



1. Project Data

Project ID P150696	Project Name Third Regional Development Project	
Country Georgia	Practice Area(Lead) Urban, Resilience and Land	
L/C/TF Number(s) IBRD-84940	Closing Date (Original) 31-Dec-2019	Total Project Cost (USD) 59,997,844.66
Bank Approval Date 01-Jul-2015	Closing Date (Actual) 30-Oct-2024	
	IBRD/IDA (USD)	Grants (USD)
Original Commitment	60,000,000.00	0.00
Revised Commitment	60,000,000.00	0.00
Actual	59,997,844.66	0.00

Prepared by C.Y. Nunez-Ollero	Reviewed by Avjeet Singh	ICR Review Coordinator Avjeet Singh	Group IEGSD (Unit 4)
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2. Project Objectives and Components

a. Objectives

According to the Loan Agreement (LA, p. 6) and the Project Appraisal Document (PAD, paragraph 30), the Project Development Objective (PDO) of this GEORGIA: Third Regional Development Project (RDP) was “to improve infrastructure services and institutional capacity to support increased contribution of tourism in the local economy of the Samtskhe-Javakheti and Mtskheta-Mtianeti regions.” This project is a third in a series of projects implemented in Georgia.



This review will assess project performance against this objective parsed into two:

- To improve infrastructure services to support increased contribution of tourism in the local economy of the Samtskhe-Javakheti and Mtskheta-Mtianeti regions.
- To improve institutional capacity to support increased contribution of tourism in the local economy of the Samtskhe-Javakheti and Mtskheta-Mtianeti regions.

b. Were the project objectives/key associated outcome targets revised during implementation?

Yes

Did the Board approve the revised objectives/key associated outcome targets?

No

c. Will a split evaluation be undertaken?

Yes

d. Components

The project had two components:

1: Infrastructure Investment (US\$53.25 million at appraisal; US\$50.40 million, actual). This component consisted of two subcomponents:

- **Urban Regeneration and Circuit Development** (US\$46 million at appraisal; US\$50.31 million, actual) Supported restoration of historic towns and villages, including building facades, public spaces, museums, roads, water systems, and cultural/natural heritage sites.
- **Public Infrastructure for Private Investments** (US\$7.25 million at appraisal; US\$0.09 million, actual) Provided infrastructure to enhance the viability of private sector investments in tourism and agribusiness.

2: Institutional Development (US\$6.60 million at appraisal; US\$9.45 million, actual) Financed technical assistance to strengthen institutional capacity of agencies such as the Georgian National Tourism Administration (GNTA), the National Agency for Cultural Heritage Preservation (NACHP), the National Museum, the Municipal Development Fund of Georgia (MDF), and local entities. Activities included establishing Destination Management Organization (DMOs), promoting tourist sites, planning for sustainable site management, workforce training, cultural heritage (CH) advisory services, small and medium enterprise (SME) support, performance monitoring, and feasibility studies.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project Cost: The original total project cost was US\$60 million inclusive of the front-end fee of US\$0.15 million. The project disbursed US\$60 million at closing.

Financing: The International Bank for Reconstruction and Development (IBRD) financed this project.



Borrower Contribution: The government committed US\$15 million in contributions and disbursed US\$19.2 million at closing to cover the financing gap arising from the mid-term currency devaluation and increases in construction prices due to COVID-19 (ICR, paragraph 64 and footnote 43).

Dates: The World Bank Board approved the project on July 1, 2015, and it was made effective on October 15, 2015. The World Bank team conducted the Mid Term Review (MTR) on September 25, 2017. The project was to originally close on December 31, 2019. The following level 2 restructurings extended the closing date by 58 months (or 4 years and 10 months) to close on October 30, 2024.

- October 17, 2019, to drop outcome indicators, adjust targets of output and outcome indicators, following the finalization of the investment pipeline and extend the loan closing date for the first time by 36 months from December 31, 2019, to December 31, 2022, to complete planned activities.
- April 20, 2022, to reduce targets of output and outcome indicators, and extend the loan closing date for the second time by another 22 months from December 31, 2022, to October 30, 2024, to complete activities delayed by the COVID-19 pandemic.

Split Rating: The ICR provided a split rating of the outcome because of revisions to the indicators in the results framework leading to a reduction in overall ambition. The PDO itself remained unchanged throughout implementation.

3. Relevance of Objectives

Rationale

Context: The Government of Georgia launched a Regional Development Program (RDP) to attract private investment in tourism and agribusiness across poorer regions. Supported by the World Bank, the program consisted of three projects that focused on these regions: Regional Development Project (RDP1 to cover the Kakheti, US\$60M), RDP2 (Imereti region, US\$30M), and RDP3 (Samtskhe-Javakheti and Mtskheta-Mtianeti regions, US\$60M). These regions were selected for their cultural heritage and tourism potential, with the aim of enhancing Georgia's national tourism circuit, increasing overnight stays, tourism spending, and job creation. The initiative also sought to improve municipal infrastructure and foster private sector engagement, with anticipated spillover benefits to neighboring communities.

