ADB

Technical Assistance Report

Project Number: 48044-003
Policy and Advisory Technical Assistance (PATA)
September 2014

Georgia: Strengthening Domestic Resource Mobilization

Asian Development Bank

CURRENCY EQUIVALENTS
(as of 11 September 2014)

Currency unit	–	lari (GEL)
GEL1.00	=	$0.57405
$1.00	=	GEL1.7420

ABBREVIATIONS

ADB	–	Asian Development Bank
DRM	–	domestic resource mobilization
GDP	–	gross domestic product
MOESD	–	Ministry of Economy and Sustainable Development
MOF	–	Ministry of Finance
PPP	–	public–private partnership
TA	–	technical assistance

NOTE

In this report, "$" refers to US dollars.

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CONTENTS

POLICY AND ADVISORY TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data — **Project Number: 48044-003**

Project Name	Strengthening Domestic Resource Mobilization	**Department /Division**	CWRD/CWPF
Country	Georgia	**Executing Agency**	Ministry of Finance
Borrower	NA		

2. Sector

Sector	Subsector(s)	ADB Financing ($ million)
✓ Finance	Finance sector development	0.10
	Infrastructure finance and investment funds	0.10
	Money and capital markets	0.20
Public sector management	Public expenditure and fiscal management	0.10
	Total	**0.50**

3. Strategic Agenda	**Subcomponents**	**Climate Change Information**	
Inclusive economic growth (IEG)	Pillar 1: Economic opportunities, including jobs, created and expanded	Climate Change impact on the Project	Low

4. Drivers of Change	**Components**	**Gender Equity and Mainstreaming**	
Governance and capacity development (GCD)	Institutional development Institutional systems and political economy Organizational development Public financial governance	Some gender elements (SGE)	✓
Knowledge solutions (KNS)	Knowledge sharing activities		
Partnerships (PAR)	Implementation Private Sector		
Private sector development (PSD)	Conducive policy and institutional environment		

5. Poverty Targeting		**Location Impact**	
Project directly targets poverty	No	Nation-wide	High

6. TA Category: B

7. Safeguard Categorization Not Applicable

8. Financing

Modality and Sources	Amount ($ million)
ADB	**0.50**
Sovereign Policy and advisory technical assistance: Technical Assistance Special Fund	0.50
Cofinancing	**0.00**
None	0.00
Counterpart	**0.00**
None	0.00
Total	**0.50**

9. Effective Development Cooperation

Use of country procurement systems	No
Use of country public financial management systems	No

I. INTRODUCTION

1. At the request of the Government of Georgia, the technical assistance (TA) was included in the country operations business plan,[1] 2014–2016 for Georgia of the Asian Development Bank (ADB) to assist in strengthening domestic resource mobilization (DRM) and improving public sector efficiency.[2] The TA scope and objectives were discussed during the processing of the proposed programmatic policy-based loan on improving DRM for inclusive growth program.[3] Two missions were undertaken to Georgia—a consultation mission (27–31 January 2014) and a reconnaissance mission (17–26 March 2014)—to define the TA scope. A TA fact-finding mission, undertaken via videoconference during 16–25 June 2014, discussed and agreed on the impact, outcome, outputs, implementation arrangements, financing, and terms of reference of the proposed TA. Government counterparts consulted included the Ministry of Finance (MOF), the Ministry of Economy and Sustainable Development (MOESD), and the National Bank of Georgia.[4] The design and monitoring framework is in Appendix 1.

II. ISSUES

2. The double shocks from the August 2008 conflict with the Russian Federation and the subsequent global economic crisis led to a sharp downturn in economic growth in Georgia. Economic recovery took hold in the following years, with real gross domestic product (GDP) rebounding to 7.2% in 2011 and 6.2% in 2012. GDP growth slowed to an estimated 3.2% in 2013—half of its 2012 level. Weak investor confidence is contributing to the slowdown, reflecting political and policy uncertainty and contraction in government spending. Total investments as a share of GDP declined from 29.4% in 2004 to 25.5% in 2013, whereas government estimates that the economy needs to invest 30% of GDP every year.[5] National savings, one of the lowest in the region, are insufficient to finance necessary investments (16% of GDP in 2013) resulting in increasing reliance on foreign inflows. Foreign direct investment as a share of GDP has declined from 7.3% in 2011 to 5.8% in 2013, and is projected at 5.8% in 2014. Gross external debt remains high at 62.8% of GDP in 2013.

