

# Project Administration Manual

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Project Number: 43405-024  
Loan Number: 2807 (Tranche 2)  
July 2013

Multitranche Financing Facility  
Georgia: Urban Services Improvement Investment  
Program – Project 2

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### **Project Administration Manual Purpose and Process**

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

The Ministry of Regional Development and Infrastructure (MRDI) and the United Water Supply Company of Georgia LLC (UWSCG) are wholly responsible for the implementation of ADB financed Investment Program, as agreed jointly between the beneficiary and ADB, and in accordance with Government and ADB's policies and procedures. ADB staff is responsible to support implementation including compliance by MRDI and UWSCG of their obligations and responsibilities for Investment Program implementation in accordance with ADB's policies and procedures.

In the event of any discrepancy or contradiction between the PAM and the Loan and/or Project Agreement, the provisions of the Loan and/or Project Agreement shall prevail.

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

### Abbreviations

ADB	=	Asian Development Bank
ADF	=	Asian Development Fund
AFS	=	audited financial statements
CQS	=	consultant qualification selection
DMF	=	design and monitoring framework
EARF	=	environmental assessment and review framework
EIA	=	environmental impact assessment
EMP	=	environmental management plan
GDP	=	gross domestic product
ICB	=	international competitive bidding
IEE	=	initial environmental examination
IPP	=	indigenous people plan
IPPF	=	indigenous people planning framework
LAR	=	land acquisition and resettlement
LIBOR	=	London interbank offered rate
MRDI	=	Ministry of Regional Development and Infrastructure
NCB	=	national competitive bidding
NGOs	=	nongovernment organizations
PAI	=	project administration instructions
PAM	=	project administration manual
PIU	=	project implementation unit
QBS	=	quality based selection
QCBS	=	quality- and cost-based selection
RF	=	resettlement framework
RRP	=	report and recommendation of the President to the Board
SBD	=	standard bidding documents
SOE	=	statement of expenditure
SPS	=	Safeguard Policy Statement
SPRSS	=	summary poverty reduction and social strategy
TOR	=	terms of reference
UWSCG	=	United Water Supply Company of Georgia LLC

## I. PROJECT DESCRIPTION

### A. Overview

1. The Investment Program will improve the health of residents in the secondary towns of Marneuli, Kutaisi, Poti, Zugdidi, Anaklia and Mestia. The outcome of the Investment Program is improved WSS services in these secondary towns.

#### 1. Component 1: Infrastructure Improvement

2. The first component will include infrastructure investments to rehabilitate, improve and expand water supply and sanitation facilities in 6 secondary towns, and provision of vehicles and equipment for system operation and maintenance for these towns

#### 2. Component 2: Institutional Effectiveness

3. The second component will provide capacity development for the Ministry of Environmental Protection and Natural Resources (MEPNR), Ministry of Agriculture (MA), Georgia National Energy and Water Supply Regulatory Commission (GNEWSRC), and the United Water Supply Company of Georgia LLC (UWSCG). This includes support to improve management and technical capabilities of UWSCG.

#### 3. Component 3: Project Implementation Support

4. The third component will provide project implementation support comprising detailed engineering, construction supervision, safeguards compliance, preparing subsequent projects of the Investment Program and a public awareness program on health, hygiene, sanitation and water conservation.

### B. Project 2

5. The multitranche financing facility (MFF) for financing the Investment Program implementation will be structured as four tranches. Completion of engineering designs, safeguard compliance, and completion of procurement documents will trigger the preparation of subsequent tranches.

6. Project 2 of the Investment Program will improve WSS services in Anaklia and Mestia. The outcome of project 2 is improved access to WSS infrastructure in Anaklia and Mestia. Outputs will include: (i) constructed water supply and sanitation (WSS) facilities, building and structures, and sewage treatment facilities in Anaklia; and (ii) constructed WSS facilities, and building and structures in Mestia. See Annex 1 for the Design and Monitoring Framework.

7. The Ministry of Regional Development and Infrastructure (MRDI) will be the Investment Program's executing agency. The UWSCG will be the Investment Program's implementing agency.

## II. IMPLEMENTATION PLANS

### A. Project Readiness Activities

#### 1. Project 2

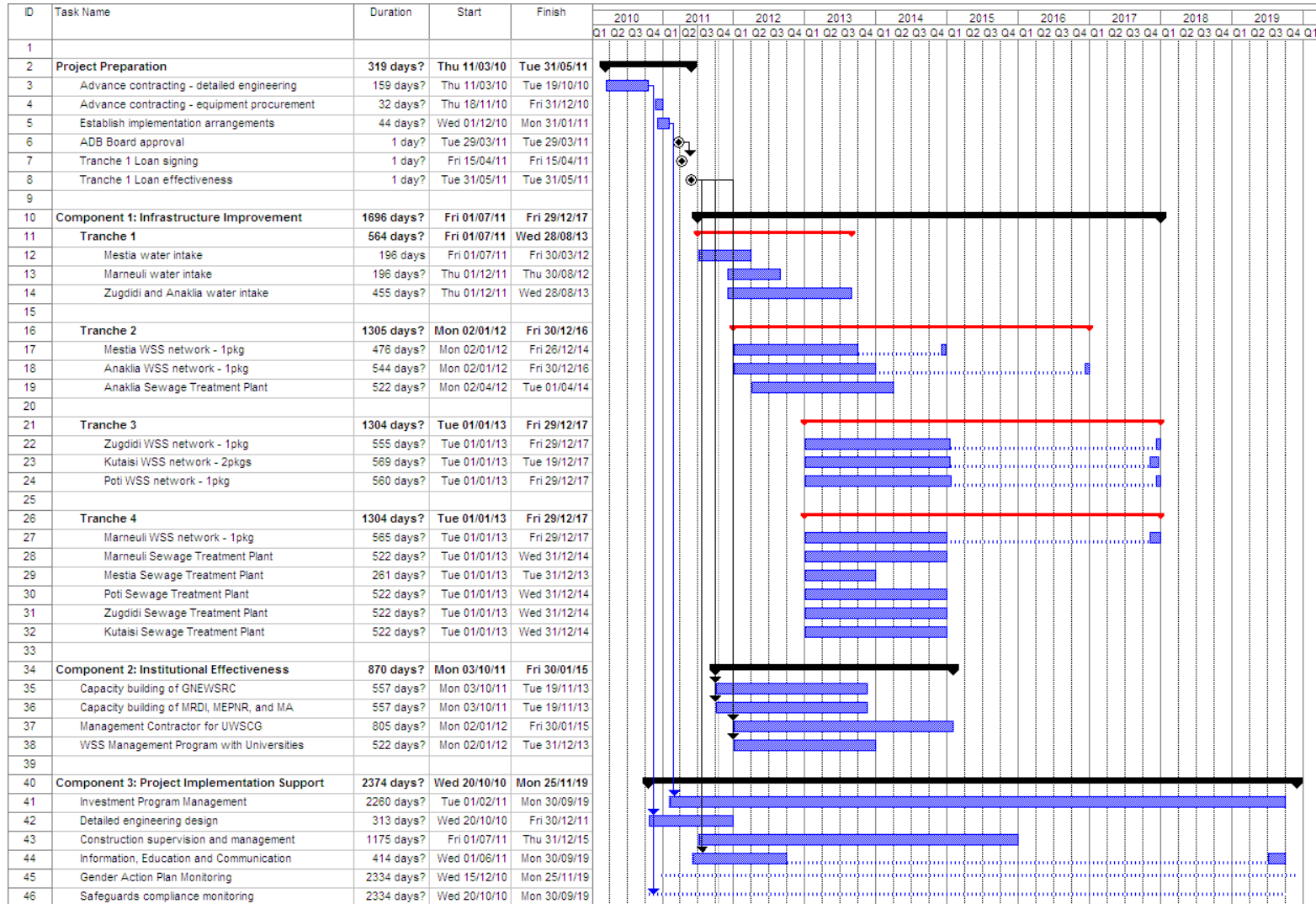
		May	Jun	Jul	2011 Aug	Sept	Oct	Nov	Dec	Party	
1	Advance contracting actions <sup>1</sup>										UWSCG, MRDI
2	Management Approval									ADB	
4	Tranche 2 Loan signing									MoF and ADB	
5	Government legal opinion provided									MoJ	
6	Government budget inclusion									MRDI	
7	Tranche 2 Loan effectiveness									MoF, MRDI, and UWSCG	

ADB = Asian Development Bank, MRDI = Ministry of Regional Development and Infrastructure, MoJ = Ministry of Justice, UWSCG = United Water Supply Company of Georgia LLC.

<sup>1</sup> ADB approved advance contracting and retroactive financing for civil works on 14 June 2011.

## B. Overall Project Implementation Plan

### 1. Investment Program



## 2. Project 2

Georgia: Urban Services Improvement Investment Program - T2 Loan Implementation Progress																												
Activity	2011				2012				2013				2014				2015				2016				Prg.	Wt.	Total	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
<b>1 Project Preparation</b>																										<b>5</b>	<b>5</b>	
2 Detailed Engineering Design and Bidding Document																										100	2	2
3 Invitation for Bids																										100	1	1
4 Loan Approval																										100	1	1
5 Trance 2 Loan Effectiveness																										100	1	1
<b>6 Component 1: Infrastructure Improvement</b>																										<b>85</b>	<b>25</b>	
7 Civil Works																										85	-	-
8 Mestia Water Supply and Sewerage Network																										20	30	6
9 Anaklia Water Supply and Sewerage Network																										62	30	19
10 Anaklia Sewage Treatment Plant																										-	25	-
<b>11 Component 3: Project Implementation Support</b>																										<b>10</b>	<b>2</b>	
12 Information, Education and Communication (UWSCG financed)																										20	6	1
13 Safeguards Compliance Monitoring																										30	2	1
14 Gender Action Plan Monitoring																										30	2	1
																										-	<b>100</b>	32



### III. PROJECT MANAGEMENT ARRANGEMENT

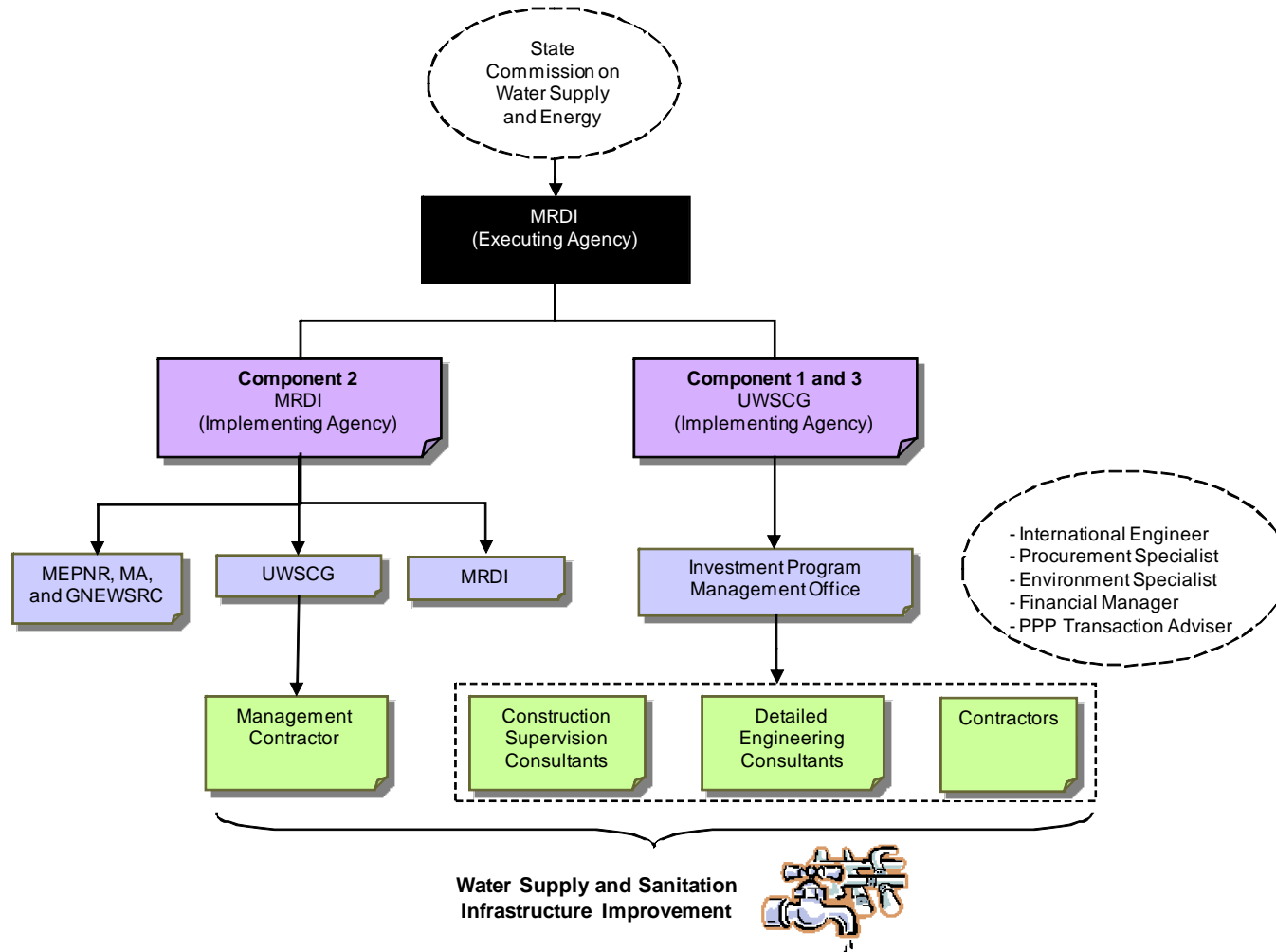
#### A. Project Implementation Organizations– Roles and Responsibilities

