

Strategic Procurement Planning Report

Project Number: 51132-002
June 2020

Georgia: Sustainable Water Supply and Sanitation
Sector Development Program

ABBREVIATIONS

ADB	Asian Development Bank
CQS	consultant's qualifications selection
EBRD	European Bank for Reconstruction and Development
FTP	full technical proposal
ICB	international competitive bidding
IFI	international financing institutions
IPC	International Procurement Committee of the UWSCG
IPD	International Procurement Division in the UWSCG's Procurement Department
IPMO	Investment Program Management Office
OCB	open competitive bidding
PIU	Project Implementing Unit
PMD	Project Management Department in the UWSCG
PPL	Public Procurement Law
QBS	quality-based selection
QCBS	quality- and cost-based selection
SBD	standard bidding document
STP	simple technical proposal
TOR	terms of reference
UWSCG	United Water Supply Company of Georgia
WB	World Bank

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SECTION 1: PROGRAM CONCEPT

Project Title	Sustainable Water Supply and Sanitation Sector Development Program
Country	Georgia
Executing Agency	Ministry of Regional Development and Infrastructure of Georgia (MRDI)
Implementing Agency	United Water Supply Company of Georgia (UWSCG)
Project Development Objectives	<p>The sector development program (SDP) comprises (i) a policy-based loan (PBL) to support the government's ongoing reforms of governance and institutions to strengthen the sector's performance and financial sustainability while ensuring funding for basic services during a period of severe fiscal constraints; and (ii) a project loan to improve the operational efficiency of UWSCG,¹ and to enable the government to reach rural populations.</p> <p>The SDP will be aligned with the following impact: living conditions and public health in Georgia improved.² It will result in the following outcome: WSS sector performance and financial sustainability in Georgia improved.</p>
Project Description	<p>The envisaged project will (i) rehabilitate critical infrastructure in Telavi to increase the provision of 24-hour water supply, reduce nonrevenue (NRW), and indirectly support the COVID-19 response; (ii) improve operation and maintenance (O&M) capacity for NRW reduction, energy efficiency, and wastewater management; (iii) develop a strategy and investment plan for rural WSS; (iv) strengthen project management and support advisory team for corporate restructuring ; and (v) increase public awareness of the importance of health, hygiene, sanitation, and water conservation.</p>
Description of Indicative Contract Packages	<p>Following packages are considered:</p> <p>CW1: Water supply network construction in Telavi</p> <p>EQ1: Equipment for Operations and Maintenance</p> <p>CS1: Telavi Works Supervision package</p> <p>CS2: Rural water supply and sanitation Master Plan</p> <p>CS3: O&M support</p> <p>CS4: Public awareness</p> <p>CS5: Project audit</p> <p>IPMO individual consultants</p>
Summary of the financing agreement	<p>ADB will provide a PBL of €115.31 million (\$130 million equivalent) and a project loan of €17.74 million (\$20 million equivalent).</p>

¹ UWSCG is a limited liability company established on 14 January 2010, and the state owns 100% of the shares.

Procurement Risk Categorization	The Program Concept Paper categorizes the project procurement risk as Category B
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SECTION 2: OPERATING ENVIRONMENT

A. Capacity and Capability Assessment of the Borrower

Strengths	Weaknesses
<ul style="list-style-type: none"> The company procurement system is capable and competent to conduct bidding process, evaluate and contract any procurement, including goods, works and services. The procurement and project management team has gathered the experience of ADB procurement processes and regulations by implementing the extensive Urban Services Improvement Investment Program (USIIP) program since 2011. The level of English is satisfactory for the staff involved in international procurement. The procurement team is experienced in using the e-procurement system. UWSCG is a strong player at the market in their sector and is very attractive buyer for the bidders as one of the biggest buyers. The Project Management Department (PMD) is well experienced in contracts management mostly for works signed under the ADB-financed USIIP program. There are no records of claims from contractors or late payments. 	<ul style="list-style-type: none"> The International Procurement Committee of UWSCG (IPC) is combining functions of procurement monitoring and implementation functions, which creates grounds for possible conflicts of interest. UWSCG does not have the procurement capacity building program. Procurement trainings in the IPC are only those provided by donors from time to time. The International Procurement Division (IPD) is not involved in the contracts management. IPD is not only administrating and implementing procurement actions. The IPD's staff as well as the individual experts are often acting as evaluators in evaluation of bids. There is no practice of a Declaration of Impartiality signing by members of evaluation teams. UWSCG is managing the projects procurement using individual national consultants engaged under the USIIP program. UWSCG's capabilities of international financing institutions (IFIs) projects management and procurement depend on consultants. UWSCG's procurement experience in consultant selection is small. In the last 3 years only one selection process is carried out.
Opportunities	Threats
<ul style="list-style-type: none"> Further strengthening of the public procurement system and UWSCG's procurement structures and expanding of the E-procurement for the tenders financed by IFIs is providing opportunities for UWSCG to improve effectiveness and transparency. Being one of the biggest players on the labour market in the sector, UWSCG 	<ul style="list-style-type: none"> Evaluation method of lowest price may not so attractive to high-end constructors. Local contractors' capacity is low. Local market is limited to attract substantially major international contractors/suppliers that consequently reduce innovation in the technologies offered.

<p>has access to local community of professionals for capacity building.</p> <ul style="list-style-type: none"> As one of the major purchaser/employers in the market sector, UWSCG has substantial bargaining power to attract all major suppliers potentially may reduce costs of procurement due to higher competition. 	
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B. Support Requirements

The review of the support requirements for the program is presented in the Appendix 3.

Procurement Capability and Capacity	<p>The Investment Program Management Office (IPMO) has been restructured in June 2020 for improved project and procurement management functions. Further support for IPMO is its international procurement expertise, as it currently depends substantially on individual consultants.</p> <p>The experience in the ADB's New Procurement Network is limited as tranches under USIIP has applied old Procurement Guidelines</p> <p>The procurement capacity building is needed on the New Procurement Network with specific provisions of value for money, quality, abnormally low bids, contract management etc.</p>
Experience in Implementing Similar Projects	<p>UWSCG has a substantial experience in implementing the projects financed by IFIs. Major funding agencies are ADB and EIB. The detailed information is provided in the Appendix 2: Procurement Data Sheet.</p> <p>Since 2011, UWSCG is implementing the ADB financed USIIP realised in 6 tranches with total amount not exceeding \$500 million. USIIP has the following components:</p> <ul style="list-style-type: none"> Component 1: Infrastructure Improvement Component 2: Institutional Effectiveness Component 3: Project Implementation Support
Contract Management Capability and Experience	<p>The project management functions are spread across different departments in the company. The PMD handles administration of ongoing contracts and serves as the main focal for sourcing projects information. The PMD in its international project management functions is supported by seven UWSCG staff (project coordinators) and nine individual consultants (legal, finance, engineer, environment, gender). Procurement functions are handled by the IPD with assistance of three individual national procurement experts (consultants). The design, construction supervision, and safeguards functions are handled by different departments. The current set-up of the IPMO is ineffective as information sharing between departments is not</p>

	<p>efficient and each work in silo. The setup of IPMO was reviewed and restructured for better coordination between IPD and PMD. IMPO should be responsible both the project management and project-related procurement.</p>
Level of Reliance on External Consultants	<p>For the implementation of USIIP, UWSCG has relied on external consultants for assistance in following areas:</p> <ul style="list-style-type: none"> • 3-year, performance-based management consultancy contract • Financial expert to improve asset and financial management, O&M, and commercial efficiency of WSS assets • UWSCG's business plan preparation • GIS mapping • Civil works supervision consulting services <p>In procurement and contracts management activities, the individual experts are assisting the UWSCG (3 procurement experts, 9 experts in legal, finance, engineer, environment, gender).</p> <p>The procurement capacity of UWSCG for international projects is mainly based on the services of individually hired experts under project (i.e., in the IPD and the PMD).</p>
Existence and Description of Complaints Management System	<p>Claims regarding implementation of bidding processes are treated by the Dispute Resolution Board (DRB), which was established in 2010. At any time during a procurement process, a bidder or other person who believed that procurement rules have been infringed, may comply to the contracting authority or the Public Procurement Agency (PPA). The contracting authority is appointing a committee to review the complaint under chair of the head of an authority. The results of a review will be submitted to the PPA, to the bidder and to a donor in case of donor-financed procurement.</p> <p>The Public Procurement Law (PPL) provides procedures for dispute resolutions. These provisions are also described in the contract provisions.</p> <p>PMD is using computer-based contracts management tools controlling the timing of delivery of goods or deliverables and timely contractual payments. Under donor-funded projects, no claim of late payment was recorded.</p>

C. Key Procurement Conclusions

After review of UWSCG procurement capacities and capabilities and the support needed for project implementation, the following conclusions have been made:

For implementation of ongoing projects, UWSCG is using external consultants in different fields including procurement and contracts management. Own expertise of IPD and PMD is insufficient.

Project management support through consulting services is recommended to be included in the project procurement plan.

Procurement of ADB funded projects under the ADB's New Procurement Framework is only started in UWSCG. UWSCG procurement specialists require training in procurement under new framework, including preparation of procurement plans, procurement of works and services

Procurement review procedures require further improvements. It will be expected that the IPC will appoint the evaluation team of UWSCG experts with qualifications and expertise relevant to the bid, when the review functions will remain with the IPC. The Procurement Manual shall be established, which will includes the provision of ethical requirement on the members of Bid Evaluation Committees, signing declarations of impartiality/no conflict of interest are required (PPL Article 8.4).

