Document of
The World Bank

Report No.:44310

PROJECT PERFORMANCE ASSESSMENT REPORT

GEORGIA

MUNICIPAL INFRASTRUCTURE REHABILITATION PROJECT (CR 2658)

MUNICIPAL DEVELOPMENT AND DECENTRALIZATION PROJECT (CR 2976)

SECOND MUNICIPAL DEVELOPMENT AND DECENTRALIZATION PROJECT (CR 3701)

June 23, 2008

Sector Evaluation Division
Independent Evaluation Group (World Bank)

Currency Equivalents (annual averages)

Currency Unit = Lari (GEL)*

1994	US$1.00	-	2001	US$1.00	2.07 GEL
1995	US$1.00	-	2002	US$1.00	2.20 GEL
1996	US$1.00	1.26 GEL	2003	US$1.00	2.15 GEL
1997	US$1.00	1.30 GEL	2004	US$1.00	1.92 GEL
1998	US$1.00	1.39 GEL	2005	US$1.00	1.81 GEL
1999	US$1.00	2.02 GEL	2006	US$1.00	1.78 GEL
2000	US$1.00	1.98 GEL	2007	US$1.00	**1.66 GEL

* The Georgian Lari was introduced as a new currency in December 1995 with an exchange rate of 1.23 Lari = one US dollar. ** mid year value

Abbreviations and Acronyms

ADB	Asian Development Bank
APL	Adaptable Program Loan
CAE	Country Assistance Evaluation
CAS	Country Assistance Strategy
CPS	Country Partnership Strategy
DCA	Development Credit Agreement
EBRD	European Bank for Reconstruction and Development
ERL	Emergency Recovery Loan
ERR	Economic Rate of Return
KfW	Kreditanstalt für Wiederaufbau
GNI	Gross National Income (Atlas method)
GOG	Government of Georgia
GSIF	Georgia Social Investment Fund
ICR	Implementation Completion Report
ID	Institutional Development
IEG	Independent Evaluation Group
IEGWB	Independent Evaluation Group (World Bank)
LGU	Local Government Unit
MCGF	Millennium Challenge Georgia Fund
MDA	Municipal Development Agreement
MDF-G	Municipal Development Fund of Georgia
MDDP-I	First Municipal Development and Decentralization Project (Cr.2976)
MDDP-II	Second Municipal Development and Decentralization Project (Cr.3701)
MIRP	Municipal Infrastructure Rehabilitation Project (Cr.2658)
MOF	Ministry of Finance
PAD	Project Appraisal Document
PDA	Project Development Agreement
PIU	Project Implementation Unit
PPAR	Project Performance Assessment Report
PPF	Project Preparation Facility
SAR	Staff Appraisal Report
SIL	Specific Investment Loan
TA	Technical Assistance
USAID	United States Agency for International Development

Fiscal Year

Government: January 1 – December 31

Director-General, Independent Evaluation : Mr. Vinod Thomas
Director, Independent Evaluation Group (World Bank) : Ms. Cheryl Gray
Manager, Sector Evaluation Division : Ms. Monika Huppi
Task Manager : Mr. Roy Gilbert

IEGWB Mission: Enhancing development effectiveness through excellence and independence in evaluation.

About this Report

The Independent Evaluation Group assesses the programs and activities of the World Bank for two purposes: first, to ensure the integrity of the Bank's self-evaluation process and to verify that the Bank's work is producing the expected results, and second, to help develop improved directions, policies, and procedures through the dissemination of lessons drawn from experience. As part of this work, IEGWB annually assesses about 25 percent of the Bank's lending operations through field work. In selecting operations for assessment, preference is given to those that are innovative, large, or complex; those that are relevant to upcoming studies or country evaluations; those for which Executive Directors or Bank management have requested assessments; and those that are likely to generate important lessons.

To prepare a Project Performance Assessment Report (PPAR), IEGWB staff examine project files and other documents, interview operational staff, visit the borrowing country to discuss the operation with the government, and other in-country stakeholders, and interview Bank staff and other donor agency staff both at headquarters and in local offices as appropriate.

Each PPAR is subject to internal IEGWB peer review, Panel review, and management approval. Once cleared internally, the PPAR is commented on by the responsible Bank department. IEGWB incorporates the comments as relevant. The completed PPAR is then sent to the borrower for review; the borrowers' comments are attached to the document that is sent to the Bank's Board of Executive Directors. After an assessment report has been sent to the Board, it is disclosed to the public.

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IEGWB's use of multiple evaluation methods offers both rigor and a necessary level of flexibility to adapt to lending instrument, project design, or sectoral approach. IEGWB evaluators all apply the same basic method to arrive at their project ratings. Following is the definition and rating scale used for each evaluation criterion (additional information is available on the IEGWB website: http://worldbank.org/ieg).

Outcome: The extent to which the operation's major relevant objectives were achieved, or are expected to be achieved, efficiently. The rating has three dimensions: relevance, efficacy, and efficiency. *Relevance* includes relevance of objectives and relevance of design. Relevance of objectives is the extent to which the project's objectives are consistent with the country's current development priorities and with current Bank country and sectoral assistance strategies and corporate goals (expressed in Poverty Reduction Strategy Papers, Country Assistance Strategies, Sector Strategy Papers, Operational Policies). Relevance of design is the extent to which the project's design is consistent with the stated objectives. *Efficacy* is the extent to which the project's objectives were achieved, or are expected to be achieved, taking into account their relative importance. *Efficiency* is the extent to which the project achieved, or is expected to achieve, a return higher than the opportunity cost of capital and benefits at least cost compared to alternatives. The efficiency dimension generally is not applied to adjustment operations. *Possible ratings for Outcome:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Risk to Development Outcome: The risk, at the time of evaluation, that development outcomes (or expected outcomes) will not be maintained (or realized). *Possible ratings for Risk to Development Outcome:* High Significant, Moderate, Negligible to Low, Not Evaluable.

Bank Performance: The extent to which services provided by the Bank ensured quality at entry of the operation and supported effective implementation through appropriate supervision (including ensuring adequate transition arrangements for regular operation of supported activities after loan/credit closing, toward the achievement of development outcomes. The rating has two dimensions: quality at entry and quality of supervision. *Possible ratings for Bank Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Borrower Performance: The extent to which the borrower (including the government and implementing agency or agencies) ensured quality of preparation and implementation, and complied with covenants and agreements, toward the achievement of development outcomes. The rating has two dimensions: government performance and implementing agency(ies) performance. *Possible ratings for Borrower Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Contents

This report was prepared by Roy Gilbert, who assessed the projects in September 2007. Romayne Pereira provided administrative support.

Principal Ratings

GEORGIA: MUNICIPAL INFRASTRUCTURE REHABILITATION (CR 2658)

	*ICR**	*ICR Review**	*PPAR*
Outcome	Satisfactory	Satisfactory	Moderately Unsatisfactory
Institutional Development Impact**	Modest	Modest	———
Risk to Development Outcome	———	———	Low
Sustainability***	Likely	Likely	———
Bank Performance	Unsatisfactory	Unsatisfactory	Moderately Unsatisfactory
Borrower Performance	Unsatisfactory	Unsatisfactory	Moderately Unsatisfactory

GEORGIA: FIRST MUNICIPAL DEVELOPMENT AND DECENTRALIZATION (CR 2976)

	*ICR**	*ICR Review*	*PPAR*
Outcome	Satisfactory	Satisfactory	Moderately Satisfactory
Institutional Development Impact**	Modest	Modest	———
Risk to Development Outcome	———	———	Low
Sustainability***	Likely	Likely	———
Bank Performance	Satisfactory	Satisfactory	Moderately Satisfactory
Borrower Performance	Satisfactory	Satisfactory	Moderately Satisfactory

GEORGIA: SECOND MUNICIPAL DEVELOPMENT AND DECENTRALIZATION (CR 3701)

	*ICR**	*ICR Review*	*PPAR*
Outcome	Satisfactory	Satisfactory	Satisfactory
Risk to Development Outcome	Low	Low	Low
Bank Performance	Satisfactory	Satisfactory	Satisfactory
Borrower Performance	Satisfactory	Satisfactory	Satisfactory

* The Implementation Completion Report (ICR) is a self-evaluation by the responsible Bank department. The ICR Review is an intermediate IEGWB product that seeks to independently verify the findings of the ICR.
**As of July 1, 2006, Institutional Development Impact is assessed as part of the Outcome rating.
***As of July 1, 2006, Sustainability has been replaced by Risk to Development Outcome. As the scales are different, the ratings are not directly comparable.

Key Staff Responsible

MIRP
GEORGIA: MUNICIPAL INFRASTRUCTURE REHABILITATION (Cr. 2658)

Project	*Task Manager/Leader*	*Division Chief/ Sector Director*	*Country Director*
Appraisal	Robert Maurer	Thomas Blinkhorn	Basil Kavalsky
Completion	Ellen Hamilton	Margret Thalwitz	Judy O'Connor

MDDP-I
GEORGIA: FIRST MUNICIPAL DEVELOPMENT AND DECENTRALIZATION (Cr. 2976)

Project	*Task Manager/Leader*	*Division Chief/ Sector Director*	*Country Director*
Appraisal	Robert Maurer	Thomas Blinkhorn	Basil Kavalsky
Completion	Ahmed Eiweida	Sumter Lee Travers	D-M Dowsett-Coirolo

MDDP-II
GEORGIA: SECOND MUNICIPAL DEVELOPMENT AND DECENTRALIZATION (Cr. 3701)

Project	*Task Manager/Leader*	*Division Chief/ Sector Director*	*Country Director*
Appraisal	Jean-Jacques Soulacroup	Sumter Lee Travers	Judy O' Connor
Completion	Ahmed Eiweida	Wael Zakout	D-M Dowsett-Coirolo

Preface

This is a Project Performance Assessment Report (PPAR) on three projects: (i) the **Georgia: Municipal Infrastructure Rehabilitation Project - MIRP (Cr.2658)**, for which the World Bank approved a credit in an amount of US$17.7 million on November 8, 1994. The credit was closed on June 6, 2000, two and a half years later than planned, when US$0.3 million equivalent was cancelled; (ii) the **Georgia: First Municipal Development and Decentralization Project – MDDP-I (Cr.2976)** for which the World Bank approved a credit in an amount of US$20.9 million equivalent on July 15, 1997. The credit was closed on December 31, 2002, one year later than planned, when it was fully disbursed; (iii) the **Georgia: Second Municipal Development and Decentralization Project – MDDP-II (Cr.3701)** for which the World Bank approved a credit in an amount of US$19.4 million equivalent on August 1, 2002. The credit was closed on December 30, 2007, eighteen months later than planned, when it was fully disbursed.

These projects were selected for assessment since together they offer a unique perspective upon the performance of Bank assistance to Georgia's municipal development over a fourteen year period that covers most of Georgia's recent history as an independent state. Moreover, the evaluation findings of the individual projects will feed into IEG's ongoing Special Study of Municipal Management.