Implementation Organizations	Management Roles and Responsibilities
<ul style="list-style-type: none"> <li>• Steering Committee (State Commission on Water Supply and Energy)</li> <li>• Executing Agency (Ministry of Regional Development and Infrastructure)</li> </ul>	<ul style="list-style-type: none"> <li>• oversee progress and provide guidance on the Investment Program implementation</li> <li>• meet regularly until Investment Program completion</li> <li>• responsible for Investment Program oversight and administration               <ul style="list-style-type: none"> <li>• hold monthly meetings with UWSCG to review progress</li> <li>• submit progress reports to the SC for decision making</li> <li>• ensure compliance with Investment Program covenants</li> <li>• submit Investment Program documents, including audit reports, to ADB on time</li> <li>• convene regular meetings in consultation with the SC Chairperson and UWSCG</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>• Implementing Agency 2: UWSCG</li> </ul>	<p>For Component 1 on Infrastructure Investment:</p> <ul style="list-style-type: none"> <li>• prepare the periodic financing request</li> <li>• oversee Investment Program implementation and management</li> <li>• oversee Investment Program accounting and auditing</li> <li>• manage all consultants</li> <li>• coordinate with all line ministries to ensure smooth and efficient implementation</li> <li>• secure technical and environmental approvals for all civil works prior to bidding</li> <li>• implement the environmental management plan for each subproject</li> <li>• ensure compliance with Investment Program covenants</li> <li>• comply with social safeguards requirement detailed in the PAM</li> <li>• invite bids, evaluate and prepare bid evaluation reports for ADB's approval</li> <li>• award contracts</li> <li>• prepare quarterly progress reports</li> </ul>
<ul style="list-style-type: none"> <li>• ADB</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure technical and financial support and oversight according to the framework financing, loan and project agreement</li> </ul>

**B. Key Persons Involved in Implementation**

<b>Executing Agency</b>	<b>Contact Information</b>
Ministry of Regional Development and Infrastructure	Officer's Name: Shota Murgulia Position: Deputy Minister Telephone: : + 995-322510774 Email address: <a href="mailto:shota.murgulia@mrdi.gov.ge">shota.murgulia@mrdi.gov.ge</a>
United Water Supply Company of Georgia LLC	Officer's Name: Archil Tsabutashvili Position: Director Telephone: +995-919060 Email address: <a href="mailto:a.tsabutashvili@water.gov.ge">a.tsabutashvili@water.gov.ge</a>
<b>Asian Development Bank</b>	
Urban Development and Water Division Central and West Asia Department	Staff Name: Anand Chiplunkar Position: Director Telephone: +63-2-632 6346 Email address: <a href="mailto:achiplunkar@adb.org">achiplunkar@adb.org</a>
Mission Leader	Staff Name: Sanjay Joshi Position: Senior Urban Development Specialist Telephone: +63-2-632 4136 Email address: <a href="mailto:sjoshi@adb.org">sjoshi@adb.org</a>

**C. Investment Program Organization Structure**



Component 1 = Infrastructure Improvement, Component 2 = Institutional Effectiveness, Component 3 = Project Implementation Support, GNEWSRC = Georgia National Energy and Water Supply Regulatory Commission, MEPNR = Ministry of Environmental Protection and Natural Resources, MRDI = Ministry of Regional Development and Infrastructure, PPP = public-private partnership, UWSCG = United Water Supply Company of Georgia

#### IV. COSTS AND FINANCING

##### A. Detailed Cost Estimates by Expenditure Category

##### 1. Investment Program

Items	Total Cost	% of Total Base Cost
<b>A. Investment Costs</b>		
1 Civil Works	444.13	90.40
2 Equipment and Machinery	5.00	1.00
3 Environment and Social Mitigation	1.50	0.30
4 Consulting Services	24.50	5.00
<b>Subtotal (A)</b>	<b>475.13</b>	<b>96.70</b>
<b>B. Recurrent Costs</b>		
1 IPMO Consultants	1.27	0.30
2 System Operation and Maintenance	14.70	3.00
<b>Subtotal (B)</b>	<b>15.97</b>	<b>3.30</b>
<b>Total Base Cost</b>	<b>491.10</b>	<b>100.0%</b>
<b>C. Contingencies</b>		
1 Physical	49.46	-
2 Price	68.49	-
<b>Subtotal (C)</b>	<b>117.95</b>	-
<b>D. Financing Charges During Implementation</b>		
1 Interest During Construction	15.76	-
2 Commitment Charges	0.19	-
<b>Subtotal (D)</b>	<b>15.95</b>	-
<b>Total Project Cost (A+B+C+D)</b>	<b>625.00</b>	

Source: United Water Supply Company of Georgia and Asian Development Bank estimates.

## 2. Project 2

Items	Total Cost	% of Total Base Cost
<b>A. Investment Costs</b>		
1 Civil Works	30.00	85.72
<b>Subtotal (A)</b>	<b>30.00</b>	<b>85.72</b>
<b>B. Recurrent Costs</b>		
1 System Operation and Maintenance	5.00	14.28
<b>Subtotal (B)</b>	<b>5.00</b>	<b>14.28</b>
<b>Total Base Cost</b>	<b>35.00</b>	<b>100.00</b>
<b>C. Contingencies</b>		
1 Physical	4.60	-
2 Price	5.40	-
<b>Subtotal (C)</b>	<b>10.00</b>	<b>-</b>
<b>D. Financing Charges During Implementation</b>		
1 Interest During Construction	1.00	-
<b>Subtotal (D)</b>	<b>1.00</b>	<b>-</b>
<b>Total Project Cost (A+B+C+D)</b>	<b>46.00</b>	

Source: United Water Supply Company of Georgia and Asian Development Bank estimates.

**B. Allocation and Withdrawal of Tranche 2 Loan Proceeds**

Number	Category	Total Amount Allocated for ADB Financing (\$)	ADB Financing Percentage and Basis for Withdrawal from the Loan Account
1	Civil Works and System Operation and Maintenance	29,660,000	84.75% of total expenditure claimed
2	Interest	1,000,000	100% of amount due
3	Unallocated	9,340,000	-
	<b>Total</b>	<b>40,000,000</b>	

Source: United Water Supply Company of Georgia and Asian Development Bank estimates.

**C. Detailed Cost Estimates by Financier****1. Investment Program**

\$ million

Items	Total	ADB		Government		
		Amount	% of Cost Category	Amount	% of Cost Category	
<b>A. Investment Costs</b>						
1 Civil Works	444.13	376.20	84.70	67.93	15.30	
2 Equipment and Machinery	5.00	4.24	84.80	0.76	15.20	
3 Environment and Social Mitigation	1.50	1.27	84.70	0.23	15.30	
4 Consultant Services	24.50	20.76	84.70	3.74	15.30	
<b>Subtotal (A)</b>	<b>475.13</b>	<b>402.47</b>	<b>84.70</b>	<b>72.66</b>	<b>15.30</b>	
<b>B. Recurrent Costs</b>						
1 IPMO Consultants	1.27	1.08	85.00	0.19	15.00	
2 System O&M	14.70	7.12	48.40	7.58	51.60	
<b>Subtotal (B)</b>	<b>15.97</b>	<b>8.20</b>	<b>51.35</b>	<b>7.77</b>	<b>48.65</b>	
<b>Total Base Cost</b>	<b>491.10</b>	<b>410.67</b>	<b>83.62</b>	<b>80.43</b>	<b>16.38</b>	
<b>C. Contingencies</b>						
1 Physical	49.46	25.59	51.74	23.87	48.26	
2 Price	68.49	47.99	70.07	20.50	29.93	
<b>Subtotal (C)</b>	<b>117.95</b>	<b>73.57</b>	<b>62.40</b>	<b>44.37</b>	<b>37.60</b>	
<b>D. Financing Charges During Implementation</b>						
1 Interest During Construction	15.76	15.76	100.00	-	-	
2 Commitment Charges	0.19	-	-	0.19	100.00	
<b>Subtotal (D)</b>	<b>15.95</b>	<b>15.76</b>	<b>98.80</b>	<b>0.19</b>	<b>1.20</b>	
<b>Total Project Cost (A+B+C+D)</b>	<b>625.00</b>	<b>500.00</b>	<b>80.00</b>	<b>125.00</b>	<b>20.00</b>	

Source: United Water Supply Company of Georgia and Asian Development Bank estimates.

## 2. Project 2

		\$ million				
Item	Total Cost	ADB		Government		
		Amount	% of Cost Category	Amount	% of Cost Category	
<b>A. Investment Costs</b>						
1	Civil Works	30.00	25.42	84.75	4.58	15.25
	<b>Subtotal (A)</b>	<b>30.00</b>	<b>25.42</b>	<b>84.75</b>	<b>4.58</b>	<b>15.25</b>
<b>B. Recurrent Costs</b>						
1	System Operation and Maintenance	5.00	4.23	84.75	0.76	15.25
	<b>Subtotal (B)</b>	<b>5.00</b>	<b>4.23</b>	<b>84.75</b>	<b>0.76</b>	<b>15.25</b>
	<b>Total Base Cost</b>	<b>35.00</b>	<b>29.66</b>	<b>84.75</b>	<b>5.34</b>	<b>15.25</b>
<b>C. Contingencies</b>						
1	Physical	4.60	4.35	94.56	0.25	5.44
2	Price	5.40	5.00	92.42	0.41	7.58
	<b>Subtotal (C)</b>	<b>10.00</b>	<b>9.35</b>	<b>93.40</b>	<b>0.66</b>	<b>6.60</b>
<b>D. Financing Charges During Implementation</b>						
1	Interest During Implementation	1.00	1.00	100.00	-	-
	<b>Subtotal (D)</b>	<b>1.00</b>	<b>1.00</b>	<b>100.00</b>	<b>-</b>	<b>-</b>
<b>Total Project Cost (A+B+C+D)</b>		<b>46.00</b>	<b>40.00</b>	<b>86.96</b>	<b>6.00</b>	<b>13.04</b>

Note: Figures may not tally due to rounding-off.

Source: United Water Supply Company of Georgia estimates.

## D. Detailed Cost Estimates by Outputs/Components

### 1. Investment Program

Item	Total Cost	Water		Sanitation	
		Amount	% of Cost Category	Amount	% of Cost Category
<b>A. Investment Costs</b>					
1 Civil Works	444.13	187.48	42.20	256.65	57.80
2 Equipment and Machinery	5.00	3.00	60.00	2.00	40.00
3 Environment and Social Mitigation	1.50	0.75	50.00	0.75	50.00
4 Consulting Services	24.50	12.25	50.00	12.25	50.00
<b>Subtotal (A)</b>	<b>475.13</b>	<b>203.48</b>	<b>42.83</b>	<b>271.65</b>	<b>57.17</b>
<b>B. Recurrent Costs</b>					
1 IPMO Consultants	1.27	0.64	50.00	0.64	50.00
2 System Operation and Maintenance	14.70	7.35	50.00	7.35	50.00
<b>Subtotal (B)</b>	<b>15.97</b>	<b>7.99</b>	<b>50.00</b>	<b>7.99</b>	<b>50.00</b>
<b>Total Base Cost</b>	<b>491.10</b>	<b>211.46</b>	<b>43.06</b>	<b>279.64</b>	<b>56.94</b>
<b>C. Contingencies</b>					
1 Physical	49.46	21.30	43.07	28.16	56.93
2 Price	68.49	29.49	43.06	39.00	56.94
<b>Subtotal (C)</b>	<b>117.95</b>	<b>50.79</b>	<b>43.06</b>	<b>67.16</b>	<b>56.94</b>
<b>D. Financing Charges During Implementation</b>					
1 Interest During Implementation	15.76	6.79	43.08	8.97	56.92
2 Commitment Charges	0.19	0.08	42.10	0.11	57.90
<b>Subtotal (D)</b>	<b>15.95</b>	<b>6.87</b>	<b>43.07</b>	<b>9.08</b>	<b>56.93</b>
<b>Total Project Cost (A+B+C+D)</b>	<b>625.00</b>	<b>269.12</b>	<b>43.00</b>	<b>355.88</b>	<b>57.00</b>

Source: United Water Supply Company of Georgia and Asian Development Bank estimates.



