

Project: Eastern Partnership

**“Effective Project Management in the Water Sector in Georgia:  
Implementation of EU and EBRD Methodologies”**

**MISSION REPORT NO. 1**

Based on Initial Mission to Georgia  
from October 25<sup>th</sup> to October 30<sup>th</sup> 2015

**NISPAcee Participants:**  
**Milan Oleriny, Leading Project Expert**  
**Ludmila Gajdosova, Project Expert**

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## **1. General Information, Contract base**

The initial Mission to Georgia took place based on a signed Contract between SlovakAid Bratislava and NISPAcee on October 16, 2015 for the project: “Effective Project Management in the Water Sector in Georgia: Implementation of EU and EBRD Methodologies”, supported by the SlovakAid.

## **2. Mission Diary**

The Mission programme was as follows:

25 <sup>th</sup> October 2015	Flight Prague-Istanbul-Tbilisi (Vienna-Istanbul-Tbilisi)
26 <sup>th</sup> October 2015	Arrival Tbilisi Initial meeting with NALAG project team, NALAG office, Tbilisi Meeting with the Institute for Melioration and Water Resources
27 <sup>th</sup> October 2015	Meeting with the Slovak Ambassador in Georgia Visit to the Ministry of Environment and Natural Resources Visit to the National Environmental Agency
28 <sup>th</sup> October 2015	Visit to the United Water Supply Company Visit to the Ministry of Regional Development and Infrastructure Meeting and detailed discussions on the project issues with NALAG's leading project expert
29 <sup>th</sup> October 2015	Travel to Rustavi: Meeting with Municipality and Water&Power Company Rustavi Office Site inspection of existing Potable Water Plant in Rustavi Return to Tbilisi Visit to the Water&Power Company of Georgia Visit to the Municipal Development Fund of Georgia Closing meeting with the NALAG project team, NALAG office, Tbilisi
30 <sup>th</sup> October 2015	Flight Tbilisi-Istanbul-Prague (Tbilisi-Istanbul-Vienna)
30 <sup>th</sup> October 2015	Arrival Prague (arrival Vienna)

## **3. List of people interviewed and who participated in the discussions held during the Mission (in alphabetical order)**

Mr. Akhvlediani Guram - Head of Investment Planning and Project Management Department, Georgian Water&Power

Ms. Bagratia Tamar - Head of the National Environmental Agency, Ministry of Environment of Georgia

Mr. Bakholidin Giorgi - Deputy Head, Department of International Relations and Protocol, Ministry of Regional Development and Infrastructure of Georgia

Ms. Beridze Ekaterine - Director of Communications and Corporate Services, Georgian Water&Power

Mr. Dzimistarishvili Ucha - Head of Donor Relations Department, United Water Supply Company of Georgia  
Mr. Gavardashvili Givi - Head of Institute for Melioration and Water Resources  
Ms. Gogoberidze Lali - Head of Analytical Department, Ministry of Economy  
Mrs. Ghortlishvili Tamar, NALAG Assistant  
Ms. Jachvadze Ketevan - Administrative Director NALAG  
Mr. Jikia David - NALAG representative  
Mr. Kandelaki Merab - Deputy Technical Director, Georgian Water&Power  
Mr. Leksaia Badri - Deputy Head of The Institute of Expertise for construction and physical infrastructure, State Centre of Expertise  
Mr. Melua David - Managing Director NALAG  
Mr. Michalka Rudolf - Ambassador of Slovak Republic in Georgia  
Mr. Paresishvili Irak - Head of the Procurement Unit, Municipal Development Fund of Georgia  
Mrs. Shatberashvili Nina, NALAG Expert  
Mr. Serozija Nodar - Deputy Mayor of City Rustavi  
Mr. Shergelashvili Tengiz - Deputy Minister of Regional Development and Infrastructure of Georgia  
Ms. Tskhadadze Nino - Head of the National Environmental Agency, Ministry of Environment in Georgia  
Mr. Toradze Tornike - Deputy Executive Director, Municipal Development Fund of Georgia  
Mr. Tsakadze George - Head of Development and Regional Policy Department, Ministry of Regional Development and infrastructure of Georgia

Note: Lali Makharoblishvili, the GE project expert was absent due to sick leave

#### **4. Goals and objectives during Mission**

The main goals and objectives of the mission were: to initiate cooperation with the local Partner – NALAG; to visit all the relevant institutions connected to water management in Georgia and discuss ongoing projects and procedures of individual institutions and various donors; to review, study and evaluate existing Tender Documents with recommendations to modify them based on best practices from the EU, EBRD and overseas Tender Procedures; to discuss existing Tender and Evaluation Procedures as well as basic Contracts with local staff, technicians and procurement departments in the country; to acquire an overview regarding existing practices, and generally to acquire an overview on the current situation in the water sector in the country. Finally, it was also important to review and agree with the local partner all the details of the next stages of the project.

#### **5. Actual situation in Water Sector in Georgia**

Based on an existing World Bank study (2015), Georgia was ranked fourth in Europe's and Central Asia's top leading economies after Macedonia, Lithuania and Latvia. At present, Georgia's increase in general business density over the last years has more than tripled and significant changes have been implemented but there is still a lack of Laws and Decrees and especially their implementation in the water sector in the country. However, a new Law for the water sector will be published in the country very shortly.

The water sector in the country is divided into 4 spheres based on location and type of related ownership:

- i) Tbilisi, Tbilisi county, Rustavi and Gardabani belongs to Georgian Water&Power (a private company).
- ii) Other locations, except those mentioned under iv) belong to the United Water Supply Company of Georgia (state owned).
- iii) Batumi, Kobuleti, Ozurgeti - 6 cities in Adjara Region (in the west of the country) have the special status of Municipalities.
- iv) Approximately 3000 villages do not have any management in the field.