D. External Influences Analysis

<p>Governance</p>	<p>From legislative point of view, the WSS sector and UWSCG are regulated by the laws on taxes and tariffs, licences and permits, Water Law, and Environment protection legislation. Changes in these laws (such as changes in tariffs, charges for water pollution, water abstraction fees, licences fees) may have strong effect on the company's sustainability.</p> <p>The government of Georgia (government) has developed the National Environmental Action Program (NEAP). NEAP recognizes the ineffectiveness of the current centralised system of water resources management and calls for a shift to river basin management approaches.</p> <p>In general, the governance has been characterised as following:</p> <p><i>Government type and stability</i></p> <p>Georgia became a parliamentary representative democratic republic with a multi-party system following the first multiparty, democratic parliamentary elections of 28 October 1990. The government is the supreme body of executive power in Georgia that implements the domestic and foreign policies of the country. Political stability index of Georgia for 2018 is -0.43 points, which is lower than the world average but showing the improvement considering the period of last 10 years (-1.64 points in 1998 and a maximum of -0.31 points in 2016). For comparison, the world average in 2018 based on 195 countries is -0.05 points (source: World Bank).</p> <p><i>Regulation and rule of law</i></p> <p>According to the assessment, the state of Rule of Law in Georgia significantly increased from 2013 to 2014. However, from 2014 the picture was changed, and the level of Rule of Law in Georgia was continuously worsening. Although the evaluation slightly increased in 2018, it still has not returned to the same level of development as in 2014 (Source: The Institute for Development of Freedom of Information (IDFI) is a Georgian</p>
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	<p>non-governmental organization, the assessment is based on the World Bank's data).</p> <p>Regulatory quality index (-2.5 weak; 2.5 strong): For the period of 1996 to 2018 the index is steadily improving with a minimum of -1.01 points in 1996 and a maximum of 1.12 points in 2018. For comparison, the world average in 2018 based on 193 countries is -0.02 points.</p> <p>Levels of bureaucracy</p> <p>In 2018, Government Effectiveness in Georgia was assessed with a score of 74% with steady improving over the years while it was worsened in Georgia during the period of 2014-2015. However, since then the position of the country was steadily increasing and reached the highest score in 2018.</p> <p>Government corruption</p> <p>Control of corruption index (-2.5 weak; 2.5 strong) is improving within the period of 10 years with a slight decline since 2014, with a minimum of -1.53 points in 1996 and a maximum of 0.79 points in 2014. The latest value from 2018 is 0.71 points. For comparison, the world average in 2018 based on 193 countries is -0.04 points.</p> <p>Corruption Perceptions Index (100=no corruption) is steadily improving and substantially above the world average with a minimum of 18 points in 2003 and the latest value from 2019 is 56 points. For comparison, the world average in 2019 based on 177 countries is 43 points.</p> <p>Based on the latest assessment in 2018 Georgia received the highest score in Control of Corruption than in any other indicator. However, there has been regress in the direction as compared to the previous years. Instead of achieving progress the country was only able to return to the same level of fighting corruption as in 2014.</p> <p>State involvement in the economy</p> <p>In the World Bank's Doing Business (DB) 2020 report, Georgia remained one of the most business-friendly countries globally, ranked 7 out of 190 countries.</p> <p>The WSS sector governance includes variety of sectors and is dispersed among different state and regional authorities. Their influences are examined in the following chapter as a stakeholders' analysis.</p>
Economic	<p>The general economic situation in Georgia could be characterised as follow:</p> <p>The Georgian GDP expanded by 5.1% in 2019.</p>

	<p>The poverty rate responded to stronger growth, with the national poverty rate falling to 20.1% in 2018 after stagnating at 21.9% in 2017.</p> <p>Inflation increased to 7% by end-2019, well above the central bank's target of 3%, driven by the depreciation of the lari in the second half of the year.</p> <p>The current account deficit narrowed to roughly 5.1% of GDP in 2019 in response to robust growth in exports, tourism services, and remittances. On the financing side, net FDI inflows amounted to 5.6 % of GDP.</p> <p>Real GDP growth is projected to sharply slow to near zero in 2020 as the impact of COVID-19 adds to an already challenging external environment. This will be partly cushioned by a fiscal stimulus of roughly 2% of GDP, including higher capital and social spending, tax deferrals, accelerated value added tax refunds, and support for the businesses most affected.</p> <p>This will push the fiscal deficit to around 5.2% of GDP in 2020. The external balance is expected to widen sharply, as reduced tourism proceeds and remittances are only partially offset by shrinking imports as demand moderates.</p> <p>The economic and financial problems in the sector are identified and presented below.</p> <p>The household tariffs do not cover the actual current and capital expenditure of water utilities in particular depreciation and capital repair.</p> <p>There is a clear discrepancy between water production and water that is sold. There is a clear need to introduce metering policies for all types of consumers.</p> <p>Budgetary funds allocated for capital repair are not sufficient to cover capital costs, so there may be a good rationale for the growth of the budgetary funding.</p> <p>The ways of reducing amounts of nonrevenue water are:</p> <ul style="list-style-type: none"> • Rehabilitation of pipelines, systematic elimination of leaks; • Elimination of illegal connections and unpaid consumption; • Metering of all major connections; • Introduction, if necessary, of water consumption limits and application of higher (penalty) payment rates for above-the-limit water consumption.
Sustainability	Sustainable water supply systems should provide adequate water quantity and appropriate water quality for a given need,

	<p>without compromising the future ability to provide this capacity and quality.</p> <p>Sustainable water supply is a component of integrated water resource management, the practice of bringing together multiple stakeholders with various viewpoints to determine how water should best be managed.</p> <p>A water supply system will be sustainable only if it promotes efficiencies in both the supply and the demand sides. Initiatives to meet demand for water supply will be sustainable if they prioritize measures to avoid water waste. Avoiding wastage will contribute to reducing water consumption and, consequently, to delaying the need for new resources.</p> <p>On the supply side, it is fundamental to enhance operation and maintenance capabilities of water utilities, reducing nonrevenue water, leakages, and energy use, as well as improving the capacity of the workforce to understand and operate the system. It is also necessary to ensure cost-recovery through a fair tariff system and intelligent investment planning. In addition, all alternatives to increase the water supply must be analysed considering the entire life cycle.</p> <p>On the demand side, the adoption of water efficient technology can considerably reduce water consumption. Investments in less water intensive industrial processes and more efficient buildings lead to a more sustainable water supply. Concrete possibilities of economic savings, social benefits (such as the involvement of different sectors of society to reach a common objective, environmental awareness of the population, etc.) and a range of environmental gains make the adoption of water efficient technologies viable.</p> <p>Achieving of water utility sustainability will be provided by promoting the following principles:</p> <p><i>Transparency.</i> This concept proposes that by having an engaging environment within a company and within the community it operates will improve performance and increase profits.</p> <p><i>Stakeholder engagement.</i> This is attained when a company educates its employees and outside stakeholders (customers, suppliers, and the entire community) and move them to act on matters such as waste reduction, efficient water usage to reduce water consumption and energy efficiency.</p> <p><i>Thinking ahead.</i> Envisioning the future enables the generation of fresh ideas for implementation. These ideas can either reduce</p>
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	productions costs, increase profits, or provide a better image for the organization.
Technology	<p>ADB and other IFIs are supporting the rehabilitation of water supply networks, pumping stations, and water treatment plants with proven technologies.</p> <p>Further, the focus has to be placed on innovations technologies in water supply management. Within USIIP, the GIS mapping of water supply networks has been developed. Further efforts are needed for water metering on all levels of water supply networks. UWSCG is sufficiently equipped with computers. Internet and mobile networks are appropriately accessible over the system. Further modernisation of management, technical control and technical data collection requires additional equipment for the main control center of the company.</p> <p>The public e-procurement system GE-GP is operating since 2010. All procurement under state budget, UWSCG has been conducting through the national e-procurement system.</p> <p>With support of IFIs and international development agencies, the government was enhancing the GE-GP system to be used for procurement in projects funded by IFIs. In 2014, a separate module in the GE-GP system was created for conducting bids financed under the World Bank for civil works/goods under the NCB procurement method. In 2016, EIB started to use the GE-GP system for its local procurement.</p> <p>ADB has conducted an assessment of the system and approved using the system for NCB contract (with Donor Module) in 2017. In June 2020, ADB has further approved to use GeGp for Procurement of goods, works, and services for RFQ and Open Competitive Bidding with national or international advertisement using Single Stage One Envelope (1S1E) in ADB financed projects ..</p>

