

Project Procurement Risk Assessment and Management Plan

Project Number: 51132-002
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Georgia: Sustainable Water Supply and Sanitation
Sector Development Program

ABBREVIATIONS AND ACRONYMS

ADB	–	Asian Development Bank
BEC	–	Bid Evaluation Committee
CSPRA	–	country and sector procurement risk assessment
DRB	–	Dispute Resolution Board
IFI	–	international financial institution
IPC	–	International Procurement Committee of the UWSCG
IPD	–	International Procurement Division in the UWSCG's Procurement Department
IPMO	–	Investment Program Management Office
NCB	–	national competitive bidding
PMD	–	Project Management Department in the UWSCG
PPL	–	Public Procurement Law
P-RAMP	–	procurement risk assessment and management plan
SPA	–	State Procurement Agency
TA	–	technical assistance
UWSCG	–	United Water Supply Company of Georgia
WB	–	World Bank

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EXECUTIVE SUMMARY

1. The data collection and desk study were conducted by reviewing Georgia Country and Sector Procurement Risk Assessment Report (2018), available documents related to the project procurement risks assessment. Interview with key stakeholders were also conducted.

2. The country and sector procurement risk assessment (CSPRA) report, a part of the overall country risks assessment, has reviewed two sectors: road transport and water and other urban development services. Summary of findings in CSPRA for the water supply and sanitation (WSS) sector is shown below:

- (i) The sector and the United Water Supply Company of Georgia (UWSCG) are bound by the national legislative and regulatory framework and the Public Procurement Law (PPL) is applied to all nationally funded projects. No sector specific rules have been developed and the available national procurement documents have been used. There are no sector specific manuals or guidelines available.
- (ii) The Government of Georgia issued procurement documents are not tailored to meet sector requirements. The sector does not have its own standard bidding documents; however, it introduces some specific obligatory terms for contract conditions, based on the past experience.
- (iii) Where projects are funded by international financial institutions (IFIs), agencies shall follow the relevant procurement guidelines instead of national legal framework as per definition in the PPL Chapter 1, clause 4.
- (iv) Competitive bidding is a common method in the sector and it is more prevalent than that is generally evident in the country.
- (v) 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 under \$5,000. As per public procurement legislation open competition above GEL5,000, equivalent to \$2,000, is the default method. About 91% of contracts by value procured in 2016 were conducted through competitive selection.
- (vi) The GE-GP system was further developed over time 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 national competitive bidding (NCB) procurement method. In 2016, the European Investment Bank started to use the GE-GP system for its local procurement.
- (vii) 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.
- (viii) UWSCG has sufficient information technology infrastructure to support e-procurement.
- (ix) There are no sector specific procedures for the handling of complaints. PPL outlines the centralized handling of complaints by the Dispute Resolution Board (DRB), which must be followed by all sectors. Bidders does not pay any fees for the use of the system.
- (x) Complaints and protests in all sectors are processed within the maximum time limit provided by the PPL. The PPL provides 10 days for the DRB to handle any complaints received. The Complaints procedures are utilized the bidders.

3. UWSCG was assessed from the point of view of:

- (i) Organisation and Staff Capacity in procurement;
- (ii) Information Management procedures set in UWSCG and related to procurement;
- (iii) Procurement Practices utilised in UWSCG;
- (iv) Usage of e-procurement system;
- (v) Effectiveness and Accountability measures.

4. UWSCG's strengths and weaknesses in procurement were identified:

A. Strengths

- (i) UWSCG has good institutional arrangement for handling procurement.
- (ii) The procurement team are experienced in handling IFI-financed project and have language capacity.
- (iii) The procurement team is experienced in using of the e-procurement system.
- (iv) The procurement actions are supported by information technology equipment and software at the satisfactory level.
- (v) UWSCG is a strong player at the market in the sector and is attractive buyer for the bidders.
- (vi) Project Management Department (PMD) of UWSCG has good experience in contract management.

B. Weaknesses

- (i) Potential conflict of interest as the International Procurement Committee of the UWSCG (IPC) has combined functions of procurement monitoring and implementation functions.
- (ii) No UWSCG's Procurement Operations Manuals or instructions.
- (iii) No procurement capacity building program.
- (iv) Weak coordination between International Procurement Division (IPD) and PMD.
- (v) Bid Evaluation Committee (BEC) is not dependent. IPD plays the role of BEC and implementing procurement action. There is no practice of a Declaration of Impartiality signing by members of evaluation teams.
- (vi) Rely heavily on external support from consultants, lack of its own procurement expertise.