3. With the change in government in 2012, public finances have come under pressure as a result of a large increase in social expenditures and limited scope to raise revenues. The current fiscal deficit of 2.7% of GDP is likely to increase to 3.8% in 2014 because of higher expenditure commitments on universal pension, health, and targeted social programs combined with lower revenues. The International Monetary Fund Article IV Consultation Country Report of 2013 notes the reliance of the national budget on external funding, suggesting that fiscal sustainability needs careful attention.[6] To fulfill the increasing demands to finance pensions, infrastructure, and other social services commitments, the government needs to become more efficient in managing public finances by stimulating revenue generation, instituting effective debt and fiscal

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[1] ADB. 2013. *Country Operations Business Plan: Georgia, 2014–2016*. Manila.

[2] DRM refers to the generation of savings from domestic resources and their allocation to socially productive investments. Both the public and the private sectors have important roles. The public sector mobilizes domestic resources through taxation and public revenue generation for investment in social services and infrastructure. The private sector mobilizes the savings of households and firms through financial intermediaries, which allocate these resources to investment in productive activities. A stable macroeconomic environment is a prerequisite for effective DRM.

[3] The TA will contribute to the achievement of policy actions under subprograms 2 and 3 of the Improving Domestic Resource Mobilization for Inclusive Growth Program, which is being proposed for ADB financing.

[4] The TA first appeared in the business opportunities section of ADB's website on 11 June 2014.

[5] Government of Georgia. 2013. *Socio-economic Development Strategy of Georgia, 2020*. Tbilisi.

[6] International Monetary Fund. 2013. Georgia: 2013 Article IV Consultation. *IMF Country Report 13/264*. Washington, DC. http://www.imf.org/external/pubs/ft/scr/2013/cr13264.pdf

risk management practices, and encouraging formal savings. At the same time, a strengthened institutional and regulatory framework is required to channelize savings and expand private sector investment options in secondary debt markets and public–private partnerships (PPPs).

4. Despite the characterization of Georgia's financial system as profitable, adequately capitalized, and liquid, Georgia's financial market development indicators are low, with a ranking of 93 out of 144 countries.[7] Based on the global competitiveness index, Georgia is especially uncompetitive in financing through the local equity market (126) and regulation of securities exchanges (119), underscoring the limited role of the capital markets in supporting growth in the real economy. The banking sector in Georgia ranks low on ease of access to loans compared with other countries in the region (93 compared with Armenia [69] and Azerbaijan [54]). Georgia also ranked low on availability of financial services (100).

5. Georgia's stock market is small and the corporate bond market virtually nonexistent. The legal and regulatory framework to develop capital markets is inadequate. Provisions relating to the protection of minority shareholders, specifying requirements for public offers with clear differentiation between equity and bond issues, private placement issues, and investor recourse in case of dispute, are lacking. These areas, if reformed, will underpin growth of the equity market and contribute to growth of the corporate debt market.

6. All Georgian citizens receive pension benefits after the age of 60 for women and 65 for men. Pensions constitute the largest social spending item in the state budget, accounting for about 18% of public expenditure in 2013 and about 4% of GDP. The existing universal pension system is an important instrument of poverty reduction and old age security. The current structure of publicly funded pensions imposes a financial burden on the government, raising the question of long-term fiscal sustainability. This has prompted the government to initiate a pension reform program that will include a mandatory-funded pension system. A pension reform unit has been established and staffed in MOESD to design the new system. The new system will have to address several important reform dimensions—whether the system will be defined-benefit or defined-contribution, how mandatory contributions will be collected, the role of voluntary contributions, whether there be one state fund or several private pension funds to choose from, and how the government will guarantee the security of pension savings.

