

Project Administration Manual

Project Number: 42414-033
Loan Number(s): L2879/2880
May 2016

Multitranche Financing Facility Georgia: Sustainable Urban Transport Investment Program - Project 2

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Project Administration Manual Purpose and Process

The project administration manual (PAM) describes the essential administrative and management requirements to implement the project on time, within budget, and in accordance with Government and Asian Development Bank (ADB) policies and procedures. The PAM should include references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the PAM.

The Government of Georgia and the Municipal Development Fund of Georgia (MDF) are wholly responsible for the implementation of ADB financed projects, as agreed jointly between the borrower and ADB, and in accordance with Government and ADB's policies and procedures. ADB staff is responsible to support implementation including compliance by Government of Georgia and MDF of their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

At Loan Negotiations the borrower and ADB shall agree to the PAM and ensure consistency with the Loan and Project agreements. Such agreement shall be reflected in the minutes of the Loan Negotiations. In the event of any discrepancy or contradiction between the PAM and the Loan and Project agreements for relevant tranche, provisions of such Loan and Project agreements shall prevail.

After ADB President's approval of this tranche, changes in implementation arrangements are subject to agreement and approval pursuant to relevant Government and ADB administrative procedures (including the Project Administration Instructions) and upon such approval they will be subsequently incorporated in the PAM.

ABBREVIATIONS

ADB	=	Asian Development Bank
ADF	=	Asian Development Fund
AFS	=	audited financial statements
BTP	=	biodata technical proposal
CQS	=	consultant qualification selection
DMF	=	design and monitoring framework
EA	=	executing agency
EARF	=	environmental assessment and review framework
EMP	=	environmental management plan
EPCM	=	Engineering, procurement, construction management
FA	=	Financing Agreement
FTP	=	full technical proposal
FFA	=	framework financing agreement
FMA	=	financing management assessment
GAP	=	gender action plan
GOG	=	Government of Georgia
ICB	=	international competitive bidding
IEE	=	initial environmental examination
LAR	=	land acquisition and resettlement
LARF	=	land acquisition and resettlement framework
LIBOR	=	London interbank offered rate
MDF	=	Municipal Development Fund of Georgia
MFF	=	multitranches financing facility
MOF	=	Ministry of Finance
MPIT	=	Municipal project implementation team
MRDI	=	Ministry of regional Development and Infrastructure
NCB	=	national competitive bidding
NGOs	=	nongovernment organizations
OCR	=	ordinary capital resources
PAI	=	project administration instructions
PAM	=	project administration manual
PCA	=	procurement capacity assessment
PFR	=	periodic financing request
PIU	=	project implementation unit
PPMS	=	project performance monitoring system
QBS	=	quality based selection
QCBS	=	quality- and cost based selection
RFP	=	request for proposal
RRP	=	report and recommendation of the President
SBD	=	standard bidding documents
SOE	=	statement of expenditure
SPS	=	Safeguard Policy Statement
STP	=	simplified technical proposal
SPRSS	=	summary poverty reduction and social strategy
TOR	=	terms of reference
WA	=	withdrawal application

I. PROJECT DESCRIPTION

1. Project 2 will improve the urban transport system in urban areas. At loan approval, Project 2 comprised two subprojects: (i) the section 1 (km 0-4) and section 3 (km 10.5-17.1) of the international standard Tbilisi-Rustavi Urban Road Link, and (ii) the Mtskheta Bridge both of which are in line with the components of the Investment Program. The Government, through the Ministry of Finance has submitted on 19 March 2012, the periodic financing request (PFR) for Tranche 2, requesting a loan of \$80 million from a blend of \$16 million from ADB's Special Funds resources and of \$64 million from ADB's ordinary capital resources. These investments will improve the urban environment, strengthen economic and tourism development and regional integration.

2. A parliamentary election was held in Georgia on 1 October 2012, and a new government was elected. As a result, the Supervisory Board of MDF was also changed. The new government and the supervisory board undertook an evaluation of all subprojects of the Investment Program. As for Project 2, the government has confirmed on 15 February 2013 all subcomponents with the exception of the Mtskheta bridge subproject and consulting services for construction supervision of the Mtskheta bridge subproject and for Tbilisi Boulevard EPCM. The change resulted in a major change in scope of Project 2 and a reallocation of loan proceeds to reflect the unused amount of \$15.1 million in the OCR loan. After approval of the major change.

¹ Tranche 2 consists of a loan of \$64.9 million from a blend of \$16 million from ADB's Special Funds resources and of \$48.9 million from ADB's ordinary capital resources.

A. Impact and Outcome

1. Impact

- Improved urban environment, local economy and better living conditions within urban areas

2. Outcome

- improved efficiency, reliability and affordability of urban transport infrastructures and services in relevant cities

B. Outputs

1. Infrastructure Improvement

- (i) Tbilisi – Rustavi urban road link (Section 1 and Section 3); and

2. Project Management and capacity improvement

- (i) Strengthening of the MDF management capacity to oversee the Project implementation
- (ii) Strengthening of the MDF safeguards unit
- (iii) Consulting services to prepare subprojects for subsequent tranches
- (iv) Setting up of a Bridge and tunnel Laboratory in Georgia Technical University

¹ The approval of the major change in scope of Project 2 by the ranking Vice-President is sought in parallel with the Loan inception mission. The revision of the PAM (April 2013) anticipates the approval of the major change and related revisions have already been incorporated.

3. Institutional strengthening (On-going through Tranche 1)²

- (i) Strengthened Institutional and monitoring management capacity for MDF, Tbilisi Municipality and other municipalities
- (ii) Traffic modeling tool implemented in coordination with the implementation of GIS system

² This is not finance under the tranche and is mentioned as outputs of the \$700,000 TA 7551-Georgia: Developing a Geospatial Urban Water Supply and sanitation Utility Management System will directly benefit the urban transport sector.

II. IMPLEMENTATION PLANS

A. Project Readiness Activities

Indicative Activities	Months							Who responsible
	Mar	Apr	May	Jun	Jul	Aug	Sep	
Fact-Finding Mission								ADB, GOG, MDF
Periodic Financing Request	X							GOG, MDF
Advance Action Approval		X						ADB
Peer Review Meeting					X			ADB
Staff Review Meeting					X			ADB
Loan Negotiations					X			ADB, GOG, MDF
Management approval					X			ADB
Loan signing						X		ADB, GOG, MDF
Government legal opinion provided						X		GOG
Loan effectiveness							X	ADB, GOG

Processing Milestones	Dates
Fact-Finding Mission	11 -16 December 2011
Periodic Financing Request	16 March 2012
Advance Action Approval	16 April 2012
Peer Review Meeting	9 July 2012
Staff Review Meeting	12 July 2012
Loan Negotiations	23 July 2012
Management Approval	24 July 2012
Loan and Project Agreements Signing	24 July 2012
Loan Effectiveness	20 August 2012

B. Overall Project Implementation Plan

Implementation Schedule with Weights

		2010		2011				2012				2013				2014				2015				2016				2017				(a) Assigned Weight	(b) Actual Progress	(a) x (b) Weighted Average	
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Component A: Urban infrastructure improvement																																			
Tbilisi Rustavi Urban Road Link																																			
Detailed design	3 mons																															3.0%	100%	3%	
Safeguard documents preparation and compliance	2 mons																															3.0%	100%	3%	
Bid documents preparation	2 mons																															2.0%	100%	2%	
Bid preparation period for bidders	2 mons																															2.0%	100%	2%	
Evaluation, ADB review, contracts signing	2 mons																															2.0%	100%	2%	
Rebidding	2 mons																															2.0%	0%	0%	
Evaluation, ADB review, contracts signing	1 mons																															2.0%	0%	0%	
Work Supervision	24 mons																															3.0%	0%	0%	
Construction works	24 mons																															60.0%	0%	0%	
Defect liability	12 mons																															4.0%	0%	0%	
Component B: Institutional strengthening																																			
Component C: Project Management and capacity improvement																																			
Strengthening of the MDF management capacity to oversee the Project implementation	23 mons																															6.0%	0%	0%	
Strengthening of the MDF safeguards unit	12 mons																															3.0%	0%	0%	
Consulting services to supervise and implement Tranche 2 subprojects	30 mons																															3.0%	0%	0%	
Setting up of a Bridge Laboratory in Tbilisi State Technical University	24 mons																															5.0%	0%	0%	
Progress status																														100.0%			12.0%		

III. PROJECT MANAGEMENT ARRANGEMENTS

A. Project Implementation Organizations – Roles and Responsibilities

Project implementation organizations	Management Roles and Responsibilities
MDF supervisory board	<ul style="list-style-type: none"> – provide overall guidance, – review investment program performance, – approve list of candidate subprojects to be financed under tranches – decide on all major issues of the investment program management
Executing Agency (MDF)	<ul style="list-style-type: none"> – provision of strategic guidance on and overseeing the implementation of the investment program – preparation of the periodic financing requests (PFRs) for their submission to ADB – preparation of annual budget estimates for activities under the investment program for their eventual approval; – preparation and submission of withdrawal application (WA); – recruitment of additional staff and consultants, as necessary, to prepare and manage the program – procurement of services, works, and goods, and approval of disbursements; – approval of the subprojects and ensuring compliance with safeguards and acquisition of land, and other similar matters with the help of the participating municipalities. – appraising subprojects; – undertaking feasibility studies; – supervising detailed designs; – procuring the goods and services; – directing construction supervision; – overseeing the implementation of the institutional strengthening and capacity development; – monitoring and evaluating the implementation progress and impact; – checking and guiding safeguards compliance; – coordinating among government agencies; and – consolidating and preparing periodic reports for the investment program.
Participating municipalities	<ul style="list-style-type: none"> – oversee development of urban transport roadmaps – set up multimodal team, where appropriate – be responsible for day-to-day implementation of the subprojects within its perimeter

Key Persons Involved in Implementation**Executing Agency**

Municipal Development Fund of
Georgia (MDF)

Mr. Juansher Burchuladze
Executive Director
+ 995 32 2437001
jburchuladze@mdf.org.ge
150 David Agmashenebeli Ave.
0112 Tbilisi, Georgia

ADB

Central West Asia Urban
Development and Water Division
(CWUW)