Country Plans: In 2010, the Government of Georgia (GoG) adopted the State Strategy on Regional Development, identifying tourism as a key driver of regional growth. This strategy informed subsequent analytical work and led to the three Regional Development Projects (RDPs) supported by the World Bank. In 2015, the government prepared a Tourism Strategy 2015–2025, which emphasized sustainable growth, job creation, and collaboration among government, private sector, and communities. The strategy aligned with broader development goals, highlighting tourism's role in preserving cultural and natural heritage, enhancing competitiveness, and attracting private investment.

The RDP3 Project Development Objective (PDO) – “to improve infrastructure services and institutional capacity to support increased contribution of tourism in the local economy of the Samtskhe-Javakheti and Mtskheta-Mtianeti regions” – remained relevant to the Development Strategy of Georgia “Vision 2030.” In particular, the PDO supported the achievement of the national goals of promoting inclusive regional development, reducing inequalities, and fostering sustainable economic growth. In addition, the PDO



supported the priorities of enhancing regional competitiveness, tourism potential, and living standards through targeted investments in underdeveloped areas. The PDO remained relevant to the Georgia Tourism Strategy 2020-2025, which emphasized increasing the contribution of tourism to the country's economy through improved infrastructure, diversified tourism products, supporting the private sector, and building capacity reflected in the project's integrated approach. The PDO was also aligned with the Small and Medium Enterprise (SME) Development Strategy of Georgia, since the PDO supported private sector growth by fostering an enabling environment for business development through improved infrastructure and services in the target regions.

World Bank Country Partnership Framework: The PDO was aligned with the World Bank Country Partnership Framework (CPF) for Georgia for FY2019-FY2022. The PDO supported the CPF Focus Area 1: Enhance Inclusive Growth and Competitiveness and relevant to achieving Objective 1.4 *Increasing Economic Participation in the Regions*. The CPF was to improve connectivity and integration, develop selected infrastructure, improve the flow of goods and people across key corridors and crossing points; create jobs, business opportunities, address spatial inequalities, and promote inclusive growth. Tourism contributes to GDP and is a strategic sector for regional economic transformation.

World Bank Experience in the Sector and in the Country: The World Bank has leveraged funds from donor agencies, trust funds, the private sector, and the state budget to focus on tourism and its contributions to boost local development. The ongoing World Bank-financed East-West Highway and the Secondary and Local Road Projects reduced travel time from Tbilisi to and within the regions. The Regional & Municipal Infrastructure Development Project and its Additional Financing, improved water services and urban roads in several cities and villages in two regions. The first Regional Development Project (the first RDP, P126033, 2012–2017), and the second RDP, P130421, 2012–2019) aimed to improve infrastructure services and institutional capacity to increase the contribution of tourism in the local economy and cultural heritage circuits in the Kakheti and the Imereti Region. The ongoing South Caucasus Programmatic Regional Development Study (ESW) is informing Georgia's 2025 national tourism development strategy and supports a longer South Caucasus tourism circuit linking tourism attractions in Azerbaijan, Armenia, and Georgia.

Overall, the PDO – “to improve infrastructure services and institutional capacity to support increased contribution of tourism in the local economy of the Samtskhe-Javakheti and Mtskheta-Mtianeti regions” – was expressed at an outcome level to bolster the contribution of tourism to the local regional economies. The overall rating of the relevance of the objective is rated High.

Rating

High

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1 Objective



“To improve infrastructure services to support increased contribution of tourism in the local economy of the Samtskhe-Javakheti and Mtskheta-Mtianeti regions.”

Rationale

Theory of Change: No Theory of Change (TOC) was required at appraisal. One was prepared for the ICR based on the causal links between the activities, outputs, and expected outcomes established at appraisal. The increase in infrastructure investments in the target areas was expected to spur tourism activities in two regions – the Samtskhe-Javakheti and Mtskheta-Mtianeti regions. By improving infrastructure in lagging regions, an integrated approach to tourism development would spur urban renewal, restore cultural heritage, further develop tourism related skills, and attract private investments. An integrated approach to tourism development combines infrastructure upgrades, urban regeneration, cultural heritage restoration, and local capacity building to enhance the visitor experience and create an enabling environment for private investment. Infrastructure upgrades across sectors, included roads, water supply, public lighting, cultural heritage, and information centers, which supported local economic activity with visitors gaining improved access to three strategic hubs — Dusheti, Abastumani, and Bakuriani. Outcomes would increase the share of tourism in the local economies of these targeted regions.

Input: was to be the financing of investments in urban and tourism circuit development to regenerate old towns and villages. Other inputs were to be the financing of public infrastructure such as roads and water systems to encourage private sector investments in tourism or agribusiness in the target areas. Financing would also support building local capacity to deliver these infrastructure services. **Outputs:** were to be the completed infrastructure such as restored building facades and roofs, museums, and enhancement of cultural and natural heritage sites and other public spaces. **Outcomes:** were to be the beneficiaries in the urban areas with access to all season roads and the increase in hours per day that piped water is delivered to the target areas. Other outcome indicators were the increase in the volume of private sector investments in the target areas and the number of gender-disaggregated jobs created by the activities supporting the tourism industry. However, since the framework design allowed investments to be finalized at implementation, water system rehabilitation was not part of the finalized investments and the related outcome indicators were no longer relevant and dropped. Achievement of the objective depended on three **key assumptions:** (i) the implementing agency had adequate capacity to oversee and ensure quality of civil works, including cultural heritage sites; (ii) private investors had access to financing; and (iii) trained personnel remained in the sector and regions.