7. The existing level and range of pension benefits will have to be assessed to develop a reformed system that encourages occupational savings, is more cost-effective, and can provide domestic capital for the development of the economy.[8] Growth of pension and other savings will create an important additional source of investment, and strengthen the country's social safety net. These long-term funds could be invested—stimulating the development of capital markets, especially interbank money markets and secondary debt markets, which is critical for DRM. Deeper capital markets will be necessary to absorb pension contribution inflows and generate reasonable returns. In the design of a new system, it is also important to take gender impact into account. Women are, for example, more often less likely to work in formal sectors and generally earn lower wages. Women are also more likely to outlive their husbands, who often provide the family income. The longer life expectancy of women makes survivors' pensions of significant importance to them.

8. Lack of capital constrains infrastructure development, which, coupled with a weak operational framework for managing fiscal risks from PPP projects, acts as a barrier in meeting

[7] World Economic Forum. 2013. *The Global Competitiveness Report, 2012–2013*. Geneva.
[8] A pension reform unit housed in MOESD has been set up to design a new pension plan.

infrastructure needs. The government is exploring measures to mobilize additional resources, and considering a greater role for PPPs as a way to finance infrastructure services. Private sector investment has the potential both to improve funds access to speed up infrastructure development, and to increase the operating efficiency of public services, which will create fiscal space for initiatives in the social sectors. PPPs can also tap into international resources without being dependent on the availability of public sector finance, which necessitates a robust fiscal risk management framework.

9. The government is exposed to different types of aggregate fiscal risks, including contingent liabilities from state-owned enterprises resulting from the external borrowings of these enterprises. The government's capacity to carry out debt sustainability analysis is limited. A debt strategy has yet to be formulated and the legal framework for debt management needs to be updated. Establishing a medium-term debt management strategy to monitor and assess fiscal risks arising out of direct and contingent liabilities will be a critical step. Contingent liabilities are not only important from an institutional angle (to measure exposure, manage risks, and do consistent claims analysis), but also are significant for budget transparency and fiscal discipline. This assumes added significance in the context of developing PPP projects. When creating various special purpose funds, for example, assurances that they will not be used as fiscal vehicles need to be integrated in the budget framework as preemptive ex ante provisions, in addition to dealing with contingent liabilities after they arise.

10. Key development issues to be addressed by the TA include enhancing generation of domestic savings, providing investment opportunities by developing money and debt markets, and managing public debt and fiscal risks better. A well-functioning legal and regulatory environment in these areas is an essential facilitator in spurring economic growth and creating fiscal space. The government is taking steps to ensure that the financial sector is supportive of development in the real sector and is focusing on macroeconomic stability, effective public administration, and private sector competitiveness to boost economic growth and share its benefits.

III. THE POLICY AND ADVISORY TECHNICAL ASSISTANCE

A. Impact and Outcome

11. The impact will be increased availability of domestic resources for effective public and private investment, as measured by the reduction of fiscal deficit to 1.5% by 2020 from 2.7% in 2013. The outcome will be a strengthened institutional and regulatory framework for domestic resource mobilization, as measured by fiscal risk assessments, amendments to public debt legislation, amendments to the basic law on pensions, and amendments to the law on the securities market.

B. Methodology and Key Activities

12. The TA will have four major outputs:

(i) **Capital market master plan finalized.** Output 1 will help the government develop a capital market master plan with a time-bound action plan on the concept and direction of capital market reforms including corporate securities, sovereign debt management, bond market development, and money market instruments. Implementation recommendations will be made through a medium-term action plan (2–3 years) and a long-term action plan (3–5 years). The TA will

(a) assess impediments to capital market development arising from gaps in laws and regulations, institutional arrangements, and supporting infrastructure including the accounting and auditing framework and technical capacity; (b) prepare a diagnostic report with recommendations and an action plan to improve the legal and regulatory framework, institutional arrangements, market infrastructure, investment, governance, risk management, and fund management; and (c) raise awareness and build consensus with relevant government ministries, the private sector, investor interest groups, and other stakeholders on the benefits of the capital market reform plan including investor protection, financial instruments for investment, long-term savings, gender aspects, and close links with pension reforms.