Yong Ye
Director
+63 632 6444
yyong@adb.org

Project Implementation Team
Leader

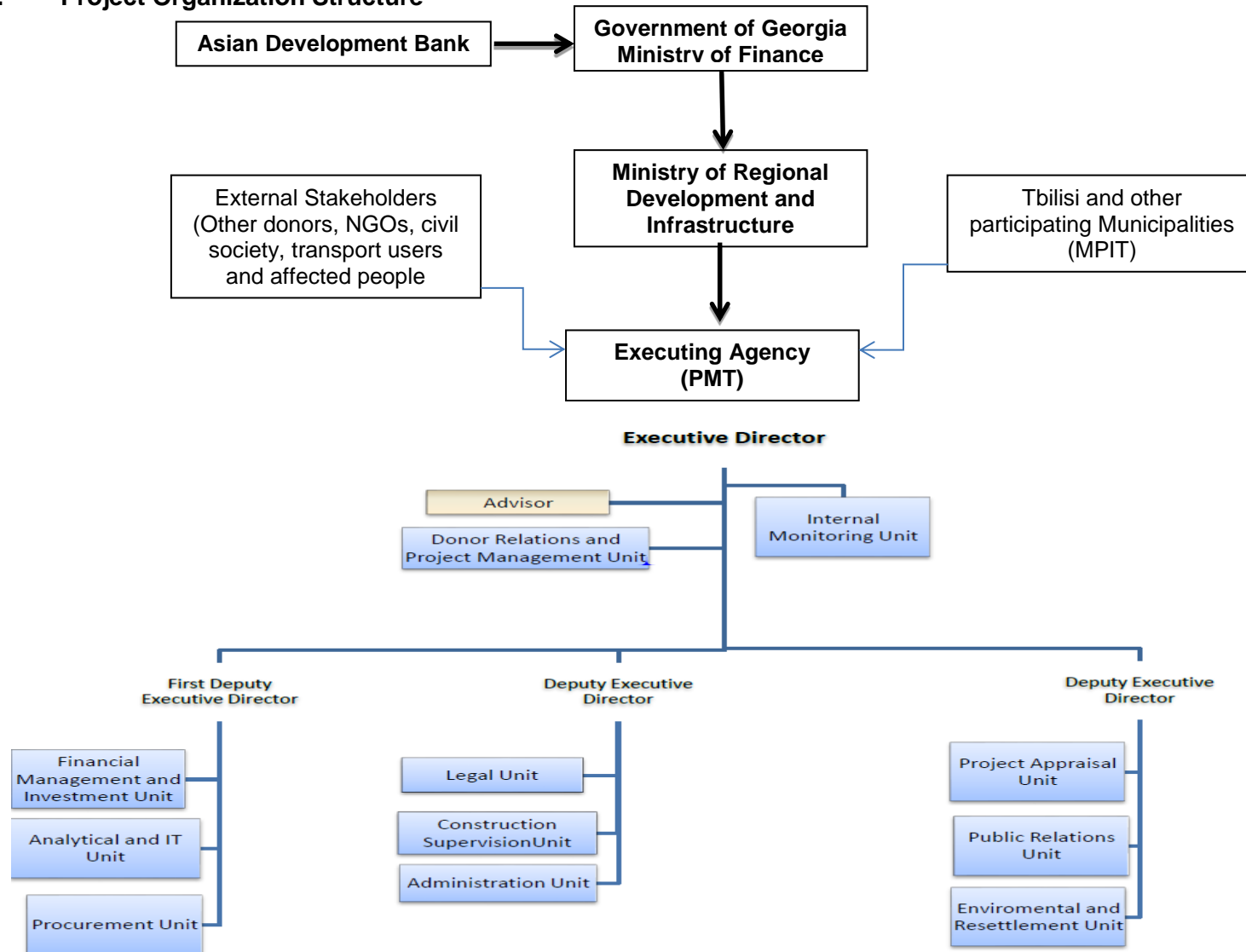
Bertrand Goalou
Senior Urban Development Specialist (Transport)
+63 632 6684
bgoalou@adb.org

Project Implementation Members:

Carina T. Soliman
Project Officer
+63 632 6345
csoliman@adb.org

Tea Papuashvili
Associate Project Analyst
85534106
tpapuashvili@adb.org

B. Project Organization Structure



PMT = Program Preparation Management Team; MPIT = Municipal Program Implementation Team; NGO = nongovernment organization.
 Source: Municipal Development Fund of Georgia.

IV. COSTS AND FINANCING

3. Project 2 is estimated at \$90.2 million, inclusive of taxes, duties, land acquisition and resettlement, and provision for recurrent cost for maintenance, contingencies, and interest and other charges on the loan during construction.

4. ADB will provide a loan of about \$64.9 million from a blend of \$16 million equivalent from the ADB's special funds resources and of \$48.9 million from the ADB's ordinary capital resources. ADB will finance civil works, consulting services, project management, contingencies and the interest and other charges during construction which will be capitalized in the loan.

5. Government financing will amount to \$25.3 million and will cover taxes, duties, land acquisition and resettlement, and provision for recurrent cost for maintenance including contingencies.

A. Detailed Cost Estimates by Expenditure Category

Item	ADB		Government		Total Cost
	Amount	% of Cost Category	Amount	% of Cost Category	
A. Investment Costs					
1 Civil Works	49.17	100.00%	0.00	0.00%	49.17
2 Land acquisition and Resettlement	0.00	0.00%	8.61	100.00%	8.61
3 Consulting services and Incremental Administration	3.90	100.00%	0.00	0.00%	3.90
Subtotal (A)	53.06 	86.05%	8.61 	13.95%	61.67
B. Recurrent Costs					
1 Salaries	0.00	0.00%	0.00	0.00%	0.00
2 Equipment Operation and Maintenance	0.00	0.00%	3.55	100.00%	3.55
Subtotal (B)	0.00 	0.00%	3.55 	100.00%	3.55
Total Base Cost	53.06	81.36% 	12.16	18.64%	65.22
C. Taxes and duties	0.00	0.00% 	11.74	100.00%	11.74
D. Contingencies					
1 Physical	8.24	87.77%	1.15	12.23%	9.38
2 Price	1.65	87.77%	0.23	12.23%	1.88
Subtotal (B)	9.88 	87.77%	1.38 	12.23%	11.26
E. Financing Charges During Implementation					
1 Interest during Construction	1.87	100.00%	0.00	0.00%	1.87
2 Commitment charges	0.09	100.00%	0.00	0.00%	0.09
Subtotal (B)	1.95 	100.00%	0.00 	0.00%	1.95
Total Project Cost (A+B+C+D+E)	64.90 	71.97%	25.28	28.03%	90.18

B. Allocation and Withdrawal of Loan Proceeds**Loan 2879 (OCR)**

Number	Item	Initial Total Amount Allocated for ADB Financing (\$) Category	<u>Revised Total Amount</u> Allocated for ADB Financing (\$) Category	Initial Basis for Withdrawal from the Loan Account	<u>Revised Basis</u> for Withdrawal from the Loan Account
1	Works	50,000,000	36,674,000	80% of total expenditure claimed*	74.58% of total expenditure claimed*
2	Consulting Services	4,549,000	2,761,000	80% of total expenditure claimed*	70.82% of total expenditure claimed*
3	Interest and Commitment Charges	1,616,400	1,616,400	100% of amounts due	100% of amounts due
4	Unallocated	7,834,600	7,834,600		
	Total	64,000,000	48,886,000		

* Exclusive of taxes and duties imposed within the territory of the Borrower.

Loan 2880 (ADF)

Category			ADB Financing
Number	Item	Total Amount Allocated for ADF Financing (\$)	Percentage and Basis for Withdrawal from the Loan Account
1	Works	12,500,000.00	25.42 percent of total expenditure*
2	Consulting Services and Incremental Administration	1,140,000.00	29.18 percent of total expenditure*
3	Interest charges	336,000.00	100 percent of amount due
4	Unallocated	2,024,000.00	
	TOTAL	16,000,000.00	

* Exclusive of taxes and duties imposed within the territory of the Borrower.

C. Revised Cost Estimates by Financier

Item	ADF		ADB		OCR		Government		Total Cost
	Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category	
A. Investment Costs									
1 Civil Works	12.50	25.42%	36.67	74.58%	0.00	0.00%	49.17		49.17
2 Land acquisition and Resettlement	0.00	0.00%	0.00	0.00%	8.61	100.00%	8.61		8.61
3 Consulting services and Incremental Administration	1.14	29.18%	2.76	70.82%	0.00	0.00%	3.90		3.90
Subtotal (A)	13.63	22.11%	39.43	63.94%	8.61	13.95%	61.67		61.67
B. Recurrent Costs									
1 Salaries	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00		0.00
2 Equipment Operation and Maintenance	0.00	0.00%	0.00	0.00%	3.55	100.00%	3.55		3.55
Subtotal (B)	0.00	0.00%	0.00	0.00%	3.55	100.00%	3.55		3.55
Total Base Cost	13.63		39.43		12.16		65.22		65.22
C. Taxes and duties	0.00	0.00%	0.00	0.00%	11.74	100.00%	11.74		11.74
D. Contingencies									
1 Physical	1.70	18.12%	6.54	69.65%	1.15	12.23%	9.38		9.38
2 Price	0.33	17.55%	1.32	70.21%	0.23	12.23%	1.88		1.88
Subtotal (B)	2.03	18.02%	7.85	69.74%	1.38	12.23%	11.26		11.26
E. Financing Charges During Implementation									
1 Interest during Construction	0.34	18.01%	1.53	81.99%	0.00	0.00%	1.87		1.87
2 Commitment charges	0.00	0.00%	0.09	100.00%	0.00	0.00%	0.09		0.09
Subtotal (B)	0.34	17.21%	1.62	82.79%	0.00	0.00%	1.95		1.95
Total Project Cost (A+B+C+D+E)	16.00	17.74%	48.90	54.23%	25.28	28.03%	90.18		90.18