## 2. Project 2

\$ million						
Item	Total Cost	Water		Sanitation		
		Amount	% of Cost Category	Amount	% of Cost Category	
<b>A. Investment Costs</b>						
1 Civil Works	30.00	7.70	25.67	22.30	74.33	
<b>Subtotal (A)</b>	<b>30.00</b>	<b>7.70</b>	<b>25.67</b>	<b>22.30</b>	<b>74.33</b>	
<b>B. Recurrent Costs</b>						
1 System Operation and Maintenance	5.00	0.30	6.06	4.69	93.94	
<b>Subtotal (B)</b>	<b>5.00</b>	<b>0.30</b>	<b>6.06</b>	<b>4.69</b>	<b>93.94</b>	
<b>Total Base Cost</b>	<b>35.00</b>	<b>8.00</b>	<b>22.87</b>	<b>26.99</b>	<b>77.13</b>	
<b>C. Contingencies</b>						
1 Physical	4.60	1.05	22.87	3.55	77.13	
2 Price	5.40	1.24	22.87	4.17	77.13	
<b>Subtotal (C)</b>	<b>10.00</b>	<b>2.29</b>	<b>22.87</b>	<b>7.72</b>	<b>77.13</b>	
<b>D. Financing Charges During Implementation</b>						
1 Interest During Implementation	1.00	0.23	22.87	0.77	77.13	
<b>Subtotal (D)</b>	<b>1.00</b>	<b>0.23</b>	<b>22.87</b>	<b>0.77</b>	<b>77.13</b>	
<b>Total Project Cost (A+B+C+D)</b>	<b>46.00</b>	<b>10.52</b>	<b>22.87</b>	<b>35.48</b>	<b>77.13</b>	

Note: Figures may not tally due to rounding-off.

Source: United Water Supply Company of Georgia estimates.

**E. Detailed Cost Estimates by Year**

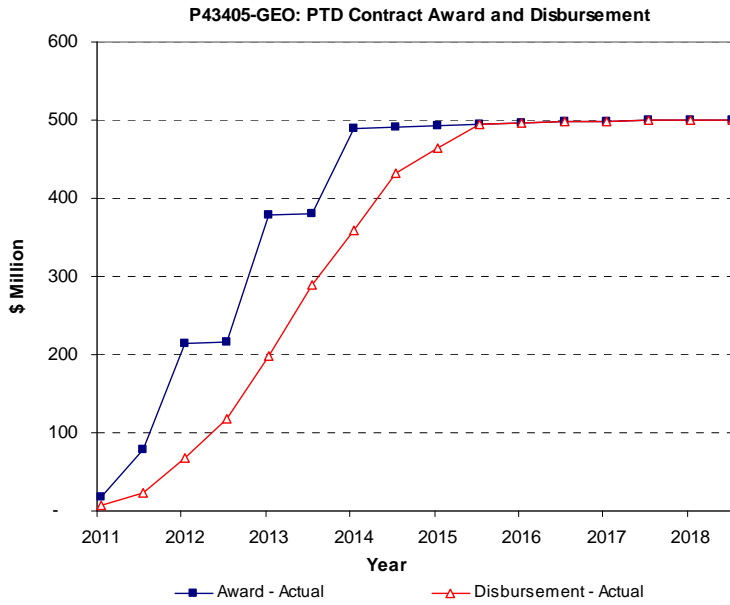
Cost Category	Total	2011	2012	2013	2014	2015	2016
<b>A Investment Costs</b>							
1 Civil Works	30.00	-	24.00	6.00	-	-	-
Tranche 2	30.00	-	24.00	6.00	-	-	-
Anaklia WSS Network	13.25	-	10.60	2.65	-	-	-
Anaklia STP (DBO)	10.75	-	8.60	2.15	-	-	-
Mestia WSS Network	6.00	-	4.80	1.20	-	-	-
<b>Subtotal A - Investment Costs</b>	<b>30.00</b>	-	<b>24.00</b>	<b>6.00</b>	-	-	-
<b>B Recurrent Costs</b>							
2 System O&M	5.00	-	-	-	1.44	1.44	2.12
Tranche 2	5.00	-	-	-	1.44	1.44	2.12
Anaklia WSS Network	1.93	-	-	-	0.58	0.58	0.78
Anaklia STP (DBO)	1.95	-	-	-	0.58	0.58	0.78
Mestia WSS Network	1.12	-	-	-	0.28	0.28	0.56
<b>Subtotal B - Recurrent Costs</b>	<b>5.00</b>	-	-	-	<b>1.44</b>	<b>1.44</b>	<b>2.12</b>
<b>Total Base Cost</b>	<b>35.00</b>	-	<b>24.00</b>	<b>6.00</b>	<b>1.44</b>	<b>1.44</b>	<b>2.12</b>
<b>C Contingencies</b>							
1 Physical	4.60	-	2.40	0.60	0.14	0.14	1.31
2 Price	5.41	-	1.32	1.04	0.34	0.44	2.27
<b>Subtotal C - Contingencies</b>	<b>10.00</b>	-	<b>3.72</b>	<b>1.64</b>	<b>0.49</b>	<b>0.58</b>	<b>3.58</b>
<b>D Financing Charges</b>							
1 Interest During Construction	1.00	-	0.20	0.20	0.20	0.20	0.20
<b>Subtotal D - Financing Charges</b>	<b>1.00</b>	-	<b>0.20</b>	<b>0.20</b>	<b>0.20</b>	<b>0.20</b>	<b>0.20</b>
<b>Total Project Cost</b>	<b>46.00</b>	-	<b>27.92</b>	<b>7.84</b>	<b>2.12</b>	<b>2.22</b>	<b>5.90</b>

Note: Figures may not tally due to rounding-off.

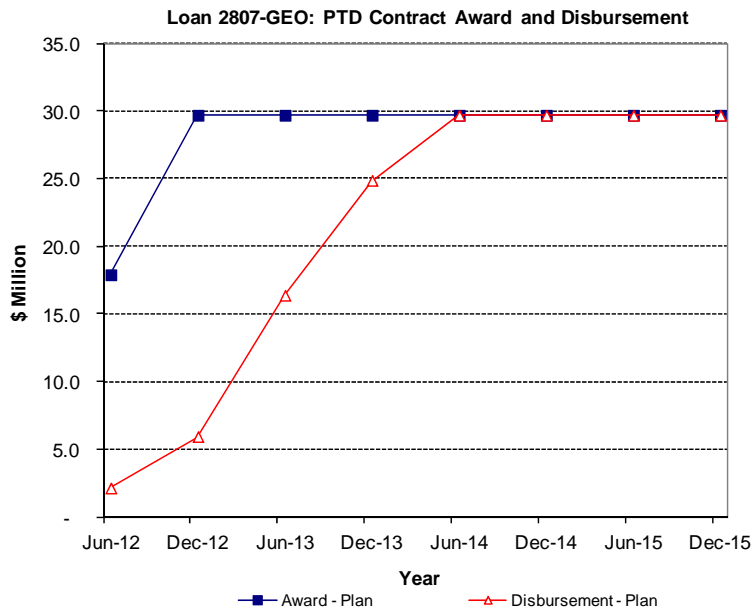
Source: United Water Supply Company of Georgia and Asian Development Bank estimates.

**F. Contract and Disbursement S-curve**

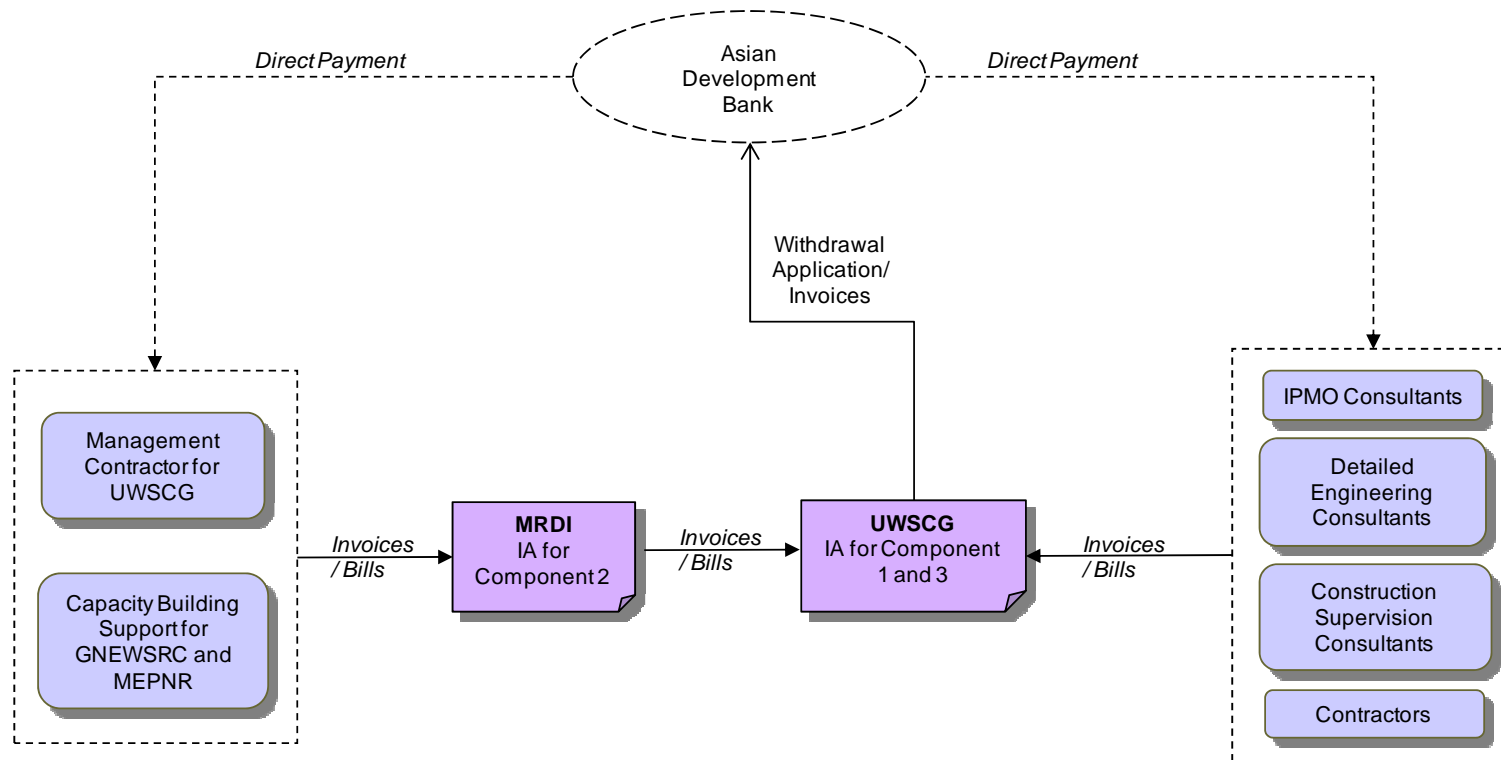
**1. Investment Program**



**2. Project 2**



**G. Fund Flow Diagram**



Component 1 = Infrastructure Improvement, Component 2 = Institutional Effectiveness, Component 3 = Project Implementation Support, GNEWSRC = Georgia National Energy and Water Supply Regulatory Commission, IPMO = Investment Program Management Office, MEPNR = Ministry of Environmental Protection and Natural Resources, MRDI = Ministry of Regional Development and Infrastructure, UWSCG = United Water Supply Company of Georgia

## V. FINANCIAL MANAGEMENT

### A. Financial Management Assessment

#### 1. Public Financial Management

8. The reform of the public financial management (PFM) system of Georgia has been a priority for the government in the last six years. The Budget System Law approved in 2004 set in place the principles of comprehensiveness, transparency, and accountability for the budget system as well as rules and procedures for the processes at all stages, which include budget preparation, discussion, approval and execution, consolidation, reporting and auditing of the actual expenditures.<sup>2</sup> All extra budgetary funds were closed and all state financial transactions were unified within a Treasury Single Account. This change increased the transparency of the budget process and information on revenue collection and spending became available to any interested group.

9. The Government of Georgia, in 2009, adopted a new Budget Code, which was designed to improve the budget process. With the adoption of the new Budget Code, the budget process became simplified and unified under a common system. This change also positively affected the transparency of the budget process. The basic data and directions (BDD) document became binding with the legislation.<sup>3</sup> In 2010 the budget, the expenditure ceilings of the budget agencies for the fiscal year was determined following the BDD document.

10. Another significant change to the budget process is an introduction of program and capital budgeting that is planned for implementation in 2012. Conversion into the program budgeting will clearly identify how much money is necessary for each program and activity, what the expected results of the program are and which performance indicators will be used to measure the output and outcome of the program. In addition to this budget preparation improvement, tax policy reform and other measures to improve the business climate, as well as re-structuring and re-staffing of key government units were also implemented.

#### 2. Financial Management Assessment

11. The financial management assessment (FMA) was carried out for UWSCG, the Investment Program's Implementing Agency. The FMA determined the following for UWSCG:

- (i) **Accounting.** Accounting is based on international accounting standards and follows an accrual based system. The Financial Accounting Division is currently preparing a financial management manual to guide staff in applying international accounting practices. Staff will need training on international accounting standards and on international financial reporting standards to improve operational efficiencies.
- (ii) **Budgeting.** Capital planning, tariff review and calculation, and budget preparation and coordination is carried out by the Financial and Economic Division and based on national budgeting guidelines. The staff will need adequate training on preparing business plans that meet commercial operational efficiencies for submissions to the

<sup>2</sup> The World Bank and European Commission. 2008. *Public Expenditure and Financial Accountability (PEFA)*. Tbilisi.