(ii) **Pension reform strategy developed.** Output 2 will develop a pension reform strategy working closely with the government. The TA will (a) develop the present and future cost of the existing universal pension system and review the gender differences in pension eligibility; (b) prepare a diagnostic report on a sustainable private pension savings system factoring in issues like membership contribution, tax considerations, benefits, gender, relationship with universal pension system, and legal and regulatory gaps; (c) conduct a survey to gauge public opinion, targeting interest groups such as teachers and business organizations; and (d) formulate a communications strategy for raising public awareness, including gender aspects, and build consensus with all relevant stakeholders.

(iii) **Legal and institutional framework for public–private partnership strengthened.** Output 3 will strengthen the institutional and legal framework for PPPs. The TA will (a) review the legal framework governing PPPs in the country to identify any gaps to facilitate effective private sector participation in priority sectors with a diagnostic and road map of future reforms; (b) set up a risk management unit in MOF to identify and assess government investment from the point of view of fiscal risks of direct government support and contingent liabilities; (c) develop a risk register with a risk allocation matrix capturing risk categories, risk description with the potential loss if the risk event occurs, risk probability, potential consequence, allocation of risk, and mitigation measures; and (d) formulate a medium-term capacity building plan to train risk management unit staff.

(iv) **Public debt management improved.** Output 4 will strengthen public debt management and will (a) review the legal framework to identify any gaps related to, for example, external and domestic borrowing and contingent liabilities; (b) design a medium-term debt management strategy with recommendations and a capacity building plan for debt monitoring (including forecasting debt repayments and cash management), sensitivity analysis for closer coordination with macroeconomic policies, improving analytical capacity in both external and domestic borrowing, and credit risk assessment for onlending; and (c) make recommendations to refine and improve the debt management financial and analysis system, structure, its integration with e-treasury and e-budget systems, and provide hands-on training on debt management financial and analysis system operation for government officials.

13. Key assumptions for the TA include (i) the government's continued commitment to reform public sector management, (ii) effective development partner coordination for a joint stand on reforms, and (iii) government's continued high priority to financial sector development consistent with TA recommendations. Risks of the TA include (i) weak economic growth impacting fiscal consolidation, and (ii) personnel changes leading to inability of MOF and

MOESD to coordinate effectively with all agencies involved. The risks will be managed through continuous dialogue during TA implementation, and effective use of ADB's Central and West Asia Department's joint venture arrangements.

C. Cost and Financing

14. The TA is estimated to cost $570,000, of which $500,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-V). The government will provide counterpart support in the form of counterpart staff, office accommodation, administrative support for meetings, coordination and logistics, translation, and other in-kind contributions.

D. Implementation Arrangements

15. The TA will be implemented from October 2014 through September 2016. MOF will be the executing agency, and MOESD will be the implementing agency. ADB's Public Management, Financial Sector, and Trade Division of the Central and West Asia Department will administer the TA. ADB will recruit consulting services, and organize workshops and training programs. ADB has experience in cooperating with the proposed executing and implementing agencies.

16. The TA will require 26 person-months of consulting services—five international consultants for a total of 12 person-months, and three national consultants for 14 person-months on capital markets, pension reforms, government debt management, and PPPs. Consultants will be engaged on an individual basis in accordance with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). Advance action procedures will be used to recruit the TA consultants. Individual recruitment is justified by (i) the small number of consultants involved, with narrowly focused expertise; (ii) individual experience and qualifications in particular areas being the main requirements; and (iii) a national project coordinator will be engaged on a part-time basis to oversee administrative, training, and logistics issues as well as to coordinate TA inputs. Resource persons will be used for training, workshops, seminars, and conferences, notably on structural and governance matters of pillars II and III pension plans, their regulatory environment, and operational matters such as contribution and investment compliance, member communication, recordkeeping and administration, fund accounting, benefit payments, and risk management. Training will be held in the Academy of the Ministry of Finance. A study tour for two to three MOESD officials will be arranged to an Asian country that has undergone similar reforms to discuss relevant issues with pension regulators and fund managers. The terms of reference for consultants are outlined in Appendix 3. Disbursements will be made in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time).