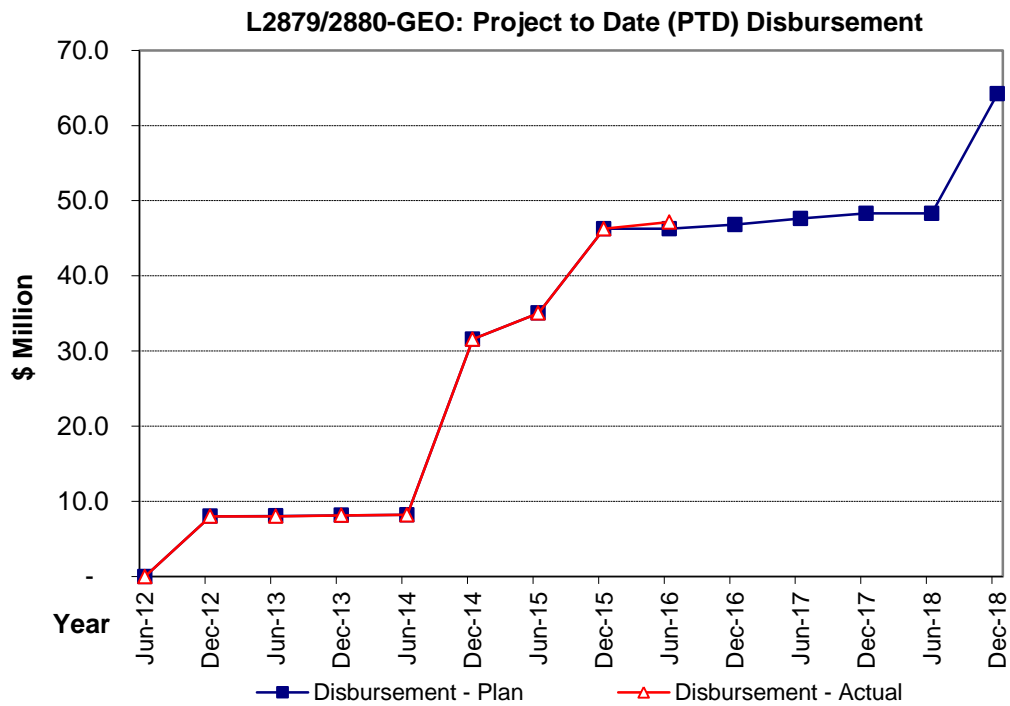
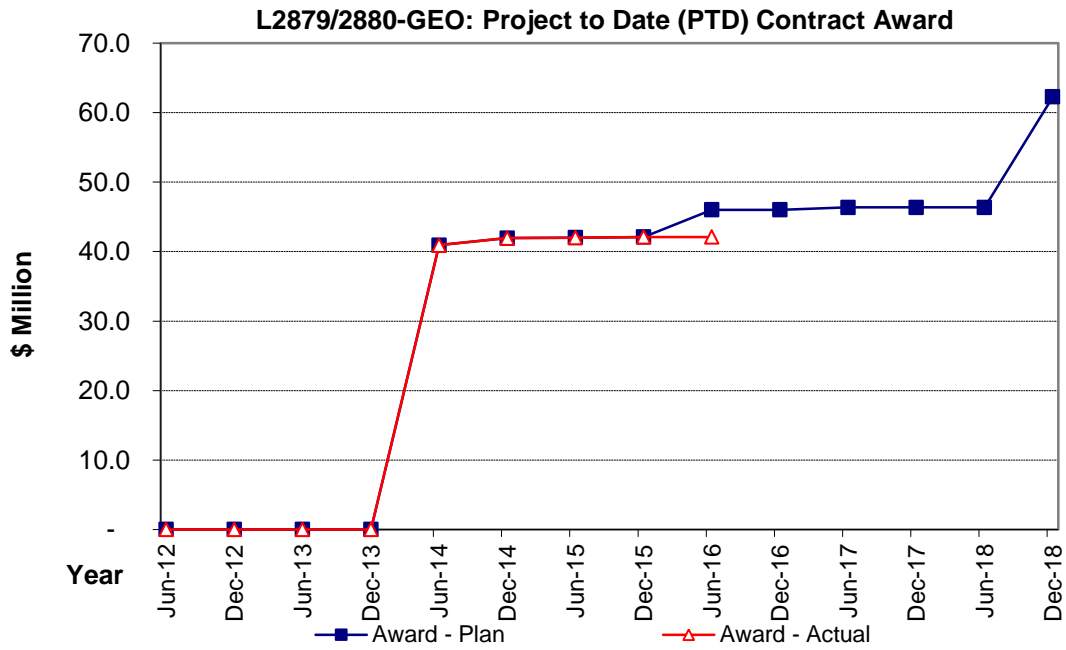
D. Detailed Cost Estimates by Outputs/Components

Item	Total Cost	Tbilisi-Rustavi Urban Link	
		Amount	% of Cost
A. Investment Costs^b			
1 Civil Works	49.17	49.17	100.00%
2 Land acquisition and Resettlement	8.61	8.61	100.00%
3 Consulting services and Incremental Administration	3.90	3.90	100.00%
Subtotal (A)	61.67	61.67	100.00%
B. Recurrent Costs			
1 Salaries	0.00	0.00	0.00%
2 Equipment Operation and Maintenance	3.55	3.55	100.00%
Subtotal (B)	3.55	3.55	100.00%
Total Base Cost	65.22	65.22	100.00%
C. Taxes and duties	11.74	11.74	100.00%
D. Contingencies			
1 Physical ^c	9.38	9.38	100.00%
2 Price ^d	1.88	1.88	100.00%
Subtotal (C)	11.26	11.26	100.00%
E. Financing Charges During Implementation^e			
1 Interest During Implementation	1.87	1.87	100.00%
2 Commitment Charges	0.09	0.09	100.00%
Subtotal (D)	1.95	1.95	100.00%
Total Project Cost (A+B+C+D+E)	90.18	90.18	100.00%

E. Detailed Cost Estimates by Year

		(\$ million)					
Item		2013	2014	2015	2016	2017	
A.	Investment Costs						
1	Civil Works	49.17	4.92	24.58	19.67	0.00	
2	Land acquisition and Resettlement	8.61	8.61	0.00	0.00	0.00	
3	Consulting services and Incremental Administration	3.90	1.56	0.78	0.78	0.78	
	Subtotal (A)	61.67	15.08	25.36	20.45	0.78	
B.	Recurrent Costs						
1	Salaries	0.00	0.00	0.00	0.00	0.00	
2	Equipment Operation and Maintenance	3.55	0.00	0.00	0.00	1.78	
	Subtotal (B)	3.55	0.00	0.00	0.00	1.78	
	Total Base Cost	65.22	15.08	25.36	20.45	2.56	
C.	Taxes and duties	11.74	2.71	4.57	3.68	0.46	
D.	Contingencies						
1	Physical ^c	9.38	0.00	0.94	3.75	4.69	
2	Price ^d	1.88	0.00	0.19	0.94	0.75	
	Subtotal (B)	11.26	0.00	1.13	4.69	5.44	
E.	Financing Charges During Implementation						
1	Interest During Implementation	1.87	0.56	0.75	0.56	0.00	
2	Commitment Charges	0.09	0.05	0.03	0.01	0.00	
	Subtotal (B)	1.95	0.61	0.77	0.57	0.00	
Total Project Cost (A+B+C+D+E)		90.18	18.41	31.83	29.39	8.46	
% Total Project Cost		100%	20%	35%	33%	9%	
						2%	

F. Contract and Disbursement S-curve (As of 9 May 2016)

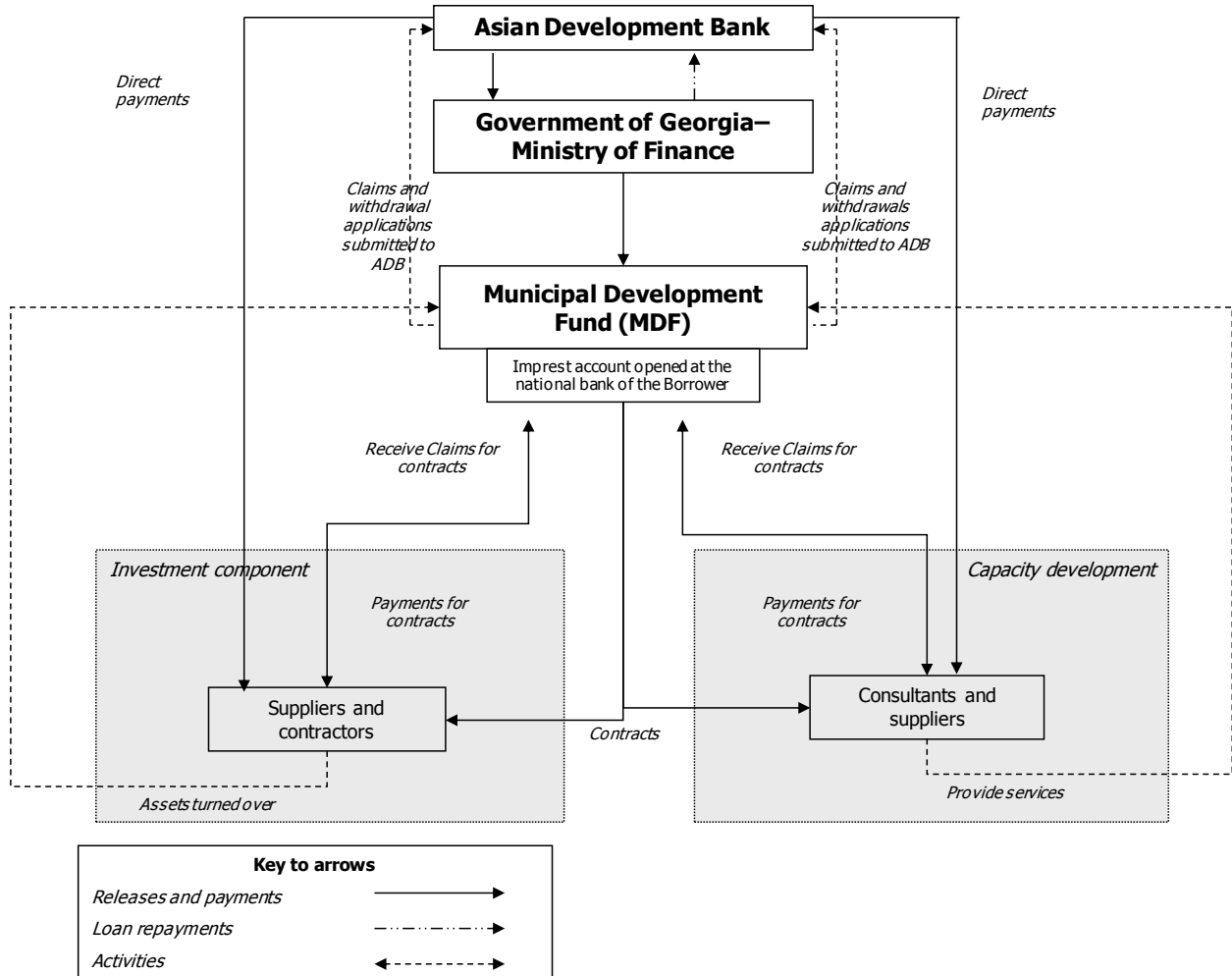


	Contract Awards (in USD million)					Disbursements (in USD million)					
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	
2012	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	8.019266	8.019266	
2013	0.000000	0.000000	0.000000	0.000000	0.000000	0.049096	0.000000	0.076542	0.000000	0.125638	
2014	40.925909	0.000000	0.000000	1.008203	41.934112	0.067046	0.000000	8.112856	15.252443	23.432345	
2015	0.000000	0.084700	0.000000	0.075000	0.159700	0.967639	2.500150	3.262127	7.949978	14.679894	
2016	3.924675	0.000000	0.000000	0.000000	3.924675	0.000000	0.000000	0.138952	0.430000	0.568952	
2017	0.250000	0.090000	0.000000	0.000000	0.340000	0.360000	0.430000	0.330000	0.359809	1.479809	
2018	0.000000	0.000000	0.000000	15.913303	15.913303	0.000000	0.000000	0.000000	15.895096	15.895096	
2019	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	
Total Contract Awards:					62.271790	Total Disbursements:					64.201000
Total ADB Financed/Administered Net Amount: ⓘ 64.201000											
Total Unallocated Amount: 9.701314											
Total IDC Amount: 1.616400											
Total FEF Amount: 0.000000											
Total SC Amount: 0.312810											
Total Value of Contract to be Awarded: 62.271790											
Total Value for Disbursement: 64.201000											
Status: Actualized (Annual)											

