divisions in the same department as required—will select, administer, and supervise the consultants' outputs for the respective projects, and will evaluate consultants. The implementation arrangements are summarized in Table 1.

¹⁷ Refer to footnote 2.

Table 1: Implementation Arrangements

Aspects	Arrangements		
Indicative implementation period	May 2019–December 2022		
Executing agency	Asian Development Bank		
Implementing agency	Central and West Asia Department, Asian Development Bank		
Consultants	To be selected and engaged by ADB		
	1 Firm: Quality and Cost-Based Selection, 90:10	Project preparation <ul style="list-style-type: none"> • International (60 person-months) • National (72 person-months) 	\$2.0 million
	Individual: individual selection	International (14 person-months)	\$0.3 million
		National (19 person-months)	\$0.1 million
Procurement	To be procured by ADB following ADB Procurement Policy (2017, as amended from time to time) and the associated project administration instructions and/or TA staff instructions.		
Disbursement	The technical assistance resources will be disbursed following ADB's <i>Technical Assistance Disbursement Handbook</i> (2010, as amended from time to time).		

Source: Asian Development Bank estimates.

19. **Consulting services.** 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.¹⁸ A firm will be engaged using quality- and cost-based selection method and output-based, partial lump-sum contract under a framework contract. The expertise of the consultants will cover the entire range required to conduct due diligence for ensuing projects. Individual consultants will be engaged using the individual selection method and output-based partial lump-sum contracts. The indicative consultants' input allocation and indicative terms of reference for consultants are in Appendix 2 and 4, respectively.

II. THE PRESIDENT'S DECISION

20. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$2,600,000 on a grant basis for Preparing Integrated Solutions for Livable Cities, and hereby reports this action to the Board.

¹⁸ Indicative Terms of Reference for Consultants (accessible from the list of linked documents in Appendix 4).

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Amount
A. Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	1,580
ii. National consultants	520
b. Out-of-pocket expenditures	
i. International and local travel	300
ii. Office space rental and related facilities	5
iii. Surveys	15
iv. Reports and communications	5
2. Workshops, training, seminars, and conferences ^b	50
3. Contingencies	125
Total	2,600

Note: The technical assistance (TA) is estimated to cost \$2.86 million, of which contributions from the Asian Development Bank are presented in the table above. The government will provide counterpart support in the form of counterpart staff, office space, office supplies, and other in-kind contributions including the provision of relevant government data and studies. The value of government contribution is estimated to account for 10% of the total TA cost.

^a Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF-other sources).

^b Includes allowances for resource persons, facilitators and participants, venue rental and related facilities, and representation.

Source: Asian Development Bank estimates.

PROJECTS UNDER TECHNICAL ASSISTANCE FACILITY

Table A2.1: Indicative Consultants' Input Allocation
(person-month)

Indicative Risk Category	Total	Project 1 complex	Project 2 complex	Project 3 low risk	Additional support ^a
International Consulting Firm	132.0	44.0	47.0	41.0	0.0
International	60.0	19.0	20.0	21.0	0.0
National	72.0	25.0	27.0	20.0	0.0
Individual Consultants	33.0	0.0	0.0	0.0	33.0
International	14.0	0.0	0.0	0.0	14.0
National	19.0	0.0	0.0	0.0	19.0

Project 1 = Livable Cities Investment Program, Tranche 1, Project 2 = Livable Cities Investment Program, Tranche 2, Project 3 = Water Supply and Sanitation Service Improvement Project, Phase 2.

Note: Technical assistance (TA) resources are requested for Project 2 to assist new executing and implementing agencies.

^a The TA facility will support TA activities for projects, that are difficult to be accommodated under the existing financing arrangement because of constrained time, costs, and scope of services, e.g., safeguards monitoring, assessment, and solutions for Sustainable Urban Transport Investment Program, which is expected to be completed in July 2020.

Table A2.2: Indicative Technical Assistance Budget Allocation
(\$)

Indicative Risk Category	Total	Project 1 complex	Project 2 complex	Project 3 low risk
Workshop, training, seminars, and conferences	50,000	20,000	15,000	15,000
Office space rental and other related facilities	5,000	2,000	1,500	1,500
Surveys	15,000	5,000	5,000	5,000
Reports and communications	5,000	2,000	1,500	1,500

Project 1 = Livable Cities Investment Program, Tranche 1, Project 2 = Livable Cities Investment Program, Tranche 2, Project 3 = Water Supply and Sanitation Service Improvement Project, Phase 2.

Source: Asian Development Bank estimates.

ADB-FINANCED URBAN DEVELOPMENT PROJECTS IN GEORGIA

	Loan/Grant	Loan Amount (\$ million)	Project Implementation Period	Status
1	L2441 (SF): Municipal Services Development Project	40.00	2008–2011	Closed
2	L2534 (SF): Municipal Services Development Project (Phase 2)	30.00	2009–2011	Closed
3	0043-GEO: MFF Sustainable Urban Transport Investment Program – Facility Concept	300.00	2010–2020	Active
4	L2655: Sustainable Urban Transport Investment Program – Tranche 1	85.00	2010–2020	Active
5	L2879/2880: Sustainable Urban Transport Investment Program – Tranche 2	64.89	2012–2020	Active
6	L3063: Sustainable Urban Transport Investment Program – Tranche 3	73.00	2013–2020	Active
7	L3273: Sustainable Urban Transport Investment Program – Tranche 4	20.00	2015–2020	Active
8	L3617: Sustainable Urban Transport Investment Program – Tranche 5	14.27	2017–2020	Active
9	0055-GEO: MFF Urban Services Improvement Investment Program – Facility Concept	500.00	2011–2021	Active
10	L2749: Urban Services Improvement Investment Program – Tranche 1	80.00	2011–2021	Active
11	L2807: Urban Services Improvement Investment Program – Tranche 2	40.00	2011–2021	Active
12	L3078: Urban Services Improvement Investment Program – Tranche 3	98.00	2013–2021	Active
13	L3238: Urban Services Improvement Investment Program – Tranche 4	108.00	2014–2021	Active
14	L3291/3292: Urban Services Improvement Investment Program – Tranche 5	75.00	2015–2021	Active
15	L3441: Urban Services Improvement Investment Program – Tranche 6	99.00	2016–2021	Active

Source: Asian Development Bank estimates.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=53114-001-TARreport>

1. Indicative Terms of Reference for Consultants