IV. THE PRESIDENT'S DECISION

17. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of $500,000 on a grant basis to the Government of Georgia for Strengthening Domestic Resource Mobilization, and hereby reports this action to the Board.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
Impact Increased availability of domestic resources for effective public and private investment	By 2020, the fiscal deficit is reduced to 1.5% of gross domestic product (2013 baseline: 2.7%)	MOF public notification	**Assumptions** The government remains committed to reform public sector management Effective development partner coordination for a joint stand on reforms **Risk** Weak economic growth impacts fiscal consolidation
Outcome Strengthened institutional and regulatory framework for domestic resource mobilization	By August 2016, fiscal risk assessments conducted for at least two PPP projects to measure contingent liabilities By August 2016, amendments to key legislation on public debt, pensions, and securities markets submitted to Parliament for approval	Semiannual consultant reports Government decree	**Assumption** Government will continue to give high priority to financial sector development, consistent with technical assistance recommendations **Risk** Personnel changes, leading to inability of MOF and MOESD to coordinate effectively with all agencies involved
Outputs 1. Capital market master plan finalized	By September 2015, concept and direction of capital market master plan, with a time-bound action plan, is approved by MOESD By June 2016, MOESD implemented a public awareness campaign covering investor protection, financial instruments, long-term savings, and gender aspects	Public notification on MOESD website Public notification on MOESD website	
2. Pension reform strategy developed	By August 2015, strategy for pension reform, with a time-bound action plan, approved by MOESD	Public notification on MOESD website	

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
	By August 2016, MOESD finalized amendments to the pension basic law	Public notification on MOESD website	
3. Legal and institutional framework for PPP strengthened	By August 2016, regulations and legal amendments to be instituted are approved by the government By August 2015, risk management unit is staffed and budgeted in MOF	Government decree Public notification on MOF website	
4. Public debt management improved	By August 2015, debt management strategy approved by MOF By March 2016, amendments to public debt legislation drafted	Public notification on MOF website Draft amendments shared with ADB by MOF	

Activities with Milestones	Inputs
1. Capital market master plan finalized 1.1 Prepare a diagnostic study to assess impediments and gaps in capital market development, with recommendations for a time-bound action plan (January 2015) 1.2 Prepare a draft strategy to address legal and regulatory gaps and improve market infrastructure (June 2015) 1.3 Hold consultations with relevant public and private stakeholders and build consensus (September 2015) 1.4 Draft action plan on laws, bylaws, regulations on investment, governance, risk management, and fund management (June 2016) **2. Pension reform strategy developed** 2.1 Prepare a diagnostic study to develop a pension reform strategy, with a time-bound action plan including issues like membership, contributions, tax considerations, benefits, gender, and relationship with the existing universal pension system (January 2015) 2.2 Conduct survey to gauge and research public opinion on the direction of the pension reforms (February 2015) 2.3 Review relevant laws, bylaws, and regulations; and suggest improvements (March 2015) 2.4 Formulate a communications strategy on pension reform for public awareness and education, and build consensus among all relevant stakeholders and interest groups (August 2015) 2.5 Finalize draft strategy for pension reform, including draft legal amendments (June 2016) **3. Legal and institutional framework for public–private partnerships strengthened** 3.1 Review the legal framework governing PPPs with a diagnostic and road map of future reforms (January 2015) 3.2 Establish a risk management unit (July 2015) 3.3 Risk management unit develops a risk register and risk allocation matrix (December 2015)	**ADB: $500,000** (TASF-V) The government will provide counterpart support in the form of counterpart staff, office accommodation, administrative support for meetings, coordination and logistics, translation, and other in-kind contributions.