Hide	Loan OCR GEO [2879]	EFFECTIVE	Version 6 (Current - Actualized 2015)								
		Contract Awards (in USD million)					Disbursements (in USD million)				
		Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
	2012	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	6.400000	6.400000
	2013	0.000000	0.000000	0.000000	0.000000	0.000000	0.045260	0.000000	0.068711	0.000000	0.113971
	2014	30.523700	0.000000	0.000000	0.751494	31.275194	0.058942	0.000000	6.059014	11.376156	17.494112
	2015	0.000000	0.063169	0.000000	0.053115	0.116284	0.727642	1.861982	2.435123	5.916189	10.940936
	2016	3.674522	0.000000	0.000000	0.000000	3.674522	0.000000	0.000000	0.138952	0.430000	0.568952
	2017	0.250000	0.000000	0.000000	0.000000	0.250000	0.360000	0.430000	0.330000	0.310000	1.430000
	2018	0.000000	0.000000	0.000000	11.953600	11.953600	0.000000	0.000000	0.000000	11.938029	11.938029
	2019	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Total Contract Awards:					47.269600	Total Disbursements:					48.886000
ADB Financed/Administered Net Amount: ⓘ 48.886000											
Unallocated Amount: 7.834600											
IDC Amount: 1.616400											
FEF Amount: 0.000000											
SC Amount: 0.000000											
Total Value of Contract to be Awarded: 47.269600											
Total Value for Disbursement: 48.886000											

Details	Product	Status	Version								
Hide	Loan ADF GEO [2880]	EFFECTIVE	Version 6 (Current - Actualized 2015)								
		Contract Awards (in USD million)					Disbursements (in USD million)				
		Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
	2012	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	1.619266	1.619266
	2013	0.000000	0.000000	0.000000	0.000000	0.000000	0.003836	0.000000	0.007831	0.000000	0.011667
	2014	10.402209	0.000000	0.000000	0.256709	10.658918	0.008104	0.000000	2.053842	3.876287	5.938233
	2015	0.000000	0.021531	0.000000	0.021885	0.043416	0.239997	0.638168	0.827004	2.033789	3.738958
	2016	0.250153	0.000000	0.000000	0.000000	0.250153	0.000000	0.000000	0.000000	0.000000	0.000000
	2017	0.000000	0.090000	0.000000	0.000000	0.090000	0.000000	0.000000	0.000000	0.049809	0.049809
	2018	0.000000	0.000000	0.000000	3.959703	3.959703	0.000000	0.000000	0.000000	3.957067	3.957067
	2019	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Total Contract Awards:					15.002190	Total Disbursements:					15.315000
ADB Financed/Administered Net Amount: ⓘ 15.315000											
Unallocated Amount: 1.866714											
IDC Amount: 0.000000											
FEF Amount: 0.000000											
SC Amount: 0.312810											
Total Value of Contract to be Awarded: 15.002190											
Total Value for Disbursement: 15.315000											

G. Fund Flow Diagram



V. FINANCIAL MANAGEMENT

A. Financial Management Assessment

6. The Municipal Development Fund (MDF) was established as a legal entity of public law under Presidential Decree (PD) No 294 in 1997. Originally set up to implement the World Bank (WB) funded first Municipal Development and Decentralization Project. The first financial assessment was conducted for the first ADB loan administered by the MDF in 2008. In 2010, this financial management assessment was updated for the preparation of this multitranche financing facility. Overall, the MDF is implementing five loans financed by ADB for a total value of \$ 242 million. Financial audit is conducted every year since 2009 and found the MDF management capacity well structured, skilled and responsive.

7. The finance function of MDF is carried out within the Financial Management and Investments Unit and this has 11 members of staff as follows (i) financial manager who is the Head of the Unit; (ii) 1 budgeting specialists; (iii) 2 financial and economic analysts; and (iv) 7 accountants. In addition, 2 Disbursement Officers were hired as consultants for the maintenance disbursement operations under SUTIP. The Head of Financial Management and Investment Unit reports to the Executive Director/First Deputy Director.

8. The Financial Management and Investment is managed by qualified and experienced financial specialists and accountants. Staff turnover is low. The Unit is headed by the financial manager who is assisted by staff well versed in the procedures and reporting requirements of international funding agencies, including those of the World Bank, European Bank for Reconstruction and Development (EBRD), Kreditanstalt für Wiederaufbau (KfW), and MCG.³ Based on donor's requirements annual financial statements for all projects, implemented by MDF, are audited each fiscal year in accordance with International Standards on Auditing and separate audit opinion is issued for all of them. These comprise, for the Project (i) summary of sources and uses of funds showing the donor and counterpart funds, including contributions in kind, separately as of the end of each fiscal year; (ii) summary of uses of funds by project activities (statement of expenditure detail) as at the end of each fiscal year; (iii) balance sheet; (iv) statements of expenditures withdrawal schedule for each fiscal year; and (v) special account statement for each fiscal year. For MDF: (i) balance sheet as at the end of each fiscal period; (ii) income statement for each fiscal year; (iii) cash flow statement for each fiscal year; and (iv) funds flow statement for each fiscal year. MDF has no difficulties in producing these reports on time. MDF is supervised by a Supervisory Board, chaired by Prime Minister and which comprises ministers of finance, economy, regional development and infrastructure among others.

³ MDF has implemented two World Bank (WB) loans and projects for Kreditanstalt für Wiederaufbau (KfW), Millennium Challenge Georgia (MCG) and the European Bank for Reconstruction and Development (EBRD): • Municipal Development and Decentralization Project (MDDP) I - WB • MDDP II - WB • Georgian Social Investment Fund (GSIF) I – WB and KfW • GSIF II – WB and KfW • Regional Infrastructure Development Project – MCG and EBRD. Currently MDF is implementing two ADB loans, Municipal Services Development Program (MSDP) I and II.

B. Disbursement

9. The Loan proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (as amended from time to time),⁴ and detailed arrangements agreed upon between the Government and ADB. Pursuant to ADB's Safeguard Policy Statement (2009) (SPS),⁵ ADB funds may not be applied to the activities described on the ADB *Prohibited Investment Activities List* set forth in the SPS. All financial institutions will ensure that their investments are in compliance with applicable national laws and regulations and will apply the prohibited investment activities list to subprojects financed by ADB.

10. The disbursement arrangements to be used for this tranche will include: direct payment by ADB, reimbursement, imprest fund procedures, statement of expenditures (SOEs) that will be necessary for disbursement to be made. MDF will be responsible for (i) preparing disbursement projections, (ii) requesting budgetary allocations for counterpart funds, (iii) collecting supporting documents, and (iv) preparing and sending withdrawal applications to ADB.

11. As separate imprest account has been established and maintained by funding source, two imprest accounts has been setting up at the State Treasury of the Borrower at the National Bank of Georgia for the captioned tranche. MDF has established both accounts in US\$. They are under administration of the Financial Unit of MDF. The maximum ceiling of the respective imprest account will not at any time exceed the estimated ADB financed expenditures to be paid from the respective imprest account for the next 6 months or 10% of the respective loan amount, whichever will be lower. The request for initial advance to the imprest account should be accompanied by an estimate of expenditure sheet⁶ setting out the estimated expenditures for the first six (6) months of project implementation, and submission of evidence satisfactory to ADB that the imprest account has been duly opened. For every liquidation and replenishment request of the imprest account, the borrower will furnish to ADB (a) statement of account (bank statement) where the imprest account is maintained, and (b) the imprest account reconciliation statement (IARS) reconciling the above mentioned bank statement against the EA's records.

12. For SOE, a ceiling of \$50,000 per individual payment should apply. SOE records should be maintained and made readily available for review by ADB's disbursement and review mission or upon ADB's request for submission of supporting documents on a sampling basis, and for independent audit.

13. Before the submission of the first withdrawal application, MDF should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the borrower, together with the authenticated specimen signatures of each authorized person. The minimum value per withdrawal application is US\$100,000, unless otherwise approved by ADB. MDF is to consolidate claims to meet this limit for reimbursement and imprest account claims. Withdrawal applications and supporting documents will demonstrate, among other things that the goods, and/or services were produced in or from ADB member countries, and are eligible for ADB financing.

C. Accounting

14. The MDF will maintain separate project accounts and records by funding source for all

⁴ Available at: http://www.adb.org/Documents/Handbooks/Loan_Disbursement/loan-disbursement-final.pdf

⁵ Available at: <http://www.adb.org/Documents/Policies/Safeguards/Safeguard-Policy-Statement-June2009.pdf>

⁶ Available in Appendix 29 of the *Loan Disbursement Handbook*.

expenditures incurred on the Project. Project financial statements prepared by MDF annually will follow international accounting principles and practices.