<sup>3</sup> In 2006, the medium term expenditure framework and basic data and directions (BDD) document was introduced. The document outlined the main macroeconomic indicators and basic directions and priorities of the Government for the next four fiscal years.

GNEWSRC. Another key function where staff will receive training would be on determining tariffs in the short-term to meet revenue requirements and in the long-term to meet long-run marginal costs taking cognizance of socially equitable principles.

- (iii) **Procurement.** Procurement is centrally managed and the staff is currently conversant with national procurement procedures only. Activities are largely related to procurement of regular maintenance goods while procurement of civil works and goods under donor financed WSS projects is conducted with Municipal Development Fund (MDF) support. Over the immediate term, UWSCG staff capacity should be developed to handle international competitive bidding for civil works, equipment and machinery, and turnkey projects.

**UWSCG Income and Expenditure Statement**  
(\$ million)

Item	2010	%	2011-H1	%
Income				
Sales Revenue	11.61	48.54	28.41	64.86
Subsidies received	11.27	47.11	12.52	28.58
Other incomes	1.04	4.36	2.87	6.55
<b>Total income</b>	<b>23.92</b>	<b>100.00</b>	<b>43.80</b>	<b>100.00</b>
Expenditure				
Payroll	5.49	33.11	11.96	31.51
Electricity	5.20	31.33	9.66	25.45
Depreciation	2.48	14.93	7.28	19.18
Consumables, materials and supplies	1.59	9.57	4.56	12.01
Consulting expenses	0.39	2.34	0.67	1.77
Operating tax expenses	0.23	1.37	0.73	1.92
Interest expenses	0.01	0.07	-	-
Other expenses	1.21	7.28	3.10	8.17
<b>Total expenditure</b>	<b>16.58</b>	<b>100.00</b>	<b>37.96</b>	<b>100.00</b>
<b>Profit before tax</b>	<b>7.34</b>	-	<b>5.84</b>	-
<b>Profit tax expense</b>	1.09	-	0.45	-
<b>Net profit</b>	<b>6.25</b>	-	<b>5.39</b>	-

Source: UWSCG estimates.

12. UWSCG has an internal audit department to conduct audits though the GNEWRC, at present, does not require utility companies it regulates to submit audited financial statements. The UWSCG is currently not subject to an external audit but proposes to conduct an audit of its 2010 financial statements by an external auditor.

13. The financial management system of the UWSCG requires improvement through additional support from the Investment Program. The financial management manual will include a management plan to:

- (i) record project financial transactions in accordance with agreed project components, disbursement categories, and sources of funds;
- (ii) provide regular and reliable financial statements and monitoring reports during project implementation;

- (iii) safeguard financial assets; and
- (iv) subject financial statements to audit acceptable to ADB.

14. UWSCG's finance and procurement staff will undergo training on ADB disbursement and procurement procedures to ensure that the management plan indicated above is effective.

## **B. Disbursement**

15. The loan proceeds for financing Goods, Works, and consulting services shall be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2007, as amended to date).<sup>4</sup> Pursuant to ADB's Safeguard Policy Statement (2009) (SPS),<sup>5</sup> ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the SPS. The direct payment method will be used under the loan.

16. The minimum value per withdrawal application is US\$100,000, unless otherwise approved by ADB. Withdrawal applications and supporting documents will demonstrate, among other things that the goods, and/or services were produced in or from ADB members, and are eligible for ADB financing. Withdrawal applications and other loan disbursement information are available at ADB Controller's Department's website, <http://fis.adb.org>.

17. **First Withdrawal Application (WA).** MoF should submit to ADB sufficient evidence of the authority of the (two) persons who will sign the withdrawal applications on behalf of the Borrower, together with the authenticated specimen signatures of each authorized person. Under tranche 1, MoF has delegated the authority to submit WAs to UWSCG. This option will be exercised in tranche 2 also.

18. **Retroactive Financing.** If approved by ADB, withdrawals from the relevant Loan Account may be made for reimbursement of eligible expenditures incurred under the relevant Project before the Effective Date of the Loan Agreement (but not earlier than 12 months before the date of the Loan Agreement) in connection with items to be retroactively financed, subject to a maximum amount equivalent to 20% of the amount of the Loan. ADB will reimburse eligible expenditures incurred for retroactive financing to the Borrower, MoF, MRDI or UWSCG depending on the entity incurring eligible expenditures. The entity should provide sufficient evidence satisfactory to ADB of having incurred the eligible expenditure to be eligible to claim amounts to be retroactively financed.

19. **Condition for Withdrawals from Loan Account.** Notwithstanding any other provision detailed in the Loan Agreement for the current tranche, no withdrawals shall be made from the Loan Account until the Subsidiary Loan Agreement described between the Borrower, MRDI, and UWSCG in form and substance satisfactory to ADB, has been duly authorized, and executed and delivered on behalf of, the Borrower, MRDI, and UWSCG, and is legally binding upon the parties thereto in accordance with its terms.

## **C. Accounting**

20. The Borrower shall ensure that UWSCG maintains separate accounts and records for the Loan Components and in accordance with sound accounting principles. These accounts shall be audited annually in accordance with standards acceptable to ADB, and the Government

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<sup>4</sup> Available at: [http://www.adb.org/Documents/Handbooks/Loan\\_Disbursement/loan-disbursement-final.pdf](http://www.adb.org/Documents/Handbooks/Loan_Disbursement/loan-disbursement-final.pdf)

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

shall provide ADB with certified copies of the audited accounts promptly after their preparation (and no later than nine months after the close of the Financial Year for the relevant accounts).

**D. Auditing**

21. The Borrower will cause the project accounts to be audited in accordance with International Standards on Auditing and/or in accordance with the Government's audit regulations by an auditor acceptable to ADB. The Borrower will also cause to audit the accounts and annual financial statements of UWSCG. All audited accounts will be submitted using the English language to ADB within 9 months of the end of the fiscal year. The Borrower has been made aware of ADB's policy on delayed submission, and the requirements for satisfactory and acceptable quality of the audited accounts. ADB reserves the right to verify the project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures.



## VI. PROCUREMENT AND CONSULTING SERVICES

### A. Advance Contracting and Retroactive Financing

22. All advance contracting and retroactive financing will be undertaken in conformity with ADB's *Procurement Guidelines* (April 2010, as amended from time to time) and ADB's *Guidelines on the Use of Consultants* (April 2010, as amended from time to time). The issuance of invitations to bid under advance contracting and retroactive financing will be subject to ADB approval. The government, executing and implementing agencies have been advised that approval of advance contracting and retroactive financing does not commit ADB to finance the Investment Program.

23. **Advance contracting.** The government has requested ADB's approval of advance contracting for civil works construction of (i) water supply and sewerage networks in Anaklia and Mestia, (ii) sewage treatment plants in Anaklia and Mestia, and (iii) a training center for UWSCG staff in Anaklia.

24. **Retroactive financing.** For tranche 2, ADB will finance a maximum amount of eligible expenditures up to the equivalent of 20% of the loan for tranche 2 (approximately \$12,150,000) incurred before tranche 2 loan effectiveness but not earlier than 12 months before the signing of the Loan Agreement for tranche 2. Retroactive financing shall apply to civil works under tranche 2 loan.

### B. Procurement of Goods, Works and Consulting Services

25. The Investment Program will follow ADB's *Procurement Guidelines* (2010, as amended time to time) and tranche 2 loan includes: (i) two international competitive bids (ICBs) for procurement of civil works for water supply and sewerage network in Anaklia and Mestia; and (ii) one ICB for procurement of plant (design and build) for sewage treatment plant in Anaklia. An 18-month procurement plan indicating threshold and review procedures, goods, works, and consulting service contract packages and national competitive bidding guidelines is listed in Section C.

26. Bidders eligibility will be determined in accordance with ADB's *Procurement Guidelines* (2010, as amended from time to time). Accordingly, no bidder or potential bidder shall be declared ineligible for ADB financed contracts for any reason other than those set out in ADB's Procurement Guidelines. For goods or services funded by loans from ADB's Special Fund resources, payments are limited to goods produced in, and services supplied by, developed member countries that have contributed to such resources and all developing member countries.

### C. Procurement Plan for Project 2

#### Basic Data

<b>Project Name:</b> Urban Services Improvement Investment Program – Tranche 2	
<b>Country:</b> Georgia	<b>Executing Agency:</b> Ministry of Regional Development and Infrastructure
<b>Loan Amount:</b> \$40 million	<b>Loan Number:</b> 2807
<b>Date of First Procurement Plan:</b> TBC	<b>Date of this Procurement Plan:</b> April 2012

## 1. Process Thresholds, Review and 18-Month Procurement Plan

### a. Project Procurement Thresholds

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

#### Procurement of Goods and Works

Method	Threshold
International Competitive Bidding (ICB) for Works	Above \$1,000,000
International Competitive Bidding for Goods	Above \$500,000
National Competitive Bidding (NCB) for Works	Beneath that stated for ICB, Works
National Competitive Bidding for Goods	Beneath that stated for ICB, Goods
Shopping for Works	Below \$100,000
Shopping for Goods	Below \$100,000

### b. ADB Prior or Post Review

28. Except as ADB may otherwise agree, the following prior or post review requirements apply to the various procurement and consultant recruitment methods used for the project.

Procurement Method	Prior or Post	Comments
<b>Procurement of Goods and Works</b>		
ICB Works	Prior	ADB SBD
ICB Goods	Prior	ADB SBD
NCB Works	Prior and Post	ADB SBD (prior followed by post)
NCB Goods	Prior and Post	ADB SBD (prior followed by post)
Shopping for Works	Post	ADB SBD
Shopping for Goods	Post	ADB SBD
<b>Recruitment of Consulting Firms</b>		
Quality- and Cost-Based Selection (QCBS)	Prior	RFP
Quality-Based Selection (QBS)	Prior	RFP
Other selection methods: CQS, LCS, FBS and SSS	Prior	RFP
<b>Recruitment of Individual Consultants</b>		
Individual Consultants	Prior	ToR

ADB = Asian Development Bank, CQS = Consultants Qualifications, FBS = Fixed Budget, LCS = Least-Cost Selection, RFP = Request for Proposal, SBD = Standard Bidding Document, SSS = Single Source Selection, ToR = Terms of Reference.

### c. Goods and Works Contracts Estimated to Cost More Than \$1 Million

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

<b>General Description</b>	<b>Contract Value</b>	<b>Procurement Method</b>	<b>Prequalification of Bidders (y/n)</b>	<b>Advertisement Date (quarter/year)</b>	<b>Comments</b>
Procurement of civil works for water supply and sewerage network	\$12 million	ICB - Works	N	Q2/2011	1 package in Anaklia
Procurement of civil works for water supply and sewerage network	\$8 million	ICB - Works	N	Q2/2011	1 package in Mestia
Procurement of plant (design and build) for sewage treatment plants	\$13 million	ICB - Works	Y	Q2/2011	1 package in Anaklia

**d. Consulting Services Contracts Estimated to Cost More Than \$100,000**

30. The following table lists consulting services contracts for which procurement activity is either ongoing or expected to commence within the next 18 months: Not Applicable

**e. Goods and Works Contracts Estimated to Cost Less than \$1 Million and Consulting Services Contracts Less than \$100,000**

31. The following table groups smaller-value goods, works and consulting services contracts for which procurement activity is either ongoing or expected to commence within the next 18 months: Not Applicable.

**2. Indicative List of Packages Required Under the Project**

32. The following table provides an indicative list of all procurement (goods, works and consulting services) over the life of the project. Contracts financed by the Borrower and others should also be indicated, with an appropriate notation in the comments section.

General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Procurement Method	Domestic Preference Applicable	Comments
<b>Goods</b>					
Not Applicable					
<b>Works</b>					
Procurement of civil works for water supply and sewerage network	\$12 million	1	ICB	N	1 package in Anaklia
Procurement of civil works for water supply and sewerage network	\$8 million	1	ICB	N	1 package in Mestia
Procurement of plant (design and build) for sewage treatment plants	\$13 million	1	ICB	N	1 package in Anaklia

### 3. National Competitive Bidding

#### a. General

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

#### b. Eligibility

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

#### c. Prequalification

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

#### d. Registration and Licensing

- (i) Bidding shall not be restricted to pre-registered/licensed firms.
- (ii) Where registration or licensing is required, bidders (i) shall be allowed a reasonable time to complete the registration or licensing process; and (ii) shall not be denied registration/licensing for reasons unrelated to their capability and resources to successfully perform the contract, which shall be verified through

post-qualification.

- (iii) Foreign bidders shall not be precluded from bidding. If a registration or licensing process is required, a foreign bidder declared the lowest evaluated bidder shall be given a reasonable opportunity to register or to obtain a license without unreasonable cost and additional requirements.