The report is based on a review of project documents, including Implementation Completion Reports, Staff Appraisal Reports, Memoranda to the President, legal documents and project files, and on discussions held with Bank staff involved in the projects. An IEG mission visited Georgia in September 2007 to review project results and met with national and local officials, project staff and final beneficiaries in the municipalities of Tbilisi, Kutaisi, Batumi, Poti, Telavi and Ambrolauri. IEG selected these six municipalities for two reasons. They were major project players, together hosting 73 percent of the investments of all three projects reviewed here. They represented different levels of performance, according to the ICRs. On field visits to them the IEG mission examined project results at the local level. IEG gratefully acknowledges the courtesies and attention freely given by these interlocutors in Georgia.

Following standard IEG procedures, copies of the draft PPAR were sent to government officials and agencies for their review and comments but no comments were received.

Summary

Georgia currently has 2.3 million people living in cities, down from 3.0 million at independence in 1991. Local self governing bodies of some 69 larger municipalities oversee the local government of these people. Today Georgia is a lower-middle income country and its transition to democracy and market economy has, at times, been traumatic. Civil wars, regional separatism, economic blockades, corruption and political "revolution" all played their part. The sequence of the three municipal development projects reviewed here, **MIRP** (Municipal Infrastructure Rehabilitation Project 1994-2000), **MDDP-I** (First Municipal Development and Decentralization Project 1997-2002) and **MDDP-II** (Second Municipal Development and Decentralization Project 2002-2007), covers such events and almost the entire period of Georgia as an independent state.

The objectives of **MIRP**--to preserve and improve existing urban services and infrastructure that had become dilapidated through neglect -- were ***modestly relevant***. **MDDP-I's** shift of focus toward improving extremely weak municipal management was ***substantially relevant***. Since **MDDP-II** sharpened this focus even more, its objectives are also rated as ***substantially relevant***.

MIRP's design for achieving its objectives is rated as ***modestly relevant***; it needed data on municipal finance and the environment did not exist in Georgia at the time. The design of **MDDP-I** is also rated ***modestly relevant***. The physical components were the right ones, but involving two separate Project Implementation Units (PIUs), one for physical investment and the other for institutional development was a design flaw. **MDDP-II's** design is rated ***substantially relevant*** with similar physical components as the earlier projects, and a sharper focus upon cost recovery and creditworthiness.

Implementation experience improved with each successive operation. When Georgia's transition was at its most volatile, **MIRP** experienced delays, but bulk of the planned investments—in roads, water, sewerage and heating—went ahead as planned. **MDDP-I** was off to a better start, but implementation became hostage to clarifying sub-project financing terms and conditions that had not been settled during somewhat hasty preparation. **MDDP-II's** was nearly completed on time, in spite of Georgia's "Rose Revolution" just nine months into this project. Institutional support started piecemeal, later extending into broader efforts, the results of which have yet to be garnered.

Project Monitoring and Evaluation (M&E) was and remains weak. Under **MIRP**, M&E was *negligible* overall, for including performance indicators that, while conceptually sound, could not be used for lack of data. **MDDP-I's** M&E is also rated *negligible*. This time the design was too heavily focused upon project implementation—and that was only half utilized. The M&E under **MDDP-II** improved somewhat, being rated *modest* overall. Its design was sharply focused upon just three municipal finance performance indicators.

MIRP Outcomes: The project contributed little to laying a foundation for municipal reform, since neither GOG nor the municipalities were ready or able to implement the autonomous and accountable financing arrangements that the project reforms had in

mind. The project succeeded in preserving essential infrastructure and services—roads, water and sewerage—that had been neglected for years. But many service levels remain very poor. Environmental results were good, but on a very small scale only.

MDDP-I Outcomes: Involving eleven of Georgia's largest municipalities in a single program itself drew attention to the idea of decentralization. Actual progress in implementing it, however, was small, understandably so given centralism's tradition, the breakaway regions and the weak capacities of municipalities generally. Better municipal management was only modestly achieved. Local financial and management information systems remain inadequate. The strongest achievement was in supporting urgent municipal investments, mostly good quality works in road paving and water supply.

MDDP-II Outcomes: Under the project, nine municipalities became creditworthy and able to finance priority investments through the line of credit offered. Evidence is beginning to appear that the financial performance of municipalities that participated in the project is stronger than in others.

MIRP Ratings: Overall outcome is ***Moderately unsatisfactory*** since there were significant shortcomings in meeting its modestly relevant objectives. It performed best in preserving essential infrastructure and services, while achieving little in laying the foundation for municipal reforms and municipal credibility. Lack of economic rate of return (ERR) or other estimates for the sub-project investments at completion precludes evaluating efficiency. The risk to development outcome is ***Low*** as municipalities are now willing and able to maintain the infrastructure provided and relevant national institutions are more solid. Bank performance is ***Moderately unsatisfactory***, both for quality and entry and quality of supervision. Preparation proved difficult when consultants were unwilling to work in Georgia at the time. Supervision became ineffective as far as financial oversight was concerned. Borrower performance is ***Moderately unsatisfactory*** (for both government and implementing agency performance), given the project's weak financial management, even though early weaknesses in managing Bank standard procurement were overcome with experience.

MDDP-I Ratings: Overall outcome of the substantially relevant project objectives is ***Moderately satisfactory***. Strongest results came from supporting urgent municipal investments. There were some very modest decentralization achievements through involving municipalities, and some minor gains in strengthening municipal management. Again the lack of ERR estimates or measures of cost effectiveness means that project efficiency cannot be evaluated at completion. The risk to development outcome is ***Low*** especially as the Municipal Development Fund of Georgia (MDF-G) evolved from being a temporary PIU into one of GOG's principal public sector financial intermediaries. Bank performance is ***Moderately satisfactory***, both for quality at entry and supervision. Borrower performance is ***Moderately satisfactory*** (satisfactory for government performance and moderately satisfactory for implementing agency performance.

MDDP-II Ratings: Overall outcome is ***Satisfactory***. It achieved its substantially relevant objectives through helping to make municipalities more effective deliverers of urban services by placing them within a cost recovery/creditworthiness framework. The risk to development outcome is ***Low*** thanks to the consolidation of MDF-G and the likelihood of continuing municipal creditworthiness. Bank performance is *Satisfactory*, being moderately satisfactory for quality at entry and highly satisfactory for quality of supervision. Supervision was especially thorough, yet flexible, as Georgia went through its Rose Revolution. Borrower performance is ***Satisfactory*** (for both government and implementing agency) as municipal reform began to make some progress and MDF-G demonstrated its effectiveness as implementing agency for a wide range of projects in different sectors in Georgia, well beyond just its original municipal development brief.

Two broader issues arise from this evaluation. First how a succession of lending operations was able to bring benefits, even if modest at times, in countries undergoing prolonged and sometimes traumatic economic and political transition. Secondly, municipal reform requires good information about municipal finances and management capacity, both lacking in Georgia, a country that could benefit from applying a simplified form of Chile's National System of Municipal Information (SINIM), for instance.

The experience of these projects reinforces the following IEG lessons:

- In providing assistance for the reform of any sector—municipal in this case—Bank and Borrower need to ensure that information systems are adequate for implementing the reforms and for monitoring progress. In the case of these three projects, information on municipal finances and on the economic performance of sub-project investments was sparse. Georgia's situation in this regard could be improved by the greater use of municipal experiences of other countries.
- Political volatility provides unusual challenges and opportunities for Bank supervision. It calls for more thorough documentation than normal, detailing all actions agreed between Bank and Borrower. It also requires greater oversight of project financial management. In the case of Georgia, it did provide opportunities for the Bank to act as valued and stable interlocutor in times of change.
- Major political and economic transition, while offering opportunities for reform, may slow down progress with municipal reform in particular, as national governments work to establish the effectiveness of their central control.
- When municipal management is very weak overall, it makes sense to work first with stronger and creditworthy municipalities that are most likely to succeed. In Georgia, the national government could recognize and foster these municipalities as models of good practice and sources for inspiration and technical assistance for others to learn from.
- Time gained through speedy project preparation can be lost if implementation has to be extended in order to resolve matters overlooked by the hasty start-up. Speedy preparation itself may also be of little benefit when the Bank is involved for the long haul, as it has been in Georgia, where project achievements have been made steadily but slowly.

Vinod Thomas
Director-General
Evaluation

1. Background and Context

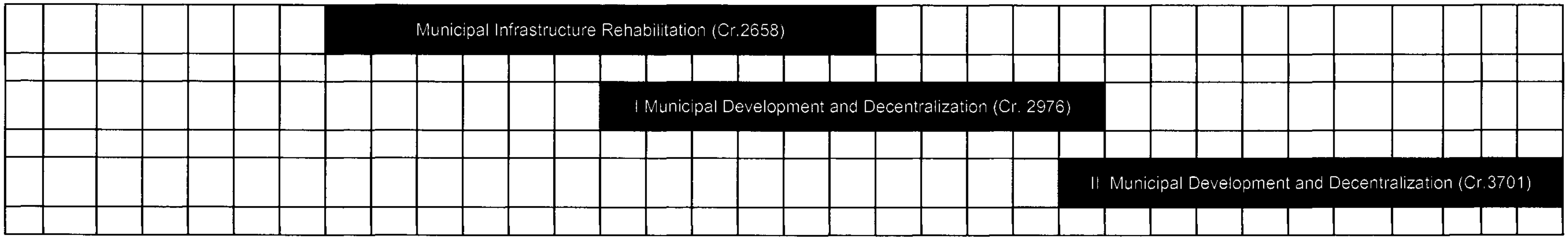
1.1 Georgia, a small country in the Caucasus region, currently has 2.3 million people living in cities, down 18 percent from the 3.0 million at the time of independence from the Soviet Union in 1991, Local government of the urban population is largely in the hands of some 69 municipalities, most of which have elected self-governing local government units (LGUs) called "Sakrebulos" in Georgian or "Local Self-Governments" in English. Bank assistance to municipal development was targeted at this level. But local government is even more fragmented, nominally including more than one thousand local authorities, mostly in rural areas.

1.2 From a very weak base, urban municipalities in Georgia have consolidated their responsibilities and functions only very slowly. During the Soviet period until 1991, city government was generally the agent of the centralized state who also appointed top "local" officials. A 1997 Organic Law on Local Self-Government, supported by the Bank, was the first attempt to clarify the political, legal and financial status of municipalities in Georgia. It recognized 1,033 units of local government at two levels, the vast majority being lower level villages, while the higher level comprised regions and larger towns. Even the latter received little financial autonomy under a law that still left the President of Georgia with the power to appoint the mayors of the capital Tbilisi and other major cities. Nevertheless, it led to the creation of GOG's Municipal Development Fund of Georgia (MDF-G), also in 1997, to finance investments in urban infrastructure and services (Box 2). MDF-G later became a key development agency for Georgia and important partner for the Bank. Municipal elections for smaller cities were first held in 1998, and their scope was extended to larger cities by a 2001 amendment to the Organic Law. A second revision in 2005 gave less recognition to village-level municipalities, thereby reducing the number of effective local government entities from 1,033 to just 69, mostly regions, cities and towns, the potentially more effective municipalities. But municipal financial autonomy was slow to develop. It was not until 2006, with the approval of the State Law on Local Budgets, that municipal financial responsibilities and procedures themselves were first fully codified in Georgia (Fig. 1). Even today, the transparency of municipal finance in Georgia still lags behind several countries that embarked upon their own decentralization and municipal reforms more recently, but from a stronger base.