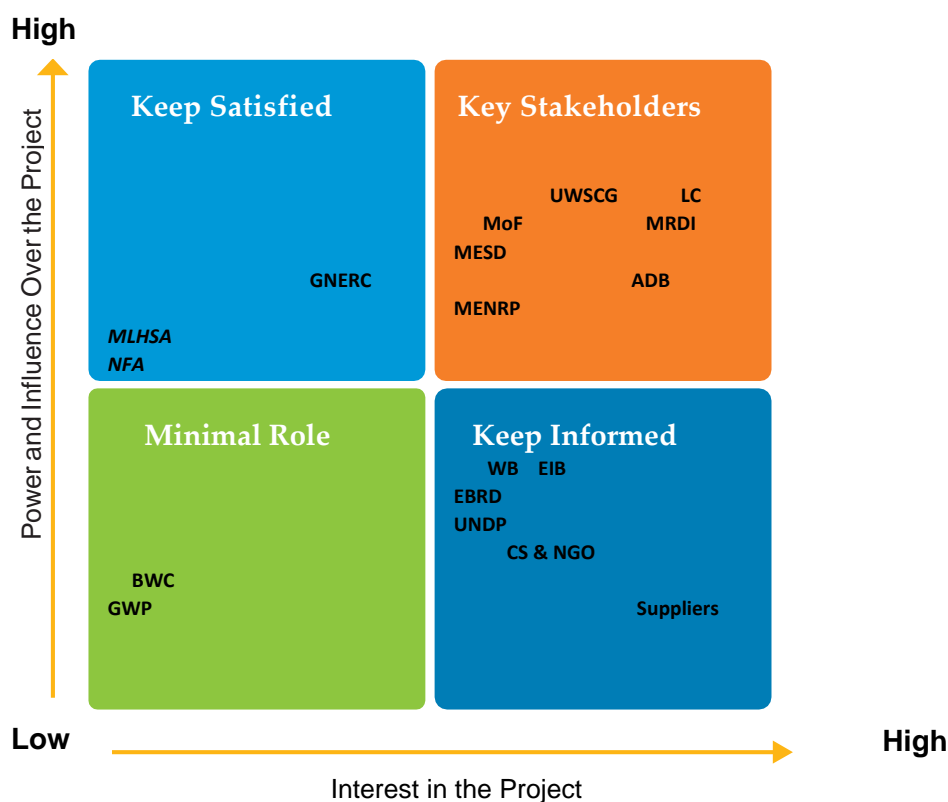
E. Key Procurement Conclusions

The environment is attractive to bidders. Good competition can be expected.

To support achieving the goal of sustainability, strong support from consultant are required to introduce best international practice and do the capacity building on operation and maintenance . terms of reference (TOR) should be carefully developed.

F. Stakeholder Analysis and Communication Plan

Figure 1. Project Stakeholders Map



During the technical assistance assignment, the internal and external stakeholders of the project have been identified and mapped. Most of them are listed below.

The Ministry of Regional Development and Infrastructure (MRDI) is responsible for policies, programs and regulations for the infrastructure of water supply, sanitation and flood protection.

The Ministry of Economy and Sustainable Development (MESD) is a ministry of the government of Georgia in charge of regulating economic activity in the country. The main functions of the ministry are to provide incentives for economic growth in the country utilizing an effective economic policy.

The Ministry of Finance of Georgia (MoF) is a governmental agency within the Cabinet of Georgia in charge of regulating the financial sector in the Republic of Georgia.

The Ministry of Environment and Natural Resources Protection (MENRP) is currently the major official body responsible for sustainable management of water resources. However, some functions related to water management are devolved to various other national and local authorities, and public and private organizations.

MENRP is responsible for developing national policies for water resources management, related legal and regulatory frameworks, river basin planning, issuing environmental permits, etc. It is

also responsible for implementing the policies, assuring compliance with environmental legislation, issuing licences for groundwater abstraction, monitoring of surface and groundwater quantity and quality, collecting statistical information on water uses and wastewater discharges, etc.

Georgian National Energy and Water Supply Regulatory Commission (GNERC) is an independent Agency reporting to the Parliament and the President. Its responsibilities in the water sector are:

- regulate the activities of the licensees, set licensing rules and conditions for water supply sector;
- develop and approve the charter of administrative proceedings, the procedural rules for dispute resolutions, the calculation rules and amounts of regulatory fee, the rules of supply and consumption, tariff methodology, tariffs (including marginal tariff), the calculation rules and amounts of normative losses;
- set and regulate the tariffs for drinking water supply, pass through, sewerage;
- set connection fee for a new consumer on water supply systems;
- solve disputes among licensees,
- define consumption norms for drinking water
- enhance effectiveness of water supply activity.

The Ministry for Labour, Health and Social Affairs (MLHSA) establishes environmental quality standards, including those for drinking water, bathing water groundwater and coastal waters.

The Ministry of Agriculture through its National Food Agency (NFA) has been responsible since 2006 for the monitoring and state control of drinking water quality across the country. The water supply companies, on their side, have their own laboratories for conducting self-monitoring of drinking water quality, and implement their monitoring plans autonomously.

The management of water supply and wastewater drainage systems is exercised by three companies, with different territorial responsibilities.

United Water Supply Company of Georgia (UWSCG) founded under the MRDI with partnership of the MESD in 2010 and provides water supply and sanitation services throughout the country in urban settlements excluding Tbilisi metropolis. In Tbilisi, the water supply is provided by the "Georgian Water and Power" private company (GWP) and the Autonomous Republic of Adjara, Batumi Water Company. UWSCG is 100% state-owned and provides services to more than one million people and more than 5,000 industrial and commercial customers.

International development partners: World Bank (WB), Asian Development Bank (ADB), European Bank of Reconstruction and Development (EBRD), European Investment Bank (EIB), United Nations Development Program (UNDP).

Other stakeholders include local communities (LC) in project areas as beneficiaries, civil society, media and nongovernment organisations (CS & NGO), prospective suppliers of goods, works, and services for the project (S).

G. Stakeholder Communication Plan

Stakeholder Name and Role	Interest in the Project	Support and Influence Level	Objections, Drivers, Needs, and Levers	Action	Responsible, Accountable, Consulted, or Informed	Communicate What, When, and How?
UWSCG	Implementing agency	project champion decision maker	Objective is to eradicate issues in regards of Water Supply and Waste Water Treatments and provide Georgia with 24 hour water and waste water supply	UWSCG manages the whole cycle of procurement and projects since this is the main scope of the company;	accountable	Face to face and official communication at least weekly
The Ministry of Regional Development and Infrastructure (MRDI)	executing agency	project champion decision maker	Issues in regards to the water supply and waste water infrastructure;	MRDI determines Project scopes; MRDI is the main beneficiary of the final product. Project shall respond to its final objectives;	responsible	Face to face and official communication are regular at least weekly on different levels
The Ministry of Economy and Sustainable Development (MESD)	Coordinator of Construction Issues	Supporter-neutral gatekeeper	Construction permits	Thoroughly prepare applications for permits Apply for permits	consulted	official communication monthly
The Ministry of Finance of Georgia (MoF)	neutral	Supporter influencer	Keep financial records and reports regularly updated	Signs financial agreements with IFIs and arranges ratification of PPs	consulted	official communication monthly
The Ministry of Environment and Natural Resources	Coordinator of Environment Issues	Supporter-neutral gatekeeper	Environment Permits	Keep the stakeholder informed regarding	consulted	official communication monthly

Stakeholder Name and Role	Interest in the Project	Support and Influence Level	Objections, Drivers, Needs, and Levers	Action	Responsible, Accountable, Consulted, or Informed	Communicate What, When, and How?
Protection (MENRP)				environment issues.		
Asian Development Bank	sponsor	Supporter influencer	International partner of the Government of Georgia in sustainable development of Georgia	Review project documents Finance the project	responsible	Regular communications mostly via e-mail
International Financing Institutions (WB, EIB, EBRD, UNDP)	Supporter	Supporter follower	International partners of the Government of Georgia in sustainable development of Georgia	Coordination of activities in water sector of Georgia	consulted	Monthly communications mostly via e-mail
Local Communities	beneficiary	Supporter influencer	Local permits	Coordination of activities in local areas	consulted	Media, meetings and face to face and e-mail Monthly
Suppliers	Potential bidders	Supporter follower	Drivers – to be successful bidder in the International Tenders	Performs works according to contractual requirements and national regulations and standards	informed	Regular via Media and e-mail
Civil society, media and nongovernment organisations (CS & NGO)	Neutral	neutral influencer	Monitor project implementation process and disseminate information about the project	Keep informed about the project progress Coordinate society activities	informed	Regular communication via e-mail, meetings and face to face

H. Key Procurement Conclusions

The Project key stakeholders have been identified during the assignment. Their roles and the communication plan are established. Main stakeholders are in favour of the project or at least neutral. No critically or negatively oriented stakeholders are identified. Full coordination with other IFI will be required to ensure consistency in the approach, especially on capacity building and training tasks.