Activities with Milestones 3.4 Develop a medium-term capacity building plan for government staff concerned (December 2015) 3.5 Prepare regulations and legal amendments to be introduced (June 2016) **4. Public debt management improved** 4.1 Review the legal framework to identify gaps in government debt management, including domestic borrowing and contingent liabilities (December 2014) 4.2 Review the fiscal risk framework for state-owned enterprises to better assess contingent liabilities (March 2015) 4.3 Draft a medium-term debt management strategy with recommendations (June 2015) 4.4 Draft a medium-term capacity building plan (June 2015) 4.5 Make recommendations on strengthening debt management and financial analysis system (August 2015) 4.6 Prepare draft of legal amendments (March 2016)	

ADB = Asian Development Bank, MOESD = Ministry of Economy and Sustainable Development, MOF = Ministry of Finance, PPP = public–private partnership, TASF = Technical Assistance Special Fund.
Source: Asian Development Bank.

COST ESTIMATES AND FINANCING PLAN
($'000)

Item	Amount
Asian Development Bank[a]	
1. Consultants	
a. Remuneration and per diem	
i. International consultants (12 person-months)	245.0
ii. National consultants (14 person-months)	77.0
b. International and local travel	85.0
c. Reports and communications	9.0
2. Workshops, training, seminars, and conferences	
a. Facilitators[b]	10.0
b. Training program[c]	20.0
c. Study tour[d]	22.0
3. Miscellaneous administration and support costs	7.0
4. Surveys, studies, and reports	10.0
5. Contingencies	15.0
Total	**500.0**

Note: The technical assistance (TA) is estimated to cost $0.57 million, of which contributions from the Asian Development Bank (ADB) are presented in the table above. The government will provide counterpart support in the form of counterpart staff, office accommodation, administrative support for meetings, coordination and logistics, translation, and other in-kind contributions. The total value of the government's contribution is estimated to account for 12.3% of the total TA cost.

[a] Financed by ADB's Technical Assistance Special Fund (TASF-V).

[b] Includes honorarium, travel costs, per diem of resource speakers and participants. Resource speakers and facilitators are not expected to be engaged for more than 10 days.

[c] Includes rent of equipment, food and beverages, training materials, and other workshop and training-related costs. For all training and workshops under the various TA outputs, the premises of the MOF Academy (Academy of the Ministry of Finance) will be used.

[d] A study tour will be arranged for two to three Ministry of Economy and Sustainable Development pension unit officials to discuss issues with pension regulators and asset managers in an Asian country that has embarked on similar reforms.

Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. The technical assistance (TA) will require a combination of international and national specialists who are experienced with the Georgia financial sector. It is envisaged that about 12 person-months of international consulting inputs and about 14 person-months of national consulting inputs will be required (Table A3). All consultants will be appointed on an individual basis in accordance with the Asian Development Bank's Guidelines on the Use of Consultants (2013, as amended from time to time). International and national consultants will work as partners in topic areas. All consultants must have strong writing, speaking, team coordination, and applied training skills. An inception report will be provided by the team leader within 2 weeks of startup, with layout of all output deliverables and timing and structuring of work. All reports will be closely linked to the design and monitoring framework deliverables and timelines, and will be produced in English with copies in Georgian. The national consultants will be responsible for the quality of the Georgian translation, and international consultants will be responsible for the English version quality.

Table A3: Summary of Consulting Services Requirements

	Person-Months
A. International	
1. Capital markets specialist	4.0
2. Pension reform specialist	3.0
3. Debt management specialist	2.0
4. PPP legal specialist	1.0
5. PPP risk management and capacity specialist	2.0
Subtotal (A)	**12.0**
B. National	
1. Capital markets specialist	8.0
2. Pension reform specialist	3.0
3. Debt management specialist	3.0
Subtotal (B)	**14.0**
Total	**26.0**

PPP = public–private partnership.
Source: Asian Development Bank estimates.