1.3 Although its economic growth is currently buoyant, Georgia remains an IDA-eligible lower-middle income country recently IBRD-eligible too, with a GNI per capita of US$1,920 in 2007 Atlas method). This is below the reported level of US$1,600 in 1991, Georgia's last year as Soviet republic. Independence was traumatic, however. Economic disruption led GNP per capita to fall to US$480 by 1994. Civil war leading to the internal displacement of 300,000 people erupted over separatist aims of Abkhazia and South Ossetia that continue today. Contacts and access to neighboring Russia, once Georgia's principal trading partner, were interrupted by two Chechnya wars on its borders in 1994-1996 and 1999-2000. Diplomatic and political disputes with Russia have persisted to this day (Fig. 1).

Fig. 1: Georgia Municipal Development Projects: Timeline

(light shading indicates preparation time until approval; dark shading indicates implementation time until closing)



			*	#
1991	1.	Independence of Georgia (04/91)	1,600	21.1
	2.			
1992	1.	Conflict in South Ossetia	690	-44.9
	2.	Conflict in Abkhazia. Georgia joins World Bank.		
1993	1.		510	-29.3
	2.			
1994	1.	Abkhazia cease fire	480	-10.4
	2.	First Chechnya War in Russia begins		
1995	1.		510	2.6
	2.	Shevardnardze president. New currency 'Lari'. New Constitution of Georgia		
1996	1.		610	11.2
	2.	First Chechnya War in Russia ends		
1997	1.	Municipal Development Fund of Georgia (MDF-G) created	730	10.5
	2.	Organic Law on Local Self Government		
1998	1.	First Municipal Elections in Georgia	770	3.1
	2.			
1999	1.	Georgia joins Council of Europe	730	2.9
	2.	Second Chechnya War in Russia begins		
2000	1.	Second Chechnya war in Russia ends	700	1.8
	2.			
2001	1.		680	4.8
	2.			
2002	1.	Second Municipal Elections in Georgia	730	5.5
	2.			
2003	1.		860	11.1
	2.	'Rose Revolution'		
2004	1.	Saakashvili President Ajaria incorporated into Georgia. Georgia eligible for Millennium Challenge Account.	1,050	5.8
	2.	South Ossetia uprising. Parliament ratifies European Charter of Local Self-Government		
2005	1.	Visit by US President George Bush. New Organic Law on Local Self Government	1,300	9.3
	2.	MDF-G absorbs the Georgia Social Investment Fund (GSIF)		
2006	1.	Tensions with Russia/Trade Embargo	1,560	9.4
	2.	Baku-Tbilisi-Ceylan oil pipeline. State Law on Local Budgets.		
2007	1.		1,920	12.0
	2.			

*Notes: * indicates GNI per capita in current US dollars. # indicates GDP growth in percent. Source: World Development Indicators*

1.4 The three municipal development projects reviewed here covered most of this period of Georgia as an independent nation state. The 1994-2000 Georgia Municipal Infrastructure Rehabilitation Project (Cr.2658) called **'MIRP'** in this report, aimed to restore infrastructure whose maintenance and operation had been neglected since the collapse of the Soviet Union. The 1997-2002 Georgia First Municipal Development and Decentralization Project (Cr.2976) called **'MDDP-I'** in this report, sought to build a decentralized framework of service delivery and strengthen local management directly involving municipalities. Finally, the 2002-2007 Georgia Second Municipal Development and Decentralization Project (Cr.3701) called **'MDDP-II'** in this report built upon its predecessor to try to consolidate the decentralization process already begun. All three projects aimed to strengthen municipalities by channeling financial and technical assistance to them through the central government

2. Objectives and Design

2.1 Although these three projects formed a *de facto* sequence of Bank support to the municipal sector of Georgia, they were not conceived *a priori* as a series. Hindsight gives us no more reason now to believe that planning a series of programmatic loans at the outset would have been feasible in volatile country conditions over such a long period. Thus each operation grew out of the experience of its predecessor (details Box 1).

2.2 **MIRP** was a quasi-emergency response to the urgent needs of cities with their urban services and infrastructure made derelict by the cessation of Soviet support and years of zero investment and maintenance. The project's objective of laying the foundation for municipal reform, together with its focus upon preserving and improving existing services remains ***modestly relevant*** to the priorities of GOG's decentralization policy that is still trying to assert itself today. The relevance of this project was lessened somewhat by the separate difficult-to-measure objective of "reinforcing local government credibility". Taken together, the objectives were very ambitious, given the precarious governance in Georgia at both the national and municipal levels at the time of project appraisal in the mid 1990s.

2.3 The second operation, **MDDP-I,** focused more directly upon strengthening municipal management—found, during the implementation of MIRP, to be much weaker than expected. For directly referencing support for decentralization then cautiously underway, and highlighting the very poor infrastructure endowment of Georgia's cities that persists today, IEG rates the objectives of this project as still being ***substantially relevant.*** These priorities are consistent with the emphasis of the latest 2005 Country Partnership Strategy (CPS) for Georgia and its priority for strengthening public sector management. Notwithstanding substantial project restructuring at mid-term to speed implementation, the project remained true to the original objective, the one that IEG uses as the basis of this evaluation.

2.4 The third and most recent operation, **MDDP-II,** continued to give attention to municipal management as its predecessor had done. But it focused more tightly upon improving *service delivery* efficacy of municipalities, perhaps less ambitious but a more realistic aim. Since overcoming this weakness fits perfectly into the 2005 CPS strategy just mentioned and continues to be the priority number one of GOG's decentralization policy, IEG rates the objective of this project as being ***substantially relevant***.

BOX 1: GEORGIA MUNICIPAL DEVELOPMENT PROJECTS – DESIGN SUMMARIES

Objectives	*Components*
MIRP : Municipal Infrastructure Rehabilitation (Cr.2658) 1994-2000	
(a) To provide a foundation for future reforms aimed at improving overall management and delivery of crucial municipal services. (b) To preserve essential infrastructure and municipal services. (c) To improve management and delivery of municipal services in a sustainable and environmentally beneficial manner. (d) To reinforce credibility of local governments through visible interventions to reinstate public confidence/ensure social stability. ***IDA Credit: committed US$18.0m.; disbursed US$17.7m.***	**(i) Institutional development** (final cost US$1.95 m.). Creation of Independent Agency for Development of Municipal Services (hosting temporary project implementation unit - PIU to implement the project); Technical assistance and studies related to project implementation, public awareness, master plan for Tbilisi water/solid waste and municipal services, including housing. **(ii) Infrastructure** (final cost: US$15.3m.). Tbilisi Immediate Action Plan (weatherproofing of 23 hospital and school buildings; provision of dedicated electricity lines for 15 hospitals; spare parts and equipment for underground and other public transport); Short-term investment Program (rehabilitation of essential municipal infrastructure in Tbilisi Batumi and Poti)
MDDP-I: First Municipal Development and Decentralization Project (Cr.2976) 1997-2002	
(a) To assist the decentralization process at the central and local government level. (b) To promote improvements in financial and administrative management as well as municipal investment programs. (c) To support urgent local investments. (d) To generate employment opportunities. ***IDA Credit: committed US$20.9m.; disbursed US$20.9m.***	**(i) Institutional development** (final cost: US$3.5m.) Preparation of Municipal Development Agreements (MDAs) that included a municipal audit, a financial and administrative rehabilitation plan, and a priority investment plan. National level ID through national information systems about municipal service delivery; analysis of policy alternatives; evaluation of the impact of investments upon municipal finance; project coordination unit; and studies. **(ii) Physical investments** (final cost: US$20.0m.). Roads, drainage, lighting, water supply, sanitation, social, educational, health, and cultural facilities. Construction, rehabilitation and maintenance sub-projects up to US$500,000.
MDDP-II Second Municipal Development and Decentralization Project (Cr.3701) 2002-2007	
(a) To increase the effectiveness of participating Local Government Units (LGUs) in identification, planning, delivery and cost recovery for local infrastructure and utility services. ***IDA Credit: committed US$19.4 m.; disbursed US$22.5m.***	**(i) Institutional strengthening** (final cost US$3.6 m). Local and inter-governmental accounting/reporting/borrowing (national level); financial management for LGUs; land tax collection; Assessment and strategy for LGU sector; TA/training for institutional strengthening of MDF; LGU related studies. **(ii) Investment projects** (final cost US$27.3 m.). Grant and loan financing to LGUs for specific development projects.

2.5 IEG rates **MIRP's** design as being ***modestly relevant*** to achieving its stated objectives. It included components to enable key services to continue during Georgia's hard winters. Urgently needed weatherproofing and heating of schools meant that they did not have to close down in cold weather. For the ICR, this urgency meant *emergency*. This also meant rapid preparation and exemption from economic analysis. But the project was in fact a Specific Investment Loan (SIL), and not an Emergency Recovery Credit (ERC) typically used by the Bank for reconstruction after a natural disaster. As a SIL with a new borrower, the design could have done more for cost-benefit analysis and provided more assistance for procurement management, challenging for a new client.

More generally, the project design did not factor in the paucity of data and information in Georgia at that time. Unlike the Latin American context whence the municipal development project (MDP) design concept came, Georgia lacked reliable data on municipal finance and environmental conditions. How could a credit model work with municipalities whose true financial position was not even known to themselves? Producing and using better information on municipal finances should be the first, indeed prior steps. On the other hand, project complexity was contained by initially limiting interventions to just three cities, although subsequent political pressure added four more. GOG also determined up-front the sectors eligible for MIRP funding, namely district heating, power supply, urban transport, water supply, wastewater treatment and solid waste disposal. MIRP was designed to focus upon sub-projects within these sectors that met the following (broad) criteria: (i) essential for the survival and health of the population; (ii) necessary for labor mobility and economic activity; (iii) quick repairs to services; (iv) minimizing risks of high social costs; (v) where alternative sources of funding are not available. Following the standards of earlier Bank-financed MDPs in other countries, physical sub-projects accounted for about 90 percent of project costs. The remaining 10 percent was designed for institutional development particularly to strengthen national institutions supporting municipal development in Georgia. For implementation, the project authority was wisely entrusted to a temporary Project Implementation Unit (PIU) centrally located with the Ministry of Finance (MOF). At that time MOF was the only GOG department familiar with the Bank. Project preparation was quick and efficient, partly financed by Project Preparation Facility (PPF) and a bridging loan from the Soros Foundation.