SECTION 3: MARKET ANALYSIS

A. Porter's Five Forces

Competitive Rivalry	<p>Since 2011, UWSCG is implementing USIIP financed by ADB. During implementation of the program, the tenders similar to the Project's scope (rehabilitation of water supply networks, pumping stations and chlorine stations) have been conducted plus tenders under the state budget and those financed by other IFIs.</p> <p>It was found that there are at least 8 to 10 foreign companies who are presented on the local market and are participating in the tenders under international competitive bidding (ICB) procedure and announced by UWSCG providing sufficient competition among bidders. In NCB tenders 5 to 7 national bidders compete with each other. Their size and qualifications would not allow to participate in ICB tenders as stand alone, apart of 1-2 bidders who are big enough to take ICB tender of smaller size. However, national companies are often participating either as partners in joint ventures or as sub-contractors.</p> <p>The entry as well as exit barriers are relatively low so it might increase competition among bidders.</p> <p>The expected procurement package in civil work are of low risk. Therefore, experience in the country or region are not critical for successful implementation of contracts. The country political landscape is stable and will not influence on the suppliers' desire to bid.</p> <p>The substantial part of the program's funds is allocated to consulting services (more than 40% of the total program's amount). The major consulting packages are: construction supervision, preparing rural water supply and sanitation master Plan, O& M support and capacity building, \and project audit.</p> <p>Under the USIIP program the UWSCG's has experience in procurement of the different consulting services including supervision services and capacity building, water supply and sewerage management system, financial management and accounting system, O&M, public awareness and GIS mapping.</p>
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	<p>Most of services have been procured by using QCBS method and creation of a shot list at the first stage. The exercises of shortlisting conducted under the ADB's rules on selection of consulting services have demonstrated that the consulting firms around the world (Korea, Japan, Turkey, Germany, France, Spain, Belgium etc) have been interested in the providing of required services. The longlists consisted of 10-15 companies. There is number of reputable international consulting companies who has opened offices in Georgia actively participating in the national projects.</p> <p>The eligibility of bidders from other countries is limited only by the ADB's eligibility policy and it provides sufficient competition among bidders. There are no countries in favourable position.</p> <p>The steady growth of a WSS sector and number of consumers under UWSCG's areas create additional attractiveness to bidders.</p> <p>There are low levels of differentiation and the bidding costs are not expected to be significant.</p> <p>The outbreak of COVID-19 is expected to delay all procurement processes especially where personal interconnections are needed such as bids evaluation, formal procedures to sign contracts and obtain permits etc. However, national procurement biddings are managed through the Ge-GP e-procurement system. Therefore, usage of computerised in and internet features will allow to manage bidding processes mostly distantly.</p>
Bargaining Power of Buyers	<p>In the market sector, UWSCG has high purchasing volumes and being one of the major purchaser/employers in the market sector the company has substantial bargaining power to attract all major suppliers what potentially may reduce costs of procurement due to higher competition.</p> <p>UWSCG has many alternative sources of supply as the goods, works, or services are not differentiated between the potential bidders.</p> <p>The planned procurement spending in the project is mainly for low-risk, high-value contracts, what will be a large proportion of the project costs. This will allow the implementing agency to leverage the market.</p> <p>UWSCG has low switching costs so is not bonded strongly to any supplier/manufacturer.</p> <p>UWSCG has considerable market intelligence and understanding.</p> <p>The reputation of UWSCG as a buyer is relatively strong as no late payments have been recorded in last five years.</p>

	<p>The length of procurement processes is substantially reduced since the introduction of the national e-procurement system.</p>
Bargaining Power of Suppliers	<p>The source of supply is relatively balanced as experience is showing that number of contractors is quite wide. Therefore, from this point of view the bargaining power of suppliers is limited.</p> <p>The switching costs for the borrower in the market are at a moderate level, so it should not create additional concerns on competition among bidders.</p> <p>The power of construction contractors (main components of the procurement scope) is low, as there is greater competition and many potential sources.</p> <p>There are not potential constraints on construction materials and equipment as these are not of highly specialised nature.</p> <p>The bargaining power of consulting services providers is moderate. Most of packages are announced internationally. The entry barriers are low. Georgia is considered as one of attractive country for foreign investments. The market is low by size but still many consulting companies are showing high interest in projects in Georgia. The competition for the consulting packages announced under the USIIP program was high.</p>
Risk of New Entrants	<p>The previous experience under USIIP in civil works shows that at least 10 bidders have participated in bids. Among potential bidders for civil works packages, there is no one who dominates on the market.</p> <p>Even with requirements of specialist skills and to have experience of similar projects there are not significant barriers to entry into the market.</p> <p>The capital requirements to bid on projects are relatively moderate.</p> <p>There are no economies of scale since each procurement package is relatively small.</p> <p>It is not expected that there would be any constraints due to proprietary technology what is already being used.</p> <p>Supply chains are not long and there are no suppliers who will control it creating barriers to entry.</p> <p>It is not expected any retaliation from existing suppliers, as they do not have a power to prohibit entry or make entry too difficult and costly.</p>

	The legislation of Georgia is considered as business-friendly so it is not expected state intervention, which can severely inhibit or prevent companies entering a local market.
Risk of Substitutes	<p>No new alternative technologies or construction methods are expected, so substitutes are not really available.</p> <p>The cost of switching from an existing technology, method, or material is less than the benefits received from the alternative.</p>

B. Key Procurement Conclusions

After conducting the market analysis using the Porter's five forces method the following has been concluded:

The UWSCG is on a preferable position on the market with a substantial bargaining power to attract possible contractors and consulting firm to bid. The competition among bidders/firms is expected to be sufficiently high to get a competitive contract from point of view of money and quality under normal circumstance. However, due to the outbreak of COVID-19, the competition may be affected due to the concerns of international firms on the uncertainty of implementation.

The risk of delay on procurement is expected to be mitigated to some extent by using GeGP to facilitate the bidding process, however the implementation will be an issue.

Due to limited capacities of national contractors, it is recommended to conduct open competitive bidding with international advertising with threshold established at the level of \$5 million and above for works.

C. Supply Positioning

The main procurement packages what are described in the Section 1: Project Concept and in the Appendix 2. Procurement Plan have been assessed from point of view of the Supply Positioning and taking into account the Pareto principle.

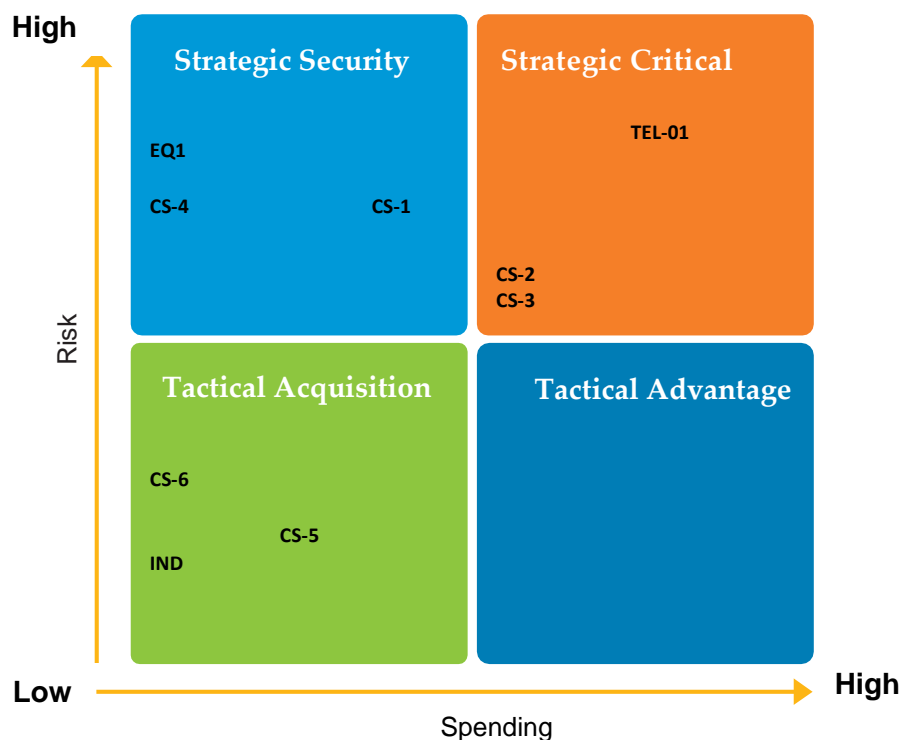
The Supply Positioning method is applied by using the Pareto principle, placing the top 80% of project spending, by value, in the two right-hand quadrants and the bottom 20% in the two left-hand quadrants. All contract packages and lots within a project are positioned within four categories:

- Tactical Acquisition
- Tactical Advantage
- Strategic Security
- Strategic Critical.

The internal and external risks that the UWSCG may face during each contract and lot implementation have been evaluated taking into account: economic volatility, environmental considerations, the UWSCG's capacity and capability, procurement lead time, safety requirements, dependency on the supplier, ethical procurement issues, sustainability and market capacity.

Positions of every procurement package are shown on the Figure 2. Supply Positioning Method.

Figure 2. Supply Positioning Method



D. Key Procurement Conclusions

The Project Procurement Risk is considered to be **Category B**

The supply positioning analysis of procurement packages for the Project shows that TEL-01 and CS-2 and CS-3 packages are within the category of “Strategic Critical” as they have significant impact on the achievement of project outcome and their value is comparatively high, so both quality and cost are important for these packages, therefore, the procurement strategy for these packages will be using OCB internationally advertisement, maximizing the competitive nature of the market, developing strict quality evaluation criteria.

For contracts CS-1 and CS-4 and EQ1 are categorized as “Strategic Security” since they have impact on the success of the project while their value is comparatively low. Procurement strategy emphasizing risk reduction on and quality control.

For CS-5 and CS-6 and individual consultant packages are categorized as “Tactical Acquisition” since they comprise a relatively low spend and low risk. Strategy can be considered to lowest cost meeting minimum requirement.

E. Supplier Preferencing

We have used the Supplier Preferencing tool to identify how a potential bidder may find the project attractive, and how they are likely to behave during a procurement contract and contribute to fulfilling the project's development objectives.