This diversification has its roots in past privatisation where the existing network of sewers, together with the potable water network and the main WWTP in the country changed ownership. Maintenance of privately owned utilities is therefore complicated and the huge investment required for the upgrade of WWTP is linked to a shortage of resources in the case of privately owned companies, which represent approximately 70% of the country's population. Refurbishment, based on external resources of mainly ADB, EIB and WB is managed mainly under the state-owned company.

The state company, the United Water Company Supply Company, is present in 54 municipalities and covers approximately 300 smaller cities. Its staff organises the projects and expansion in these locations. However, compared with the volume of Works and the network, the majority of the sector is under the control of the privately owned company Georgian Water&Power.

The German bank KfW is active in the western part of the country, supporting development in this location. USAID, as well as other donor programmes, are running activities in the water sector, focusing mainly on studies, capacity building etc.

However, the different Tender Procedures presently used in the country are as follows:

- i) State companies mainly use the procedures of the ADB, EIB, WB, and Clauses of Public Procurement Law - depending on Bank requirements.
- ii) Private companies, as well as state companies, worked with FIDIC Conditions.
- iii) Design Works based on the Law on Architecture and special planning.
- iv) State company, Municipal Development Fund, prepares and evaluates the Tender Procedures based on e-procurement, based on the PP Law in Georgia.

Private, as well as state companies, have working experience with the Tender Procedures of EBRD, EIB and ADB, which are active in the country, but primary in other sectors. However, there is no experience in the country regarding the Tender Procedures used by the European Community (EC) in connection with the possible participation of Georgia in pre-accession programmes such as SPA (similar to PHARE and ISPA in the Slovak Republic). There is also a lack of experience in Claims Management as a tool to avoid Variation Orders in future Construction Projects.

The state-owned Municipal Development Fund prepared an investment project, not only for the water sector, but attention is also given to civil works, the rehabilitation of schools and infrastructure projects. There is also a lack of experience in preparing FIDIC P&DB Contracts, due to the low ratio of Yellow Book Contracts on the market prepared by several entities.

An assessment of existing documents and Decrees must be provided to become part of the Tender Documents in the form of Specific Contract Conditions for all related TD. A description of barriers for the implementation of TD and how to overcome them will be described in detail in Guidance to TD. Generally, more attention from all entities must be given to prepare "technical documents" or Employer Requirements, which will describe matters of Contracts with the appropriate details about

the scope of works and conditions to avoid unnecessary Variation Orders (VO) and Contractor's claims.

The original idea and main goal of the project to use sample EBRD and EC Tender Procedures and apply them to the water sector, supporting a P&DB Contract, seem to be a good solution for capacity building in this area.

## **6. The need for modifications to the project planned activities**

6.1 At the first meeting of SK experts with GE experts and other GE representatives of the relevant institutions in Tbilisi, Georgia, the Georgian side highlighted the need for a detailed elaboration of the following documents:

1. Manual Part A - Tender Documents for projects under the terms of EBRD.
2. Manual Part B – Tender Documents for projects under the terms of the EU.
3. Methodology.

On this basis, it will be necessary to reallocate a number of man-days for SK experts and a number of days for each output.

6.2 The mission showed the need for a PR conference, where the needs and potential of Water Management in Georgia would be discussed in open plenary. The conference will take place prior to the parliamentary elections and will also serve to support the much needed changes in the control of Water Management in Georgia. Therefore, the PR conference should be extended to a whole day.

6.3 In negotiations with representatives of the municipalities the need was emphasised for organising training courses, not only for representatives of the relevant institutions in Tbilisi and adjacent areas, but also for the government in Adjara, where there are six separate municipalities in which Water Management falls directly within the competence of these Authorities.

Therefore, SAMRS should be asked about the possibility of the organisation of further training in this area in the city of Batumi. It also improves the number of trained participants from the originally planned 20, to 30 participants in two training sessions.

## **7. Tasks & Recommendations for the next Mission**

The main targets for the next mission (probably in March 2016) are:

- i) Study and incorporate materials, Decrees, Laws, and systems into Tender Documents.
- ii) Visit WWTP in Tbilisi county or in rural regions and small cities for FS and water piping.
- iii) Discuss with NALAG and the local authorities involved in Tender Procedures a draft version of Tender Documents and useful Annexes to Contracts.
- iv) Discuss with local NALAG Staff an Audit Trail for infrastructure projects.

## **8. Tasks based on initial Mission**

- i) Prepare and submit to SAMRS a request for the necessary changes in the project:
  - **Resp: Ms. Gajdosova**
  - **Date: 15.12.2015**

ii) Prepare and submit a first version of the Tender Documents for 2 packages for Works/Services

- **Resp: Mr.Oleriny**
- **Date: 31.12.2015**

iii) Prepare a document Audit Trail for implementation

- **Resp: Ms.Kniezova**
- **Date: 31.12.2015**

iv) Prepare a draft version of the document: "Guidelines and Methodology for Tender Documents"

- **Resp: Mr.Oleriny**
- **Date: 31.12.2015**

v) Prepare a Detailed Report on the current situation in the sector in Georgia

- **Resp: Mr. Melua**
- **Date: 31.12.2015**

vi) Prepare the programme for a second Mission to discuss the related documents with NALAG and local authorities

- **Resp: NISPA/Mr.Oleriny/NALAG**
- **Date: March/April 2016**

**- End of Initial Mission Report -**