2.6 **MDDP-I's** design was ***modestly relevant.*** It included more institutional components at the municipal level than its predecessor MIRP, and instigated the requirement, absent from MIRP, that participating municipalities enter into Municipal Development Agreements (MDAs). According to the Bank's appraisal, the project design incorporated key lessons from IEG's (formerly OED) earlier PPAR of the Brazil: Municipal Development Project in Parana (Ln.3100) about the importance of clear eligibility criteria for municipal participation in such a project (PAD p. 60). These MDAs would lay out the baselines and targets of performance-based municipal lending. In theory, this performance-based design should have encouraged competition among municipalities to participate in the project. In practice, however, that advantage was lost when GOG decided to select the twelve participating municipalities up-front, making the MDAs somewhat redundant. Their redundancy became a certainty with the legal opinion that an MDA could not be upheld under Georgian law, and the necessary legislation was not introduced. A serious flaw in the design of the implementation arrangements was later corrected. The original design provided for two separate PIUs, one to oversee institutional development and the other to supervise physical investments. Apart from the inevitable conflicts that arose between them, this arrangement split the two lines of project business that, in the classic municipal development project concept, are meant to move ahead hand-in-hand, one supporting the other. The problem was later fixed by consolidating all responsibilities under just one PIU, located within MDF-G that was to become a key player not only in these projects, but in Georgia's development more generally. Another weakness of the design was to consider that "a traditional economic analysis (of sub-projects) was not feasible" (PAD p. 31). This led to underreporting of efficiency, making it non-evaluable for this project.

2.7 **MDDP-II** had a stronger design and was ***substantially relevant*** to achieving its more focused objective, although performance targets continued to be optimistic, surprisingly so for a third operation of its type in Georgia. But more explicitly than its predecessors, this project did spell out formula and conditions for municipal participation in project funding. It introduced a new financing formula understood by all parties, namely 40 percent of financing by MDF-G loan, 40 percent MDF-G grant and 20 percent municipal counterpart. MDF-G loans were for 10 years with one year's grace and annual interest of 15 percent. For the first time, participating municipalities had to sign legally binding Project Development Agreements that incorporated financial targets and obligations of municipalities receiving the credit. Again, much needed institutional development support featured prominently among the components. On the physical investment side, the components were similar to those of the earlier projects. But they were and still are sorely needed in Georgia's poorly served cities. The criteria for sub-projects to be eligible for MDDP-II finance were more explicit than under prior operations. Thus, they were required to improve social, environmental and public health standards and promote local economic development. Specific sub-projects had to be technically feasible, least cost and demonstrate a 'positive' economic rate of return. These requirements were met and compliance with safeguards were laid out in a detailed operational manual specially prepared for this project.

3. Implementation and Costs

3.1 One after the other, the three projects were implemented over the 1994-2007 period of continuous Bank engagement in Georgia's municipal development sector. Altogether for the three operations, the Bank disbursed a total of US$63.7 million in IDA funding. The projects invested US$9.1 million in institutional support and US$68.6 million in physical investments in fifteen cities, 45 percent of which went to the capital Tbilisi. Together, the fifteen project cities were home to four fifths of the urban population of Georgia. Most physical investment went to roads (43 percent of the total) and to water supply and sewerage (36 percent) sub-projects (details Table 1). Most sub-projects made positive contributions to the urban environment. Proper solid waste disposal helped limit the casual discarding of trash and sewage treatment reduced the pollution of water courses. Project interventions such as these helped improve the environmental and public health conditions of the cities where they were implemented. Street and road improvements contributed to cleaner air in residential neighborhoods through reducing intense dust residue from heavy commercial traffic using unpaved streets and highways. The IEG mission saw several environmental improvements like these and found no reports of non-compliance with relevant Bank safeguards.

3.2 Unrest and political and economic transition delayed **MIRP's** start up and implementation. Secession in Abkhazia and two wars in neighboring Chechnya cut land borders with Russia making suppliers unable or unwilling to deliver project equipment to Georgia. In the earliest days, the PIU had to arrange for project goods to be picked up in other neighboring countries. In these circumstances, it was not easy to find interested foreign bidders. Costs were higher than expected. Shortage of local funding at one point led to a desperate measure when the Borrower used an overnight bridging loan to falsely demonstrate that there were sufficient counterpart funds to justify signing a works contract. When the funds were not found, implementation had to be stalled until additional resources could be mobilized. A subsequent investigation found no wrongdoing by the PIU. Another challenging aspect of implementation for the new Borrower was protracted procurement management that led to more delays. For all bid contracts to be completed, project closing had to be extended for 3.5 years, when the PIU, too, was formally wound up. Project physical investments were mostly repairs to keep key urban services working, such as water and sewerage, heating services and streets. Tbilisi took 70 percent of the total. The project retained its focus mostly upon the three cities initially chosen; Tbilisi, Batumi and Poti, although token investments were made in five more. Sub-project selection was, for the most part, at the national level, as foreseen in the project design. Institutional development support involved of training 2,000 municipal and MDF-G staff in taxation, financial management and procurement through more than 100 seminars and workshops. In addition the project organized study tours that took municipal officials and city mayors to Brazil and France.

3.3 **MDDP-I** was off to a better start, with both Bank and Borrower more familiar with this kind of operation in Georgia. Although credit effectiveness was on time, the rhythm of disbursement was only half that expected. The main cause was that hasty project preparation—just four months from project concept note to Board approval—had left many important project details still to be worked out. Most significantly (and time consuming during implementation) these included the terms and conditions for financing municipal sub-projects. GOG was slow, too, to budget its counterpart funding contribution, although it exceeded its expected contribution by closing. By the original December 2001 closing date, 68 percent of the Credit had been disbursed. With large ongoing contracts still unfinished, one twelve month extension was sufficient to fully disburse the remainder. The project's midterm review was well used to bring a sharper focus to project objectives of improving municipal management. It also led GOG to intervene more directly in the choice of municipalities and sub-projects than even the cautious decentralized design had intended. Since the restructuring also meant dropping two other objectives, the first assisting decentralization and the second generating employment, it should normally have required approval of the Bank's Board of Directors. It was not done in this case. On the physical side, this project invested more in water than its predecessor, and nothing in sewerage. There was still significant investment in roads and streets, although MDF-G reports fall short of showing how much was invested in each city. For that reason, the apparent decline of Tbilisi's share of the total project investment to just 22 percent may understate the participation of the capital city. Altogether, eleven municipalities participated in the project's physical investment, all apart from Tbilisi and Batumi in a minor way. Municipal eligibility was meant to be performance-based, but MDF-G included some non-creditworthy municipalities, such as Ambrolauri, to meet GOG equity aims of covering most of Georgia's twelve regions.

Table 1: Georgia Municipal Development Projects - Physical Investments by Cities and Sectors (in millions of US dollars)

City:	**Tbilisi**	**Kutaisi**	**Batumi**	**Rustavi**	**Zugdidi**	**Gori**	**Poti**	**Samtredia**	**Senaki**	**Zestafori**	**Telavi**	**Ozurgeti**	**Chiatura**	**Kazbegi**	**Ambrolauri**	***(city not specified)***	**TOTAL**
Population:	*1,106,539*	178,338	118,282	109,865	73,066	46,676	46,107	28,748	27,752	23,943	20,583	17,743	12,216	2,628	2,408	-	**1,814,894**
- sector:	***MIRP – Municipal Infrastructure Rehabilitation Project (Cr.2658) 1994-2000***																
Water	1.49	0.53	0.50	-	-	-	-	-	-	-	-	-	-	-	-	-	**2.52**
Sewerage	-	-	1.09	-	-	-	0.91	-	-	-	-	-	-	-	-	-	**2.00**
Solid Waste	0.36	-	0.89	-	-	-	0.21	-	-	-	-	-	-	-	-	-	**1.46**
Heating	5.15	-	-	-	0.34	-	-	-	0.20	-	0.20	-	0.10	-	-	-	**5.99**
Roads/streets/Metro	3.95	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**3.95**
Education	0.98	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.98**
Health	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Total MIRP	***11.93***	***0.53***	***2.48***	-	***0.34***	-	***1.12***	-	***0.20***	-	***0.20***	-	***0.10***	-	-	-	***16.90***
- sector:	***MDDP-I – First Municipal Development and Decentralization Project (Cr.2976) 1997-2002***																
Water	2.08	-	2.08	0.66	-	0.61	0.43	-	-	-	0.31	-	-	-	-	-	**6.17**
Sewerage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Solid Waste	-	-	0.60	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.60**
Heating	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.00**
Roads/streets	(*)1.00	(*)	(*)	(*)	(*)	-	(*)	-	-	-	-	-	-	-	-	11.00	**12.00**
Education	1.39	-	-	-	-	-	-	-	-	-	-	-	-	-	0.48	-	**1.87**
Health	0.09	-	-	-	-	-	-	-	-	-	-	0.07	-	0.23	-	-	**0.39**
Housing	0.20	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.20**
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.17	-	**0.17**
Total MDDP-I	***(*)4.76***	***(*)***	***(*)2.68***	***(*)0.66***	***(*)***	***0.61***	***(*)0.43***	-	-	-	***0.31***	***0.07***	-	***0.23***	***0.48***	***11.00***	***21.23***
- sector:	***MDDP-II – Second Municipal Development and Decentralization Project (Cr.3701) 2002-2007***																
Water	8.90	-	1.67	-	-	1.15	-	-	-	-	-	2.20	-	-	-	-	**13.92**
Sewerage	-	-	1.58	-	-	-	0.91	-	-	-	-	-	-	-	-	-	**2.49**
Solid Waste	-	-	-	-	-	-	0.21	-	-	-	-	-	-	-	-	-	**0.21**
Heating	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.00**
Roads/streets	5.14	5.13	0.90	1.50	-	-	0.76	0.20	-	0.24	-	-	-	-	-	-	**13.87**
Education	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.00**
Health	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.00**
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.00**
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.00**
Total MDDP-II	***14.04***	***5.13***	***4.15***	***1.50***	-	***1.15***	***1.88***	***0.20***	-	***0.24***	-	***2.20***	-	-	-	-	***30.49***
GRAND TOTAL	**(*)30.73**	**(*)5.66**	**(*)9.31**	**(*)2.16**	**(*)0.34**	**1.76**	**(*)3.43**	**0.20**	**0.20**	**0.24**	**0.51**	**2.27**	**0.10**	**0.23**	**0.48**	**11.00**	**68.62**

Source: MDF-G and IEG. Notes: (*) details of road investments not reported per city under MDDP-I, but are included in the US$12 million sub-total reported for this sector in right-hand column. Some figures in this table may not exactly match those reported elsewhere in project documentation, since exact time of costs in Georgian Lari and exchange rate to US dollars is not always known

3.4 **MDDP-II's** implementation was somewhat more efficient than its predecessors. The Credit became effective on time in February 2003, but implementation stalled as Georgia's famous "Rose Revolution" took hold nine months later. After that, disbursements accelerated, but only 76 percent of the credit was disbursed by the original closing date. An 18 month extension was needed to fully disburse it. Like its predecessor's, this project's midterm review in 2004 was well used to reassess the realism of the still optimistic municipal performance targets set at appraisal. Implementation coincided with a fruitful period of municipal reform in Georgia; the ratification of the European Charter of Local Self-Government in 2004, a new Organic Law on Local Self-Governing bodies in 2005, and the 2006 State Law on Local Budgets. But these reforms came too late to be fully exploited by the project itself. Physical investments were more concentrated in water/sewerage and roads/streets (91 percent of the total) than those of the earlier projects were. For the first time in this series of three MDPs in Georgia, the selection of municipalities and sub-projects was at least partly driven by the performance of the cities themselves. Also, Tbilisi once again took a prominent role by hosting 47 percent of all physical investments. Financing emergency reconstruction work following the 2005 floods in the capital city was partly responsible. Institutional development featured prominently among project activities but largely through piecemeal interventions, such as a traffic management study for Tbilisi and a database for managing utility services in Batumi. A broader intervention, the design of nationwide municipal budget and finance reporting system, was prepared and implemented at the closure of the project.