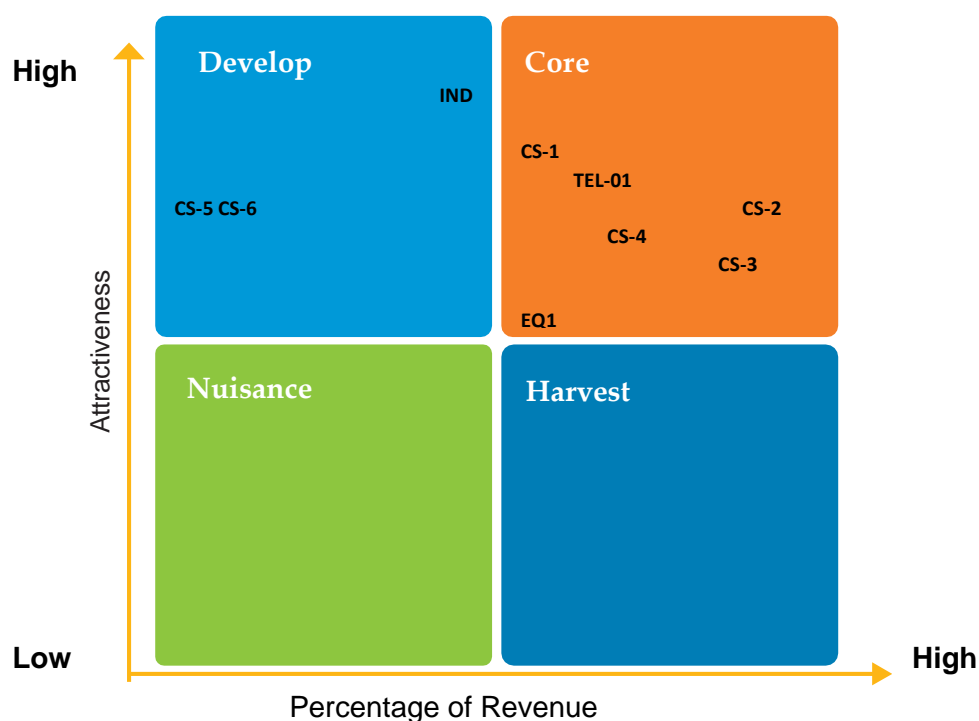
The tool considers two criteria to position the supplier's perspective: contract value and contract attractiveness. Value is considered in terms of its proportion of the supplier's annual revenue. Generally, the higher the proportion of this figure, the more motivated the supplier will be to be involved in the bidding process. The second criterion is attractiveness, which can indicate the likely motivation and willingness to bid and to fulfil the objectives.

By assessing the project environment, the following characteristics have been identified that making the project more attractive:

- Contracts under the UWSCG's procurement scope provide sufficient level of profitability;
- Good contract management processes in the company;
- Transparent complaints handling by the company and the Dispute Board;
- Reliable payment processes and Efficient customs processes;
- Security in country and the stable government with reduced level of bureaucracy;
- Business growth opportunities.

Depending on contracts attractiveness and percentage of revenue the suppliers are place among four quadrants on the Figure 3. The possible suppliers are referred as per the contract packages reference numbers.

Figure 3. Supplier Preferencing Tool



F. Key Procurement Conclusions

By using the Supplier Preferencing tool, it was projected that the project will be considered as attractive for the potential suppliers. The develop of Water sector in Georgia is a large potential and good market for different kinds of suppliers. Suppliers most probably will nurture strong relationships with the Implementing Agency, they will perform well and provide incentives.

SECTION 4: RISK MANAGEMENT

The project procurement risk assessment risk register is prepared using the data elaborated in the project procurement-risk assessment and management plan report prepared by the Procurement Expert and presented earlier.

Project Procurement Risk Assessment Risk Register

Risk Description	Likelihood (L) (1–5)	Impact (I) (1–5)	Risk Score (L x I)	Proposed Mitigation	Risk Owner
Organizational and Staff Capacity					
Procurement Staff capacity to undertake the additional procurement that will be required under the proposed project.	3	2	6	It is advised to extend contracts of national experts to assist the UWSCG in the coming project	ADB and Borrower
Lack of the procurement capacity building program in the UWSCG	2	2	4	Under the technical assistance, the procurement capacity building program will be developed. Such a program could be further used to develop a UWSCG's training program.	Borrower
Quality of technical requirements in bidding documents	2	2	4	The technical assistance consultants are assisting the UWSCG in developing of the technical requirements for the bids under the program's scope. Further the restructured IPMO will be responsible for any additional technical requirements preparation.	ADB and Borrower
The IPD has limited experience in selection of consultants	3	2	6	The Investment Program Management Office (IPMO) will be re-structured what will be staffed with experienced and qualified staff.	ADB and Borrower
Information Management					
Allocation of adequate resources to records keeping infrastructure, which including a record keeping system, space, equipment and personnel to administer the	2	2	4	The company's head office is considered to be moved in new office where the space will be sufficient	Borrower

Risk Description	Likelihood (L) (1–5)	Impact (I) (1–5)	Risk Score (L x I)	Proposed Mitigation	Risk Owner
procurement records management functions within the agency.					
Procurement Practices					
The UWSCG's limited experience in procurement under the ADB's New Procurement Framework	2	2	4	Further training program on ADB New Procurement Framework will be conducted with assistance of ADB	ADB and Borrower
Delays in bidding processes	3	2	6	Procurement Manual / Instructions to be prepared to include targeted time for different steps in procurement processes and how to monitor and manage it. The IPMO has been restructured. All ADB-financing project management will be handled under IPMO.	Borrower
Delays in evaluation of bids	3	2	6	Procurement Manual / Instructions to be prepared to include targeted time.	ADB and Borrower
Low quality of goods supplied/ works performed	3	2	6	Contract Management Plan are required before the signing of the contract.	Borrower
Delays in contracts implementation due to problems with contracts management	3	2	6	Contract Management Plan are required before the signing of the contract The IPMO has been restructured. All contract management issues will be handled in one place by qualified IPMO's staff. The setup of IPMO should give further consideration of better coordination between IPD and PMD Suggest the Head of IPMO should be responsible for procurement and contract management.	Borrower
Accountability Measures					
The accountability management system is not sufficiently developed in the company	3	2	6	The PAM will address this issue and ADB Procurement Complaint System will be used.	Borrower

I = impact, L = likelihood.

SECTION 5: PROCUREMENT STRATEGY OPTIONS ANALYSIS

The analysis of possible procurement options for major packages in the program' scope was conducted, and the results are provided below.

A. Rehabilitation and Upgrading of Water Supply System in Telavi

Option	Rationale
Advancing Contracting	The water supply system in Telavi is in a critical condition and require urgent rehabilitation. Due to difficult economic situation in the country and lack of proper financing of the water supply sector in previous years and no adequate maintenance was provided the water supply system in the city. To cut the total time of the bidding process it is recommended to undertake advance contracting for construction of water supply system in Telavi and construction supervision consultant is pro
OCB with national or international advertising	<ul style="list-style-type: none"> OCB with national advertising It might reduce the total bidding time It will support the development of national market OCB with international advertising It might increase the competition what will lead to lower prices The local contractors do not have sufficient qualifications to implement contracts of such size
Use of substantially responsive and lowest price evaluation criterion	The substantially responsive and lowest price evaluation criteria is a best option as this is a simple procurement of water supply system
1S1E or 1S2E bidding procedure	The rehabilitation and upgrade of water system is an essential works package. The UWSCG has got the experience in bidding of such type of works. The technical requirements are expected to be well developed and designed. The risks related to the system design are low. Therefore, the 1S1E bidding procedure is more preferable as it will consume less time however still providing sufficient quality of the bidding process.

B. Procurement of Equipment for Operations and Maintenance

Option	Rationale
OCB with national or international advertising	<ul style="list-style-type: none"> OCB with national advertising It might reduce the total bidding time It will support the development of national market OCB with international advertising It might increase the competition what will lead to lower prices The local suppliers might not have sufficient qualifications to implement contracts of such size
Splitting the package in lots	It might be difficult to find bidders able to implement the whole scope of the package. Split the package into lots based on the technical nature of equipment might attract more bidders as it will better corresponds to their field of supply.

C. Selection of Construction Supervision Consultant

Option	Rationale
International or National	The local consulting companies do not have sufficient qualifications to implement contracts of such size.
QCBS or CQS	<ul style="list-style-type: none"> • CQS Routine type of consulting services Qualifications of companies are less important than qualifications of team's experts It will reduce time for selection what is critical for this package as the main civil works contract is under advancing contracting • QCBS It increases better quality of the proposal It attracts consulting firms with high qualifications as the technical score is preferably weighted It will require longer time.
FTP or STP	This option has to be considered if the QCBS method is selected. For such packages where the importance of previous companies' experience is low and no critical innovations are expected in proposed methodologies it is recommended to use STP format for proposals.

D. Selection of other consulting services packages

(CS-2: Rural Water Supply and Sanitation Master Plan, CS-3: O&M Support, CS-4: Capacity Building and Training)

Option	Rationale
International or National	The local consulting companies do not have sufficient qualifications to implement contracts of such size.
QCBS or QBS	<ul style="list-style-type: none"> • QBS It is an essential selection method when the services are highly sophisticated, and the TOR is not developed in detail. It attracts high qualifications consultants as the price is not a selection factor There is a high risk of exceeding the allocated budget. • QCBS The TORs will be developed in detail providing the thorough description of tasks, outputs, deliverables, milestones and performance monitoring tools It provides sufficient quality of the proposal It requires firms to pay attention the proposal's budget, what may lead to more competitive price and reduce costs of services
FTP or STP	The level of technical complexity of the required services is comparably high. The qualifications of firms are important. The proposed methodologies and approaches could be critical for the success of the contracts. Therefore, it is recommended to use FTP format for proposals.