Overall, the TOC provided the causal link between input (financing), output (completed infrastructure), and outcome (increase in the hours of available services).

OUTPUTS:

- Restructuring **dropped** the following original outputs:
 - Increased hotel beds in circuit areas (baseline 10,939 beds, original target 15,277)
 - Increased number of tourism-related enterprises (e.g., souvenir and handcraft shops, family and guest houses, restaurants, museums, etc.) (baseline 189, original target 240)
 - Production and distribution of new maps based on geotourism database (original target 20,000)
 - Share of households with home-based economic activities (baseline 16.5 percent, original target 19.8 percent)
- The following targets were **not achieved:**
 - Restored 58 houses (original target 140)



- 420 piped household water connections benefited from the rehabilitation works (original target 820)
- Nine tourism facilities were constructed at cultural heritage sites along the tourist circuit (original target 11)
- Annual visitors at selected project sites increased by 393,988 or 44 percent (baseline 895,428 visitors, original target was additional 1,142,815).
- The following targets were **exceeded**:
 - Upgraded four parks (original target 3)
 - Improved 43.4 km of access roads to selected tourism attraction sites (original target 28 km)
 - Skills development training provided to 467 beneficiaries, disaggregated by gender (original target 300).
 - Replaced 1,028 street lighting posts and bulbs (original target 760)
- The following target was **achieved**: Refurbished three museums (original target 3)

OUTCOMES: Interventions across the three hubs of Dusheti, Abastumani, and Bakuriani and the spokes of Kazbegi, Mtskheta, Aspindza, and Akhaltsikhe improved tourism site appearance, connectivity, and quality of tourism services:

- The first restructuring dropped the following outcome indicators that were no longer relevant:
 - Increase in the number of hours per day that piped water is delivered in the project areas (baseline 8 hours, original target 18 hours)
 - Number of people in urban areas provided with access to all season roads within a 500-meter range (original target 1,280 people).
- 2,816 gender-disaggregated jobs in the tourism industry created (baseline 63,787 jobs, original target of 81,410 was **not achieved**). This outcome indicator was later moved to output (see below).
- The project benefited 33,684 people (original target of 333,000 beneficiaries was **not achieved**. The target included the entire regional population, far beyond the project scope).
- 52 percent of these beneficiaries were female (original target of 180,000 or 54 percent was **partially achieved**).
- Private sector investments in the target areas reached GEL259 million (original target of US\$30 million or GEL82.8 million was **exceeded**)

Overall, the efficacy of the project to achieve the objective using the original indicators and targets is rated **Modest** because of unmet targets in both output and outcome. The framework design meant that investments were finalized during implementation. Not all indicators identified at appraisal were relevant and were dropped during restructuring.

Rating

Modest

OBJECTIVE 1 REVISION 1

Revised Objective

The objective – “To improve infrastructure services to support increased contribution of tourism in the local economy of the Samtskhe-Javakheti and Mtskheta-Mtianeti regions” – was unchanged.



Revised Rationale

Revised Theory of Change: The framework design allowed for finalizing investments during implementation. A list of investment projects was finalized at implementation. The theory of change outlining the causal link between the inputs, outputs, and expected outcomes remained logical and was unchanged.

Revised Inputs: This was unchanged. **Revised Outputs:** Four of the 16 original outputs were dropped (the number of hotel beds, number of tourism related enterprises that were generated, number of maps distributed, or number of households that have home-based economic activities); new outputs were added (new or rehabilitated urban public spaces in selected municipalities (square meter (m²); targets were reduced (piped household water connections, tourism facilities constructed, houses restored); or increased (upgraded parks, access roads to tourist facilities, and beneficiaries of skills development training) and one target was changed from absolute number to percentage to better reflect the resulting change. **Revised Outcomes:** At the first restructuring, the targets for the outcome indicators were adjusted based on the final list of investments to be implemented (see below). A new outcome indicator (new or rehabilitated urban space in select municipalities) was added; and two outcome indicators were dropped (increase in the hours per day of piped water in service area and number of people in target area with access to all season roads within a 500-meter range). **Revised Critical Assumptions:** These were unchanged.

Overall, the causal link between the revised inputs, adjusted targets for both outputs, and outcomes remained logical.

Revised OUTPUTS:

- The following targets were **achieved**:
 - Upgraded four parks (increased target to 4)
 - Rehabilitated 420 piped household water connections (reduced target to 420)
 - Restored 58 houses (reduced target to 58)
- The following targets were **exceeded**:
 - Nine tourism facilities were constructed at cultural heritage sites along the tourist circuit (reduced target to 8)
 - Improved 43.4 km of access roads to selected tourism sites (increased target to 35 km)
 - The number of annual visitors at selected project sites increased by 44 percent (baseline was 895,428 visitors, the original target changed to 25 percent).