4. Monitoring and Evaluation

4.1 Although still in need of strengthening, M&E improved somewhat through experience gained by the Bank and Borrower in the successive implementation of each of these three projects. The performance of each one's M&E is reviewed and rated separately here.

4.2 ***MIRP's*** M&E is rated ***negligible*** overall. M&E design had some good features, such as 18 performance indicators to measure progress toward achieving the objective of preserving essential services. They included the reduction in the numbers of days lost as a result of schools having to close through cold weather. But while the concept made theoretical sense, the M&E could not be implemented in practice for lack of data. That meant that there were also no measures for the baselines and targets. Indeed, there could not have been. Thus the M&E could not be implemented or utilized. Hence the low rating given here.

4.3 IEG rates the M&E of ***MDDP-I*** overall also as ***negligible.*** The design was focused too heavily upon monitoring project implementation and relied too much upon monitoring input indicators such as the number of sub-projects completed and the number of people trained. Monitoring data was not complete even for this more limited set of indicators. Even so, the ICR only reported qualitative results pertaining to half the eighteen indicators listed. In Georgia itself, the IEG mission found no documented source to inform the systematic achievement of project objectives of improved municipal financial management, for example. In effect, the M&E was not designed to track achievements in areas such as this. While the SAR had referred to impact evaluations to be carried out at completion, IEG could find no evidence of them.

4.4 ***MDDP-II's M***&E is rated ***modest*** overall. The design initially focused upon three measurable performance indicators and targets for municipalities, namely: (i) increasing municipal own revenues by 10 percent at completion; (ii) increased collection of land tax by participating municipalities by 20 percent at completion; (iii) doubling the number of creditworthy municipalities entitle to borrow from the project from five to ten. Although useful for measuring the effectiveness of resource mobilization in municipal management, these indicators can tell us little about municipal effectiveness in infrastructure and service *delivery*—that the project aimed to improve. While increasing own revenues can be a good thing for municipalities, it does not demonstrate that the municipalities used the additional resources effectively for service delivery. For that, M&E would need supply side indicators of urban services. Since Georgia's financial reporting system for municipalities was only up and running in 2007, it was able to provide little reliable data to measure the original indicators. Moreover, the "Rose Revolution" had abolished land taxes on plots of less than five hectares, meaning that municipalities were no longer able increase these collections. For these reasons hard financial targets had to be abandoned at midterm and replaced by "softer" aims. Despite this, the adjustment allowed the M&E to be utilized, an improvement on the M&E of the earlier projects. One of these—doubling the number of municipalities able to identify their priority needs, for instance—was closer to being a supply-side indicator. But whether this can be deemed a worthwhile achievement for a city that had already been working with Bank-financed municipal development projects for more that ten years is questionable. Past experience with municipal development projects shows that such results can generally be garnered much more quickly.

5. Project Outcomes by Objective

MIRP

5.1 ***A foundation for municipal reform and better services: negligibly achieved.*** While the project sensibly did not promise the reforms themselves, very little was achieved in laying the groundwork for new ways for municipalities to conduct the business of service provision. Neither the municipalities themselves nor GOG were prepared for the autonomous and accountable access to credit that the project hoped to introduce. Perhaps the only achievement of the project in this regard was the growing realization at the local level that municipalities had some responsibility for the provision of urban services and infrastructure in their areas. A recent study found in 2005, five years after the completion of this operation, that "Georgia is only at the very first stages of its decentralization reforms." (UNDP 2005) It should be noted that this objective was implicitly dropped at the project's midterm review. But IEG considers it still a relevant objective for evaluation purposes, since a change of objective needs to be formalized through an amendment to the legal agreements approved by the Bank's Board of Directors. This was not done.

5.2 ***Preserving essential infrastructure and services: substantially achieved.*** Through investing in "weatherproofing"—that meant repairing heating systems and improving insulation—the project enabled health clinics and schools to continue operating throughout Georgia's hard winters in five municipalities. As old systems failed, these facilities simply could not be used at all, and schools would have to close in cold weather. Increased water production was made possible by project investment in new supply lines and repairs to existing pumping stations in Kutaisi and Tbilisi. Although more water was produced following these improvements, the actual supply to consumers often remained poor. Consumers connected to the distribution network in the Tsavkisi district of Tbilisi, for instance, began receiving water three times a week one hour at a time. This is still inadequate, but a lot better than the once-a-week service that consumers had before the project. Dysfunctional sewerage systems in Batumi and Poti before the project, that left raw sewage to accumulate, began working again thanks to project rehabilitation of pumping stations. But the most visible service rehabilitation of all was project investment in signaling and spare parts for the Tbilisi Metro. Service on the 27 km system built during 1967-1971 that now carries 301,000 passengers per day would have ceased altogether without the project rescue, according to IEG's interlocutors in the city.

5.3 ***Improve management and delivery of municipal services in a sustainable and environmentally beneficial manner: modestly achieved.*** Most physical investments were in environmentally neutral sub-projects that preserved existing services. The urban environment improved in a few localities in cities where sewage systems had been repaired. These were good results, but they were few.

5.4 ***More credible municipal government: negligibly achieved:*** IEG found no convincing evidence about this. The project design itself could have done a better job specifying exactly what this credibility meant. While on field visits, IEG asked local people to name the provider of the new services. In most cases, people did not know about the municipal involvement; an unlikely scenario to build credibility of the local authority. IEG agrees with the ICR that this was an imprecise aim and one whose achievement is difficult, if not impossible to measure without the necessary baseline surveys showing what the credibility had been before the project.

MDDP-I

5.5 ***Assisting decentralization: modestly achieved:*** Just by involving eleven of Georgia's largest municipalities within one single development program, the project did draw attention to decentralization. Actual progress in decentralizing control and responsibilities to the municipal level was modest, however. A planned project study of inter-governmental fiscal relations in support of decentralization was not carried out, for instance. As intended under this operation itself, central government remained largely responsible for the choice of participating municipalities and the selection of investment subprojects. A top-down approach to project management was not surprising in the 1990s Georgia. GOG was shaking off the last vestiges of Soviet centralism and dealing with breakaway secession in three parts of the country. Even so, the central government did give increasing recognition to municipalities as future partners in development, simply by involving them directly in this project. Even a strong GOG commitment to decentralize could not have accelerated the process much, however. At that time municipalities themselves were still too weak to manage the service delivery so badly needed in their cities.

5.6 ***Better municipal management and investments: modestly achieved:*** Technical assistance was provided to MOF and municipalities for designing and adopting Georgia's new integrated financial reporting system, to be effective in all municipalities shortly. The project provided computer equipment to participating municipalities, but in the cities visited the IEG mission was struck by their limited capacity to use it. During at times surprise visits by IEG to various municipal departments, local staff did not find it easy to access information about past and ongoing investments in urban services quickly. GOG's management of its municipal affairs tightened under the project, but success was only modest. Performance-based instruments, such as creditworthiness assessments and Municipal Development Agreements (MDAs) introduced by MDF-G were well understood by municipalities, but not applied in practice. Credit was extended to the small town of Ambrolauri, for example, that far exceeded the local municipality's capacity to service. Latest figures show Ambrolauri's debt to MDF-G amounts to US$85 per local inhabitant, more than ten times Tbilisi's equivalent per capita figure of US$7.6. [1] MDA's with municipal promises of improving local tax collection took second place to GOG's equity criteria to determine the distribution of funds among different cities to ensure that most regions of the country were represented.

5.7 ***Supporting urgent municipal investments: substantially achieved:*** The project successfully introduced a wide range of priority urban investments into eleven municipalities across the country. The greatest and most visible improvement, evident during IEG field visits, was in urban road and street paving and improved drainage. Before the project, some roads were so badly potholed to be almost impassable to normal traffic. Lack of paving polluted the air with dust particles. Drainage blocked by eroded material or absent altogether would cause frequent neighborhood flooding. The project invested more than half its resources into road and street paving and drainage, through 34 sub-projects according to MDF-G. While MDF-G's report provides the name and location of each sub-project, it does not give the costs of each one, so that we cannot tell how the project expenditure was distributed among cities. Most road paving that IEG saw was of good quality. All sub-projects were inspected on a regular basis by MDF-G engineers. But in one case, IEG did see a serious foundation failure in Batumi that resulted in the significant vertical misalignment of concrete sections of the roadway. This was caused by frequent passage of heavier trucks than the road was designed for. Better traffic management by the city could have re-directed this traffic elsewhere. Project water supply investments, principally to increase water production to feed into existing distribution networks, had mixed results across municipalities. In the city of Telavi, for instance, IEG heard citizens' complaints that water was still available to them only three times a week for a few hours at a time. Before the project, the service was available only once a week for an hour at a time! But IEG also saw examples of more successful investments. These included a retaining

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[1] According to the most recent audited accounts of MDF-G (for end 2005), municipal loan receivables from Ambrolauri and Tbilisi were US$205,068 and US$8,772, 815 respectively. The per capita figures reported in the text derive from dividing these amounts by the populations of Ambrolauri (2,408) and Tbilisi (1,106,539).

wall to prevent a river eroding an old city solid waste dump in Batumi and polluting the nearby Black Sea. On the social side, project investment to repair the heating system of the principal school in Ambrolauri had enabled that small town to resume its educational program in full.

5.8 ***Generating employment opportunities: modestly achieved:*** Mostly through the 5,000 short-term jobs with 47 contractors of the project works themselves reported in the ICR. IEG did not find examples of other project effort to create employment in the participating municipalities.

MDDP-II

More effective municipalities in service delivery: substantially achieved. Simply having nine municipalities become creditworthy and able to identify their priority needs for urban infrastructure and services, are important first steps toward achieving this objective. Project client cities such as Kutaisi, and Poti, became eligible for grants from the Millennium Challenge Georgia Account (MCGA) to invest in their still very weak water supply services. Today, MOF explicitly recognizes the importance of municipalities as service providers—without passing judgment upon their effectiveness (Georgia 2007 p. 8). But for cities that have benefited from this and earlier municipal development projects (MDPs) over more than ten years, we might expect to see greater achievements. MDPs in other countries have been able to achieve results more quickly, especially where existing municipal capacity is stronger. Still, the better results more recently obtained in Georgia do show that the MDP model design can work, albeit at a slower pace, even in Georgia's particularly challenging country circumstances. The national scope of the project's impact in Georgia was significant however. The nine project municipalities were home to 73 percent of the country's urban population. They appear to take cost recovery more seriously. A study of 2002-2005 found that they increased their own revenues over this period by 58 percent, compared with just 35 percent for other municipalities not assisted by the project. The appraisal target for this indicator was just 20 percent (MDDP-II PAD p. 26). The IEG mission saw how this kind of result had been achieved in Poti, through considerable improvements to the city's financial management especially in accounting and information systems. The credit for this result must be attributed to TA provided by USAID, however. There had been less progress in Kutaisi, where the municipal budget for the year had yet to be finally approved at the time of the IEG mission visit in September. Tbilisi had made significant improvements to its street lighting within the cost recovery parameters of the project. Municipal officials in all the cities visited by IEG told the mission that they had received little TA from MDF-G. At the national level, however, the project will have helped make municipal financial information more transparent throughout Georgia through its support to the 2006 State Law on Local Budgets. As we still await the actual results of this reform, that will be more apparent as 2007 municipal financial data becomes more widely available. The Region reports that the 2007 figures were published on time in March 2008 and are now available at MOF. IEG can still only note, however, that, for a country working closely with the Bank on municipal development for 14 years, such results have been long overdue and long in coming . Georgia can adopt some aspects of municipal information systems developed in other countries, such as the best practice example Chile's National System of Municipal Information (SINIM http://www.sinim.cl).