5. The Procurement Risk Assessment and Management Plan (P-RAMP) for the project was prepared. The following risks mitigation measures are recommended:

- (i) Extend the contracts of national procurement experts;
- (ii) Procurement Operating instructions should be prepared supported by the technical assistance (TA) consultant.
- (iii) Establish separate Investment Program Management Office (IPMO) within the UWSCG to improve procurement and project management functions
- (iv) Consulting services are required to assist UWSCG in construction supervision, preparation of rural WSS master plan, advisory services and O&M support as well as capacity building and training and public awareness

6. As result of the project procurement risks assessment and based on risks management plan, it is recommended that a procurement risk rating of *low to moderate* will be adopted for the project and the agency

I. INTRODUCTION

1. The Government of the Georgia has requested the Asian Development Bank (ADB) to support the proposed Sustainable Water Supply and Sanitation Sector Development Program (SDP).

2. The SDP is aligned with the priorities of the Government of Georgia (government) and complements ADB's ongoing operations in Georgia. ADB has been supporting the government to rehabilitate, reconstruct and expand the WSS systems under the \$500 million Urban Services Improvement Investment Program (USIIP) since 2011.¹ Six tranches have been open by ADB under this program. The SDP comprises (i) a policy-based loan (PBL) to support the government's ongoing reforms 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 the United Water Supply Company of Georgia (UWSCG), and to enable the government to reach rural populations.

3. The policy actions will enhance sector planning, coordination, and institutions nationwide, while the project will (i) improve a critical and procurement-ready water supply system in Telavi that operates under fiscal constraints because of the coronavirus disease (COVID-19) pandemic,² (ii) strengthen O&M capacity of UWSCG, and (iii) prepare for a national rural WSS strategy and investment plan, to increase the operational efficiency of both urban and rural WSS. The policy actions will increase the efficiency and sustainability of the infrastructure investment under the SDP and the government's existing sector investments, including those under ADB's ongoing \$500 million USIIP. This assessment is focused on the project.

4. For the project preparation, ADB has initiated the transaction Technical Assistance (TA). The project procurement risk assessment was undertaken and the Project Procurement Risk Assessment and Management Plan (P-RAMP) was prepared.

5. The assessment was prepared in accordance with the ADB's Procurement Risk Framework Guidance Note on Procurement (June 2018), and the Guidelines for Assessing Country, Sector and Project Procurement Risks (2015). The Project Procurement assessment was conducted in September 2019 and February 2020. Preparation activities included reviewing documents, ADB's ongoing procurement experience, and interviews with counterpart and discussions with stakeholders.

6. ADB carried out country and sector procurement risk assessment (CSPRA) in 2018.³ The WSS sector is one of the sectors reviewed. The Project Procurement-Related Review (PPRR) for USIIP (tranches 3 and 4) was conducted by ADB's Office of Anticorruption and Integrity in October 2017. The Follow-Up Review of PPRR Recommendations was conducted by the ADB's Office of Anticorruption and Integrity in July 2019. These documents were reviewed and used during the assessment.

¹ ADB. [Georgia: Urban Services Improvement Investment Program](#). ADB financed 18 water and other urban infrastructure and services projects in Georgia from 2007 to 2019 for a total of \$593 million.

² Telavi is the capital of the Kakheti region, 160 kilometres east of the national capital, Tbilisi, and has a population of about 21,000. Adequate water supply is critical for Telavi's production of wine and agricultural produce, and for tourism. Only 18% of Telavi's inhabitants enjoy 24-hour water supply; 20% receive water for 12 hours a day, and 62% for 2–3 hours a day.

³ ADB. 2018. Georgia Country and Sector Procurement Risk Assessment Report. Manila.

II. PROJECT PROCUREMENT RISK ASSESSMENT

A. Overview

7. In 2018, ADB has conducted the CSPRA. Two sectors were assessed in that report: Road Transport and Water and other Urban Development Services. The following have been identified during the Water Supply sector assessment:

- (i) The sector and UWSCG are bound by the national legislative and regulatory framework and the Public Procurement Law (PPL) is applied to all nationally funded projects. No sector specific rules have been developed and the available national procurement documents have been used. No sector specific manuals or guidelines is available.
- (ii) The Government issued procurement documents are not tailored to meet sector requirements. The sector does not have its own standard bidding documents (SBD); however, it introduces some specific obligatory terms for contract conditions, which are based on the past experience.
- (iii) Where projects are funded by international financial institutions (IFIs), agencies shall follow the relevant procurement guidelines instead of national legal framework as per definition in the PPL Chapter 1, clause 4.
- (iv) Competitive bidding is a common method in the sector, and it is more prevalent than that generally evident in the country.
- (v) 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 under \$5,000. As per public procurement legislation open competition above GEL5,000, equivalent to \$2,000, is the default method. 91% of contracts by value procured in 2016 were conducted through competitive selection.
- (vi) Bidders are able to obtain Bidding Documents free of charge when the E-procurement system has been used.
- (vii) The GE-GP system was further developed 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 national competitive bidding (NCB) procurement method. In 2016, the European Investment Bank started to use the GE-GP system for its local procurement.
- (viii) 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.
- (ix) UWSCG has sufficient information technology infrastructure to support e-procurement.
- (x) There are no sector specific procedures for the handling of complaints. PPL outlines the centralized handling of complaints by the Dispute Resolution Board (DRB), which must be followed by all sectors. Bidders do not pay any fees for the use of the system.
- (xi) Complaints and protests in all sectors are processed within the maximum time limit provided by the PPL. The PPL provides 10 days for the DRB to handle any complaints received. The Complaints procedures are utilized by the bidders.

1. Organization and Staff Capacity

8. The UWSCG is a state-owned limited liability entity, whereas 100% of shares is owned by the state. UWSCG was established on 14 January 2010 based on Order N1-1/13 dated 11 January 2010 of Minister of Economy of Georgia. UWSCG provides WSS services to urban-type

settlements throughout the country, except for Tbilisi, Mtskheta, Rustavi, Gardabani Municipality, and Adjara Autonomous Republic. UWSCG organogram is presented in Appendix 1.

9. The organization of the company is comprised of Tbilisi Head Office, 10 regional office, and 51 service centers as of March 2020. The total number of employees of the Company amounts up to 2,700 persons. 60% of the employees is working in technical field, 24% in commercial/financial field, and 16% in administrative field.

10. The main activities of the company are as follows: water extraction, treatment and supply; design, construction, maintenance and operation of water supply and wastewater networks. The company provides services to over 306,000 domestic customers, and up to 19,000 commercial customers.

11. As a state-owned enterprise, 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 PPL. This law is largely based on UNICITRAL model law. Since 2005, there were numerous amendments to law.

12. In the field of procurement under international financing, the procurement is regulated by financing agreements with appliance of the donors' procurement regulations.

13. The company's procurement is oversight by two Procurement Committees. The State Procurement Committee (SPC) of the UWSCG supervises the procurement financed by the state budget and the company's funds, and the International Procurement Committee (IPC) with authority to supervise the procurement under projects financed by the international financial institutions. The UWSCG's structure is presented in Appendix 1.

14. The Managing Director (MD) of 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.

15. The IPC responsibilities include:

- (i) Approval of procurement plans under IFI-funded projects and its amendments,
- (ii) Approval of PQ documents and bidding documents,
- (iii) Approval of evaluation reports and contracts.

16. 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. Two divisions are organized within the department: State Budget Procurement Division and International Procurement Division. The State Budget Procurement Division is staffed with 5 experts as full-time staff. The International Procurement Division is staffed with 3 full-time experts who are assisted by 3 national experts hired as individual procurement consultants under the USIIP program.

2. Information Management

17. The UWSCG has management methods on procurement records and files, including adequate responsible staff to administer the document management functions.

18. All incoming correspondence is scanned and distributed internally by electronic means. Procurement records, contracts and subsequent contractual correspondence are in general retained and filed in hard copy as well as in electronic copy. These documents are kept for 5 years as it is required by the Law for auditing purposes and the others, including police investigations and legal actions. Though electronic and paper documents are considered equal, all records are in paper copies. All records are also scanned. Only procurement specialists have direct access to these documents.

19. The UWSCG has comprehensive referencing system managing by the records list in electronic form, and also contract referencing in ledger as per category (such as contract, bidding documents, planning, etc.).

20. The Procurement Department is using the approach of one folder for one bidding procedure, including those of from preparation of bidding, advertisement, enquiry/tendering & bidding, evaluation, negotiation and contract award. All performance and progress reports as well as deliverables and goods delivering records, payment documents are kept in the Project Management Department (PMD) in all folder for one contract.

3. Procurement Practices

21. Public Procurement in Georgia is governed by the Law of Georgia on Public Procurement, 20/04/2005 No. 1388. Previously Public Procurement was governed by the 1998 Law on State Procurement.