Revised OUTCOMES:

- The following targets were **not achieved**:
 - 2,816 jobs were created (original target 8,000 jobs). This indicator was later moved to output in the subsequent restructuring and target reduced (see below).
 - 33,684 people, consisting of the residents of cities, towns, and villages in the target areas, benefited from public goods and improved infrastructure. (revised target 120,000).
- The following targets were **exceeded**:
 - 511,917 m² of newly created or rehabilitated public spaces in selected municipalities (increased target to 277,877 m²). This indicator was later moved to output in the second revision below.
 - 52 percent of the beneficiaries were female (revised target 60,000 or 50 percent).



- Private sector investment in target areas reached GEL259 million, (revised target GEL66 million).

Overall, the efficacy of the project to achieve the objective using revised targets is rated **Substantial**.

Revised Rating

Substantial

OBJECTIVE 1 REVISION 2

Revised Objective

The objective – “To improve infrastructure services to support increased contribution of tourism in the local economy of the Samtskhe-Javakheti and Mtskheta-Mtianeti regions” – was unchanged.

Revised Rationale

Revised Theory of Change: This was unchanged. **Revised Inputs:** The government provided additional resources to support specific activities under both components 1 and 2 because construction costs increased and a 23 percent exchange rate loss during COVID 19 (ICR, footnote 43). **Revised Outputs:** An indicator (rehabilitated public space) was moved from outcome to output because it did not directly reflect an achievement of the PDO. The final detailed engineering design led to reducing targeted outputs. Other targets decreased to only capture actual end users rather than the general population of the target areas. **Revised Outcomes:** Two indicators were moved from outcome to output (rehabilitated public space, jobs created). Targets were reduced based on final detailed design and limiting the number of jobs created in the target areas rather than the wider geographic region. **Revised Critical Assumptions:** This was unchanged.

Overall, the causal relationship among the inputs, outputs, and outcomes using revised targets remained logical.

Revised OUTPUTS: The following targets were **exceeded**:

- 511,917 m2 of newly created or rehabilitated public spaces in selected municipalities (reduced target 95,000 m2). This indicator was moved to an intermediate results indicator and target adjusted based on final design.
- 2,816 gender-disaggregated jobs in the tourism industry were created (baseline 63,787 jobs, reduced target to 2,000). This indicator was moved from outcome to output. These refer only to the regional tourism-related jobs linked to the project activities reported by GeoStat.
- Improved 43.4 km of access roads to selected tourism attraction sites (target increased a second time to 41 km).

Revised OUTCOMES:

- The following target was achieved: 33,684 benefited from the project (revised target of 33,684). The target was reduced to account for only those from municipalities who were trained and benefited from the project activities.
- The following targets were **exceeded**:



- 52 percent were female (revised target 50 percent). Restructuring revised how this indicator was measured from being a number to percentage.
- Visitors at the project sites increased by 69 percent (target 25 percent). The 2022 restructuring revised how this indicator was measured from being a number to percentage. The baseline incorrectly used the region-wide figures. The target focused on visitors to the sites, to improve attribution and reflect the COVID-19-related constraints on international travel.
- Private sector investment in target areas reached GEL259 million, (revised target GEL66 million). The 2022 restructuring changed the currency of the target from US\$ to GEL while retaining the formulation using the exchange rate defined at preparation to mitigate COVID-19 impact on foreign exchange rates.

The efficacy of the project to achieve this objective is rated Substantial.

Revised Rating Substantial

OBJECTIVE 2

Objective

-“To improve institutional capacity to support increased contribution of tourism in the local economy of the Samtskhe-Javakheti and Mtskheta-Mtianeti regions.”

Rationale

Theory of Change: Training and technical assistance was to enhance the institutional capacity of the selected state agencies and private sector stakeholders involved in promoting tourism in the target regions. Staff of state agencies would be trained in tourism management. Site and museum management plans would be developed. A regional destination management office would be operated. Entrepreneurs and stakeholders would be trained to improve service quality and develop tourism-related products. As a result, coordination, collaboration, and planning among the tourism-related public and private institutions, the quality of tourism products and services would improve.

Input: was to be the financing of technical assistance to enhance the institutional capacity of the service providers in the tourism sector in the target regions. These include state agencies, such as the Georgia National Tourism Administration (GNTA), National Agency for Cultural Heritage Preservation of Georgia (NACHP), National Museum, the Municipal Development Fund (MDF), and other local and regional entities. Inputs also included the financing of Destination Management Organizations (DMOs), marketing and promotion, sustainable site management planning, workforce training, cultural heritage (CH) advisory support, business advisory services for tourism small and medium enterprises (SMEs), performance monitoring, and feasibility studies for potential investments. **Outputs:** Training in skills development and technical assistance to develop tourist sites and management plans were to be delivered to public and private sectors stakeholders. **Outcomes** were to be an increase in the number of annual visitors at the project sites and the number of regional Destination Management Organizations (DMOs) established and operational. A DMO is a central coordinating body where public and private actors collaborated to raise service quality standards and attract tourism development financing. The **Critical Assumptions** that applied to the first objective above were also expected to enhance the likelihood of achieving the expected outcomes if these were realized.