6. Ratings

OUTCOME

6.1 ***MIRP:*** The overall outcome of the project is rated *Moderately unsatisfactory.* While it achieved a few of its (on average) modestly relevant objectives, there were significant shortcomings in so doing. Efficacy was *substantial* in preserving essential infrastructure and services that included the Tbilisi Metro, and *modest* in providing sustainable and environmentally beneficial municipal services—that it did on a small scale only. Efficacy in achieving the two other project objectives of providing a foundation for municipal reform and bringing more credibility to local government was *negligible.* Efficiency is *non-evaluable,* although the extended project implementation itself would point to a loss of efficiency. Even though nearly all subprojects—in water, solid waste, heating, and roads, for instance—would have easily lent themselves to cost-benefit analysis, economic rates of return (ERR) were not estimated for them even at completion. Nor did the project refer to the cost effectiveness of the sub-project investments. The reason for the lack of ERR estimates, according to the ICR, was that MIRP was initially prepared as an Emergency Recovery Credit (ERC) for which Bank guidelines do not require ERR estimates *ex ante.* In fact, MIRP was appraised as a regular SIL that should not have been thus exempt. Even for an ERC, however, *IEG* considers that ERRs should be used as selection criteria for sub-projects during implementation and as important inputs to evaluation at completion. IEG did not find data to be sufficiently accessible during its mission in Georgia to allow for quick and easy estimates of the internal rates of return of these investments.

6.2 ***MDDP-I:*** The overall outcome of the project is rated *Moderately satisfactory.* It achieved its substantially relevant objectives—more so than its predecessor MIRP—with some moderate shortcomings. Efficacy in supporting urgent municipal investments in priority roads and water supply was *substantial*—the project's best result. Efficacy in improving municipal management was *modest.* Data on municipalities is still inadequate today for municipal development to be fully effective. Efficacy in generating employment was *modest,* and mainly achieved through temporary jobs in sub-project construction. Little was achieved in assisting decentralization where efficacy in achieving this objective—effectively abandoned at project midterm—was *modest.* Efficiency is *non-evaluable* since there are no ERR estimates of physical sub-project investments at completion, nor were there other estimates of efficiency such as unit cost standards, for instance. From its inquiries in Georgia, IEG confirms the ICR's report that available documentation does not demonstrate that ERRs were systematically used by MDF-G to determine the eligibility of sub-projects for funding, as intended. This ICR like the one for MIRP, again asserted that internal rates of return were not necessary, this time on the grounds of MDDP-I being a line of credit operation. Again, IEG would argue that, independently of formal procedural requirements, internal rates of return should have provided valuable information for the selection of sub-projects and to inform the evaluation of the overall efficiency of the operation.

able				]
Objectives	Relevance	Efficacy	Efficiency	Outcome
i		***Rehabilitation***		
(a) To provide a foundation for future reforms aimed at improving overall management and delivery of crucial municipal services.	Modest	Negligible	Non-evaluable	
(b) To preserve essential infrastructure and municipal services	Substantial	Substantial	Non-evaluable	
(c) To improve management and delivery of municipal services in a sustainable and environmentally beneficial manner	Modest	Modest	Non-evaluable	
(d) To reinforce credibility of local governments through visible interventions to reinstate public confidence/ensure social stability	Negligible	Negligible	Non-evaluable	
Overall:	**Modest**	**Modest**	**Non-evaluable**	**Moderately Unsatisfactory**
(a) To assist the decentralization process at the central and local government level	Substantial	Modest	Non-evaluable	
(b) To promote improvements in financial and administrative management as well as municipal investment programs.	High	Modest	Non-evaluable	
(c) To support urgent local investments.	Substantial	Substantial	Non-evaluable	
(d) To generate employment opportunities	Substantial	Modest	Non-evaluable	
Overall:	**Substantial**	**Modest**	**Non evaluable**	**Moderately Satisfactory**
(a) To increase the effectiveness of participating Local Government Units (LGUs) in identification, planning, delivery and cost recovery for local infrastructure and utility services	Substantial	Substantial	Substantial	
Overall:	**Substantial**	**Substantial**	**Non-evaluable**	**Satisfactory**

6.3 ***MDDP-II:*** The overall outcome of the project is rated *Satisfactory*, since the project helped make municipalities more effective in service delivery, achieving its substantially relevant objective, with only minor shortcomings. Efficacy was *substantial.* For the first time in Georgia's short history of local government, progress was made under cost recovery under this project, as reflected in the stronger municipal finances reported by the participating cities. Also for the first time, municipalities assumed financial and managerial responsibilities for the extra local services provided under the project. Having the nine participating municipalities able to identify their priority needs is important, too, but must be regarded as a modest achievement especially by municipalities that had already participated in three MDFs over a period of more than ten years, when compared with progress in other countries. In Georgia, however, the results did come, albeit slowly. Efficiency is rated *substantial* given that many of the subprojects generated adequate internal rates of return. In Georgia, IEG saw examples of the more than 40 sub-projects (against a target of 30) that yielded ERRs above 15 percent, as reported by the ICR

RISK TO DEVELOPMENT OUTCOME

6.4 ***MIRP** rated **Low**:* Most municipalities are able to maintain the infrastructure and services provided through the project. From discussions with the IEG mission municipal officials demonstrated the importance they attached to this. After all, they have recent memories of service collapse following the neglect of operations and maintenance in the immediate post-Soviet period. During field visits to selected cities, IEG could confirm the good state of repair of most these assets. Furthermore, municipal administrations today will be in a better position to operate and maintain this infrastructure if they choose to allocate some of their newly gained own revenues for this purpose.

6.5 ***MDDP-I** rated **Low:*** The MDF-G created under the project has successfully evolved from being a temporary PIU to becoming one of GOG's principal agencies for managing public service investment. MDF-G has since expanded to administer the credit of more and more sectors. As it looks more and more like a permanent fixture of government, it will be able to continue to provide support for urgent municipal investments.

6.6 ***MDDP-II** rated **Low:*** For similar reasons given under MDDP-I. MDF-G has continued to consolidate. Its accounts for 2006 reported a modest profit of 4.9 percent of total income, but substantially higher than the 0.9 percent reported by the 2005 audited accounts. Municipal defaults have been few. Municipalities themselves are slowly but surely building their service delivery capabilities.

BANK PERFORMANCE

6.7 ***MIRP** rated **Moderately unsatisfactory** (both for quality at entry and quality of supervision):* Drawing upon the experience of well tried municipal development projects in Latin America particularly, the Bank could have been more realistic in determining what could be achieved with a new Borrower inexperienced with Bank methods and procedures. That lack of experience meant that the Bank had to oversee most details of preparation directly, something that it did quickly with little learning spillover for local staff. But the quality of preparation was undermined by Bank staff's lack of familiarity with Georgia and the unwillingness of consultants to work in the country in the 1990s, with its insecurity, frequent power blackouts and communication breakdowns. IEG agrees with the ICR that the quality of Bank supervision was wanting. Financial oversight was so weak that supervision missions were unable to report the financial performance of the project accurately until midterm. Even then, auditors continued to give qualified endorsement only to the project accounts, owing to poor financial record keeping.

6.8 ***MDDP-I*** rated ***Moderately satisfactory*** (moderately unsatisfactory for quality at entry and moderately satisfactory for quality of supervision)**:** Quick project preparation—this time in less than four months—was again notable, but the perhaps unnecessary haste left many project details to be worked out during implementation. Supervision missions were better staffed than those of the earlier project, in part because the Bank itself was becoming more familiar with Georgia. Also, the Bank spent twice as much on supervising this project than on its predecessor. But supervision oversight became uneven when there was a turnover of Bank task managers, something that happened four times. One result of this was the inadequate information about the project's financial performance and the lack of ERR estimates for sub-project investments at completion. On the other hand, the Borrower reported receiving valuable advice from the Bank during implementation, especially on procurement.

6.9 ***MDDP-II** rated **Satisfactory** (moderately satisfactory for quality at entry and highly satisfactory for quality of supervision):* Again, project preparation was somewhat hasty. It did not take fully into account the performance by municipalities under past projects. Thus, good prior municipal performance was not rewarded, nor was past weak performance penalized. On the other hand, flexible and imaginative supervision helped overcome these shortcomings. Interestingly, supervision during the Rose Revolution took particular care to fully document discussions and agreements in mission Aide memoires with a succession of different officials with whom Bank missions had to meet. In such volatile circumstances, the Aide Memoires truly lived up their name. Hence the overall higher rating than for the earlier projects.

BORROWER PERFORMANCE

6.10 ***MIRP** rated **Moderately unsatisfactory**(for both government performance and for implementing agency performance):* In implementing the project, the new borrower faced an enormous challenge; a transition that saw public finances depleted and a general economic meltdown. Added to this, inexperience in dealing with the Bank left the Borrower in a Catch-22 situation. It had to hire consultants to build knowledge about Bank procurement and hiring practices, but did not know how to go about hiring the consultants precisely because of its lack of knowledge about those procedures. This was in spite of training provided by the Bank. Notably, the PIU failed to keep accurate financial records during implementation, to the point that auditors were unable to give an unqualified opinion on any of them. Lax or inaccurate financial reporting may, of course, give rise to concerns about possible improbity. But during the course of its normal PPAR mission work, IEG saw no evidence of corrupt practices relating to the project. As agreed at appraisal, the Borrower wound up the project PIU at completion, reassigning its staff to other agencies and government departments.

6.11 ***MDDP-I rated*** Moderately satisfactory ***(satisfactory for government performance and moderately satisfactory for implementing agency performance):*** Performance improved principally through GOG's decision to create MDF-G as project PIU. It became Georgia's main instrument for strengthening the institutional and financial capacities of municipalities and improving urban service delivery. Where MDF-G performance fell short, however, was in allowing geographical equity criteria to override performance tests of municipal eligibility to participate in the project. This meant providing financial support to some municipalities that were not truly creditworthy. While there were some delays in providing government counterpart funding, municipalities generally kept to their commitments and provided the funding expected of them.