D. Auditing

15. The MDF will cause the annual project financial statements to be audited in accordance with international standards on auditing and in accordance with the Government's audit regulations by an auditor acceptable to ADB. The audited project financial statements, the audit report (which includes an opinion on whether the audited project financial statements give a true and fair view) and a management letter (which sets out any difference in the internal audit of the project, if any) will be submitted in the English language to ADB within 6 months of the end of the fiscal year by the executing agency. The annual audit report will also include an opinion on the use of the loan proceeds, the imprest accounts and the SOE procedures. The Government and MDF have been made aware of ADB's policy on delayed submission, and the requirements for satisfactory and acceptable quality of the audited accounts. ADB reserves the right to verify the project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures.

E. Public Disclosure of Audited Project Financial Statements

16. ADB will disclose the audited financial statements for the project and the auditor's opinion on the financial statements within 30 days of the receipt by posting them on the ADB website.

VI. PROCUREMENT AND CONSULTING SERVICES

A. Advance Contracting and Retroactive Financing

17. All advance contracting and retroactive financing will be undertaken in conformity with ADB's *Procurement Guidelines* (March 2013, as amended from time to time) (ADB's *Procurement Guidelines*)⁷ and ADB's *Guidelines on the Use of Consultants* (2013, as amended from time to time) (ADB's *Guidelines on the Use of Consultants*).⁸ The issuance of invitations to bid under advance contracting and retroactive financing will be subject to ADB approval. The Borrower and MDF have been advised that approval of advance contracting and retroactive financing does not commit ADB to finance the Project.

18. **Advance contracting.** Advance contracting is requested for works and consulting services. This will include (i) prequalification of contractors, tendering, and bid evaluation for civil works packages; (ii) evaluation of bids; and (iii) recruitment of consultants.

19. **Retroactive financing.** The maximum amount of eligible expenditures (works and consulting services) to be engaged for retroactive financing is up to the equivalent of 20% of the respective ADB loan, to be incurred before loan effectiveness, but not more than 12 months before the signing of the loan agreement.

B. Procurement of Goods, Works and Consulting Services

20. All procurement of goods and works will be undertaken in accordance with ADB's *Procurement Guidelines*.

21. Before the start of any procurement ADB and the Government will review the public procurement laws of Georgia to ensure consistency with ADB's *Procurement Guidelines*. An 18-month procurement plan indicating threshold and review procedures, goods, works, and consulting service contract packages and national competitive bidding guidelines is in Section C. All consultants will be recruited according to ADB's *Guidelines on the Use of Consultants*.⁹

⁷ Available at: <http://www.adb.org/Documents/Guidelines/Procurement/Guidelines-Procurement.pdf>

⁸ Available at: <http://www.adb.org/Documents/Guidelines/Consulting/Guidelines-Consultants.pdf>

⁹ Checklists for actions required to contract consultants by method available in e-Handbook on Project Implementation at: <http://www.adb.org/documents/handbooks/project-implementation/>

C. Procurement Plan¹⁰

Basic Data

Project Name: Sustainable Urban Transport Investment Program - Tranche 2	
Project Number: 42414-033	Approval Number: 2880/2879
Country: Georgia	Executing Agency: Municipal Development Fund of Georgia
Project Procurement Classification: Category B	Implementing Agency: N/A
Project Procurement Risk: Low	
Project Financing Amount: US\$ 92,886,000	Project Closing Date: 31 December 2018
ADB Financing: US\$ 64,886,000	
Cofinancing (ADB Administered): N/A	
Non-ADB Financing: US\$ 28,000,000	
Date of First Procurement Plan: 24 July 2012	Date of this Procurement Plan: 9 May 2016

A. Methods, Thresholds, Review and 18-Month Procurement Plan

1. Procurement and Consulting Methods and Thresholds

Except as the Asian Development Bank (ADB) may otherwise agree, the following process thresholds shall apply to procurement of goods and works.

Procurement of Goods and Works		
Method	Threshold	Comments
National Competitive Bidding for Goods	Between US\$ 100,000 and US\$ 999,999	ADB SBD (prior followed by post) Usage subject to review of the borrower's public procurement laws and regulations. Prior review applies to the procurement of the first NCB contract by the project management unit. If first contract procured satisfactorily, thereafter post review.
Shopping for Goods	Between US\$ 1,000 and US\$ 99,999	ADB SBD
International Competitive Bidding for Works	US\$ 1,000,000 and Above	ADB SBD
National Competitive Bidding for Works	Between US\$ 100,000 and US\$ 999,999	ADB SBD (prior followed by post) Usage subject to review of the borrower's public procurement laws and regulations. Prior review applies to the procurement of the first NCB contract by the project management unit. If first contract procured satisfactorily, thereafter post review.

¹⁰ Available at: <http://www.adb.org/sites/default/files/projdocs/2013/42414-033-pp.pdf>

Consulting Services	
Method	Comments
Consultant's Qualification Selection for Consulting Firm	RFP
Fixed Budget Selection for Consulting Firm	RFP
Least-Cost Selection for Consulting Firm	RFP
Quality- and Cost-Based Selection for Consulting Firm	QCBS 80:20 or 90:10
Quality-Based Selection for Consulting Firm	RFP
Single Source Selection for Consulting Firm	RFP
Individual Consultants Selection for Individual Consultant	Applied in accordance with Section 2.34, <i>Guidelines on the Use of Consultants</i> (as amended from time to time)

2. Goods and Works Contracts Estimated to Cost \$1 Million or More

The following table lists goods and works contracts for which the procurement activity is either ongoing or expected to commence within the next 18 months.

Package Number	General Description	Estimated Value	Procurement Method	Review (Prior/Post)	Bidding Procedure	Advertisement Date (quarter/year)	Comments

3. Consulting Services Contracts Estimated to Cost \$100,000 or More

The following table lists consulting services contracts for which the recruitment activity is either ongoing or expected to commence within the next 18 months.

Package Number	General Description	Estimated Value	Recruitment Method	Review (Prior/Post)	Advertisement Date (quarter/year)	Type of Proposal	Comments
tbd 01	Capacity building for Tranche 2 - Technical expertise, assistance and training on project management, safeguards, financial and procurement	500,000.00	LCS	Prior	Q4 / 2016	BTP	Assignment: International Comments: As reflected in the Aide Memoire of the Review Mission fielded on 23 March - 1 April 2015, capacity building for MDF staff is envisaged in Q2 2016.
SUTIP2/C /QCBS/08 -2015tbd 02	Development of a bridge, road and tunnel laboratory at the Georgia Technical University	435,000.00	QCBS	Prior	Q2 / 2015	STP	Assignment: International Quality-Cost Ratio: 90:10 Comments: with shopping for an amount up to \$200,000

4. Goods and Works Contracts Estimated to Cost Less than \$1 Million and Consulting Services Contracts Less than \$100,000 (Smaller Value Contracts)

The following table lists smaller-value goods, works and consulting services contracts for which the activity is either ongoing or expected to commence within the next 18 months.

Goods and Works								
Package Number	General Description	Estimated Value	Number of Contracts	Procurement Method	Review (Prior/Post)	Bidding Procedure	Advertisement Date (quarter/year)	Comments
tbd Goods 1	Procurement of Goods for GTU bridge and tunnel laboratory	875,000.00	1	NCB	Prior	1S1E	Q4 / 2016	Prequalification of Bidders: N Domestic Preference Applicable: N Bidding Document: Goods Comments: multiple lots (number to be determined)
tbd Works 1	Rehabilitation of GTU bridge and tunnel laboratory	190,000.00	1	NCB	Prior	1S1E	Q4 / 2016	Prequalification of Bidders: N Domestic Preference Applicable: N Bidding Document: Small Works

Consulting Services								
Package Number	General Description	Estimated Value	Number of Contracts	Recruitment Method	Review (Prior/Post)	Advertisement Date (quarter/year)	Type of Proposal	Comments
tbd 04-2	Independent monitoring agency (Safeguard and resettlement) and individual consultants	75,000.00	1	ICS	Prior	Q4 / 2016		Assignment: International Expertise: Safeguard specialist
tbd 04-3	Independent monitoring agency (Safeguard and resettlement) and individual consultants	75,000.00	1	ICS	Prior	Q4 / 2016		Assignment: International Expertise: Resettlement specialist
tbd 04-4	Independent monitoring agency (Safeguard and resettlement) and individual consultants	37,500.00	1	ICS	Prior	Q4 / 2016		Assignment: National Expertise: tbd
tbd 04-5	Independent monitoring agency	37,500.00	1	ICS	Prior	Q2 / 2017		Assignment: National

	(Safeguard and resettlement) and individual consultants							Expertise: tbd
tbd 04-6	Independent monitoring agency (Safeguard and resettlement) and individual consultants	37,500.00	1	ICS	Prior	Q2 / 2017		Assignment: National Expertise: tbd

B. Indicative List of Packages Required Under the Project

The following table provides an indicative list of goods, works and consulting services contracts over the life of the project, other than those mentioned in previous sections (i.e., those expected beyond the current period).

Goods and Works							
Package Number	General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Procurement Method	Review (Prior/Post)	Bidding Procedure	Comments
None							

Consulting Services							
Package Number	General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Recruitment Method	Review (Prior/Post)	Type of Proposal	Comments
None							

C. List of Awarded and On-going, and Completed Contracts

The following tables list the awarded and on-going contracts, and completed contracts.

1. Awarded and Ongoing Contracts

Goods and Works							
Package Number	General Description	Estimated Value	Awarded Contract Value	Procurement Method	Advertisement Date (quarter/year)	Date of ADB Approval of Contract Award	Comments
P42414SU TIP2-ICB1.03	Modernization of Tbilis-Rustavi Section of the Tbilisi-Red Bridge (Azerbaijani Border) Road (Section and Section 3)	58,000,000.00	51,168,000.00	ICB	Q2 / 2013	19-DEC-13	PC Committee approved rebidding on 10 May 2013. PCSS 0001

Consulting Services							
Package Number	General Description	Estimated Value	Awarded Contract Value	Recruitment Method	Advertisement Date (quarter/year)	Date of ADB Approval of Contract Award	Comments
SUTIP2/C/SSS/01-2014	Project financial statement and independent audit	100,000.00	99,946.00	SSS	Q1 / 2015	15-APR-15	ADB financing: \$84,700.00 PCSS 0003
SUTIP2/C/	Engineering,	1,500,000.00	1,457,000.00	QCBS	Q2 / 2013	14-OCT-14	Contract value:

QCBS/7-2013	Procurement, Construction Management and Supervision for Construction of Batumi Coastal Protection						EUR 1,142,276.06 (Exchange rate: 14 Oct 2014 = EU1 = \$1.2751995368) PCSS 0002 - Technital S.P.A.
SUTIP2-IC-01-2015	Local Environmental Safeguards' Specialist for SUTIP Project	37,500.00	75,000.00	ICS	Q3 / 2015	24-SEP-2015	Independent monitoring agency (Safeguard and resettlement) and individual consultants PCSS 0004 – Nino Nadashvili

D. National Competitive Bidding

1. General

The procedures to be followed for national competitive bidding shall be those set forth in the Law of Georgia on State Procurement January 1, 2006 with the clarifications and modifications described in the following paragraphs required for compliance with the provisions of the ADB's Procurement Guidelines.