Overall, the causal logic between the inputs, outputs, and outcomes were reasonable.

OUTPUTS:

- Skills development training provided to 467 beneficiaries, disaggregated by gender (original target of 300 was **exceeded** and restructuring increased the target to 467).

OUTCOMES: The following targets were **not achieved**:

- One DMO became operational (original target 3).
- One museum management plan for Mtskheta Museum and cultural heritage sites was operationalized (original target 3) The museum management plans for Kazbegi Historical Museum and Abastumani Observatory Museum were also developed but not yet operationalized at closing.

Overall, the efficacy of the project to achieve the objective using original targets is rated **Modest**.

Rating
Modest

OBJECTIVE 2 REVISION 1

Revised Objective

The PDO –To improve institutional capacity to support increased contribution of tourism in the local economy of the Samtskhe-Javakheti and Mtskheta-Mtianeti regions.” was unchanged.

Revised Rationale

Revised Theory of Change: This was unchanged. **Revised Inputs:** This was also unchanged. **Revised Outputs:** A new indicator was added to capture the training activities in tourism management with a target of 30 people. **Revised Outcomes:** A new outcome indicator was introduced referring to the implementation of management plans for three museums and cultural heritage sites that have been refurbished under Objective 1 above. The museum management plan outlined a strategic plan for the museum, its financial, and economic sustainability. The plan covered short- (1 to 5 years), medium- (10 years), and long-term (20 to 25 years) strategies for the management and maintenance of the museum. **Revised Critical Assumptions:** This remained unchanged.

Overall, the causal relations between the inputs, outputs, and expected outcomes remained logical.

Revised OUTPUTS:

- The Tourism Advisory to SMEs (TASME) Program delivered the following capacity-building program on tourism and product development to entrepreneurs in the SJ region: 36 training sessions; 29 individual consultations; 13 knowledge-sharing visits
- 476 entrepreneurs, of which 40 percent were women (increased target of 476 was **achieved**) participated in this capacity-building program.



- Training participants (127 of 476) were surveyed and reported the following: 40 percent improved overall business skills; 76 percent improved hospitality skills; and 92 percent improved business visibility
- 127 businesses were evaluated and reported the following results: 40 percent reported revenue increases; 21 percent reported revenue increases by more than 20 percent.
- 35 people were provided with on-the-job training (target of 30 **exceeded**) in tourism management. These included 11 from NACHP, 3 from the SJ DMO, 6 municipal officials, and 15 private sector representatives.

Revised OUTCOME:

- One Destination Management Office (DMO) was functional (revised target of 2 was **not achieved**).
- One museum management plan for Mtskheta Museum and cultural heritage sites was operationalized (original target of 3 was **not achieved**) The museum management plans for Kazbegi Historical Museum and Abastumani Observatory Museum were also developed but not yet implemented at closing.
- Following the on-the-job training in tourism management, participants enhanced their promotion and commercialization skills for selected project-supported cultural heritage sites. For example, participants developed site management plans that tour guides continue to use. The Khertvisi site reported an increase in visitors after adopting site management and commercialization plans that were developed as part of the training. This indicator was not part of the TOC.

Overall, the efficacy of the project to achieve the objective using revised targets is rated **Modest**. While the institutional capacity in tourism service delivery improved (based on respondents' feedback), some activities (e.g., museum management plans) were not fully completed at closing. The government was to finalize and make operational the rest of the activities after project closure.

Revised Rating

Modest

OBJECTIVE 2 REVISION 2

Revised Objective

The PDO –To improve institutional capacity to support increased contribution of tourism in the local economy of the Samtskhe-Javakheti and Mtskheta-Mtianeti regions.” was unchanged.

Revised Rationale

REVISED TOC: This was unchanged. **REVISED Inputs:** This was also unchanged. **REVISED Outputs:** This was unchanged. **REVISED Outcomes:** One new outcome indicator was introduced to capture the outcome associated with the management plans developed. **REVISED Critical Assumptions:** This was unchanged.

Overall, the causal link between the inputs, new output and outcomes and reduced targets remained logical and reasonable.



REVISED OUTPUTS:

- MDF trained the beneficiaries to develop and implement operation and maintenance (O&M) plans for the project-assisted assets.
 - MDF established the Bakuriani Development Agency (BDA) that employed 12 staff to oversee Bakuriani Central Park operations, including vendor management, and service quality. The O&M plan improved management of the Bakuriani Central Park and increased income (no data) from stand rentals to enhance sustainability and maximize development impact.
 - The Tbilisi National Park (TNP) that previously lacked any formal operational structure now has a dedicated administration, employing 10 new permanent staff including guides, rangers, technical staff, and conservation specialists to strengthen site management.

REVISED OUTCOMES: The following targets were achieved:

- One Destination Management Office – the SJ DMO – was operational (reduced target 1). The target was reduced because another donor partner established another DMO. The government refocused its effort to build capacity rather than creating more DMOs after experiencing reduced number of visitors following COVID-19.
- The Project enabled the operationalization of one museum management plan for Mtskheta Museum (reduced target 1). The museum management plans for Kazbegi Historical Museum and Abastumani Observatory Museum were also developed but not yet operational at closing. The government was to finalize and make operational the rest of the activities started by the project after project close. The government also committed to finalizing a museum management plan for the Borjomi Museum by early 2026, based on the museum management plans prepared for Mtskheta, Abastumani, and Kazbegi Museums.