**e. Bidding Period**

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

**f. Bidding Documents**

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

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

**g. Preferences**

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

**h. Advertising**

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

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

**i. Bid Security**

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

**j. Bid Opening and Bid Evaluation**

- (i) Bids shall be opened in public.
- (ii) Evaluation of bids shall be made in strict adherence to the criteria declared in the bidding documents and contracts shall be awarded to the lowest evaluated bidder who meets the qualifying criteria stated in the bid documents.

- (iii) Bidders shall not be eliminated from detailed evaluation on the basis of minor, non-substantial deviations.
- (iv) No bidder shall be rejected on the basis of a comparison with the employer's estimate and budget ceiling without ADB's prior concurrence.
- (v) A contract shall be awarded to the technically responsive bid that offers the lowest evaluated price and no negotiations shall be permitted.
- (vi) Price verification shall not be applied.

**k. Rejection of All Bids and Rebidding**

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

**l. Participation by Government-owned enterprises**

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

**m. Right to Inspect/Audit**

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

**n. Fraud and Corruption**

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

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

**o. Conflict of Interest**

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

**p. Disclosure of Decision on Contract Awards**

48. At the same time that notification on award of contract is given to the successful bidder, the results of bid evaluation shall be published in a local newspaper, or a well-known freely accessible website identifying the bid and lot numbers and providing information on (i) name of each Bidder who submitted a Bid, (ii) bid prices as read out at bid opening; (iii) name of bidders whose bids were rejected and the reasons for their rejection, and (iv) name of the winning Bidder, and the price it offered, as well as duration and summary scope of the contract awarded. The executing agency/implementing agency/contracting authority shall respond in writing to unsuccessful bidders who seek explanations on the grounds on which their bids are not selected.

**4. Review of Contract Modifications**

49. ADB will review contract modifications in accordance with the procedures set forth in the loan agreement between the Borrower and ADB.

## VII. SAFEGUARDS

### A. Social Safeguards

50. In order to ensure compliance with ADB Safeguard Policy Statement (2009), MRDI as Executing Agency and UWSCG as Implementing Agency will ensure social safeguards compliance under the Investment Program. MRDI has endorsed the Resettlement Framework (RF) that has been prepared for the Investment Program (see Linked Document 16 of the RRP). The involuntary resettlement process as required under the RF will be followed during implementation and necessary resettlement plans will be prepared.

51. The RF will be reviewed regularly and, if necessary, updated during later tranches of the MFF, if indicated by unanticipated new types of impacts (review of applicability and relevance). The eligibility and entitlement provisions of the RF will not be lowered in subsequent revisions and updates.

### B. Environmental Safeguards

52. In order to ensure compliance with ADB Safeguard Policy Statement (2009), MRDI as Executing Agency and UWSCG as Implementing Agency will ensure the implementation of the following requirements and procedures for the Investment Program. MRDI has endorsed the Environmental Assessment and Review Framework (EARF) that has been prepared for the Investment Program (see Linked Document 14 of the RRP). The EARF and the environmental assessment process as required under the EARF will be followed during implementation and necessary IEE and EMP will be prepared.

<b>Environmental Management Actions</b>	<b>Implementation Activities</b>	<b>Conditions Required to Complete Actions</b>
<b><i>Pre-construction commences</i></b>	Activity 1: Project becomes effective	
Environmental recording system established in IPMO, UWSCG.	Activity 2: IPMO established with ESU. Environment staff appointed to ESU	Budget, facilities and staff for ESU have been provided according to Loan Agreement
Design and implement baseline monitoring for environmental conditions; unless this has been undertaken during the environmental assessment stage	Activity 3: Prepare project baseline environmental matrix	
<ul style="list-style-type: none"> <li>• Environment Specialist (ES) prepares Design Brief for design consultants that incorporates EMP Design requirements</li> <li>• ES checks Design Brief meets EMP requirements</li> </ul>	Activity 4: Pre-construction: Design; Incorporation of EMP requirements	Appointment of Design and Supervision consultant with necessary technical capacity to address EMP requirements
<ul style="list-style-type: none"> <li>• ES extracts construction requirements from EMP and pass to design consultants for</li> </ul>	Activity 5: Tender documents prepared	Standard environmental conditions have been prepared which are integrated into Tender



<b>Environmental Management Actions</b>	<b>Implementation Activities</b>	<b>Conditions Required to Complete Actions</b>
inclusion in Tender documents <ul style="list-style-type: none"> <li>• ES reviews Tender documents and confirm that environmental management provisions are sufficient</li> </ul>		documents
ESU review environmental conditions of Bid and rank contractors on this ability	Activity 6: Tenders evaluated and Contractor appointed	ES to be a member of the Bid Evaluation Panel
ES reviews SEMP and EMS	Activity 7: Contractor prepares Site EMP (SEMP) and EMS if required	<ul style="list-style-type: none"> <li>• Contractor appoints Environmental Manager.</li> <li>• After award of contract Contractor has 30 days to prepare SEMP/EMS.</li> <li>• ADB CWRD Guidance notes on preparing SEMP available</li> </ul>
ESU verifies compliance of Contractor with SEMP at site meeting	Activity 8: Contractor inducted to site by ESU	Contractor cannot take possession of construction site until (i) SEMP/EMS has been approved and (ii) induction is completed satisfactorily
ES informs IPMO that Contractor is now cleared to start work	Activity 9: Contractor approved to start work	
<b><i>Pre-construction completed</i></b>		
<b><i>Construction commences</i></b>		
<ul style="list-style-type: none"> <li>• ES, IPMO monitors contractor's SEMP compliance activities.</li> <li>• ES audits construction activities</li> <li>• ES evaluates monitoring program</li> </ul>	Activity 2: Environmental monitoring undertaken and reports prepared. <ul style="list-style-type: none"> <li>• By Contractor: Monthly environmental report sent to IPMO</li> <li>• Quarterly environmental report to ADB and country environmental agency</li> </ul>	Contractor complies with SEMP requirements for implementing and monitoring work on-site <ul style="list-style-type: none"> <li>• ADB CWRD Guidance notes on preparing monitoring reports available</li> </ul>
<b><i>Construction completed</i></b>	Activity 3: Construction completed and project commissioned	<ul style="list-style-type: none"> <li>• Project works completed in accordance with the SEMP and all sites satisfactorily rehabilitated and restored.</li> <li>• ES reviews and sign-off on completed work</li> <li>• Final environmental monitoring report prepared</li> <li>• Payments may be withheld if sites not cleared and closed to meet SEMP specifications.</li> </ul>
<b><i>Note: Work on sub-projects for subsequent tranches is likely to begin during implementation of Project 1 sub-projects</i></b>		

<b>Environmental Management Actions</b>	<b>Implementation Activities</b>	<b>Conditions Required to Complete Actions</b>
<p><b>Sub Projects for subsequent tranches</b> Sub-projects assessed against the selection criteria set out in the environmental assessment and review framework</p>	Activity 1: Potential sub-projects for new tranche identified	
<ul style="list-style-type: none"> <li>• Environmental classification completed. Categorization forms sent to ADB regional Department and local Environment Authority for confirmation.</li> <li>• ES prepares TOR for environmental assessment requirements</li> <li>• Consultant appointed to prepare the necessary environmental assessment documents</li> </ul>	Activity 2: Preliminary Design undertaken for sub-projects	
Environmental Assessment documents to accompany PFR Documents to be reviewed by ES CWRD.	Activity 3: Project Financing request submitted to ADB  Activity 4: Sub-projects in new tranche approved	
<ul style="list-style-type: none"> <li>• Design and implement baseline monitoring for environmental conditions; unless this has been undertaken during the environmental assessment stage</li> </ul>	Activity 5: Prepare project baseline environmental matrix	
<ul style="list-style-type: none"> <li>• ES prepare Design Brief for design consultants that incorporates EMP Design requirements</li> <li>• ES check Design Brief meets EMP requirements</li> </ul>	Activity 6: Pre-construction: Design; Incorporation of EMP requirements	
<ul style="list-style-type: none"> <li>• ES extracts construction requirements from EMP and pass to design consultants for inclusion in Tender documents</li> <li>• ES reviews Tender documents and confirm that environmental management provisions are sufficient</li> </ul>	Activity 7: Tender documents prepared	
ES review environmental conditions of Bid and rank contractors on this ability	Activity 8: Tenders evaluated and Contractor appointed	
ES reviews SEMP and EMS	Activity 9: Contractor prepares Site EMP (SEMP) and EMS if required	
	Activity 10: Contractor inducted to site by ESU	

53. The EARF will be reviewed regularly and, if necessary, updated during later tranches of the MFF, if indicated by unanticipated new types of impacts (review of applicability and relevance). The eligibility and entitlement provisions of the EARF will not be lowered in subsequent revisions and updates.

### VIII. GENDER AND SOCIAL DIMENSIONS

54. See Annex 2 for the Summary Poverty Reduction and Social Strategy.

55. **Gender Development Strategy.** To support the primary goal of the Investment Program in ensuring effective and sustainable WSS systems, gender development will be addressed in a twofold approach in this Investment Program. A gender and social development consultant will be hired to assist UWSCG in implementing the GAP and reaching the targets.

- (i) One approach is to improve career and employment opportunities in the UWSCG. This will be facilitated by introducing a sex-disaggregated database for human resource management, which will provide information for an annual gender analysis of the staff development, improve management support for gender balanced human resource management and staff development. Additionally, employment opportunities for women will be created in customer care centers. According to UWSCG's human resource department, around 35% of women are employed in the UWSCG with a large proportion in administrative tasks. In the top management, 4 out of 14 department heads are women (30%). An improved database will be developed to monitor career development for women at UWSCG.
- (ii) The second approach is to improve the outreach of the UWSCG to communities and in doing this, particularly address women as household managers and water collectors. There is a clear lack of knowledge, information and awareness of water and sanitation related issues such as health, household expenses, customer rights, and environmental issues. For that reason, the Investment Program will develop an information, education and communication (IEC) campaign in all appropriate languages to educate communities on the above issues and inform them about the Investment Program benefits. Before rolling out a country wide IEC, the content and mode of delivery of the IEC will be tested in the urban centers of Mestia and Marneuli.

56. Through a pilot project in Mestia and Marneuli, baseline data on household water management and sanitation practices will be created by conducting a household survey. A post-intervention survey will be conducted after the IEC campaign and compared with the baseline. This will show if and why households were convinced to access the water and sanitation services of the UWSCG. Household survey and IEC will be conducted by an apex NGO with an extensive experience of working on gender issues and dissemination of information throughout the country. The apex NGO will work through local NGOs to address gender issues within the Investment Program. Besides delivering the IEC campaign and the survey, the involvement of NGOs will facilitate better participation of communities, will improve grievance and complaint mechanism and improve awareness of the communities about the Investment Program. Impact assessment of the public awareness program in Mestia and Marneuli will expand UWSCG's country wide PR campaign.

57. Additional capacity building support for the UWSCG for designing a marketing campaign catering to women's needs as household managers is envisaged to optimize the utilization of the information gathered in the pilot project.

58. The pilot project will be partly financed through Output 3 of RETA-7563: Promoting Gender Inclusive Growth in Central and West Asia, in which the development and implementation of a pilot project in each developing member country including Georgia is

planned to showcase effective gender mainstreaming in infrastructure projects. The subprojects may include customer services and client-oriented project development and marketing and other country-specific project proposals that promote gender equality and women's empowerment. The gender specialist, financed through the RETA, will develop the detailed project design for the pilot project and will supervise its timely implementation by the apex NGO.

59. Status of ongoing pilot project:

- Focus group discussions have been conducted in Marneuli and Mestia by Women's Information Center (WIC) to (i) reveal knowledge gaps on water, sanitation, hygiene and customer rights, and (ii) to inform the content of the information-awareness campaign to be prepared by UWSCG.
- Different stakeholders, among them government, local NGOs, etc. have been outreached by presenting analysis of the survey conducted under the policy and advisory technical assistance.<sup>6</sup>
- Training module has been developed based on the focus group discussions by WIC.
- Trainings have been conducted with different groups of women and men in Marneuli by WIC, and training in Mestia is planned in November 2011.
- Information campaign policy is being developed by the WIC and agreed with the UWSCG and will be conducted in October-December 2011 in Marneuli and Mestia.
- UWSCG is informed about the gender action plan and its progress; WIC is currently developing an information, education, and communication (IEC) campaign in coordination with the UWSCG.
- A human resource management action plan was developed by the UWSCG in 2011.

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<sup>6</sup> ADB. 2010. *PATA for Developing an Urban Water Supply and Sanitation Sector Strategy and Regulatory Framework for Georgia*. Manila.