E. Scoring of Procurement Options

Strategic Options Description	Feasibility (1–10)	Suitability (1–10)	Acceptability (1–10)	Overall (3–30)
TEL-1: Water supply network extension in Telavi with OCB local advertising	3	5	3	11
TEL-1: Water supply network extension in Telavi with OCB international advertising	8	8	8	24
TEL-1 lowest cost with quality control evaluation	8	9	8	27
TEL-1 life cycle costs based evaluation	5	4	4	14
TEL-1 under 1S1E bidding procedure	8	9	9	26
TEL-1 under 1S2E bidding procedure	5	5	5	15
EQ1: Equipment for O&M with OCB local advertising	5	5	6	16
EQ1: Equipment for O&M with OCB international advertising	9	8	8	25
EQ1: Equipment for O&M as a single lot	4	5	5	14
EQ1: Equipment for O&M as multiple lots	7	8	8	23
Construction Supervision Consultant under national selection	4	4	4	12
Construction Supervision Consultant under international selection	9	9	9	27
Construction Supervision Consultant with QCBS	4	5	6	15
Construction Supervision Consultant with CQS	9	8	8	25
Construction Supervision Consultant with FTP	6	6	6	18
Construction Supervision Consultant with STP	9	9	9	27
CS-2, CS-3, CS-4 consulting packages under national selection	4	4	4	12
CS-2, CS-3, CS-4 consulting packages under international selection	9	9	9	27
CS-2, CS-3, CS-4 consulting packages with QCBS	9	9	8	26
CS-2, CS-3, CS-4 consulting packages with QBS	7	7	6	20
CS-2, CS-3, CS-4 consulting packages with FTP	9	9	9	27
CS-2, CS-3, CS-4 consulting packages with STP	6	6	7	20

SECTION 6: PROCUREMENT STRATEGY SUMMARY

After conducting the technical survey and identification of key areas where efforts of the new project to be concentrated, the strategic procurement planning exercise has been conducted and the procurement strategy has been developed.

For civil works packages it was decided to use Open Competitive Bidding (OCB) method with international advertising.

For all consulting services packages except CS-5 and CS-6, OCB advertised internationally will be used.

For packages of goods will be procured using OCB method with international advertising. The QCBS selection method will be used as a major selection method for consulting services. For CS-1 and CS6 , these contracts are of routine nature where the consultants' qualifications are more important than innovative technologies. Costs of these services are relatively stable and not excessively high. For CS-1 ,the time for selection of consultants is limited as the main civil works contract is under advancing contracting. Therefore, the CQS selection method will be used

For CS-6 , least-cost selection (ICS) will be used as it is standard assignment of low value, where well-established practices and standards exist.

A. Procurement Packaging and Scheduling

The following procurement packages have been created and will be announced separately:

Goods and Works

Package Number	General Description
CW1	Water supply network construction in Telavi
EQ1	Equipment

Consulting Services

Package Number	General Description
CS-1	Telavi Works Supervision package
CS-2	Rural water supply and sanitation Master Plan
CS-3	O&M support
CS-4	Public awareness
CS-5	Project audit

B. Procurement Method

For goods and works packages, Open Competitive Bidding (OCB) with international advertising will be used.

For consulting services packages, depending on the nature, complexity and the value, both OCB international and OCB national advertising and different selection methods will be used. For Construction supervision consultant , Rural water supply and sanitation master plan , O&M support , Capacity building , OCB with international advertising will be used , of which, except for the package for Construction supervision consultant using CQS , other packages will use QCBS with Quality -Cost ratio of 90:10 and Full Technical Proposal (FTP). For Public awareness OCB national advertising (CQS) will be used. For Audit, OCB national advertising (LCS) will be

used. Individual consultant selection will be used for other packages. An estimated 542 person months (162 international, 380 national) of consulting services are required. All contract should be advertised in the ADB website.

C. Prequalification

As the packages for works are of a relatively small size and of ordinary nature the prequalification procedure is not envisaged. For every bidding process a post-qualification will be conducted during bids evaluation.

D. Bidding Procedures

All procurement packages for goods and works are of a relatively small size and of ordinary nature. Therefore, the single-stage–one-envelope bidding procedures will be used. Single-stage-two-envelope bidding procedure will be used for consulting services packages for firms.

E. Review Requirements

All procurement packages using OCB with international advertising will be subject to ADB prior review.

In case if the Procurement Plan will be amended during the project implementation new procurement packages will be introduced the review requirements will be established at the time of the Procurement Plan update with review by ADB.

All consulting services packages will subject to prior review.

F. Standstill Period

There are no Standstill Period in the government Public Procurement Law, so it will not apply for this project. The ADB complaint system will be used for all procurement packages of the program. It allows bidders to complain at any time of the bidding process.

G. Standard Bidding Documents and Contract Forms

During implementation of the USIIP program the UWSCG was using ADB SBD (Large Works) for all civil works contracts under international advertising. The company has gained substantial experience in applying these SBD what are well balanced and provide sufficient details for bidding process and contract management. Therefore, for works package ADB SBD for Works (Large contracts) will be used.

For goods packages ADB SBD for Goods will be used.

For consulting services packages for firm ADB standard RFP will be used. Lumpsum contract will be used for all consulting services packages except for the construction supervision package.

H. Pricing and Costing Method

For all Works packages, admeasurement pricing method (unit prices or unit rates in a bill of quantities) will be used. In case if duration of contracts will exceed 18 months the contract price will be adjustable.

For all Goods packages, unit price will be used.

For consulting services packages, Lumpsum contract will be used except that construction supervision package will use time-based contract.

I. Evaluation Method

The Goods and Works packages under the project are simple and straight forward.

So, the Evaluation method will follow the instructions provided in the User's Guide for SBD to ensure that only a bidder with the appropriate qualification, financial, and technical capacity to successfully perform the contract is awarded the contract without any excessive criteria which may lead to decrease of competition.

Evaluation criteria will be established to reflect the requirements of the assignment and the most critical supplier characteristics that are key to the delivery of desired contract outcomes, as described in the technical requirements and specifications.

A domestic preference scheme for goods should not applied.

For Works package, the evaluation of abnormally low bids will be according to the procedures and methodology provided in the ADB's Guidance Note on Abnormally Low Bids and the provisions in the SBD.

J. Contract Management Approach

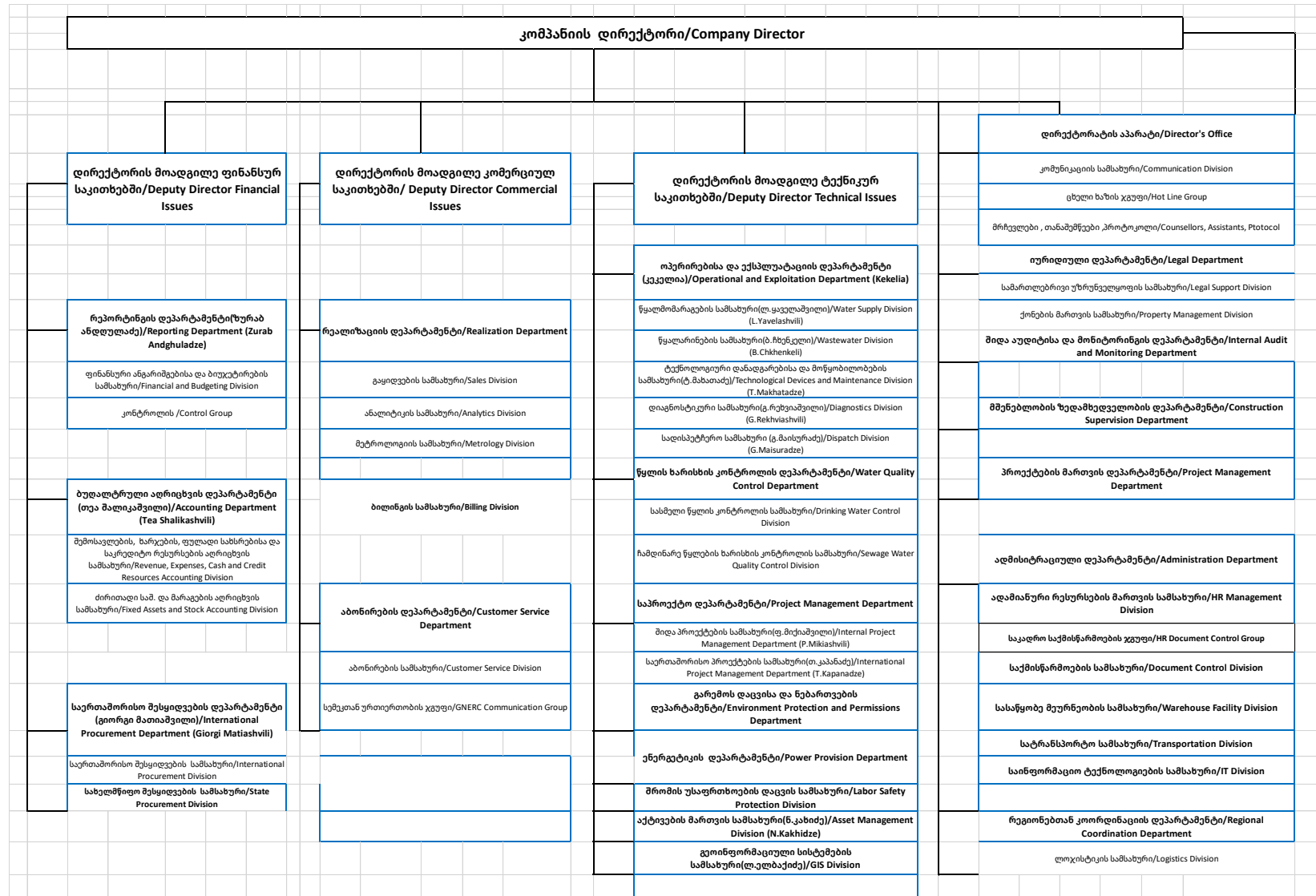
As the ADB Contract Management Guidance Note on Contract Management states - contract management increases the likelihood that the contractor will meet the project requirements, helping to realize the VFM available at the time of contract award; and contract management lowers risk in contract implementation, improving the probability that the expected VFM will be achieved.

