

## DEVELOPMENT COORDINATION

### A. Major Development Partners: Strategic Foci and Key Activities

1. Major development partners in the Georgia road subsector include the Asian Development Bank (ADB), the European Investment Bank, the Japan International Cooperation Agency, and the World Bank. They are helping develop the regulatory and institutional framework, and reconstruct and rehabilitate the strategic East–West Highway corridor and secondary roads.

2. ADB has financed the government’s international road development program since 2009. ADB has provided a \$500 million multitranche financing facility (MFF)<sup>1</sup> to improve subregional roads, and build the Road Department’s capacity to manage road assets and improve road safety. ADB has also cofinanced with the government the rehabilitation of the Jvari–Mestia secondary road under the Sustainable Urban Transport MFF Tranche 1.<sup>2</sup> This project has been completed and closed. In addition, ADB’s Urban Development and Water Division has provided a \$300 million MFF,<sup>3</sup> which supports, among other targets, the development of the Rustavi–Tbilisi section of the East–West Highway. The World Bank has financed four road improvement projects along the East–West Highway since 1996, and a fifth project is ongoing. The World Bank has also provided financing for four secondary road rehabilitation packages and a fifth project is ongoing. The World Bank’s total financing of Georgia’s road subsector since 1996 amounts to \$866 million. The European Investment Bank has contributed \$280 million since 2012 and the Japan International Cooperation Agency has contributed \$175 million since 2008 to the East–West Highway development. The Millennium Challenge Corporation provided \$223 million financing for rehabilitation of the Samtskhe–Javakheti road. These projects are listed in the following table.

#### Major Development Partners

Development Partner	Project Name	Duration	Amount (\$ million)
<b>Transport</b>			
ADB	Road Corridor Investment Program–Tranche 1	2009–2017	118.0
	Road Corridor Investment Program–Tranche 3	2012–2017	140.0
	Sustainable Urban Transport Investment Program–Tranche 1	2010–2018	85.0
	Sustainable Urban Transport Investment Program–Tranche 2	2012–2018	64.9
	Sustainable Urban Transport Investment Program–Tranche 3	2013–2018	73.0
	Sustainable Urban Transport Investment Program–Tranche 4	2015–2020	20.0
EIB	East–West Highway Project	2012–2017	224.0
	East–West Highway Project 2	2016–2020	55.0
JICA	East–West Highway Project	2012–2016	175.0
MCC	Samtskhe–Javakheti Road Project	2008–2011	223.4
WB	Transport Rehabilitation Project	1996–1999	12.0
	Transport Ministry Restructuring Project	1998–2003	2.3
	Roads Project	2000–2005	40.0
	Secondary and Local Roads Project	2004–2012	90.0
	First East–West Highway Improvement Project	2006–2013	47.0
	Second East–West Highway Improvement Project	2007–2012	55.0
	East–West Highway Improvement Project 3	2009–2016	147.0
	Kakheti Regional Roads Improvement Project	2009–2015	30.0

<sup>1</sup> ADB. 2009. *Report and Recommendation of the President to the Board of Directors: Proposed Multitranchise Financing Facility to Georgia for the Road Corridor Investment Program*. Manila.

<sup>2</sup> ADB. 2010. *Report and Recommendation of the President to the Board of Directors: Proposed Multitranchise Financing Facility to Georgia for the Sustainable Urban Transport Investment Program*. Manila.

<sup>3</sup> ADB. 2011. *Report and Recommendation of the President to the Board of Directors: Proposed Multitranchise Financing Facility to Georgia for the Urban Services Improvement Investment Program*. Manila.

Development Partner	Project Name	Duration	Amount (\$ million)
	Second Secondary and Local Roads Project	2012–2019	70.0
	Third East–West Highway Improvement Project	2012–2017	43.0
	Fourth East–West Highway Improvement Project	2013–2018	75.0
	Third Secondary and Local Roads Project	2014–2018	75.0
	East–West Highway Corridor Improvement Project	2015–2020	140.0
	Secondary Road Asset Management Project	2016–2021	40.0

ADB = Asian Development Bank, EIB = European Investment Bank, JICA = Japan International Cooperation Agency, MCC = Millennium Challenge Corporation, WB = World Bank.

Sources: Roads Department of the Ministry of Regional Development and Infrastructure, Asian Development Bank, European Investment Bank, Japan International Cooperation Agency, Millennium Challenge Corporation, and World Bank.