2. Eligibility

The eligibility of bidders shall be as defined under section I of ADB's Procurement Guidelines, published by ADB; accordingly, no bidder or potential bidder should be declared ineligible to ADB-financed contracts for other reasons than the ones provided by section I of ADB's Guidelines. Bidders must be nationals of member countries of ADB, and offered goods and services must be produced in and supplied from member countries of ADB.

3. Prequalification

Normally, post-qualification shall be used unless explicitly provided for in the loan agreement/procurement plan. Irrespective of whether post qualification or prequalification is used, eligible bidders (both national and foreign) shall be allowed to participate.

4. Registration and Licensing

- (i) Bidding shall not be restricted to pre-registered/licensed firms.
- (ii) Where registration or licensing is required, bidders (i) shall be allowed a reasonable time to complete the registration or licensing process; and (ii) shall not be denied registration/licensing for reasons unrelated to their capability and resources to successfully perform the contract, which shall be verified through post-qualification.
- (iii) Foreign bidders shall not be precluded from bidding. If a registration or licensing process is required, a foreign bidder declared the lowest evaluated bidder shall be given a reasonable opportunity to register or to obtain a license without

unreasonable cost and additional requirements.

5. Bidding Period

The minimum bidding period is twenty-eight (28) days prior to the deadline for the submission of bids.

6. Bidding Documents

Procuring entities should use standard bidding documents for the procurement of goods, works and services acceptable to ADB.

The term “services” above are applicable to the following: (a) related services (for supply of goods and works) such as transportation, insurance, installation, commissioning, training and initial maintenance, and (b) other services such as drilling, mapping, and similar operations.

7. Preferences

No domestic preference shall be given for domestic bidders and for domestically manufactured goods.

8. Advertising

Invitations to bid shall be advertised in at least one widely circulated national daily newspaper or freely accessible, nationally-known website allowing a minimum of twenty-eight (28) days for the preparation and submission of bids.

Bidding of NCB contracts estimated at US\$500,000 equivalent or more for goods and related services or US\$1,000,000 equivalent or more for civil works shall be advertised on ADB’s website via the posting of the Procurement Plan.

9. Bid Security

Where required, bid security shall be in the form of a bank guarantee from a reputable bank.

10. Bid Opening and Bid Evaluation

- (i) Bids shall be opened in public.
- (ii) Evaluation of bids shall be made in strict adherence to the criteria declared in the bidding documents and contracts shall be awarded to the lowest evaluated bidder-who meets the qualifying criteria stated in the bid documents.
- (iii) Bidders shall not be eliminated from detailed evaluation on the basis of minor, non-substantial deviations.
- (iv) No bidder shall be rejected on the basis of a comparison with the employer's estimate and budget ceiling without ADB's prior concurrence.
- (v) A contract shall be awarded to the technically responsive bid that offers the lowest evaluated price and no negotiations shall be permitted.
- (vi) Price verification shall not be applied.

11. Rejection of All Bids and Rebidding

Bids shall not be rejected and new bids solicited without ADB's prior concurrence.

12. Participation by Government-owned enterprises

Government-owned enterprises in Georgia shall be eligible to participate as bidders only if they can establish that they are legally and financially autonomous, operate under commercial law and are not a dependent agency of the contracting authority. Furthermore, they will be subject to the same bid and performance security requirements as other bidders.

13. Right to Inspect/Audit

A provision shall be included in all NCB works and goods contracts financed by ADB requiring suppliers and contractors to permit ADB to inspect their accounts and records and other documents relating to the bid submission and the performance of the contract, and to have them audited by auditors appointed by ADB.

14. Fraud and corruption

- (i) The Borrower shall reject a proposal for award if it determines that the bidder recommended for award has, directly or through an agent, engaged in corrupt, fraudulent, collusive, or coercive practices in competing for the contract in question.
- (ii) ADB will declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a contract financed by ADB, if it at any time determines that the firm or individual has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for, or in executing, an ADB-financed contract.

For purposes of the provisions in (a) and (b) above, the definitions of the terms "fraudulent practice", "corrupt practice", "collusive practice", and "coercive practice" are the definitions given in ADB's Procurement Guidelines.

15. Conflict of Interest

ADB's rule in respect of "Conflict of Interest" as stipulated in ADB's Standard Bidding Documents for Procurement of Goods, Civil Works, and Plant-Design, Supply and Install shall be applicable.

16. Disclosure of Decision on Contract Awards

At the same time that notification on award of contract is given to the successful bidder, the results of bid evaluation shall be published in a local newspaper, or a well-known freely accessible website identifying the bid and lot numbers and providing information on (i) name of each Bidder who submitted a Bid, (ii) bid prices as read out at bid opening; (iii) name of bidders whose bids were rejected and the reasons for their rejection, and (iv) name of the winning Bidder, and the price it offered, as well as

duration and summary scope of the contract awarded. The executing agency/implementing agency/contracting authority shall respond in writing to unsuccessful bidders who seek explanations on the grounds on which their bids are not selected.

VII. SAFEGUARDS

22. MDF is responsible for the implementation and the monitoring of the safeguards plans. A specific safeguards unit is in charge of the preparation, implementation and monitoring of the land acquisition, resettlement, environment and gender action plans. As MDF will experience his first implementation of a major resettlement plan during this tranche, ADB will provide capacity building assistance through the RETA-7433-REG: *Mainstreaming Land Acquisition and Resettlement Safeguards in the Central and West Asia*. These plans include: (i) the environmental management plan (EMP) and/or environmental assessment and review framework (EARF), (ii) the resettlement plan and/or resettlement framework, and (iii) the indigenous peoples plan (IPP) and/or indigenous peoples planning framework (IPPF).

A. Environment

- Project is classified as environmental category B under ADB's *Safeguards Policy Statement, 2009*¹¹
- The environmental assessment and review and framework (EARF) approved in 2010 is still applicable for the tranche.
- The initial environmental examination (IEE) have been prepared and posted on ADB and MDF websites. They will be updated every 6 months if necessary
- Environmental Management and Monitoring Plan will be updated during detailed engineering design, incorporated in bidding documents and civil works contracts and monitored during construction.
- Addendum to Initial Environmental Examination of section 3 - IEE 2 for secondary roads was prepared and approved by ADB. Document is disclosed on the web-page of MDF.

B. Land Acquisition and Resettlement (LAR)

- Project is classified as involuntary resettlement category A– with major impact under ADB's *Safeguards Policy Statement, 2009*¹²
- The land acquisition and resettlement framework (LARF) approved in 2010 is still applicable for the tranche.
- The two Land Acquisition and Resettlement Plan (LARPs) along with two addendums to LARP I and LARP II have been prepared and posted on ADB and MDF websites.
- Indigenous People Project is classified as category C under ADB's *Safeguard Policy Statement, 2009*
- The Project is not expected to affect indigenous people as defined under the ADB's *Safeguards Policy Statement, 2009*¹³

¹¹ Updated from ADB's *Environment Policy, 2002*.

¹² Updated from ADB's *Policy on Involuntary Resettlement, 1995*.

¹³ Updated from ADB's *Policy on Indigenous Peoples, 1998*.

VIII. GENDER AND SOCIAL DIMENSIONS

Country/Project Title:	Georgia: Sustainable Urban Transport Investment Program – Project 2		
Lending/Financing Modality:	Multitranches Financing Facility	Department/ Division:	Central and West Asia Department/ Urban Development and Water Division

I. POVERTY ANALYSIS AND STRATEGY

A. Link to the National Poverty Reduction Strategy and Country Partnership Strategy

The Sustainable Urban Transport Investment Program – Project 2 is consistent with the interim operational strategy of Georgia.^a It will improve service delivery in municipal infrastructure within the evolving decentralization process and reduce road transportation constraints on economic activity. The proposed Project 2 will improve urban environment, local economy and better living conditions within urban areas promote efficient and effective urban transport services through incentives and capacity building to improve the quality, reliability, accessibility, affordability, integration, and coverage of transport services. The Project 2 will finance improvements to urban transport infrastructure and services. The investment program will:

- (i) **Create jobs and employment opportunities.** It is anticipated that between 800 full-time jobs will be created during the construction period and 400–500 multiplier effect jobs will be created. Of the construction jobs, 65% are to be unskilled and 30% to be women. The loan assurances specifically address employment of vulnerable groups and women.
- (ii) **Improve living standards.** Living conditions will be improved with safer and better road conditions, improved accessibility such as footbridges and the redesign of existing intersections, development of clean transport solutions, to improve accessibility. This will significantly reduce time burdens, particularly for women.
- (iii) **Protect the environment.** The environment management plan outlines clear actions for environmental protection during construction, and these are accounted for in the loan assurances. An awareness campaign will promote road safety and a shift to clean transport modes. It will target small businesses, communities, and schools.
- (iv) **Provide skills training.** The investment program will include skills training (including for construction, safeguards, technical expertise). This will be done through the program management facility, and the resettlement and gender action plans (GAPs).
- (v) **Support gender inclusion.** Loan assurances will ensure the participation of women throughout the Investment program. Gender benefits are addressed in GAP.

B. Poverty Analysis

Targeting Classification: General intervention

1. Key issues

According to the Human Development Index of the United Nations Development Programme (UNDP) - Ranking 2011, Georgia moved from the 97th to the 75th rank out of 186 countries. It still ranks higher than Azerbaijan (76th) but leapfrogged Armenia which degraded at 86th. However, still more than 14.7% of Georgia's population is living with less than \$1.25 PPP¹⁴ per day. Poverty incidence is comparable with that in other countries in the South Caucasus. The process of poverty reduction is rooted in a broad range of socioeconomic activities to which urban transport services provide intermediate inputs. The project 2 will have an indirect impact on poverty. The provision of urban transport services, including the construction, operation, and maintenance of transport infrastructure, will generate demand for labor (often unskilled labor) and provide income-earning opportunities for the poor. The Project 2 will stimulate economic development particularly in tourist areas (Tbilisi) creating indirect employment opportunities as well.