## GENDER ACTION PLAN (GAP)

Objective	Actions and Description	Target/Indicator and Timeframe	Institutional Responsibility
<b>Component 1: Infrastructure Improvement</b>			
1. Access to potable water and improved sanitation	<ul style="list-style-type: none"> <li>- Ensure construction of water supply and sewerage networks include house connections to all households in Anaklia and Mestia</li> </ul>	<ul style="list-style-type: none"> <li>- 100% female-headed households have access to 24-hour potable water supply</li> <li>- 100% female-headed households have access to sanitation facilities</li> </ul>	<b>UWSCG</b>
<b>Component 2: Institutional Effectiveness</b>			
1. Knowledge of gender specific customer behavior gained	<ul style="list-style-type: none"> <li>- Train staff working on management information system(MIS) and accounting system on sex-disaggregated data collection</li> <li>- Establish sex-disaggregated customer database</li> </ul>	<ul style="list-style-type: none"> <li>- Sex-disaggregated customer database maintained fby UWSCG (2011-continuous)</li> <li>- UWSCG Annual Report on customer profile informed by gender analysis of sex-disaggregated customer data base (2012)</li> </ul>	UWSCG
2. Management capacity of UWSCG enhanced and human resource management gender mainstreamed	<ul style="list-style-type: none"> <li>- Maintain equal employment opportunities for women and men in UWSCG, and facilitate their career development</li> <li>- Conduct capacity development on gender equality at the workplace</li> <li>- Inform annual report on human resources of UWSCG with gender analysis</li> </ul>	<ul style="list-style-type: none"> <li>- Women representation in key management staff of UWSCG is ensured (approximately 30% by 2013)</li> <li>- Atleast 30% of staff in Anaklia and Mestia town customer service care centers are women (2013)</li> <li>- Yearly report on human resource development informed with gender analysis (2012)</li> <li>- UWSCG staff trained on financial management and accounting (30% number of women)</li> </ul>	
<b>Component 3: Project Implementation Support</b>			
1. Gender sensitive Public Relations (PR) campaign and outreach program developed by UWSCG	<ul style="list-style-type: none"> <li>- Conduct survey on household water management, household needs, sanitation practices and knowledge gaps in Anaklia and Mestia</li> <li>- Analyze knowledge gaps of households (especially women as household managers) on water, hygiene, sanitation, environmental impact of sewage, customer rights, and efficient water use</li> </ul>	<ul style="list-style-type: none"> <li>- Results of survey are analyzed in report (2012)</li> <li>- Public awareness program is informed by survey results (2012)</li> </ul>	UWSCG, Apex NGOs, and local NGOs
2. UWSCG PR campaign is supported by country wide information, education and communication (IEC) campaigns	<ul style="list-style-type: none"> <li>- Develop IEC material on water, hygiene, sanitation, customer rights and water usage efficiency based on customer needs, knowledge gaps, and gender sensitive needs assessment</li> <li>- Train staff of customer care centers as hygiene and sanitation advocates in Anaklia and Mestia</li> <li>- Roll out public awareness program in Anaklia and Mestia</li> </ul>	<ul style="list-style-type: none"> <li>- IEC material on water, hygiene and sanitation practices, customer rights, complaint mechanisms is disseminated in Anaklia and Mestia (2011- continuous)</li> <li>- Local women NGOs and female community leaders involved in IEC material distribution and are trained to conduct public awareness program (2011-continuous)</li> <li>- All staff of customer care centers are trained on water, hygiene, sanitation practices, customer rights and complaint mechanisms (2011- continuous)</li> </ul>	UWSCG
3. Complaints redressed	<ul style="list-style-type: none"> <li>- Establish complaint mechanism and database in customer care centers and identify customer service requirement (targeting the needs of women in specific)</li> </ul>	<ul style="list-style-type: none"> <li>- Annual report on quantity and redress of complaints published (2011-continuous)</li> <li>- Annual report to also include gender analysis of complaints (2011-continuous)</li> </ul>	

## IX. Performance Monitoring, Evaluation, Reporting, and Communication

### A. Monitoring

60. **Project performance monitoring.** Disaggregated baseline data for output and outcome indicators gathered during Investment Program processing will be updated and reported quarterly through Investment Program quarterly progress reports prepared by the IA, and after each ADB review mission. These quarterly reports will provide information necessary to update ADB's project performance reporting system.<sup>7</sup>

61. **Compliance monitoring.** Compliance on covenants will be monitored through regular ADB review missions and on a quarterly basis in discussion with the MRDI.

62. **Safeguards monitoring.** Monitoring and reporting of the implementation on safeguards requirements and procedures will be prepared by UWSCG. The Investment Program Management Office (IPMO) will undertake internal monitoring of safeguard covenants' compliance to be included in the quarterly/semiannually project progress report. An ADB Staff Consultant will validate the internal monitoring reports and evaluate compliance of Investment Program activities with the ADB's *Safeguard Policy Statement* (2009). External monitoring will be carried out by an Independent Monitoring Agency appointed by MRDI and in two phases, once during the RP implementation and once a year later.

63. **Gender and social dimensions monitoring.** See DMF and the GAP for monitoring indicators. Currently, the IPMO reports on GAP indicators and an ADB Staff Consultant confirms the figures. The Staff Consultant is also implementing the RETA that informs UWSCG's public awareness program.

### B. Evaluation

64. Within 6 months of physical completion of each project under the Investment Program the MRDI will submit a project completion report to ADB.<sup>8</sup>

### C. Reporting

65. UWSCG through MRDI will provide ADB with (i) quarterly progress reports in a format consistent with ADB's project performance reporting system; (ii) consolidated annual reports including (a) progress achieved by output as measured through the indicator's performance targets, (b) key implementation issues and solutions, (c) updated procurement plan and (d) updated implementation plan for next 12 months; and (iii) a project completion report within 6 months of physical completion of each tranche of the Investment Program. To ensure that the Investment Program is efficiently managed, accounts of every tranche of the facility together with the associated auditor's report, should be adequately reviewed.

<sup>7</sup> ADB's project performance reporting system is available at:

<http://www.adb.org/Documents/Slideshows/PPMS/default.asp?p=evaltool>

<sup>8</sup> Project completion report format is available at: <http://www.adb.org/Consulting/consultants-toolkits/PCR-Public-Sector-Landscape.rar>

## X. ANTICORRUPTION POLICY

66. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the Project.<sup>9</sup> All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency and all Project contractors, suppliers, consultants and other service providers. Individuals/entities on ADB's anticorruption debarment list are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the Project.<sup>10</sup>

67. To support these efforts, relevant provisions are included in the framework financing agreement, loan and project agreements, loan regulations, and the bidding documents for the Investment Program. The Government will disclose to the public, and update annually the current status of the Investment Program and how the proceeds of the facility are used. For each contract financed under the Investment Program, the MRDI and UWSCG will disclose on their respective websites information on, among others, the: (a) list of participating bidders; (b) name of the winning bidder; (c) basic details on bidding procedures and procurement methods adopted; (d) amount of contract awarded; (e) list of goods/services, including consulting services procured; and (f) intended and actual utilization of the facility proceeds.

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<sup>9</sup> Available at: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>

<sup>10</sup> ADB's Integrity Office web site is available at: <http://www.adb.org/integrity/unit.asp>



## **XI. ACCOUNTABILITY MECHANISM**

68. People who are, or may in the future be, adversely affected by the project may address complaints to ADB, or request the review of ADB's compliance under the Accountability Mechanism. The Accountability Mechanism provides an independent forum and process whereby people adversely affected by ADB-assisted projects can voice, and seek a resolution of their problems, as well as report alleged violations of ADB's operational policies and procedures. Before submitting a complaint to the Accountability Mechanism, affected people should make a good faith effort to solve their problems by working with the concerned ADB operations department. Only after doing that, and if they are still dissatisfied, should they approach the Accountability Mechanism.<sup>11</sup>

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<sup>11</sup> For further information see: <http://www.adb.org/Accountability-Mechanism/default.asp>.

## **XII. RECORD OF PAM CHANGES**

### 69. PAM Updates

Initial PAM	: 3 November 2011
Revision 1	: 23 April 2012
Revision 2	: 17 September 2012
Revision 3	: 29 April 2013
Revision 4	: 18 July 2013

## ANNEX 1 - DESIGN AND MONITORING FRAMEWORK

### 1. Investment Program

Design Summary	Performance Targets and/or Indicators	Data Sources and/or Reporting Mechanisms	Assumptions and Risks
<p><b>Impact</b></p> <p>Improved health of residents in the urban centers of Anaklia, Marneuli, Mestia, Kutaisi, Poti, and Zugdidi</p>	<p>By the end of the investment program plus 3 years (2022):<sup>a</sup></p> <p>(i) Prevalence of waterborne illness in households reduced by at least 75% from current the incidence of 4% of households per annum<sup>b</sup></p> <p>(ii) Productive days lost to waterborne illness reduced by at least 75% from the current 8 days per person per annum</p> <p>(iii) Average annual expenditure to treat waterborne illness reduced by at least 75% from the current \$74 per household per annum</p>	<p>Sex-disaggregated baseline survey conducted at investment program inception (2011), completion (2019), and in 2022</p> <p>Surveys conducted as a part of the PPMS and by UWSCG</p>	<p><b>Assumption</b></p> <p>The government continues to provide support for an enabling investment climate.</p>
<p><b>Outcome</b></p> <p>Improved water supply and sanitation services in the urban centers Anaklia, Marneuli, Mestia, Kutaisi, Poti, and Zugdidi</p>	<p>By the end of the investment program in 2019:</p> <p>(i) Residents' access to safe sanitation<sup>c</sup> increased from 25% in 2011 to 88% by 2019</p> <p>(ii) Residents' access to 24-hour potable water supply increased from 74% in 2011 to 95% by 2019</p> <p>100% households headed by women in the region covered</p>	<p>Annual sex-disaggregated socioeconomic surveys undertaken as part of the PPMS to determine public satisfaction with the quality of water supply and sanitation</p> <p>National statistics on water supply quality and effluent discharge from MEPNR, MA, and UWSCG</p>	<p><b>Assumption</b></p> <p>The government ensures water company staff and the management contractor efficiently deliver services.</p> <p><b>Risk</b></p> <p>Political systems interfere with the enforcement of legislative and regulatory control.</p>
<p><b>Outputs</b></p> <p><b>Component 1: Infrastructure Improvement</b></p> <p>Water supply system efficiency improved through rehabilitation and replacement, and coverage expanded</p>	<p>By 2019:</p> <p>(i) 60,000 cubic meter reservoirs, 110 km of water transmission mains, and 350 km of distribution networks rehabilitated, reconstructed, or newly constructed</p> <p>(ii) 36 MLD capacity water treatment plants constructed</p> <p>(iii) Nonrevenue water progressively reduced from 60% to 30% (baseline and target to be established at investment program tranche inception)</p> <p>(iv) Energy savings achieved through efficient pumping systems (baseline and target to be established at investment</p>	<p>Semiannual progress reports prepared by UWSCG</p> <p>Disbursement and reimbursement records maintained by UWSCG</p> <p>PPMS reports prepared by UWSCG</p> <p>UWSCG annual work plans</p> <p>As-built drawings developed by contractors</p>	<p><b>Assumption</b></p> <p>Ongoing internationally financed projects are efficiently implemented.</p> <p><b>Risk</b></p> <p>The cost of construction materials suddenly increases.</p>

Design Summary	Performance Targets and/or Indicators	Data Sources and/or Reporting Mechanisms	Assumptions and Risks
	(v) program tranche 1 inception) Residual chlorine at tail ends of water supply system maintained at 0.2–0.4 parts per million	Project component completion and commissioning certificates provided by investment program construction supervision consultant	
Sewerage and sanitation system efficiency improved through rehabilitation and reconstruction, and coverage expanded	(i) Access to sewerage network increased from 83,000 people in 2011 to 305,000 in 2019 (ii) Sewer-cleaning vehicles procured and made operational by 2011 (iii) Sewage pumps operating daily and discharging sewage to treatment plants (iv) Sewage treatment plants rehabilitated or constructed to treat and safely discharge sewage <sup>d</sup>		
<p><b>Component 2: Institutional Effectiveness</b></p> <p>Business plans developed and implemented</p> <p>Financial management improved; management information system and accounting system developed</p> <p>Geospatial WSS utility management systems operationalized</p> <p>Management capacity of UWSCG enhanced</p>	<p>By 2019:</p> <p>UWSCG develops long-term capital improvement plans, asset strengthening plans, resource mobilization, and expenditure management plans</p> <p>(i) UWSCG operating ratio improved from 1.8 in 2010 to 1 by 2019, indicating improved financial management</p> <p>(ii) UWSCG revenue collection efficiency improved from 49% in 2010 to 95% by 2019</p> <p>(iii) Sex-disaggregated customer database created for UWSCG to develop targeted marketing campaigns for households headed by women</p> <p>Calibrated network models developed for water and sewerage networks based on geographic information system maps</p> <p>(i) WSS management program with Georgian universities operationalized</p> <p>(ii) Women in 30% of key management staff positions in UWSCG</p> <p>(iii) UWSCG staff trained in financial management and accounting (30% of them women)</p> <p>(iv) Sex-disaggregated data base for</p>	<p>Semiannual progress reports prepared by UWSCG</p> <p>UWSCG annual work plans</p>	<p><b>Risk</b></p> <p>Enrollment in the WSS management program is low.</p>