Effective contract management requires systematic and efficient planning, execution, monitoring, and evaluation to optimize performance while managing risks to ensure that both parties fulfil their contractual obligations with the ultimate goal of achieving value for money and results.

Prior to a contract award, contract management plan will be prepared. It is considered that the complexity, value, risk, and scope of major procurement packages are as simple and low-value contracts. For such case, a contract management plan will include:

- key roles and responsibilities,
- key contractual dates and delivery milestones,
- budget and payment milestones, and
- record-keeping requirements.

UWSCG'S ORGANIZATIONAL STRUCTURE



PROCUREMENT DATA SHEET

INTERNATIONAL PROCUREMENT DIVISION OF THE UWSCG'S PROCUREMENT DEPARTMENT

Note: (i) Contract information should be taken from last 2 to 3 years as described in paragraph 10(i); (ii) Source of data may be expanded to include contracts financed by the government or from other sources; (iii) Information in these tables will be extensively used in this assessment, particularly for setting ICB, NCB and prior review thresholds

DATA AS:

Table 1.1 Procurement Thresholds and Procurement Methods

Description	Country Thresholds		Number of Contracts						
	ICB Goods	ICB Works	ICB Goods	ICB Works	NCB Goods	NCB Works	Shop.	Direct Contract	Total
Water/Urban	1 mil	5 mil	1	11	1				

Table 1.2 Total Contracts*

Description	Contracts	
	Number	Value (Eqv. USD)
Water/Urban	13	158 mil

*Based on consolidation of Table 1.3 through Table 1.5

Table 1.3 Goods Contracts**

Description	Total Goods Contracts			Number of contracts whose value is (in equivalent USD)				
	Number	Value (Eqv. USD)	Average Contract Value (Eqv. USD)	less than 1 million	from 1 million up to 2 million	from 2 million up to 5 million	from 5 million up to 10 million	more than 10 million
Water/Urban	1	0.5 mil	0.5 mil	1				

Table 1.4 Works Contracts**

Description	Total Works Contracts			Number of contracts whose value is (in equivalent USD)				
	Number	Value (Eqv. USD)	Average Contract Value (Eqv. USD)	less than 5 million	from 5 million up to 10 million	from 10 million up to 15 million	from 15 million up to 25 million	more than 25 million
Water/Urban	11	157 mil	43 mil		6	2	1	2

Description	Total Consultant Contracts			Number of contracts whose value is (in equivalent USD)				
	Number	Value (Eqv. USD)	Average Contract Value (Eqv. USD)	less than 400,000	from 400,000 up to 3 million	from 3 million up to 5 million	from 5 million up to 10 million	more than 10 million
Water/Urban	1	0.5 mil	0.5 mil		1			

Table 1.5 Consultant Contracts**

** No contracts have been processed yet by using e-procurement system.

Table 1.6 Contract Variations

Description	Total Contract Variations		Original Contract plus all variations			Contracts with value +/- 10% PC Threshold		
	Number	Value	Number	Value	% Active Portfolio	Number	Value	% Active Portfolio
Water/Urban								

Table 1.7 Efficiency

Description	Elapsed Time to contract award*			
	PC	ICB	NCB	Shopping
Water		5–6 months	3 months	

* From issue of invitation for bids to award of contract.

Can be applied to both ADB and Government financed contracts

Table 1.8 Competition

	GOODS*		WORKS*	
	Average of 3 Largest ICB contracts awarded to Local Firms	Average of 3 Smallest ICB contracts in which Foreign Firms participated	Average of 3 Largest ICB contracts awarded to Local Firms	Average of 3 Smallest ICB contracts in which Foreign Firms participated
Water	0.5 mil			8 mil

*Based on data of ICB contracts awarded to local and ICB Bid Evaluation Report (BER).

Table 1.9 Effectiveness

Description	Number of Misprocurements	Number of Retendered Contracts	Number of Cancelled Contracts	Number of Representations or Complaints
Water	1	2		

Table 1.10 Use of e-Procurement permitted by ADB or other MDBs

Description	ICB	NCB	Others
By Sector			
Goods		X	
Works & related services		X	
Consultant Selection		X	

PROCUREMENT PLAN

Basic Data

Project Name: Sustainable Water Supply and Sanitation Sector Development Program	
Project Number: 51132-002	Approval Number: tba
Country: GEORGIA	Executing Agency: Ministry of Rural Development and Infrastructure
Project Procurement Classification: B	Implementing Agency: United Water Supply Company of Georgia
Procurement Risk: Low	
Project Financing Amount: \$23.5 million ADB Financing: \$20.0 million Cofinancing (ADB Administered): Non-ADB Financing: \$3.5 million	Project Closing Date:
Date of First Procurement Plan {loan approval date}:	Date of this Procurement Plan: 19 June 2020

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

1. Except as the Asian Development Bank (ADB) may otherwise agree, the following methods shall apply to the procurement of goods , works and consulting services.

Procurement of Goods, Works and Nonconsulting Services	
Method	Comments
Open Competitive Bidding with international advertisement for procurement of goods	Equipment are not available in local market.
Open Competitive Bidding with national advertisement for procurement of works	Local contractors have no capacity

Consulting Services	
Method	Comments
OCB with international advertising using Quality- and Cost-Based Selection (QCBS) (90:10)	Rural water supply and sanitation master plan , O&M support , International Expertise are required
OCB with international advertising using Consultants' Qualifications Selection (CQS)	Construction supervision consultant: Consultant experience is most important , urgency of the project
OCB with national advertising using Consultants' Qualifications Selection Least-Cost Selection	Audit . Standard assignment with low value
Individual Consultant Selection	Investment Project Management Office; Public awareness

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

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

Package Number	General Description	Estimated Value	Procurement Method	Review [Prior / Post/Post (Sampling)]	Bidding Procedure	Advertisement Date (quarter/year)	Comments
TEL-01	Rehabilitation and Upgrading of Water Supply System in Telavi	8,610,000	OCB (internationally advertised)	Prior	1S1E	Q3/2020	Domestic preference is not applicable. Advertising: International Number of contracts: one Prequalification of Bidders : No Advance contracting: Yes Bidding Document: SBD for Large Works E-Gp :Yes
EQ1	Equipment for Operations and Maintenance	3,720,000	OCB (internationally advertised)	Prior	1S1E	2Q2/2021	Domestic preference is applicable. Advertising: International Number of contracts: multiple Prequalification of Bidders : No Advance contracting :NO Bidding Document: SBD for Goods E-Gp : yes

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

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

Package Number	General Description	Estimated Value	Recruitment Method	Review (Prior / Post)	Advertisement Date (quarter/year)	Type of Proposal	Comments
CS-1	Construction Supervision Consultant	850,000	CQS	Prior	Q3/2020	STP	International
CS-2	Rural Water Supply and Sanitation Master Plan	3,820,000	QCBS	Prior	Q4/2020	FTP	International
CS-3	O&M Support	1,270,000	QCBS	Prior	Q1/2021	FTP	International

Package Number	General Description	Estimated Value	Recruitment Method	Review (Prior / Post)	Advertisement Date (quarter/year)	Type of Proposal	Comments
CS-4	Public Awareness	70,000	CQS	Prior	Q2/2021	BTP	National
CS-5	Project audit	112,000	LCS	Prior	Q4/2020	BTP	National

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

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

Goods and Works								
Package Number	General Description	Estimated Value	Number of Contracts	Procurement Method	Review [Prior / Post/ Post (Sampling)]	Bidding Procedure	Advertisement Date (quarter/year)	Comments

Consulting Services								
Package Number	General Description	Estimated Value	Number of Contracts	Recruitment Method	Review (Prior / Post)	Advertisement Date (quarter/year)	Type of Proposal	Comments
IND-1	IPMO	448,000	6-7	ICS	Prior	Q2/2022	na	National
CS-4	Public Awareness	70,000	3	ICS	Prior	Q2 2021	na	National

B. Indicative List of Packages Required Under the Project

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

Goods and Works							
Package Number	General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Procurement Method	Review [Prior / Post/Post (Sampling)]	Bidding Procedure	Comments

Consulting Services							
Package Number	General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Recruitment Method	Review (Prior / Post)	Type of Proposal ⁸	Comments

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

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

1. Awarded and On-going Contracts

Goods and Works							
Package Number	General Description	Estimated Value	Awarded Contract Value	Procurement Method	Advertisement Date (quarter/year)	Date of ADB Approval of Contract Award	Comments

Consulting Services							
Package Number	General Description	Estimated Value	Awarded Contract Value	Recruitment Method	Advertisement Date (quarter/year)	Date of ADB Approval of Contract Award	Comments

2. Completed Contracts

Goods and Works								
Package Number	General Description	Estimated Value	Contract Value	Procurement Method	Advertisement Date (quarter/year)	Date of ADB Approval of Contract Award	Date of Completion	Comments

Consulting Services								
Package Number	General Description	Estimated Value	Contract Value	Recruitment Method	Advertisement Date (quarter/year)	Date of ADB Approval of Contract Award	Date of Completion	Comments

D. Non-ADB Financing

The following table lists goods, works and consulting services contracts over the life of the project, financed by Non-ADB sources.