2. Design features

The design has attempted to reduce impacts on land acquisition and resettlement. The MFF's assurances call for employment of local labor, especially from vulnerable groups and women. The GAP outlines strategies for mitigating adverse impacts and promoting positive benefits such as employment and skills training. Under the capacity development program, a public awareness campaign for road safety and use of clean and low carbon transport solutions will be implemented.

II. SOCIAL ANALYSIS AND STRATEGY

A. Findings of Social Analysis

The Project 2 will benefit more than 1.28 million urban residents (35% of the national population and 66% of the urban population) improving living conditions and the economic and urban environment of Tbilisi and Rustavi. The strategic vision of the Project 2 is again to promote a sustainable, integrated, socially affordable, and cost-efficient urban transport system. By 2030, urban transport will play a major role in improving access to businesses and communities, sustaining economic and tourism development, and enabling citizens to tap economic and social opportunities. The potential beneficiaries are local residents without cars, students, commuters, and road and public transport users. The poor and socially excluded will benefit through (i) better accessibility to cities and other activity centers, (ii) more affordable transport alternatives to travel in the city,

¹⁴ PPP: purchasing poverty parity

(iii) better living conditions and pollution reduction, (iv) construction and maintenance of road projects, and (v) development of business activities around the subprojects upon project completion. The major issues and opportunities addressed during the poverty analysis were as follows.

Improved accessibility and time savings. Project 2 will enable inhabitants to save time when going from their home to their work and other location in the improved corridor. The new links will significantly shorten the distance between Tbilisi, the employment center of the region and the satellite city of Rustavi. This will decrease the cost of transportation, improve the transport condition and offer larger possibilities to find jobs and professional opportunities.

Impacts on health and safety. The main health issue related to urban transport is pollution. Traffic congestion, secondhand cars, the age of the car fleet, and the use of low-quality gasoline generate 80% of the air pollution in Tbilisi.^b The concentration of carbonic acid in the air already exceeds the norm by 1.5–2.5 times and increases health problems. In terms of safety, car usage has increased and, combined with dangerous driving, this has led to dramatic increase in road accidents. For the whole of Georgia, there were 737 deaths and 7,349 injuries in 2007 (53% of which occurred in Tbilisi), a 62% increase since 2002. Alcohol is the main cause of accidents, accounting for 37% of the total. This is far ahead of other causes such as drivers' behavior, lack of pedestrian safety equipment, road conditions, and dangerous intersections.

Impacts on quality of life. Noise, poor access, and an unfriendly environment are key issues affecting quality of life. Public space is frequently invaded by illegal parking, obstructing pedestrian flows, particularly in city center where there is a lack of space. Pedestrian zones are rare and badly maintained. Green areas are disappearing and are not properly maintained. Noise reduction is limited; no sound-muffling walls have been constructed to minimize traffic noise impact. There are no specific arrangements for nonmotorized transport such as bicycles or pedestrians, which are often the first victims in traffic accidents. The project 2 will focus on urban renewal and promoting and upgrading nonmotorized transport facilities.

Impacts on employment. The Project 2 will contribute to poverty reduction by stimulating economic development. In particular, it will increase the mobility of about 1.28 million people living in Tbilisi. It will generate an estimated 1,000–1,500 jobs during implementation. It is expected to promote tourism and thus socioeconomic development in the participating municipalities. Employment targets for local unskilled workers, women, and vulnerable groups have been specified in the design and monitoring framework.

B. Consultation and Participation

1. Consultations were carried out with all the stakeholders during the project preparation, with local residents and civil society. Stakeholders were informed about the subprojects, and information will continue to be provided during implementation of the project. Consultations were also held at various levels of government, including the Municipal Development Fund (resettlement and environment division), Ministry of Region Development and Infrastructure, local governments at the *rayon* (district municipality) level and *gamgebeli* (governor) level, as well as with the donor community (the World Bank, the European Bank for Reconstruction and Development, the European Investment Bank and the Millennium Development Corporation).

2. What level of consultation and participation is envisaged during the implementation and monitoring?
 Information sharing Consultation Collaborative decision making Empowerment

3. Was a consultation and participation plan prepared? Yes No

C. Gender and Development

1. Key Issues.

The investment program will provide equal opportunities for men and women for: (i) employment for the construction of projects, (ii) stakeholder consultation and participation, and (iii) employment accessibility to city and activity centers; and (iv) increased access to university education. It will provide substantial benefits to women by improving their access to transport services and enhancing their rights and benefits. Recommended measures include:

- (i) Capacity building activities such as information campaigns on HIV/AIDS risks, provision for equal pay, gender awareness and hygiene promotion, and other required training of participating municipalities; improving sex-disaggregated statistics; increased representation of women at the decision-making level in the sector agencies.
- (ii) Universal design and operational policies will help ensure protection of female passengers and employees against threats to their safety and security, and other forms of violence against women. These may include: (1) improved security measures such as increased visibility of security personnel; (2) lighting in all transport facilities, including stations, stops, waiting areas, toilets, and interchanges; and (3) information on what to do and where to complain to in cases of violations to personal safety.

These protective measures will help to make urban transport reliable, and the city more attractive to tourists. They will contribute to the fulfillment of the gender equality provisions set by the Millennium Development Goal on promoting gender equality and empowering women; and the Convention Against All Forms of Discrimination Against Women, which Georgia is a party to.

2. Key Actions. Measures included in the design to promote gender equality and women's empowerment—access to and use of relevant services, resources, assets, or opportunities and participation in decision-making process:

Gender plan Other actions/measures No action/measure

MFF assurances prioritize women for employment and skills training. At least 30% of participants in public meetings on the project interventions, in consultative workshops and in activities of identification of issues, training methods, outreach, materials, and monitoring addresses gender are women.

III. SOCIAL SAFEGUARD ISSUES AND OTHER SOCIAL RISKS

Issue	Nature of Social Issue	Significant/Limited/ No Impact/Not Known	Plan or Other Action Required
Involuntary resettlement	Both subprojects will entail land acquisition and have resettlement impacts. Land acquisition and resettlement plans have been prepared and approved by ADB. Designs have been optimized to minimize the impacts.	Limited Impact	<input checked="" type="checkbox"/> Full Plan <input type="checkbox"/> Short Plan <input type="checkbox"/> Resettlement Framework <input type="checkbox"/> No Action <input type="checkbox"/> Uncertain
Indigenous Peoples	ADB's Safeguard Policy Statement (2009) is not likely to be triggered by the Project 2. Tribal communities existing outside the cultural and legal mainstream are generally not present in the project areas.	No Impact	<input type="checkbox"/> Plan <input type="checkbox"/> Other Action ¹⁶ <input type="checkbox"/> Indigenous Peoples Framework <input checked="" type="checkbox"/> No Action <input type="checkbox"/> Uncertain
Labor <input checked="" type="checkbox"/> Employment Opportunities <input type="checkbox"/> Labor Retrenchment <input type="checkbox"/> Core Labor Standards ¹⁷	Civil works contracts will adhere to applicable labor laws and regulations. Loan assurances will include provisions against differential payment for men and women for work of equal value and against child labor. The Project 2 will ensure that there are adequate health and safety measures in place during construction.	No Impact	<input type="checkbox"/> Plan <input type="checkbox"/> Other Action ¹⁸ <input checked="" type="checkbox"/> No Action <input type="checkbox"/> Uncertain
Affordability	No tolls will be collected on project roads. The Project will promote easy access to public transport to reduce the cost of transportation.	No Impact	<input type="checkbox"/> Action <input checked="" type="checkbox"/> No Action <input type="checkbox"/> Uncertain
Other Risks and/or Vulnerabilities <input type="checkbox"/> HIV/AIDS <input type="checkbox"/> Human Trafficking <input type="checkbox"/> Others (conflict, political instability, etc.), please specify	Political instability and civil unrest may hinder the timeliness of the Project's implementation. The location of the subprojects should prevent from experiencing such risks.	Limited Impact	<input type="checkbox"/> Plan <input type="checkbox"/> Other Action <input checked="" type="checkbox"/> No Action <input type="checkbox"/> Uncertain

IV. MONITORING AND EVALUATION

Are social indicators included in the design and monitoring framework to facilitate monitoring of social development activities and/or social impacts during project implementation? Yes No If no, please explain why.

^a ADB. 2009. *Georgia: Interim Operational Strategy 2008-2009*. Manila.

^b Source Non Government Organization. 2008., Better Outdoor Air Quality through Cleaner Fuels and Vehicles.

Source: Asian Development Bank.

INDICATIVE GENDER ACTION PLAN

Activity / Strategy	Performance/Target Indicators	Rationale/Objectives	Responsibility	Timing
Output A: Infrastructure Improvement				
1. Introduce gender perspectives in infrastructure planning and construction	<ul style="list-style-type: none"> • Specific needs of women are addressed in all design and construction • Local communities are consulted for location of road safety facilities • Number of side-walks, lights, waiting spaces and other infrastructure facilities meeting needs of communities, especially of elderly and women with small kids and carriages • Equal employment opportunities are given to women and men (women are encouraged to apply and contractors are oriented on equal employment) • 20 % of labor force are women • Measures to remove physical barriers and constraints for access by women and children are included in the costal improvement • Female and male headed households receive equal compensation for resettlement 	<p>Maximize women's access and benefits from the project</p> <p>Access to safe transport and safe mobility</p>	EA and relevant municipalities	2012-2015
Output B: Institutional Strengthening				
1. Develop gender mainstreaming strategies for urban transport 2. Create employment opportunities for women	<ul style="list-style-type: none"> • Creation of sex-disaggregated public transport data-base rolled out at least on one other secondary cities • Recruitment of 30% women ensured by EA • Awareness material 	Increase institutional effectiveness and outreach of the EA and relevant municipalities	EA and relevant municipalities	2012-2013 2013 2012