Design Summary	Performance Targets and/or Indicators	Data Sources and/or Reporting Mechanisms	Assumptions and Risks
Sector regulatory capacity of GNEWSRC, MEPNR, and MA developed	human resource management in place (v) MEPNR confirming treated sewage meets discharge standards  (i) GNEWSRC staff approve tariff and monitor WSS service delivery (ii) MEPNR staff undertake monitoring of treatment facility performance and effluent discharge standards (iii) MA staff undertake monitoring of drinking water quality standards		
<b>Component 3: Project Implementation Support</b> Public awareness program effectively implemented, materials on hygiene and sanitation disseminated, and women developed as hygiene and sanitation advocates	By 2019:  (i) Each investment program service center having a customer care unit at least 30% staffed by women that informs, educates, and communicates on water, hygiene, and sanitation  (ii) Public awareness program targeting women as household managers rolled out in all investment program towns	Semiannual progress reports prepared by UWSCG  PPMS reports prepared by UWSCG  UWSCG annual work plans	<b>Assumption</b> Nongovernment organizations are actively involved in educating beneficiaries on project benefits.
<b>Activities and Milestones:</b> <b>1. Component 1: Infrastructure Improvement</b> 1.1 Water intake, treatment, and transmission mains constructed (January 2014) 1.2 Equipment for system performance monitoring and improvement procured (July 2011) 1.3 Water supply, sewerage network, sanitation systems, and sewage treatment plants constructed or rehabilitated (January 2019) <b>2. Component 2: Institutional Effectiveness</b> 2.1 Management contractor appointed (January 2012) 2.2 Sex-disaggregated customer database created (January 2012) 2.3 Management information system and revenue enhancement plans rolled out (January 2013) <b>3. Component 3: Investment Project Implementation</b> 3.1 sex-disaggregated baseline surveys conducted (October 2011) 3.2 Design engineers appointed (October 2010) 3.3 Supervision engineers appointed (July 2011) 3.4 Gender action plan targets confirmed (December 2013)			<b>Inputs</b>  ADB: \$500 million from ADF and OCR Government: \$125 million <b>Total: \$625 million</b>

ADB = Asian Development Bank, ADF = Asian Development Fund, GNEWSRC = Georgia National Energy and Water Supply Regulatory Commission, km = kilometer, MA = Ministry of Agriculture, MEPNR = Ministry of Environmental Protection and Natural Resources, MLD = million liters per day, OCR = ordinary capital resources, PPMS = project performance management system, UWSCG = United Water Supply Company of Georgia Limited Liability Company; WSS = water supply and sanitation.

<sup>a</sup> The baseline will be re-established during socioeconomic surveys conducted as a part of the project performance management system and will include knowledge, attitude, and practice surveys.

<sup>b</sup> Waterborne diseases cause diarrhea and will be confirmed during baseline surveys.

<sup>c</sup> Includes pour-flush latrines with reticulated sewerage networks.

<sup>d</sup> Capacity to be determined during implementation.

Source: Asian Development Bank.

## 2. Project 2

Design Summary	Performance Targets and/or Indicators	Data Sources and/or Reporting Mechanisms	Assumptions and Risks
<p><b>Impact</b> Improved water supply and sanitation services in the urban centers of Anaklia and Mestia</p>	<p>By the end of Tranche 2 plus three years (2020):</p> <ul style="list-style-type: none"> <li>(i) Pressurized water supplied for 24-hour daily</li> <li>(ii) Nonrevenue water less than 20%</li> <li>(iii) Residual chlorine at tail ends of water supply system maintained at 0.2–0.4 parts per million</li> <li>(iv) Sewage pumps operating daily and discharging sewage to the treatment plant</li> <li>(v) Effluent from the sewage treatment plant meets Georgian effluent discharge standards</li> </ul>	<p>Sex-disaggregated baseline survey conducted at Investment Program inception in tranche 1 (2011) and completion (2016) and annually thereafter.</p> <p>Surveys conducted as a part of PPMS and by the UWSCG</p>	<p><b>Assumptions</b> The Government continues to provide support for an enabling investment climate.</p> <p>Government provides adequate incentives to ensure water company staff and Management Contractor provides efficient service delivery.</p> <p><b>Risks</b> Insufficient viability gap funding from the government to UWSCG, to ensure financially sustainable service delivery</p> <p>Government's inability to protect the environment and natural resources from unregulated discharge of untreated sewage into water bodies</p>
<p><b>Outcome</b> Improved access to water supply and sanitation infrastructure in Anaklia and Mestia</p>	<p>By end of Tranche 2 (2017):</p> <ul style="list-style-type: none"> <li>(i) Residents' (including 100% female headed households) access to sanitation facilities increased from 10% in 2011 to 95% by 2016</li> <li>(ii) Residents' (including 100% female headed households) access to 24-hour potable water supply increased from 35% in 2011 to 100% by 2016</li> </ul>	<p>UWSCG Annual Reports and audited statements</p> <p>Project component completion and commissioning certificates provided by investment program construction supervision consultant</p>	<p><b>Risks</b> Substantial variance between the bid prices and engineer's estimate.</p>
<p><b>Outputs Infrastructure Improvement</b></p> <p>Water supply system efficiency improved through rehabilitation and replacement, and coverage expanded</p>	<p>By 2017:</p> <ul style="list-style-type: none"> <li>(i) 67 km of distribution networks constructed</li> <li>(ii) 100% female-headed households have access to 24-hour potable water supply</li> </ul>	<p>Semiannual progress reports prepared by UWSCG</p> <p>Disbursement and reimbursement records maintained by UWSCG</p>	<p><b>Assumption</b> Ongoing internationally financed projects are efficiently implemented.</p>

Design Summary	Performance Targets and/or Indicators	Data Sources and/or Reporting Mechanisms	Assumptions and Risks
		PPMS reports prepared by UWSCG  UWSCG annual work plans  As-built drawings developed by contractors  Project component completion and commissioning certificates provided by investment program construction supervision consultant	<b>Risk</b> The cost of construction materials suddenly increases.
Sewerage and sanitation system efficiency improved through rehabilitation and reconstruction, and coverage expanded	(i) 76 km of sewer lines constructed (ii) Sewage treatment plant constructed to treat and safely discharge 4.3 MLD of sewage (iii) 100% female-headed households have access to sanitation facilities		

Activities and Milestones:	Inputs
<b>1. Infrastructure Improvement</b> 1.1 WSS network contracts awarded (November 2011) 1.2 Water supply and sewerage network constructed (January 2014) 1.3 Sewage treatment plant contract awarded (June 2012) 1.4 Sewage treatment plant constructed (January 2014)	ADB: \$40 million from ADF Government: \$6 million <b>Total: \$46 million</b>

ADF = Asian Development Fund, cum = cubic meter, km = kilometer, MLD = million liters per day, PPMS = project performance management system, UWSCG = United Water Supply Company of Georgia LLC, WSS = water supply and sanitation

Source: United Water Supply Company of Georgia and Asian Development Bank estimates.

## ANNEX 2 - SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country: Georgia	Project Title: Urban Services Improvement Investment Program – Project 2		
Lending / Financing Modality:	Multitranche Financing Facility	Department / Division:	Central and West Asia Department Urban Development and Water Division

### I. POVERTY ANALYSIS AND STRATEGY

#### A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy

The investment program links with the national policy document *United Georgia Without Poverty*<sup>a</sup> by improving the quality of water supply and the sanitation system and by expanding households' access to water supply and sanitation (WSS) infrastructure. The investment program assists the government in realizing Millennium Development Goals (MDGs), especially MDG 7, by broadening urban water supply coverage. The Basic Data and Directions Program (2007), which prepares implementation plans for national programs, states that there will be improvements to WSS infrastructure in the regions of Samegrelo–Zemo Svaneti and Kvemo Kartli, where the investment program is planned. It also links with national targets to improve health and reduce household expenditure on medical care. In the interim operational strategy for Georgia of the Asian Development Bank (ADB), developing infrastructure is a core investment area.<sup>b</sup>

#### B. Poverty Analysis

**Targeting Classification:** Targeted intervention (TI-M7)

##### 1. Key issues.

Widespread poverty has been a major unresolved problem for Georgians since independence in 1991. According to official statistics in 2010, share of population under poverty threshold is 9.7%. A 2009 United Nations Children's Fund survey monitoring social welfare found that poverty was concentrated in secondary towns. Further, the survey found poverty incidence high among households headed by women, at 25%.<sup>d</sup> The main reason for persistently high poverty is high unemployment, at 16.3%. Economic recovery has recently occurred, but it has not yet reduced unemployment or alleviated poverty.

Georgia's targeted social assistance program is key to improving living standards for the poor. One third of officially recognized poor households and 40% of extremely poor households receive no social assistance at all. Free health insurance for vulnerable families is concentrated in the poorest quintile of household, but even in this group only 21.3% are covered. The government is improving the targeting mechanism of the targeted social assistance program but realizes that creating employment is the best way to reduce poverty.

##### 2. Design features.

**Physical investment.** Improving WSS services and generating awareness of the importance of clean water and hygiene will improve public health and hygiene, especially among the poor, internally displaced, and households headed by women. In communities of internally displaced people, the improved water quality and provision of public toilets and washing facilities will reduce waterborne and sanitation-related disease and significantly cut coping costs incurred to compensate for inadequate water supply and low water pressure. The quality of life will be enhanced by environmental improvement consequent to introducing proper sewerage and wastewater treatment in towns with decaying infrastructure and pit latrines. Construction for physical investments under the investment program will create temporary employment and require labor for system operation and maintenance in the long term.

**Investment in institutional effectiveness.** Residents will be educated on their customer rights and the creation of a reliable grievance-hearing mechanism. Monitoring the efficiency of WSS services for the poor will be based on customer groups' feedback, census information, disconnection rates, complaint statistics, and information collected by local nongovernment organizations (NGOs). The investment program will benefit from the regional technical assistance (TA) Promoting Gender-Inclusive Growth in Central and West Asia Developing Member Countries.<sup>e</sup> Through the regional TA, a pilot project on customer education and awareness generation will be implemented in Mestia and Marneuli by an apex NGO. The apex NGO will conduct a sample household survey and based on the information collected conduct an information, education, and communication (IEC) campaign, which will especially target women as household managers. The results of the pilot project will inform the public awareness campaign of the United Water Supply Company of Georgia (UWSCG), the investment program's implementing agency. The public awareness campaign will then be rolled out in parallel in all Mestia and Anaklia, under project 2, to create awareness and ownership of the investment program. Sex-disaggregated data on poor households' access and affordability will guide long-term WSS services to the poor.

### II. SOCIAL ANALYSIS AND STRATEGY



**A. Findings of Social Analysis**

**Key issues.** A socioeconomic survey conducted by the policy and advisory TA consultants in June 2010 covered 450 households to analyze social, poverty, and gender development issues in the Georgia's urban centers, where 39.7% of households live below the minimum subsistence level of GEL220/month, equivalent to \$33.50/person for an average household with 3.5 members. At 40.7%, proportionately more Georgians live below the minimum subsistence level than do Azeris and Armenians, who receive more remittances from Azeris and Armenians working abroad. The different prevalence of poverty in secondary towns and national average is confirmed by the recent United Nations Children's Fund survey monitoring social welfare.

Only 87% urban residents have access to piped water service in Georgia, where the MDG 7 target is 95%. Almost 64% of customers served by UWSCG experience only intermittent service, as only 25% of service centers provide 24-hour coverage. Almost half of urban residents lack piped sewer connections and rely on other onsite sanitation systems, including pit latrines and septic tanks. Wastewater treatment is extremely limited, threatening public health and the environment.

The number of households directly supplied by UWSCG with tap water is 57.4%, while 32.7% of households obtained water through a tap from another source or water tanker and the rest has no supply at home. These figures actually reflect a wide range of conditions, as some secondary towns, such as Poti, are fully equipped with piped water and others, such as Zugdidi or Anaklia, require all families to use alternative sources because the piped water system has not operated since the war in 1993. Among those with access to piped water, almost half have supply for only 3–4 days per week, mostly for only 2–4 hours per day.

To cope with the situation, customers purchase storage tanks and water pumps to cover the times when water supply is cut. Those without access to a piped water dig wells or boreholes and pump water into a range of containers. Only 2% of households try to improve the quality of water before using it for drinking and cooking by filtering, boiling or chlorinating it. The proportion of all households spending more than 3% of their income on utilities was 7.5%. Average water-related costs are GEL2.5/month. Functional central sewerage systems reach 38.2% of households (38.2%).

Knowledge and information on the importance of WSS services are conspicuously lacking, as are customer rights and tariff schemes.

**B. Consultation and Participation**

1. Provide a summary of the consultation and participation process during the project preparation.

Policy and advisory TA consulted with the central and local governments, civil society including NGOs, and community men and women meeting separately, using key informant interviews, surveys, and focus group discussions.