Goods and Works				
General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Procurement Method	Comments

Consulting Services				
General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Recruitment Method	Comments

REVIEW OF SUPPORT REQUIREMENTS

Procurement Capability and Capacity	<p>As a state-owned company, the UWSCG's procurement is regulated by the Law of Georgia on State Procurement (adopted on 20 April 2005 under No. 1388), also referred as the Public Procurement Law (PPL). This law is largely based on UNICITRAL model law. Since 2005 there were numerous amendments to law.</p> <p>The procurement under the public budget is regulated by the State Procurement Agency. The State Procurement Agency manages the e-procurement system – GE-GP.</p> <p>The Public Procurement Law incorporates international good practices. The open competitive bidding is considered as a main method of procurement. The procurement procedures are generally in line with ADB guidelines and procedures.</p> <p>All procurement under state budget has to be conducted through the national e-procurement system introduced in 2010. The most of procurement under the state budget is of a small size of USD5,000.</p> <p>The GE-GP system was further developed to be used for procurement in projects funded by IFIs (International Financial Institutions). In 2014 a separate module in the GE-GP system was created for conducting bids financed under the World Bank for civil works/goods under the NCB procurement method. In 2016 the European Investment Bank (EIB) started to use the GE-GP system for its local procurement.</p> <p>This module was further developed to resolve all issues related with security of received bids, eligibility requirements, bid securities requirements, no barriers for participation of foreign bidders.</p> <p>ADB has conducted an assessment of the system and approved using the system for NCB contract in 2018. Following the approval, the platform for ADB-funded projects was created and launched one NCB through the system in 2018.</p> <p>In 2019 two NCB Tenders had been conducted for procurement of goods:</p> <ul style="list-style-type: none"> • UWSCG-NCB-G-01-2019; • UWSCG-NCB-Diagnostic-device-G-04-2019 <p>Bidders are able to obtain Bidding Documents free of charge when the E-procurement system has been used. NCB tenders were conducted via spa.gov.ge – e-procurement platform of Georgia. The GE-GP system is providing the list of bidders only who submitted bids.</p> <p>For both Bids mentioned above only one Bid per tender was submitted. The submitted bids have been evaluated and determined as</p>
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	<p>substantially responsive bids in both tenders. The contracts were awarded successfully.</p> <p>Starting from 2020 all ADB's funded open competitive bidding procedures with local advertisement will be conducted using the GE-GP system.</p> <p>In the field of procurement under international financing the procurement is regulated by financing agreements with appliance of the donors' procurement regulations.</p> <p>The company's procurement is managed by the Procurement Committees. Two Committees are established: The State Procurement Committee who manages the procurement financed by the state budget and the company's funds and the International Procurement Committee (IPC) with authority to manage the procurement under projects financed by the international financing institutions.</p> <p>The Managing Director of the UWSCG is the Head of the International Procurement Committee. 10 members are appointed by the Managing Director including three deputies of MD, heads of procurement, project management, design, supervision, internal audit and legal departments.</p> <p>The IPC responsibilities include:</p> <ul style="list-style-type: none"> • Approval of procurement plans under international projects and its amendments, • Approval of PQ documents and bidding documents, • Approval of evaluation reports and contracts. <p>The implementation of the procurement actions is conducted by the UWSCG's Procurement Department. The Procurement Department is reporting to the UWSCG's Financial Director. Procurement under projects funded by international financial institutions is implemented by the International Procurement Department (IPD). The IPD is preparing and updating project procurement plans, preparing bidding documents, assisting during bid opening events, evaluating bids and proposals, and preparing evaluation reports. The experts from other departments are invited to assist when needed, i.e. from the Design Department to assist with the preparation of the technical specifications.</p> <p>No separate Bid Evaluation Committees are appointed for bids evaluation. Bids are evaluated by the IPD's staff and individual consultants with close discussion with the IPC during evaluation.</p> <p>Procurement functions are handled by the International Procurement Department with assistance of 3 individual national procurement experts (consultants). The design, construction supervision, and safeguards functions are handled by different departments. The current set-up of the Investment Program Management Office is ineffective as information sharing between departments is not efficient and each work in silo.</p>
Experience in Implementing Similar Projects	<p>The UWSCG has a substantial experience in implementing the projects financed by IFIs. Major funding agencies are ADB and EIB.</p>

	<p>Since November 2011, the UWSCG is implementing the Urban Services Improvement Investment Program (USIIP) financed by ADB and realised in 6 tranches. The USIIP has the following components:</p> <p>Component 1: Infrastructure Improvement Component 2: Institutional Effectiveness Component 3: Project Implementation Support.</p> <p>All 6 tranches have been started (effectivity dates): Tranche 1: June 2011 (USD80 mln of the ADB financing); Tranche 2: December 2011 (USD40 mln of the ADB financing); Tranche 3: May 2014 (USD98 mln of the ADB financing); Tranche 4: March 2015 (USD108 mln of the ADB financing); Tranche 5: January 2016 (USD43 mln of the ADB financing); Tranche 6: March 2016 (USD99 mln of the ADB financing).</p> <p>The EIB is financing the projects in urban infrastructures as well. The UWSCG is implementing the following projects financed by the EIB:</p> <ul style="list-style-type: none"> • KUTAI SI WASTEWATER PROJECT, February 2015, €105 mln of IEB's financing • WATER INFRASTRUCTURE MODERNISATION II, September 2012, €40 mln of IEB's financing • WATER INFRASTRUCTURE MODERNISATION I, January 2010, €40 mln of IEB's financing.
Contract Management Capability and Experience	<p>In last 3 years the UWSCG has conducted bidding processes and signed 14 contracts (11 in works, 2 in goods and 1 for consulting services) for the total amount of USD 158 million under USIIP.</p> <p>Within the same period of time, two (2) (two) bidding processes have been retendered: Marneuli WSS (MAR-01) and Telavi WSS (TEL-01). The MAR-01's first bidding process was cancelled. During the ongoing tendering the MRDI and the UWSCG have decided to make the major changes in scope and to increase it. In particular, Bolnisi collector and some villages had been added. It was retendered after the modifications of the bidding documents. The TEL-01 has been retendered twice. It was cancelled in 2018 as ADB declared misprocurement due to the decision of the UWSCG's Managing Director to reject the signing of the contract with selected bidder even after the ADB's No Objection to the Evaluation report and signing it with another bidder. The re-tendering in 2019 was cancelled again due to OIA findings on the recommended bidder. The UWSCG is conducting third rebidding for this bid.</p> <p>One contract was announced as a misprocurement by ADB due to the decision of the UWSCG's Managing Director to reject the signing of the contract with selected bidder even after the ADB's No Objection to the Evaluation report and signing it with another bidder.</p> <p>The projects management functions are spread across different departments in the company. Procurement processes from procurement planning, bidding documents preparation, handling</p>

	<p>bidding procedures up to contracts award are implemented by the IPD. As soon as contracts are signed, the contracts management is transferred to the Project Management Department (PMD). The IPD is involved only if the amendment of the contract is needed.</p> <p>The PMD handles administration of ongoing contracts and serves as the main focal for sourcing projects information. The PMD is supported by seven UWSCG staff (project coordinators) and 9 individual consultants (legal, finance, engineer, environment, gender).</p>
Level of Reliance on External Consultants	<p>For the implementation of USIIP, the UWSCG has invited several consulting firms and experts for assistance. The external consulting services included:</p> <ul style="list-style-type: none"> • 3-year, performance-based management consultancy contract • Financial expert to improve asset and financial management, O&M, and commercial efficiency of WSS assets • UWSCG's business plan preparation • GIS mapping • The civil works supervision consulting services <p>In procurement and contracts management activities, the individual experts are assisting the UWSCG (3 procurement experts, 9 experts in legal, finance, engineer, environment, gender fields).</p> <p>The procurement capacity of the UWSCG for international projects is mainly based on the services of individually hired experts under project (i.e., in the International Procurement Division and the Project Management Department).</p>
Existence and Description of Complaints Management System	<p>Claims regarding implementation of bidding processes are treated by the Dispute Resolution Board, which was established in 2010. At any time during a procurement process, a bidder or other person who believed that procurement rules have been infringed, may comply to the contracting authority or the Public Procurement Agency. The contracting authority is appointing a committee to review the complaint under chair of the head of an authority. The results of a review will be submitted to the PPA, to the bidder and to a donor in case of donor financed procurement.</p> <p>The PPL provides procedures for dispute resolutions. These provisions are also described in the contract provisions.</p> <p>The government has applied to ADB to use new Procurement Framework provisions even for projects started before October 2017 to introduce a standstill period in the bidding process providing by this more possibilities to bidders to express their concerns if any.</p> <p>The UWSCG's PMD is using computer-based contracts management tools controlling the timing of delivery of goods or deliverables and timely contractual payments. Under donor funded projects, no claim of late payment was recorded.</p>