The efficacy of the project to achieve this objective is rated Substantial with moderate shortcomings.

Revised Rating
Substantial

OVERALL EFFICACY

Rationale

The overall efficacy of the project to achieve its objective using original targets is rated Modest.

Overall Efficacy Rating
Modest

Primary Reason
Low achievement

OVERALL EFFICACY REVISION 1
Overall Efficacy Revision 1 Rationale



The overall efficacy of the project to achieve its objective using revised targets is rated Substantial with moderate shortcomings. The efficacy of the project to achieve the first objective is rated Substantial because most of the output and outcome targets were achieved or exceeded. The efficacy of the project to achieve the second objective remained Modest because of unmet revised targets.

Overall Efficacy Revision 1 Rating

Substantial

OVERALL EFFICACY REVISION 2

Overall Efficacy Revision 2 Rationale

The overall efficacy of the Project is rated as **Substantial**, as Outcome 1 was Substantially achieved, and Outcome 2 was achieved with modest shortcomings.

Overall Efficacy Revision 2 Rating

Substantial

5. Efficiency

Economic Efficiency: At appraisal, a cost-benefit analysis (CBA) used a 7 percent discount rate to estimate the economic efficiency of the proposed investments for each target region, Samtskhe-Javakheti (SJ) and Mtskheta-Mtianeti (MM). A spatial economic and investment to capital output ratio (ICOR) analyses also reviewed the general relationship between public and private investment trends. The benefits derived from investments in both regions were (i) reduced regional disparities, (ii) private sector investments, and (iii) jobs created. Qualitative in-depth interviews and targeted small-scale surveys were conducted to generate primary data. Respondents targeted select groups of stakeholders in restaurants, cafes, hotels, guesthouses, and included domestic and foreign visitors. Various government entities, including Tourism Agency, Ministry of Finance, Public Register, GeoStat, real estate brokers, and completed studies from similar projects, e.g., the United States Agency for Development (USAID)-funded Georgia Economic Prosperity Initiative (EPI), generated secondary data.

A similar cost-benefit analysis (CBA) methodology was prepared at closing, using a 7 percent discount rate and covered the overall project cost in each region - Samtskhe-Javakheti (SJ) and Mtskheta-Mtianeti (MM) - rather than for each component or subproject. The following table compares the NPV, EIRR and FIRR at appraisal and at completion.

	Samtskhe-Javakheti (SJ)		Mtskheta-Mtianeti (MM)	
	Appraisal	Completion	Appraisal	Completion
Net Present Value (in US\$ millions)	8.94	20.17	32.37	30.65
Economic Internal Rate of Return (EIRR) in percent	21.84	35.17	33.12	47.52



Financial Internal Rate of Return (FIRR) in percent	13.5	21.24	21.52	30.86
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However, the economic efficiency data at appraisal was not comparable to the data at closing because implementation introduced design modifications that differed from the assumptions used at appraisal. The framework design meant that the costs associated with the estimated economic efficiency were based on broad assumptions rather than on detailed engineering designs. The lack of regional statistical data led to best guess assumptions. At closing, unit cost analysis compared benchmarks from similar municipal projects in Georgia and showed variations in costs, e.g., road construction costs were 39.57 percent higher per kilometer, and building costs were 31.85 percent higher for the completed projects. At the same time, cost savings were realized compared to similar municipal projects in Georgia, e.g., streetlight installation costs were 18.34 percent lower, and the use of energy efficient (EE) light bulbs also lowered costs.

Administrative and Operational Efficiency: The project design used a framework approach. Broad assumptions rather than detailed subproject costs led to initial cost estimates. Subproject costs were estimated using available regional statistical data. There was no pipeline of activities to be financed. Detailed Engineering Design (DEDs) packages were developed and completed during implementation. The resulting investment pipeline required coordination among multiple line ministries and state agencies, such as the MRDI, NACHP, GNTA, the United Water Supply Company (UWSC), and local municipalities. Each had distinct mandates. With ministerial and MDF leadership changes between 2015 and 2019, priorities were reassessed, and regional needs were realigned. This delayed the completion of DEDs that were to form part of bidding documents to initiate procurement. The majority of complex DEDs were developed only in late 2018 and early 2019, three to four years after project approval. The Project was extended twice for a total of 58 months to face these implementation challenges and the impact of the COVID-19 pandemic.

The project efficiency is rated as **Modest**. Implementation challenges extended the project period by 58 months, closing four years and 10 months after the original closing date.

Efficiency Rating

Modest

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 <input type="checkbox"/> Not Applicable
ICR Estimate		0	0 <input type="checkbox"/> Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome



Based on a split evaluation, the overall outcome is rated Moderately Satisfactory.