2. What level of consultation and participation is envisaged during the project implementation and monitoring?

Information sharing    Consultation    Collaborative decision making    Empowerment

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

All stakeholders will be consulted as part of a structured participation process, which will commence with an IEC campaign to be conducted in the two pilot areas of Mestia and Marneuli by an apex NGO, thereby creating a direct feedback mechanism for the community. The IEC campaign will generate awareness of the benefits of improved WSS, the cost savings of having safe and continuous water supply, safe sanitation, and the reasons why the improved service will require a higher tariff.

**C. Gender and Development**

**Gender Mainstreaming Category:** Some gender benefits

**1. Key issues.**

Georgian society is still influenced by prevailing gender norms that a man's role is to work outside the home to support the family and a woman's is to tend to family obligations and manage the household. Because of the difficult economic situation, more women carry the double burden of running the household and contributing to family income. This is especially true of the high number of households headed by women because of male labor out migration. The limited availability of reliable WSS services, especially for women, is important for its implications for health and hygiene. In addition, women are not fully aware of their WSS customer rights.

In the urban WSS sector, women's participation still needs to be increased. According to the human resource department of the UWSCG, 22% of employees are women, largely performing administrative tasks. In top management, 2 out of 12 department heads, or 16%, are women. A career development plan for UWSCG is in place since October 2011. A computerized sex-disaggregated database of UWSCG employees, which allow gender analysis of human resource management was developed in February 2011. Regarding policy, women's representation in the State Commission on Water Supply and Energy is low, with only 2 women among its 19 members.

<b>2. Key actions.</b>			
<input checked="" type="checkbox"/> Gender plan <input type="checkbox"/> Other actions/measures <input type="checkbox"/> No action/measure			
<p>The investment program will improve women's participation in WSS management and service delivery by creating employment and career development opportunities. It will improve the awareness and education of women, as household managers, of WSS issues and thus empower women as informed customers. An impact analysis of a the IEC campaign conducted under the RETA in the two pilot areas of Mestia and Marneuli on customer behavior and new clients' rates of signing for UWSCG services will be conducted in 2012, supported by a RETA for Promoting Gender-Inclusive Growth in Central and West Asia Developing Member Countries,<sup>e</sup> to inform the public awareness campaigns of UWSCG, which will be rolled out in all investment program towns, with evidence-based research on the most effective IEC campaign methods.</p>			
<b>III. SOCIAL SAFEGUARD ISSUES AND OTHER SOCIAL RISKS</b>			
Issue	Significant/Limited/ No Impact	Strategy to Address Issue	Plan or Other Measures Included in Design
<a href="#">Involuntary resettlement</a>	No Impact	The involuntary resettlement due diligence confirmed that WSS networks will be laid within existing right of way, and the wastewater treatment plant will be constructed on government owned land.	<input type="checkbox"/> Resettlement plan <input checked="" type="checkbox"/> Resettlement framework
<a href="#">Indigenous peoples</a>	No impact	Indigenous peoples' safeguards will not be triggered by this investment program, as Georgia has no such communities as defined by ADB.	<input checked="" type="checkbox"/> No action
Labor <input checked="" type="checkbox"/> Employment opportunities <input type="checkbox"/> Labor retrenchment <input checked="" type="checkbox"/> Core labor standards	Limited	Employment in UWSCG and career development opportunities will accrue. Subprojects may generate employment for local people during construction and operation.	<input type="checkbox"/> Plan <input checked="" type="checkbox"/> Other action <input type="checkbox"/> No action
Affordability	Significant	The tariff scheme will be developed in line with willingness to pay and socio-economic survey.	<input checked="" type="checkbox"/> Action <input type="checkbox"/> No action
Other risks and/or vulnerabilities <input checked="" type="checkbox"/> HIV/AIDS <input type="checkbox"/> Human trafficking <input type="checkbox"/> Others(conflict, political instability, etc.), please specify	No impact	The influx of construction workers may spread HIV/AIDS. Prevention programs will be provided for the construction workers through public awareness programs.	<input type="checkbox"/> Plan <input checked="" type="checkbox"/> Other action <input type="checkbox"/> No action
<b>IV. MONITORING AND EVALUATION</b>			
Are social indicators included in the design and monitoring framework to facilitate monitoring of social development activities and/or social impacts during project implementation? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			

<sup>a</sup> Government of Georgia. 2008, *United Georgia Without Poverty*. Tbilisi.

<sup>b</sup> ADB. 2008. Georgia: Interim Operational Strategy, 2008–2009. Manila.

<sup>c</sup> According to the Geostat official data 2009, share of population under 60% of the median consumption inequality indicator is 21 .

<sup>d</sup> In 2009, Georgia scored 0.414 in the gender empowerment index, reflecting high gender inequality. To remove such inequalities, the government has enacted the Gender Equality Law.

<sup>e</sup> ADB. 2010. *Technical Assistance for Promoting Gender Inclusive Growth in Central and West Asia Developing Member Countries*. Manila (TA 7563-GEO).

Source: Asian Development Bank.

### ANNEX 3 - CONTRIBUTION TO THE ADB RESULTS FRAMEWORK

No.	Results Framework Indicators	Targets	Methods Used
1	Water supply pipes installed or upgraded/ length of network (kilometer)	67	Detailed engineering designs: – Anaklia: 43km – Mestia: 24km
2	New households served with fully-functioning 24 hours of safe water supply (number)	1,391	Detailed engineering designs: – Anaklia: 999 households – Mestia: 393 households – System designed to serve an additional 20,000 tourists
3	Wastewater treatment capacity added (cubic meters per day)	4,300	Preliminary designs: – Anaklia: 15,000 persons
4	New households served by sewage treatment and sewerage systems (number)	1,813	Detailed engineering designs: – Anaklia: 1,076 households – Mestia: 737 households – System designed to serve an additional 20,000 tourists

Source: United Water Supply Company of Georgia and Asian Development Bank estimates.

**PROJECT SPECIFIC COVENANTS - AS DISPLAYED IN LEGAL AGREEMENTS – Loan 2807 (T2)**

<b>Schedule</b>	<b>Para No.</b>	<b>Description</b>	<b>Remarks/Issues</b>	<b>Type</b>
5	4	The Borrower shall cause UWSCG to ensure that the preparation, design, construction, implementation, operation and decommissioning of the Project and all Project facilities comply with (a) all applicable laws and regulations of the Borrower relating to environment, health, and safety; (b) Environmental Safeguards; (c) the EARF; and (d) all measures and requirements set forth in the IEE and EMP, and any corrective or preventive actions set forth in a Safeguards Monitoring Report.	Have been ensured.	Safeguards
5	5	The Borrower shall cause UWSCG to ensure that (a) all land and all rights-of-way required for the Project and all Project facilities are made available to the Works contractor in accordance with the schedule agreed under the related Works contract; and (b) the Project does not require any land acquisition or resettlement activities within the meaning of the SPS. If there is such an impact, the Borrower shall cause UWSCG to ensure that such land acquisition and resettlement activities are implemented in accordance with (i) all applicable laws and regulations of the Borrower relating to land acquisition and involuntary resettlement; (ii) the Involuntary Resettlement Safeguards; and (iii) the RF.	Have been ensured/addressed. State-owned parcel of land identified for Anaklia STP (REG-02) registered under UWSCG (completed).	Safeguards
4	5	The Borrower Shall not award any Works contract which involves	Has been ensured for Mestia and Anaklia.	Safeguards

		environmental impacts until: (a) the IEE, as incorporated in the relevant environmental compliance safeguards documents, has been approved by the appropriate authority of the Borrower; and (b) the Borrower has incorporated relevant provisions from the EMP into the Works contract	Anaklia and Mestia IEEs posted at ADB website in June 2011.	
5	6	The Borrower shall cause UWSCG to do the following: (a) submit semi-annual Safeguards Monitoring Reports to ADB and disclose relevant information from such reports to affected persons promptly upon submission; (b) if any unanticipated environmental impacts arise during construction, implementation or operation of the Project that were not considered in the IEE or the EMP, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan; and (c) report any actual or potential breach of Compliance with the measures and requirements set forth in the EMP promptly after becoming aware of the breach.	Semi-Annual report will be submitted by July and December 2013. Last submission was december 2012.	Safeguards
3	6	Withdrawals from the Loan Account may be made for reimbursement of eligible expenditures incurred under the Project before the Effective Date, but not earlier than 12 months before the date of this Loan Agreement in connection with Works subject to a maximum amount equivalent to 20% of the Loan amount.	Ensured.	Financials
3	7	Notwithstanding any other provision of this Loan Agreement, no withdrawal shall be made from the Loan Account until the Subsidiary Loan Agreement, in	Ensured.	Financials

		form and substance satisfactory to ADB, has been duly authorized and executed and delivered on behalf of, the Borrower, MRDI and UWSCG, and is legally binding upon the parties thereto in accordance with its terms.		
5	7	The Borrower shall cause UWSCG to ensure that the Project does not cause any impact on indigenous peoples Within the meaning of the SPS. If there is such an impact, the Borrower shall cause UWSCG to prepare, disclose and implement an indigenous peoples plan in accordance with all applicable laws and regulations of the Borrower relating to indigenous peoples and the SPS.	No issues so far.	Safeguards
5	9	The Borrower shall cause UWSCG to ensure that all bidding documents and contracts for Works contain provisions that require contractors to: (a) comply with the measures and requirements relevant to the contractor set forth in the IEE and the EMP, and any corrective or preventative actions set out in a Safeguards Monitoring Report; (b) make available a budget for all such environmental measures; (c) provide UWSCG with a written notice of any unanticipated environmental risks or impacts that arise during construction, implementation or operation of the Project that were not Considered in the IEE or the EMP; (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and (e) fully reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition upon the completion of construction.	All IEE's have been finalized.  (a) All the bidding documents and contracts complied with the measures and requirements relevant to the contractor set forth in the IEE and the EMP, and any corrective or preventative actions set out in a Safeguards Monitoring Report;  (b) Budget for all such environmental measures has been made available.  (c) No unanticipated environmental risks or Impacts have been received during construction.	Safeguards

			(d) Detailed records including photographs for condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction are being kept.	
5	10	The Borrower shall ensure that no proceeds of the Loan are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.	Ensured	Safeguards
5	11	The Borrower shall cause UWSCG to ensure monitoring of the social impacts throughout the implementation of the Project in consultation with local governments, local communities and nongovernment organizations. UWSCG shall ensure that all civil works contractors: (a) comply With all applicable labor laws of the Borrower; (b) use their best efforts to employ women and local people, including disadvantaged people, living in the vicinity of the Project; (c) disseminate Information at worksites on health safety (including HIV prevention programs) for those employed during construction; (d) maintain equal pay to men and women for work of equal type; (e) provide safe working conditions and appropriate facilities for male and female workers; and (f) abstain from child labor.	No issues so far.	Sector
5	12	The Borrower shall cause UWSCG to: (a) ensure that the gender action plan prepared for the Investment Program is implemented in a timely manner Over the Investment Program period; and (b) submit semiannual reports to ADB.	GAP implementation plan in progress.	Others
PA		Section 2.08		Sector

	<p>(a) UWSCG shall furnish to ADB all such reports and information as ADB shall reasonably request concerning (i) the Loan and the expenditure of the proceeds thereof; (ii) the items of expenditure financed out of such proceeds; (iii) the Project; (iv) the administration, operations and financial condition of UWSCG; and (v) any other matters relating to the purposes of the Loan. (b) Without limiting the generality of the foregoing , UWSCG shall furnish to ADB semiannual reports on the execution of the Project and on the operation and management of the Project facilities. Such reports shall be submitted in such form and in such detail and within such a period as ADB shall reasonably request, and shall indicate, among other things, progress made and problems encountered during the period under review, steps taken or proposed to be taken to remedy these problems, and proposed program of activities and expected progress during the following period. (c) Promptly after physical completion of the Project, but in any event not later than 3 months thereafter or such later date as ADB may agree for this purpose,UWSCG shall prepare and furnish to ADB a report, in such form and in such detail as ADB shall reasonably request, on the execution and initial operation of the Project, including its cost, the performance by UWSCG of its obligations under this Project Agreement and the accomplishment of the purposes of the Loan.</p>		
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LA		Fielding of Consultants	No issues so far	Others
LA		<p>Section 4.03</p> <p>(a) The Borrower shall: (i) maintain, or cause to be maintained, separate accounts for the Project; (ii) have such accounts and related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; (iii) furnish to ADB, as soon as available but in any event not later than 9 months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the Loan proceeds), all in the English language; and (iv) furnish to ADB</p> <p>such other information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.</p> <p>(b) The Borrower shall enable ADB, upon ADB's request, to discuss the Borrower's financial statements for the Project and its financial affairs related to the Project from time to time with the auditors appointed by the Borrower pursuant to subsection (a) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB, provided that any such discussion shall be conducted only in the presence of an authorized officer of the Borrower</p>	<p>Records and accounts have been maintained.</p> <p>Loan Agreement for Tranche 2 has been signed in 1 December 2011 and no transactions have been made in 2011, no Audit opinion for FY 2011 for L2807GEO issued accordingly. New selection process is in progress.</p>	<p>Financials</p>

		unless the Borrower shall otherwise agree.		
	LA	Section 5.01 A date 30 days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.	Loan made effective on 19 December 2011 .	Others