Box 2:
Municipal Development Fund of Georgia - A Synopsis

Established: June 7, 1997
Objective: To render assistance to strengthening the institutional and financial capacities of local self-governmental bodies, making investments in infrastructure and services.
Activities: MDF-G cooperates with local self-government units—12 are currently receiving assistance—and mobilizes resources for funding local investment projects.
Leadership: Oversight by Supervisory Board led by the Prime-Minister. Managed by an Executive Director appointed by the Prime-Minister.
Staff: Currently 98.
Legislation: 1997 Decree # 294 establishing MDF-G. 2005 Decree #1027 merging Georgia Social Investment Fund (GSIF) into MDF-G; 2006 Decree #128 absorbing irrigation work into MDF-G. 2007 Decree #118 absorbing GOG fund for renewable energy resources. 2008 Decree #74 for MDF-G to manage GOG's "cheap credit" program.
Sources of funding: GOG, World Bank, KfW, MCGF, EBRD, ADB, Japan, and repayment of loans by municipalities.
Financials: Total assets US$25.7m; Total revenue US$46.7m. Surplus for year US$6.6m. Loans outstanding to municipalities US$18.5m. Interest income from municipal loans US$2.6m. *(audited figures for 2006)*

Source: http://www.mdf.org.ge

6.12 ***MDDP-II** rated **Satisfactory** (for both government performance and for implementing agency performance):* Performance continued to improve under this project, although there were still some shortcomings. On the positive side of municipal reform, the Georgian Parliament formally recognized in 2005 the political importance of municipalities in the country by ratifying the European Charter of Local Self Government. This meant GOG recognition of municipal property rights over their own assets, for instance. Hitherto these assets had been regarded as being held in trust by local government for the nation. GOG commitment to the project remained strong both before and after the Rose Revolution. More recently, government ownership has been evident from the consolidation and broadening of the scope of MDF-G. Moreover, its governing board is now chaired by the country's Prime Minister. MDF-G absorbed Georgia's Social Investment Fund (GSIF) in December 2005, investing in more than 750 micro-enterprise projects, and also became responsible for Georgia's irrigation programs after June 2006. MDF-G has now been implementing agency for several projects beyond its original municipal remit, including Bank funded Social Investment Projects and an Education adaptable program loan (APL). Another important development in September 2005 was the approval of the Millennium Challenge Georgia Account—now employing 45 staff in Tbilisi—with grant funding of US$295 million over five years, of which US$60 million is expected to go to municipal development. MDF-G is responsible for its administration.

7. Broader Issues Arising from this Evaluation

REMAINING ENGAGED FOR THE LONG HAUL

7.1 These three successive municipal development projects mark one of the longest continuous engagements to date of Bank support for municipal reform. It is particularly significant for Georgia since it covers most of that country's history as an independent state. It also shows how the Bank can remain engaged, even when local political and economic transition has been volatile. The results of reform, especially autonomous creditworthy municipalities improving their service delivery, have been slow in coming. But it is clear that the little that has been achieved would not have been possible through once-off, quick in-and-out operations. By staying engaged and managing its engagement very closely during the most volatile times, the Bank became a valued and trusted partner for many divergent local interests. Along the way, the Bank was able to coordinate its own efforts successfully with those of other donors, most recently in the field of municipal development, with the United States Agency for International Development (USAID) and the Millennium Challenge Georgia Fund (MCGF). Experience of working closely with development partners and GOG shows that modest but solid progress can be made. Moreover, a unique point of international contact with the local authorities has been well established.

MUNICIPAL REFORM REQUIRES GOOD INFORMATION

7.2 To design a municipal reform program well and to monitor progress in achieving reforms, good information is absolutely necessary. In Georgia, good information about municipal finances and management capacity was non-existent in the mid-1990s and is still very scarce today. How can municipal reform introduce improvements to cost recovery and creditworthiness when we don't have accurate financial reporting to enable us to fully understand the financial position of individual municipalities who are the targets and agents of the reform? How can we know where to focus capacity building when we don't know the human resource profile of the local administration? In assessing the performance of the three operations reviewed here, IEG came across inadequate information again and again. Good information is needed to assess the performance of the municipal participants in the reform program too. Other countries have successfully set up municipal information systems in the public domain, so that interested citizens in a democratic context can learn how well their city is performing. Of particular note in this respect is Chile's National System of Municipal Information (SINIM - http://www.sinim.cl/) mentioned earlier, a more simplified form of which could easily be set up in Georgia.

8. Findings and Lessons

8.1 In providing assistance for the reform of any sector—municipal in this case—Bank and Borrower need also to help ensure that information systems are adequate for implementing the reforms and for monitoring progress. In the case of these three projects, information on municipal finances and on the economic performance of sub-project investments was sparse. Georgia's situation in this regard could be improved by the greater use of municipal experiences of other countries.

8.2 Political volatility provides unusual challenges and opportunities for Bank supervision. It calls for more thorough documentation than normal, detailing all actions agreed between Bank and Borrower. It also requires greater oversight of project financial management. In the case of Georgia, it did provide opportunities for the Bank to act as valued and stable interlocutor in times of change.

8.3 Major political and economic transition, while offering opportunities for reform, may slow down progress with municipal reform in particular, as national governments work to establish the effectiveness of their central control.

8.4 When municipal management is very weak overall, it makes sense to work first with stronger and creditworthy municipalities that are most likely to succeed. In Georgia, the national government could recognize and foster these municipalities as models of good practice and sources for inspiration and technical assistance for others to learn from.

8.5 Time gained through speedy project preparation can be lost if implementation has to be extended in order to resolve matters overlooked by the hasty start-up. Speedy preparation itself may also be of little benefit when the Bank is involved for the long haul, as it has been in Georgia, where project achievements have been made steadily but slowly.

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Annex A. Basic Data Sheets

GEORGIA MUNICIPAL INFRASTRUCTURE REHABILITATION (CR 2658)

Key Project Data *(amounts in US$ million)*

	Appraisal estimate	*Actual or current estimate*	*Actual as % of appraisal estimate*
Total project costs	19.7	20.2	102%
Loan amount	18.0	17.7	98%
Cofinancing	0.3	0.4	133%
Cancellation	-	0.3	-

Project Dates

	Original	*Actual*
Appraisal	09/13/1994	09/13/1994
Board approval	11/08/1994	11/08/1994
Signing	11/10/1994	11/10/1994
Effectiveness	02/10/1995	01/19/1995
Closing date	12/31/1997	06/30/2000

Staff Inputs *(staff weeks)*

Stage of Project Cycle	*Actual/Latest Estimate*	
	No. Staff weeks	*US$ ('000)*
Identification/Preparation	45.2	-
Appraisal/Negotiation	31.4	-
Supervision	234.2	-
ICR	-	-
Total	310.8	-

Mission Data

Stage of Project Cycle	***No. of Persons and Specialty (e.g. 2 Economists, 1 FMS, etc.)***		***Performance Rating***	
Month/Year	***Count***	***Specialty***	***Implementation Progress***	***Dev. Objective***
Identification/ Preparation				
June 1994	1	Division Chief		
August 1994	21	1 Division Chief, 1 Sr. Urban Specialist, 1 Sr. Municipal Finance Spec., 1 Economist, 1 Environmental Scientist, 1 Environmental Sociologist, 1 Operations Assistant, 1 Procurement Specialist, 1 Sr. Highway Engineer, 1 Municipal Engineer Consultant, 1 Transport Engineer Consultant, 1 Pub. Health Engineer Consultant, 1 Sanitary Engineer Consultant, 1 Water Engineer Consultant, 1 Mechanical Engineer Consultant, 1 Heating Engineer Consultant, 1 Hydrological Consultant, 1 Electrical Engineer Consultant, 1 Coastal Ecological Consultant, 1 Coastal Zone Man Consultant		
Appraisal/Negotiations September 1994	7	1 Sr. Urban Specialist, 1 sr. Municipal Finance Spec., 1 Economist, 1 Environmental Sociologist, 2 Operations Assistants, 1 Mun. Engineer/Consultant		
Supervision November 1994	4	1 Sr. Urban Specialist, 1 Operations Assistant, 1 Social Ecologist, 1 Research Assistant	S	S
April 1995	5	1 Sr. Urban Specialist, 1 Procurement Specialist, 1 Social Ecologist, 1 Research Assistant, 1 Operations Assistant	S	S
December 1995	4	1 Sr. Urban Specialist, 1 Operations Assistant, 1 Procurement Specialist, 1 Municipal Engineer	S	S
June 1996	3	1 Sr. Urban Specialist, 1 Procurement Specialist, 1 Operations Assistant	S	S
July 1996	1	Water Specialist		
October 1996	2	1 Sr. Urban Specialist, 1 Social Ecologist	S	S
February 1997 (Limited Mission)	4	1 Sr. Urban Specialist, 1 Social Ecologist, 1 Operations Assistant, 1 Project Officer		
October 1997	3	1 Sr. Urban Specialist, 1 Architect/Technical Spec., 1 Financial Management Officer	S	S

Stage of Project Cycle	***No. of Persons and Specialty (e.g. 2 Economists, 1 FMS, etc.)***		***Performance Rating***	
February 1998	6	1 Sr. Urban Specialist, 1 Financial Management Officer, 1 Water Engineer, 1 Operations Assistant, 1 Institutional Specialist Financial Consultant	S	S
July 1998	3	1 Sr. Urban Specialist, 1 Urban Specialist, 1 Financial Management Officer	S	S
November 1998	4	1 Urban Specialist, 1 Architect/Technical Spec. 1 Financial Management Officer, 1 Operations Assistant	S	S
April 1999	3	1 Urban Specialist, 1 Procurement Specialist, 1 Project Officer	S	S
November 1999	4	1 Urban Specialist, 1 Project Officer, 1 Finan. Man. Consultant, 1 Operations Assistant	U	S
February 2000 (Limited Mission)	1	Urban Specialist		
March 2000	5	2 Urban Specialist, 1 Infrastructure Specialist, 1 Architect, 1 Finan. Man. Consultant	U	S
June 2000	3	1 Infrastructure Specialist, 1 Finan. Man. Consultant, 1 Urban Specialist	S	S

GEORGIA: FIRST MUNICIPAL DEVELOPMENT AND DECENTRALIZATION (CR 2976)

Key Project Data *(amounts in US$ million)*

	Appraisal estimate	***Actual or current estimate***	***Actual as % of appraisal estimate***
Total project costs	26.1	23.5	90%
Loan amount	20.9	20.9	100%
Cofinancing	-	-	-
Cancellation	-	-	-
Institutional performance	-	-	-

Project Dates

	Original	***Actual***
Appraisal	04/28/1997	04/28/1997
Board approval	07/15/1997	07/15/1997
Signing	09/15/1997	09/15/1997
Effectiveness	12/15/1997	12/15/1997
Closing date	12/31/2001	12/31/2002

Staff Inputs *(staff weeks)*

Stage of Project Cycle	***Actual/Latest Estimate***	
	No. Staff weeks	***US$('000)***
Identification/Preparation	-	59.2
Appraisal/Negotiation	-	-
Supervision	-	509.1
ICR	-	-
Total	-	568.3