3. One of the main sections of the East–West Highway still to be financed for upgrading is a section between Rikoti and Argveta totaling approximately 50 kilometers (km). This section is further divided into subsections F1, F2, F3, and F4 as defined in the project’s feasibility study. It has been agreed with the development partners that ADB will finance the detailed design for subsections F2, F3, and F4. This consultancy was advertised in May 2016. Further, it has been agreed that the World Bank will finance the design and implementation of subsection F1, and ADB, European Investment Bank, Japan International Cooperation Agency, and the Korean Eximbank may provide financing for subsections F2, F3, and F4. The Ministry of Finance is coordinating the discussions between the government and development partners about the financing arrangements.

## B. Institutional Arrangements and Processes for Development Coordination

4. The development coordination mechanism among partners has been established through regular exchange of information and policy dialogue. In addition to regular project-based coordination, development partners meet annually to discuss ongoing assistance and the pipeline of each partner.

5. The Ministry of Finance synchronizes financial assistance from various partners, while the Roads Department under the Ministry of Regional Development and Infrastructure implements projects. These ministries, together with the Ministry of Economy and Sustainable Development, liaise with development partners to discuss financing requirements. Several donor meetings have been organized by the Roads Department to discuss the financing arrangements of the East–West Highway. The ADB Georgia Resident Mission has facilitated policy dialogue, programming, and project implementation since 2009.

6. The government adopted the Socio-economic Development Strategy of Georgia in 2014.<sup>4</sup> The strategy clearly demonstrates that well-developed transport and logistical infrastructure is one of the most important factors for increasing the country’s competitiveness and realizing its full transit potential. The strategy further states the following objectives for the transport sector: (i) increasing development of transport system capacity with a view to streamlining transport infrastructure and developing logistical centers; (ii) completing the East–West Highway and Baku–Tbilisi–Kars railway line, developing the international airport in Kutaisi, and constructing a deep-water port in Anaklia; (iii) developing infrastructure which will meet international standards for multimodal and intermodal shipping operations including development of logistical centers; (iv) developing national and local road infrastructure according to international standards; and (v) planning maintenance works to ensure the long-

<sup>4</sup> Government of Georgia. 2014. *Socio-economic Development Strategy of Georgia (Georgia 2020)*. Tbilisi.

term use of the infrastructure. The government is also encouraging investments in transport and logistics, including public–private partnerships, in order to develop the energy sector, increase the country’s transport capacity, and to ensure relevant logistical support.

7. Development partners in Georgia have had a long history of collaboration and coordination. As an example, in 2008, the government endorsed a joint needs assessment (JNA) prepared by the United Nations together with ADB, European Bank for Reconstruction and Development, European Commission, European Investment Bank, International Finance Corporation, and World Bank. The JNA became the basis for development partners’ assistance programming and cooperation. Since then, these development partners have jointly updated the program recommended in the JNA, although the European Bank for Reconstruction and Development and the Millennium Challenge Corporation have not provided financing for transport projects recently. ADB will continue to support the government in its efforts to develop an efficient and sustainable transport system, consistent with the country’s vision of becoming a competitive international gateway. This will be carried out in close coordination with other development partners so as to harmonize project development and delivery standards and to maximize the impact of support for reform and capacity development.

### **C. Achievements and Issues**

8. **Achievements.** There is good coordination among development partners at the operational level. This was demonstrated in June 2013 when the River Vere disastrously flooded the center of Georgia’s capital, Tbilisi. All development partners were able to mobilize support swiftly and in a synchronized manner in coordination with the government and city officials. The dialogue between government officials and other development partners is constructive and supportive. All development partners generally agree on the country’s most important issues in the transport sector.

9. **Issues.** Despite active cooperation at both the strategic and operational levels, there is no formal coordination mechanism for development partner cooperation. The ongoing projects and pipelines of each partner are discussed, but not necessarily regularly, and there is no mutually agreed agenda. Once the financing and implementation arrangements for the East–West Highway program are agreed, there will be a need to examine other important aspects of the sector development, including through more regular and formal donor coordination mechanisms.

### **D. Summary and Recommendations**

10. Current development coordination practices in Georgia are satisfactory. Completion of the East–West Highway development is an overarching target, which all stakeholders fully agree on. In addition to this, the World Bank is strongly supporting the government in rehabilitating the secondary road network as well as the government’s efforts to improve the sector’s institutional capacity. ADB’s intervention through the government priority investment projects in secondary roads will advance the government’s key development objectives and make overall development partner assistance more effective. ADB should continue to take a significant role in assisting the government in developing road infrastructure.