A. International Consultants

2. **Capital markets specialist and team leader** (4 person-months, intermittent). The specialist and team leader will have graduate qualifications in economics and finance, and be experienced in the management of large project teams. At least 15 years of experience is required in capital markets in developing countries; Caucasus region experience will be preferred. The main tasks to be undertaken by the specialist are to

(i) lead, manage, coordinate, and operate as facilitator for all aspects of the TA;
(ii) review and assess laws, regulations, and institutional arrangements pertaining to capital markets;
(iii) review supporting infrastructure, including the audit and accounting framework;
(iv) assess impediments and prepare recommendations on the design of the capital market master plan, including corporate securities, sovereign debt management, bond market development, money market instruments, governance, risk management, asset management and prudential regulations; and prepare a medium- and long-term action plan to implement the reforms;

(v) design a public-awareness campaign on benefits of capital market reform plan including investor protection, financial instruments for investment, long-term savings, gender aspects, and close link with pension reforms;
(vi) coordinate and liaise with the Ministry of Finance (MOF), the Ministry of Economy and Sustainable Development, the National Bank of Georgia, and private sector stakeholders;
(vii) develop a medium- and long-term capacity building plan for stakeholders in implementing the action plan;
(viii) conduct at least two workshops to build broad consensus beyond government agencies on the policy and institutional development areas;
(ix) conduct at least two workshops to familiarize stakeholders with the areas and capacity needs to take the capital market reforms forward;
(x) for all areas of the TA, coordinate with development partners and other technical advisors to ensure consistency and collaboration of planned and ongoing work in the topic areas; and
(xi) as a team leader, coordinate all activities of the TA, reviewing regularly the milestone reports and activities of other components, and ensure timely completion of deliverables as indicated in the corresponding design and monitoring framework outputs.

3. **Pension reform specialist** (3 person-months, intermittent). The specialist will have graduate qualifications in economics and finance. At least 15 years of experience is required in initiating pension reforms and developing pension strategies in the overall context of the financial sector, capital markets, and domestic resource mobilization in developing countries. Caucasus region experience will be preferred. The main tasks to be undertaken by the specialist are to

(i) coordinate and liaise with MOF, the Ministry of Economy and Sustainable Development, the National Bank of Georgia, and private sector stakeholders;
(ii) develop the present and future cost of the government’s universal pension system and review the gender differences in pensions eligibility;
(iii) assess and review issues like membership contribution, tax considerations, benefits, gender, and relationship with universal pension system in designing a new private pension savings system;
(iv) design a survey to gauge public opinion, targeting interest groups such as teachers and business organizations;
(v) analyze the interaction between existing government pensions, a public sector-managed pillar II mandatory arrangement and privately managed pillar III products, where the pillar II mandatory arrangement may include voluntary contributions (a hybrid arrangement);
(vi) assess matters to be included in the new pension plan, including asset allocation, risk management practices, resources required, and modes of asset management;
(vii) review laws and regulations relating to pensions and developing a new plan;
(viii) analyze the pension regulatory authority, its structure, and reporting lines;
(ix) analyze commercial banks’ and other financial institutions’ roles in asset management, contribution collection, benefit payments, and in products established in pillar III;
(x) design a communication strategy for raising public awareness on benefits of voluntary and mandatory occupational savings, including gender aspects;

(xi) prepare a medium- and long-term action plan to implement the above reforms, including a section focusing on gender issue with regard to old age pensions;
(xii) develop a medium- and long-term capacity building plan for stakeholders in implementing the action plan; and
(xiii) conduct at least two workshops to build a broad consensus beyond government agencies on the policy and institutional development areas and on gender-related issues.

4. **Debt management specialist** (2 person-months, intermittent). The specialist will have graduate qualifications in economics and finance. At least 12 years of experience is required in working on debt management issues and systems in government agencies in developing countries. Caucasus region experience will be preferred. The main tasks to be undertaken by the specialist are to

(i) review the legal framework to identify gaps in fiscal debt management practices;
(ii) develop a medium-term debt management strategy looking into institutional arrangements, debt monitoring and forecasting practices, cash management practices, how to improve analytical capacity in external and domestic borrowing, carry out a preliminary fiscal transparency evaluation and improve communication with domestic stakeholders;
(iii) make recommendations covering the above areas;
(iv) develop a medium-term capacity building and action plan to implement recommendations;
(v) develop a blueprint to improve and upgrade debt management and financial analysis system and allied capacity building requirements; and
(vi) conduct at least two workshops to build a broad consensus on the policy and capacity building areas in debt management.