	Original	1st Restructuring (2019)	2nd Restructuring (2022)
Relevance of Objectives	High		
Efficacy			
Obj 1 - To improve infrastructure services	Modest	Substantial	Substantial
Obj 2: To improve Institutional Strengthening	Modest	Modest	Substantial
Overall Efficacy	Modest	Substantial	Substantial
Efficiency	Modest		
Outcome	Moderately Unsatisfactory	Moderately Satisfactory	Moderately Satisfactory
Numerical Value of Outcome	3	4	4
Disbursements (in US\$ million)	18.52	12.79	28.69
Rate of Disbursement (in percentage)	30.87	21.32	47.82
Weighted value of Outcome rating	$0.3087 \times 3 = 0.9261$	$0.2132 \times 4 = 0.8528$	$0.4782 \times 4 = 1.791$
Overall Outcome Rating	$(0.9261 + 0.8528 + 1.791 = 3.5699) = 4$ (rounded figure)		
	4 = Moderately Satisfactory		

- a. **Outcome Rating**
Moderately Satisfactory

7. Risk to Development Outcome

The following pose risks to development outcome:

- **Technical Risk:** Newly introduced operation and maintenance (O&M) systems for tourist sites require regular updates and integration into management plans, some of which remain incomplete. The government has committed to finalizing these plans and replicating the approach to additional museums. This strategy will require additional capacity.
- **Financial Risk:** There is a risk that completed assets may lack sufficient resources for ongoing operation and maintenance (O&M), jeopardizing long-term sustainability. To mitigate this, MDF incorporated O&M requirements during design, specified durable materials, and mandated site-specific O&M plans in agreements with local governments and stakeholders. These agreements define roles and responsibilities to embed sustainable practices. Additional measures include encouraging municipalities to introduce a tourism tax and exploring private sector participation in O&M.



8. Assessment of Bank Performance

a. Quality-at-Entry

The Bank team designed this project as a third in a series that supported the government's efforts to use investments in the tourism to address regional disparities and reduce unemployment. The Bank team replicated the earlier design - in PDO formulation, components, results framework, and implementing strategy. The Bank team was confident that with overlapping implementation of the preceding two projects, the government's assessments and sector-specific analyses, and the plans for the two target regions in the National Tourism Strategy 2015-2025 aided by a framework design marked a readiness to implement. Limited regional-level baselines informed tentative targets since the investment pipeline including detailed engineering designs would be finalized at implementation. The Bank team mitigated the risks in coordination capacity by using the existing institutional implementation, and M&E arrangements of the preceding two projects in the series although its effectiveness was still emerging. The Bank team introduced measures to mitigate the implementation risks posed by maintaining a regionally balanced pipeline to be finalized at implementation, the institutional capacity to coordinate multi-sectoral interests of a wide range of stakeholders and maintaining the quality of subprojects over a wide geographic spread.

Overall performance at entry is rated as Moderately Satisfactory.

Quality-at-Entry Rating

Moderately Satisfactory

b. Quality of supervision

The Bank team conducted 19 supervision missions over the nine-year project period. The Bank team, with Task Team Leaders, were in the country to address implementation challenges, assisted by specialists and consultants. Following the framework design, the pipeline of investments was finalized in coordination with multiple line and state agencies. The investment pipeline was complicated by the government agency leadership changes between 2015 and 2019. Regional priorities had to be reassessed, decision-making was delayed, further delaying the completion of detailed designs, and initiating procurement. The Bank team and the government adopted a Project Implementation Plan (PIP) to address this challenge. The Bank team restructured the project twice (see Dates above), to improve the attribution of indicators in the results framework; adjust targets to more realistic levels, and to complete activities disrupted by COVID-19. Overall, the quality of Bank supervision is assessed as Satisfactory.

Quality of Supervision Rating

Satisfactory

Overall Bank Performance Rating

Moderately Satisfactory



9. M&E Design, Implementation, & Utilization

a. M&E Design

The TOC provided a causal link among the inputs, outputs and expected outcomes. This M&E design replicated that of the other two preceding projects in the series with similar previously identified shortcomings. Target values were based on plans or regional baselines because the framework approach meant that investments and detailed engineering designs were to be finalized at implementation. As a result, some indicators were no longer relevant during implementation (see below). The PDO statement was clear and specific (two regions) but referenced an increased contribution of tourism to the local economy that was at a higher level and would require a longer time than the project period. The indicators could have been also strengthened to more effectively capture the institutional strengthening outcomes.

b. M&E Implementation

The Municipal Development Fund (MDF) of Georgia, aided by an international consultancy firm, implemented the M&E system as designed. Surveys generated primary data. Government sources and technical studies provided relevant secondary data. Case studies and in-depth interviews informed the attribution of outcomes. Progress with key outputs and outcomes were publicly available. The 2019 and 2022 restructurings addressed design shortcomings, adjusted targets and how some were measured, and attributed outcome data to specific sites.

c. M&E Utilization

The World Bank team and project management used M&E data to address implementation challenges, adopt corrective measures during both restructurings, and deliver targeted technical assistance to address procurement or other implementation delays. There is no indication that M&E functions will be conducted independently within the MDF or continue to hire outside consultants to carry this out.