Activity / Strategy	Performance/Target Indicators	Rationale/Objectives	Responsibility	Timing
	<p>to improve safe driving behavior and road safety developed</p> <ul style="list-style-type: none"> • Ensure that all the information material is gender sensitive and it is provided to women through channels and times suitable to their work and domestic responsibilities • Public campaign conducted and women's needs revealed during consultative processes considered • 3 public outreach/safety education campaign to young women and men on road safety and safe mobility conducted • Capacity building of urban planners include importance of addressing needs of women and other groups 			<p>2012-2013</p> <p>2012-continuous</p> <p>2012-2013</p> <p>2012-2014</p>
Output C: Project Management and Capacity Improvement				
<ol style="list-style-type: none"> 1. Design training modules 2. Conduct gender sensitivity training for PMU 3. Ensure adequate monitoring of social impacts of the project 	<ul style="list-style-type: none"> • Gender focal point at EA reconfirmed with detailed TOR and GAP • 50% of MDF safeguards unit will be females • Training module developed on gender related aspects of urban development • Trainings conducted with 50 % of women participation for EA • Sex-disaggregated data collected to measure impact of the project 	<p>To assist EAs and relevant municipalities gender mainstream in their operations</p>	<p>EA</p>	<p>2013</p> <p>2013</p> <p>2013</p> <p>2012-2013</p> <p>2017</p>

IX. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION

A. Project Design and Monitoring Framework

Design Summary	Indicative Performance Targets/Indicators	Data Sources/ Reporting Mechanisms	Assumptions and Risks
<p>Impact Improved urban environment, local economy and better living conditions within urban areas</p>	<p>By 2021 - At least 1.45 million people in urban areas Tbilisi and Rustavi will benefit - At least 6,000 additional tourist visits in Mtskheta compared to 120,000 in 2010 - Reduced urban road accident and casualties by 3% compared to based line 2009 (8,000)</p>	<p>Multiple Indicators from municipal departments, municipal companies and NGO reports</p> <p>Surveys by Tourism Department or other entities as appropriate</p> <p>Statistical surveys (MRDI)</p> <p>Surveys by Tbilisi Municipality or other entities as appropriate</p>	<p>Assumptions Government continues its focus on infrastructure in the implementation of its national strategy</p> <p>Political and economic stability</p> <p>Risk Vulnerability of the economy to exogenous shocks</p>
<p>Outcome Efficient, reliable, and affordable urban transport services provided in relevant cities</p>	<p>By 2018 - The program will benefit at least 1.45 million people in urban areas Tbilisi and Rustavi - Average travel time at peak hours of 22 minutes when entering Tbilisi from Rustavi and Mtskheta compared to 25 minutes in 2012 - At least 400 accidents less in the Tbilisi metropolitan area compared to 2009 base line of 1650</p>	<p>NGO and international or national transport associations reports</p> <p>Municipal statistics</p> <p>Metro, bus companies or other agencies statistics as appropriate</p> <p>MRDI database</p> <p>Ministry of Internal Affairs database and annual report</p>	<p>Assumptions Prompt decision making by GoG and releasing counterpart funds</p> <p>Risks Weak coordination among state entities undermines sustainable operations</p> <p>Rising energy costs increase operation cost and tariff increases not supported by consumers</p>
<p>Outputs Urban transport infrastructure extended, rehabilitated, and improved by MDF and relevant municipalities</p>	<p>By 2018 - A 10.6 km long Tbilisi–Rustavi urban link completed (Sections 1 and 3) - A 151 m long Bridge constructed and in operation in Mtskheta</p>	<p>Participating city website and other municipal communication and media materials</p> <p>Press release reports and press review</p> <p>Municipal transport statistics</p> <p>Municipality reports</p>	<p>Assumptions Sustained support from newly-elected national and municipal government for urban transport investments</p> <p>Risk Capacity of domestic contractors is exhausted due to large number of ongoing externally- funded projects</p>
<p>Subprojects for subsequent tranches ready for implementation</p>	<p>By 2014 - Design and due diligence for Batumi coastal improvement Project ready for procurement - Design and due diligence for Tbilisi Boulevard project ready for procurement</p>	<p>Bidding documents with safeguards documents</p>	
<p>Establishment of skilled and experienced units to oversee the management and the implementation of the Project in MDF and relevant</p>	<p>By 2014 - Project and safeguards due diligence for subsequent projects timely prepared by MDF in compliance with ADB guidelines - At least 15 persons trained on financial management, gender sensitization, procurement, and</p>	<p>MDF annual report and communication</p>	

municipalities	safeguards - 20% of professional staff hired by MDF are qualified women		
Indicative Activities with Key Milestones 1. Construction, improvement, and rehabilitation of urban transport infrastructure <ul style="list-style-type: none"> • Bidding documents completed by month 18 from loan effectiveness (MDF, PM) • Urban infrastructure constructed in phases by month 36 (MDF, PM, Contractors) 2. Program Management Facility <ul style="list-style-type: none"> • MDF Safeguards unit strengthened with 50% of women recruited by month 12 (MDF) • A bridge laboratory set up in Georgia Technical University by month 24 (MRDI, Georgia Technical University) • Training plan carried out by month 48, with at least 30% of women (MDF, PM) • Support provided to the Program development, implementation and management for the whole duration of the Program (MDF, PM). Tranche III: to be approved by end of 2013			Inputs¹⁵ ADB: \$80.00 \$64.89 million with \$16.00 million equivalent (ADF) \$64.00 \$48.89 million (OCR) Government: 28.00 \$25.28 million with : \$14.49 \$11.74 million (Taxes and duties) \$8.61 million (Land and resettlement) \$3.55 million (Recurrent costs for maintenance) \$1.38 million (Contingencies on LAR and recurrent cost for maintenance)

ADB = Asian Development Bank, MDF = Municipal Development Fund, MRDI = Ministry of Regional Development and Infrastructure, NGO = no-government organization, O&M = operation and maintenance, PM = Participating municipalities, PPMS = project performance and monitoring system, TM = Tbilisi Municipality.

Source: Asian Development Bank.

B. Monitoring

23. **Project performance monitoring:** MDF has set up a monitoring system with methodology and plan for monitoring project performance using the targets, indicators, assumptions, and risks in the DMF, including how beneficiaries will be involved in project monitoring and/or evaluation. Disaggregated baseline data for output and outcome indicators gathered during project processing will be updated and reported semi-annual through the MDF's semi-annual progress reports and after each ADB review mission. These semi-annual reports will provide information necessary to update ADB's project performance reporting system.

24. **Compliance monitoring:** Covenants related to policy, legal, financial, economic, environmental, safeguards will be monitored by the MDF technical team with the support of the consulting services firms recruited for the construction and supervision of the projects. ADB mission will conduct a semi-annual check on site to verify.

25. **Safeguards monitoring:** Safeguards will be monitored by the MDF technical team with the support of the consulting services firms (particularly the Independent Monitoring Agency) and the individual consultants recruited for the implementation of the safeguards plans. They will be reported in the semi-annual progress reports.

26. **Gender and social dimensions monitoring:** In addition to MDF, an ADB consultant posted in the Georgia Resident Mission will conduct semi-annual evaluation and consultation

¹⁵ Tranche 2 will benefit from the institutional components financed under Tranche 1 overlapping on Tranche 2, and from the additional \$700,000 provided from the Government of Spain for the TA 7551-GEO: Developing a Geospatial Urban Water Supply and Sanitation Utility Management System.

and will contribute to the semi-annual progress reports.¹⁶

C. Evaluation

27. Midterm reviews will be fielded when needed, but usually when 50% of the works have been completed. The Mission will comprise Team Leader, project analyst, technical specialists, safeguards specialist and consultants as needed. Within 6 months of physical completion of the Project MDF will submit a project completion report to ADB.¹⁷

D. Reporting

28. The MDF will provide ADB with (i) semi-annual progress reports in a format consistent with ADB's project performance reporting system; (ii) consolidated annual reports including (a) progress achieved by output as measured through the indicator's performance targets, (b) key implementation issues and solutions; (c) updated procurement plan and (d) updated implementation plan for next 12 months; and (iii) a project completion report within 6 months of physical completion of the Project. To ensure projects continue to be both viable and sustainable, project accounts and the executing agency AFSs, together with the associated auditor's report, should be adequately reviewed.

E. Stakeholder Communication Strategy

29. Project information will be communicated through the MDF web site (www.mdf.org.ge/eng) and the different communications materials prepared by the MDF communications team. In addition, MDF is conducting regular workshops, seminars and exhibition.

¹⁶ ADB's *Handbook on Social Analysis: A Working Document*, is available at: <http://www.adb.org/documents/handbook-poverty-and-social-analysis-working-document>, *Staff Guide to Consultation and Participation*: <http://www.adb.org/participation/toolkit-staff-guide.asp>, and, *CSO Sourcebook: A Staff Guide to Cooperation with Civil Society Organizations*: <http://www.adb.org/Documents/Books/CSO-Staff-Guide/default.asp>

¹⁷ Project completion report format is available at: <http://www.adb.org/sites/default/files/institutional-document/33431/pai-6-07a.pdf>

X. ANTICORRUPTION POLICY

30. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the Project.¹⁸ All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency and all Project contractors, suppliers, consultants and other service providers. Individuals/entities on ADB's anticorruption debarment list are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the Project.¹⁹

31. To support these efforts, relevant provisions are included in the loan agreement and the bidding documents for the Project.

¹⁸ Available at: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>

¹⁹ ADB's Integrity Office web site is available at: <http://www.adb.org/integrity/unit.asp>

XI. ACCOUNTABILITY MECHANISM

32. People who are, or may in the future be, adversely affected by the project may submit complaints to ADB's Accountability Mechanism. The Accountability Mechanism provides an independent forum and process whereby people adversely affected by ADB-assisted projects can voice, and seek a resolution of their problems, as well as report alleged violations of ADB's operational policies and procedures. Before submitting a complaint to the Accountability Mechanism, affected people should make a good faith effort to solve their problems by working with the concerned ADB operations department. Only after doing that, and if they are still dissatisfied, should they approach the Accountability Mechanism.²⁰

²⁰ For further information see: <http://www.adb.org/Accountability-Mechanism/default.asp>.

XII. RECORD OF PAM CHANGES

Type and dates of mission	Reasons for changes/updates/revisions
Inception Mission: 10-14 April 2013	Major change and reallocation of loan proceeds
Loan Review Mission: 28 Jan – 6 Feb 2014	ADB Procurement Plan template was revised, and the PAM was revised accordingly.
Loan Review Mission: 28 August – 8 September 2014	MDF ED changed; and procurement plan template updated according to ADB Procurement Review System.
Loan Review Mission: 23 March – 1 April 2015	MDF ED and organization chart changed; procurement plan template updated according to ADB Procurement Review System; and contract award and disbursements projections actualized.
Midterm Review (MTR) Mission: 3-10 May 2016	PAM was updated due to MTR.