

DEVELOPMENT COORDINATION

A. Major Development Partners: Strategic Foci and Key Activities

1. The coronavirus disease (COVID-19) pandemic had significant adverse effects on Georgia's social and economic indicators. Georgia's small open economy, reliant on remittances, trade and tourism, has suffered significantly as a result of a slowdown in global economic growth. The Government of Georgia (the government) has effectively addressed the health and socio-economic effects of the pandemic, first by acting early and effectively towards minimizing contagion, and second through adopting an ambitious Anti-Crisis Plan that supported affected businesses and individuals as they struggle to weather the impact that the lockdown had on the economic activity and income generation. Having managed to significantly minimize both the health and socio-economic impacts of the COVID-19 pandemic during the first half of 2020, the government is now fully committed to begin preparations for a sweep and speedy return to inclusive economic growth, whilst continuing to implement its countercyclical development expenditure program. The government has reached out to its most trusted development partners for support in its efforts to fight the adverse socio-economic effects of the pandemic and to engage in policy dialogue on how to best prepare the country for a speedy return to economic growth. The Asian Development Bank (ADB), Asian Infrastructure Investment Bank (AIIB), the European Bank for Reconstruction and Development (EBRD), the European Union (EU), European Investment Bank (EIB), the Federal Republic of Germany through KfW, the French Republic through Agence Française de Développement (AFD) and International Monetary Fund (IMF) are providing packages of budgetary support to help mitigate the negative impact caused by COVID-19 and engaging in policy dialogue across a wide range of reform areas that will make Georgia better equipped to handle any potential downside risks to economic recovery. Table 1 below lists the major development partners that provide development assistance to the government of Georgia. Major indicative commitments and activities by development partners covering COVID-19 response are currently being discussed with the government.

Table 1: Major Development Partners Past Support

Development Partner	Project Name	Duration	Amount (\$ million)
Finance and Public Sector Management			
ADB	Emergency Assistance for Post-Conflict Recovery	2008	70.0
	Growth Recovery Support Program	2009	80.0
	Social Services Delivery Program	2010	100.0
	Improving Domestic Resource Mobilization for Inclusive Growth (PBL)	2014–2016	250.0
World Bank	Development Policy Operation (DPO) Series	2009–2012	175.0
	Competitiveness and Growth DPO Series	2012–2015	112.69
	Programmatic Inclusive Growth DPO Series	2015–2018	110.0
Health and Social Development			
AFD	Social Welfare Policy Based Loan	2018	€35.0
	Social Welfare Policy Based Loan 2	2019	€35.0
USAID	Family Planning, Maternal and Child Health Services Project	2009–2014	10.5
World Bank	Health Sector Development Project	2003–2011	24.8
	Private Sector Competitiveness DPO Series	2015–2018	110.0
Multisector			
IMF	Stand-By Credit Arrangement and Stand-By Credit Facility	2012–2014	\$387.0
	Stand-By Arrangement (SBA)	2014–2017	\$155.0

ADB = Asian Development Bank, AFD = Agence Française de Développement, IMF = International Monetary Fund, PBL = policy-based ending, USAID = United States Agency for International Development.

Source: Asian Development Bank.

Major Development Partners Budget Support for FY2020

Development Partner	2020 (f) Revised Amount (\$ million equivalent)
ADB	530.0
COVID-19 Active Response and Expenditure Support Program	100.0
Fiscal Management and Social Protection PBL	200.0
Modern Skills for Better Jobs SDP	50.0
Sustainable Water Sanitation Services SDP	80.0
State Electro System Corporatization SDP	100.0
Asian Infrastructure Investment Bank	150.0
European Union	223.0
France (AFD)	205.0
Germany (KfW)	294.0
IMF	200.0
World Bank	180.0

ADB = Asian Development Bank, AFD=Agence francaise de Developpement, IMF = International Monetary Fund, PBL = policy-based lending, SDP=sector development program, USAID = Unites States Agency for International Development.

Source: Asian Development Bank.

B. Institutional Arrangements and Processes for Development Coordination

2. Georgia has a well-defined legal framework for public borrowing and the government takes ownership of the development assistance programs. Under donor support the public financial management capacity has been strengthened with institutional arrangements and human resource development.

3. The government's capacity for interagency coordination and aid reporting is sound and organized. Since February 2020, the government has started to conduct inter-agency coordinated council meetings, led by Prime Minister of Georgia to address the issues of COVID-19. The council is actively cooperating with World Health Organization on preventive measures to keep the situation under control.

4. **ADB.** ADB's response package of \$20 billion to COVID-19 supports flexible measures for the crisis in ADB's developing member countries. In May 2020, ADB approved €92.3 million COVID-19 Active Response and Expenditure Support (CARES) Program for Georgia to support affected private sector entities, enhance livelihoods for the most vulnerable segments of the population and strengthen health sector COVID-19 response capacity. In addition to CARES, ADB processed grant to provide health supplies and medical appliances in Georgia.

5. ADB is one of the major multilateral partners for the government in economic policy and public sector management. Under Domestic Resource Mobilization Program (2014–2016), ADB disbursed \$250 million under three subprograms and supported government to enhance generation of domestic savings, increase mobilization of private resources, improve treasury activities of debt, cash and fiscal risk and strengthen public revenue and expenditure management. In 2020, ADB will contribute with \$530 million in budget support to the Government of Georgia.

6. **AFD.** AFD is actively working with the government to improve social welfare in the country, covering development of social support and solidarity system, provision of an affordable healthcare system and optimization of allocated resources for internally displaced persons. In

2020, AFD's assistance to government is \$294 million in budget to support COVID-19 pandemic crisis response.

7. **IMF.** ADB co-chairs joint coordination meetings and works closely with the IMF public finance reforms. The government is committed to a series of reforms under IMF's Extended Financing Facility (EFF) to support country's long-term economic performance. IMF and the Government of Georgia recently agreed to extend EFF until April 2021. Due to recent events on COVID-19, coordination with IMF and other development partners has strengthened.

8. **World Bank.** World Bank is taking active measures to help developing countries improve public health interventions, support private sector to continue operations and sustain jobs. The World Bank is also providing technical assistance to the government to help reform the Targeted Social Assistance Program, in close coordination with ADB.

C. Achievements and Issues

9. For aid coordination, government maintains comprehensive donor database, electronic aid information management system (eAIMS), this was created to provide and manage information on all aid commitments and fulfills the basic requirements of the Paris Declaration on Aid Effectiveness. With respect to ADB, government actively participates in preparation of project pipeline and ensures that there are no overlaps and duplication in developing partners' activities.

D. Summary and Recommendations

10. ADB has responded swiftly to pandemic situation in Georgia and closely coordinated the policy response with major development partners. The proposed program complements the CARES Program, in that it supports long-term institutional reforms that also serve an immediate need in strengthening Georgia's resilience to wither potential downside risks to economic recovery whilst continuing to provide critical social protection support to the most vulnerable members of society.