M&E Quality Rating

Modest

10. Other Issues

a. Safeguards

Environmental Safeguards: The project was classified as environmental Category B because the proposed activities were not expected to have significant, long-term, or irreversible impacts on the natural environment. The following environmental safeguard policies were triggered: Environmental Assessment (OP/BP 4.01); Natural Habitats (OP/BP 4.04); and Projects on International Waterways (OP/BP 7.50). The ICR reported no outstanding social or environmental issues (ICR, paragraph 60). Since the investment pipeline was to be finalized at implementation, MDF prepared an Environmental and Social Management Framework (ESMF) to guide environmental risk management. This was disclosed, discussed with stakeholders, finalized, and re-disclosed in Georgian and English. Proposed Category A investments were



excluded. The first and second restructuring did not change the environmental category or trigger new policies or exceptions to safeguard policies.

Social Safeguards: The project triggered Physical Cultural Resources (OP/BP 4.11), and Involuntary Resettlement (OP/BP 4.12). MDF prepared a Strategic Environmental, Cultural Heritage (CH), and Social Assessment (SECHSA) of the beneficiary regions. MDF prepared a Resettlement Policy Framework (RPF) to guide social risk management and a Resettlement Action Plan. MDF administered a Grievance Redress Mechanism (GRM for this project informed by the experience under the previous RDP1 and RDP2 projects. MDF received and resolved 20 grievances.

b. Fiduciary Compliance

Financial Management: The Bank team rated the financial management (FM) arrangements, planning and budgeting, accounting, financial reporting, funds flow, external audit, and internal controls as Satisfactory during implementation. The semi-annual Interim un-audited Financial Reports and annual audited financial statements were submitted on time. The World Bank team found these acceptable. The ICR did not report any outstanding audit findings.

Procurement: The Bank team rated procurement as Moderately Satisfactory at project closing because of complexities and challenges in contract management. Following the framework design, the finalized pipeline of investments and complex detailed engineering was completed during implementation delaying procurement. When the government agency leadership changed between 2015 and 2019, regional priorities were reassessed, again delaying procurement. Delays were also attributed to the underperformance of a supervision consultant early on, which led MDF to terminate and recruit a new firm in 2018. Weak contractor capacity also marked some works in cultural heritage sites. Delayed approvals by some line ministries and agencies also led to delays.

c. Unintended impacts (Positive or Negative)

d. Other

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Satisfactory	
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	
Quality of M&E	Modest	Modest	



Quality of ICR --- Substantial

12. Lessons

The project offered the following lessons rephrased by IEG here.

- **If implementing complex, multi-sectoral operations, then effective coordination among project stakeholders, such as national and local stakeholders, and donors may avoid delays.** Promoting tourism requires investments across sectors — roads, water, and sewage infrastructure, typically implemented by different agencies, with differing timelines, differing priorities. A Project Implementation Unit, perhaps under the Prime Minister’s Office, may have sufficient leverage and institutional oversight to facilitate coordination among government agencies and utility companies to prevent delays and foster an integrated approach to service delivery. Establishing effective donor coordination may also optimize available resources for strategic interventions such as creating and building the capacity of new institutions like Destination Management Organizations (DMOs).
- **If project-funded contracts specify beneficiary agencies, having these stakeholders co-sign implementation agreements may be useful.** MDF managed contract implementation but other beneficiary agencies or municipalities were expected to share in implementation. Signed contracts or agreements may define roles and responsibilities of key stakeholders, relevant ministries, and agencies. All signatories, individually or severally, would then be assigned accountability. For example, when MDF signs a consultancy contract to benefit an agency or municipality, their signatures to the contract may define shared responsibility, timely input, and active participation in contract management. The beneficiaries’ early engagement may foster ownership, empower communities to advocate for their needs, build trust, and focus on sustaining completed investments.
- **If adopting a framework design for demand-driven investments, then sufficient lead time may be useful to finalize detailed engineering to avoid implementation delays.** Limited local expertise and the time required for complex infrastructure investments such as restoring or retrofitting historic buildings may lead to prolonged detailed design. Design quality, compliance with preservation standards, effective stakeholder coordination and approvals, and adequate supervision all contribute to time required to restore complex structures. Cultural heritage assets usually are in a state of rapid deterioration and may require revisions before construction starts even after detailed engineering designs are finalized. Implementation may lead to adjustments in design and require clearances and approvals from relevant agencies. Allocating sufficient time for detailed engineering may justify a longer implementation period.

13. Assessment Recommended?

No

14. Comments on Quality of ICR



The report adhered to guidelines and provided a clear, well-structured overview of the project. The Theory of Change developed at closing effectively linked inputs, outputs, and outcomes, supporting the assigned ratings. Evidence was well-documented, and annexes—particularly those on efficiency (Annex 4) and borrower perspectives (Annex 5)—strengthened the assessment of the PDO. The report acknowledged gaps in outcome indicators, especially regarding tourism’s contribution to the regional economy and institutional capacity. Data from primary and secondary sources were appropriately referenced, and lessons were practical and drawn from project experience. Overall, the ICR quality is rated **Substantial**.

a. Quality of ICR Rating
Substantial