5. **Public–private partnership legal specialist** (1 person-month, intermittent). The specialist will have graduate qualifications in law and finance. At least 15 years of experience is required in drafting and practicing of laws related to concessions and other public–private partnerships (PPPs) in developing countries. Caucasus region experience will be preferred. The main tasks to be undertaken by the specialist are to

(i) review the existing laws and regulations on PPPs and private sector participation, especially the concessions law; and
(ii) make recommendations on how to strengthen the legal framework with diagnostics of future reforms and present findings to the government in one of the workshops under other outputs.

6. **Public–private partnership risk management and capacity specialist** (2 person-months, intermittent). The specialist will have graduate qualifications in economics and finance. At least 10 years of experience is required in fiscal management and project structuring of PPPs in developing countries. Caucasus region experience will be preferred. The main tasks to be undertaken by the specialist are to

(i) identify the institutional requirements for establishing a risk management unit in MOF to identify and assess direct government support and contingent liabilities;
(ii) help develop a risk register and a risk allocation matrix that captures risk categories, risk description, risk probability, potential consequences and mitigation measures;

(iii) identify and recommend a medium-term capacity building plan for staff of the risk management unit;
(iv) provide a training module on assessing fiscal risks and managing them in the context of PPP projects and on value for money concept; and
(v) outline initial ideas and resource requirements on expanding the risk management unit to assume a more central coordinating role as a project advisory service.

B. National Consultants

7. **Capital markets consultant and project coordinator** (8 person-months, intermittent). The consultant will have qualifications in economics, finance, or a closely related discipline and be experienced (at least 7 years) in financial sector development and capital market issues. The consultant will also act as a project coordinator managing and coordinating all administrative aspects of the project. The consultant will have good English and translation capabilities. This consultant will work in close tandem with and under the supervision of the international specialist and team leader. The main tasks include the following:

(i) assist the team leader in managing and coordinating all aspects of the TA;
(ii) oversee the administrative and logistical aspects of the TA;
(iii) collect all relevant in-country data and comparable regional or international data that is required;
(iv) support the team leader in reviewing laws and regulations, institutional arrangements, and infrastructure pertaining to capital markets;
(v) assist in making recommendations on the design of the capital market master plan and preparing a time-bound action plan;
(vi) coordinate and liaise with government and private stakeholders;
(vii) organize consensus-building workshops and contribute to technical content discussions;
(viii) as a project coordinator, manage TA activities, reviewing regularly the milestone reports and activities of other components; and ensure timely delivery of deliverables and following up on transition from outputs to achieved outcomes;
(ix) contribute to drafting relevant sections of the report, and in following up implementation of the recommendations; and
(x) assist in closing down TA activities based on milestones and financial disbursements.

8. **Pension reform consultant** (3 person-months, intermittent). The consultant will have qualifications in economics or finance and be experienced (at least 5–7 years) in financial sector development and pension issues and reforms. The consultant will have good English and translation capabilities. The consultant will work in close tandem with and under the supervision of the international specialist. The main tasks include the following:

(i) assist the international specialist in reviewing laws and regulations, and institutional arrangements pertaining to pensions;
(ii) collect all relevant in-country data and comparable regional or international data that is required;
(iii) assist in preparing recommendations on the design and mechanism of pensions in Georgia, along with an implementation action plan;
(iv) coordinate and liaise with government and private stakeholders;

(v) organize consensus-building workshops and contribute to technical content discussions; and
(vi) contribute to drafting relevant sections of the report and in following up implementation of the recommendations.

9. **Debt management consultant** (3 person-months, intermittent). The consultant will have qualifications in economics and finance and experience (at least 5–7 years) in working on debt management issues and systems. The consultant will have good English and translation capabilities. The main tasks include the following:

(i) assist the international specialist in reviewing the legal framework;
(ii) collect all relevant in-country data and comparable regional or international data that is required;
(iii) contribute to developing a medium-term debt management strategy, with recommendations and a medium-term capacity building plan;
(iv) assist in examining improvements in the debt management and financial analysis system; and
(v) organize consensus-building workshops; and
(vi) contribute to drafting relevant sections of the report, and in following up implementation of the recommendations.