Mission Data

Stage of Project Cycle	***No. of Persons and Specialty (e.g. 2 Economists, 1 FMS, etc.)***		***Performance Rating***	
Month/Year	***Count***	***Specialty***	***Implementation Progress***	***Dev. Objective***
Identification/Preparation				
02/15/97				
Appraisal/Negotiation				
05/25/97	5	1 Urban Management Specialist; 1 Institutional Specialist; 1 Financial Analyst; 1 Technical Specialist		
06/20/97		Negotiations Team		
Supervision				
08/02/1997	3	1 Urban Management Specialist; 1 Institutional Specialist; 1 Operations Assistant	S	S
10/17/1997	6	1 Urban Management Specialist; 1 Institutional Specialist; 2 Financial Analysts; 1 Operations Assistant; 1 Engineer	S	S
02/26/1998	4	1 Urban Management Specialist; 1 Institutional Specialist; 1 Financial Analyst; 1 Operations Assistant	S	S
07/06/1998	5	2 Urban Management Specialist; 1 Financial Analyst; 1 Institutional Specialist; 1 Operations Assistant	S	S
11/17/1998	4	1 Urban Management Specialist; 1 Urban Planner; 1 Financial Analyst; 1 Operations Assistant	S	S
04/29/1999	3	1 Urban Management Specialist; 1 Operations Assistant; 1 Procurement Specialist	S	S
11/19/1999	6	1 Urban Management Specialist; 1 Urban Sector Leader; 1 Financial Analyst; 1 Procurement Specialist; 2 Operations Assistant	U	S
03/17/2000	4	2 Urban Management Specialist; 1 Financial Specialist; 1 Engineer	U	S
06/17/2000	3	1 Urban Management Specialist; 1 Operations Assistant; 1 Financial Analyst	S	S
09/15/2000	1	1 Financial Specialist	S	S
02/02/2001	2	1 Urban Management Specialist; 1 Financial Analyst	S	S
12/14/2001	3	1 Urban Management Specialist; 1 Operations Assistant; 1 Financial Analyst	S	S
05/04/2001	3	1 Urban Management Specialist; 1 Operations Assistant; 1 Financial Analyst	S	S

Stage of Project Cycle	***No. of Persons and Specialty (e.g. 2 Economists, 1 FMS, etc.)***		***Performance Rating***	
Month/Year	***Count***	***Specialty***	***Implementation Progress***	***Dev. Objective***
05/04/2002	2	1 Urban Management Specialist; 1 Operations Assistant	S	S
10/12/2002	4	3 Urban Management Specialist; 1 Urban Planner	S	S
03/29/2003	2	1 Urban Management Specialist; 1 Senior Procurement Specialist	S	S

GEORGIA: SECOND MUNICIPAL DEVELOPMENT AND DECENTRALIZATION (CR 3701)

Key Project Data *(amounts in US$ million)*

	Appraisal estimate	*Actual or current estimate*	*Actual as % of appraisal estimate*
Total project costs	30.9	39.9	129%
Loan amount	19.4	24.7	127%
Cofinancing	-	-	-
Cancellation	-	0.3	-

Cumulative Estimated and Actual Disbursements

	FY03	*FY04*	*FY05*	*FY06*	*FY07*	*FY08*
Appraisal estimate (US$M)	2.8	8.95	14.39	19.41	19.41	19.41
Actual (US$M)	-	-	-	-	-	-
Actual as % of appraisal	-	-	-	-	-	-
Date of final disbursement:	July 12, 2007					

Project Dates

	Original	*Actual*
Appraisal	04/15/2002	04/15/2002
Board approval	08/01/2002	08/01/2002
Signing	12/03/2002	12/03/2002
Effectiveness	02/19/2003	02/19/2003
Closing date	06/30/2006	12/30/2007

Staff Time and Cost

Stage of Project Cycle	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks*	$ Thousands (including travel and consultant costs)
Lending		
FY02	28	250.41
FY03	4	46.70
Total:	32	**297.11**
Supervision/ICR		
FY03	14	53.49
FY04	10	60.61
FY05	34	122.35
FY06	25	103.79
FY07	14	43.80
FY08	17	86.36
Total:	**114**	**470.40**

Annex B. List of Persons Met

Municipal Development Fund of Georgia

Lasha Gotsiridze, Executive Director
Tel: +(995-32)-484-510 Mobile: +(995-99)-212-010; E-mail: lgotsiridze@mdf.org.ge

George Meskhishvili, Technical Dept.
Mobile: +(995-99)-571-580; E-mail: gmeskhishvili@mdf.org.ge

Michael (Kakha) Ardia, Administrative Dept. Manager.
Tel: +(995-32)-943-240; Mobile: +(995-99)-540-025

Paata Iakobashvili, Head of Technical Dept.
Tel: +(995-32)-943-240; Mobile: +(995-99)-150-160; E-mail: pialobashvili@mdf.org.ge

Shalva Kokochashvili, Head of the Project Management, Monitoring and Evaluation Division.
Mobile: +(995-99)-945-719; E-mail: skokochashvili@mdf.org.ge

Zviad Paichadze, Head of Finance Division.
Mobile: +(995-99)-502-888

Maia Kikoshivili, Head of Project Management.

Ministry of Finance of Georgia

David Khosruashvili, Head of Budget Dept.
Mobile: +(995-99)-28-86-26; E-mail: d.khosruasvili@mof.ge

The Urban Institute/USAID

Bill Krause, UI Chief of Party.
Mobile: +(995-99)-184-341; E-mail: bill@urban.ge

Khvicha Vashakmadze, Regional Coordinator Kutaisi.
Mobile: +(995-99)-228-289; E-mail: khvicha67@mail.ru

Maka Jeladze, Regional Coordinator Ambrolauri.
Mobile: +(995-99)-469-294; E-mail: maka.j@mail.ru

Millennium Challenge Georgia Fund

Lia Mamniashvili, Deputy Chief Executive Officer.
Mobile: +(995-99)-774-010

The World Bank Office – Tbilisi

Roy Southworth, Country Manager.
Mobile: +(995-77)-787-825; E-mail: vsouthworth@worldbank.org

Tamara Sululkhia, Senior Infrastructure Specialist.
Mobile: +(995-99)-160-108; E-mail: tsulukhia@worldbank.org.

Municipality of Ambrolauri

Kakha Farjanadze, Mayor

Bachuki Gabisiani, Head of Municipal Council.
Mobile: +(995-99)-962-341

Municipality of Batumi

Robert Chkhaidze, Deputy Mayor.
Mobile: +(995-99)-109-565; internet: www.batumi.ge/en

Zauz Fatkadze, Advisor to Mayor

David Samniedze, Head of Finance Department

Municipality of Poti

Gela Lagvilava, Vice Mayor.
Mobile: +(995-99)-777-766; E-mail: gela-lagvilava@rambler.ru

Vasilii Todua, Head of Finance Department

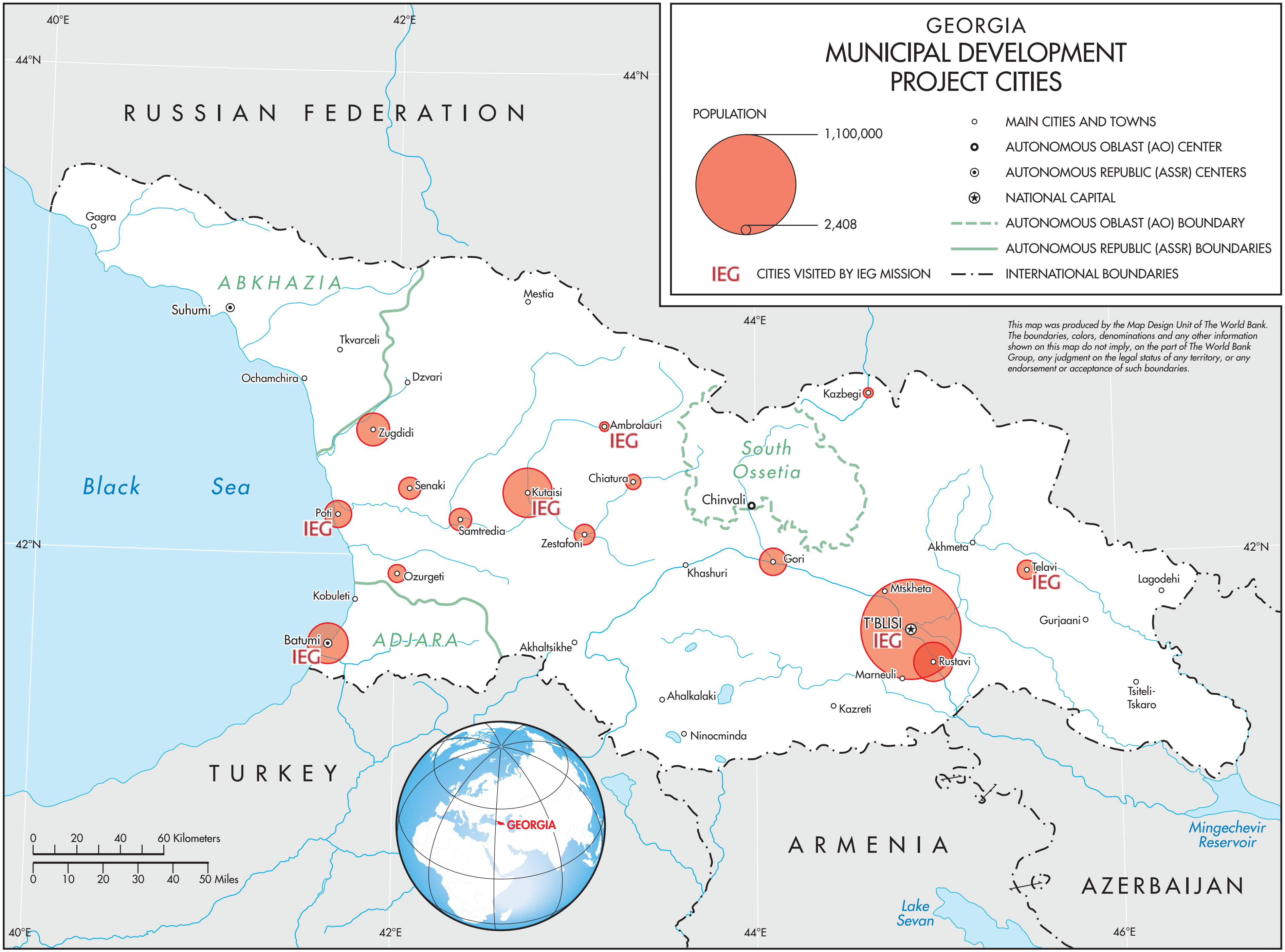
Municipality of Kutaisi

Niko Kachkachishvili, Mayor.
Mobile: +(995-99)-722-713; E-mail: mayor.kutaisi@imereti.ge;

George Shazabidze, Head of Finance Department

Izakli Bezedze, Head of Infrastructure Department

Tamazi Mazgvekashvili, Deputy Chairman of Municipal Council (Sakzebulo)



GEORGIA

MUNICIPAL DEVELOPMENT PROJECT CITIES

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APRIL 2008

IBRD 36096