22. Since 2005, 68 amendments and supporting regulations were introduced. Major changes to the legislation were made in 2010 when Georgia introduced the obligatory use of the e-procurement system. The latest version of the law was passed on 23 June 2018.

23. The procurement under the public budget is regulated by the State Procurement Agency (SPA). The SPA manages the e-procurement system, Ge-GP.

24. The PPL 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.

25. 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.

26. Standard Bidding Documents for public procurement do not exist as such, but SPA Chairman Decree #12 of 14 June 2017 describes the list of required information data to be announced during bidding. As well the Ge-GP provides e-procurement user manual aiming to assist participants in e-procurement process.

27. Procurement under project funded by IFIs is implemented by the International Procurement Division (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.

28. The IPC is acting as a BEC for evaluation of all IFI-funded bids with assistance of the IPD procurement staff and individually hired procurement consultants. Consultants are engaged in the bids evaluation according to the subject of procurement and availability. Mostly, tenders are distributed equally. Therefore, there is no separation of procurement oversight and management functions at the IPC level. It is recommended that the IPC implements procurement oversight functions and review and approve the BERs prepared by BECs who are appointed by the IPC for each tender. The members of BECs should have qualifications and expertise relevant to the bid and they will be requested to sign declarations of impartiality.

29. 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.

30. The projects 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 9 individual consultants (legal, finance, engineer, environment, gender). Procurement functions are handled by the IPD 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 (IPMO) is ineffective as information sharing between departments is not efficient and each work in silo. It is recommended to re-organise the IMPO to make it as a focus place for the project management and project related procurement.

4. Performance of e-procurement system

31. In October 2010, Georgia introduced an e-procurement system for public funds procurement and in December 2010 paper-based bids were stopped. In December 2010, DRB was established. Since then bids under the public funds procurement have been announced solely through the Georgia Electronic Government Procurement (Ge-GP) system. All tender announcements are published on a single tri-lingual (Georgian, English and Russian) platform. Access to system is free, but submission of bids is chargeable. There is a 50 GEL fee for announcing a tender, and a 50 GEL fee for participation. Bid security and tender proposal guarantees are refundable. Furthermore, all bidding documentation is published on the same platform; access to and downloading are also unrestricted. The Ge-GP system is a single electronic portal for all procurement related activities and combines an electronic on-line tendering system with a procurement data information management system. Tendering is obligatory for procurement of more than GEL 5,000.

32. The Ge-GP system was further developed 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, the European Investment Bank started to use the Ge-GP system for its local procurement.

33. 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.

34. ADB has conducted assessment of the system and approved using the system for NCB contract in 2017. Following the approval, the platform for ADB-funded projects was created. To date, five (5) ADB-funded projects with national competition bidding were processed using Ge-

GP. Starting from 2020, all ADB funded open competitive bidding single-stage/single-envelop (1S1E) procedures with local advertisement will be conducted using the Ge-GP system.

35. ADB is now conducting and finalizing a Ge-GP system survey with a target to use the Ge-GP for open competitive bidding procedures with international advertisement.

5. Effectiveness

36. The PPL provides procedures for dispute resolutions. These provisions are also described in the contract provisions. Claims regarding implementation of bidding processes are treated by the 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 complain 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 Public Procurement Agency, to the bidder and to a donor in case of donor financed procurement. Under the PPL there is no requirement for a standstill period.

37. The UWSCG's PMD has a computer-based contracts management tools controlling the timing of delivery of goods or deliverables and timely contractual payments. Under IFI-funded projects, no claim of late payment was recorded.

38. In the last 3 years under the USIIP program, the UWSCG has conducted bidding processes and signed 14 contracts (11 for civil works, 2 for goods and one for consulting services) for the total amount of USD158 million.

39. Within the same period of time, two (2) 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.

40. 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 IPD and PMD).

6. Accountability Measures

41. The PPL includes provisions of responsibility and accountability of staff involved in procurement.

42. In public procurement field, a Code of Ethics was introduced and published by the SPA and posted on the website. However, this code has only recommendation nature and is not obligatory yet. Tender document necessary data does not include requirement for ethics provision, i.e., it is not linked to bidding documents.

43. UWSCG's staff involved in procurement has signed the Code of Ethics, however, there is no program to update the list of signatories. Personnel involved in bids/proposals evaluation is not signing any declaration of impartiality or no conflict of interest.

44. The UWSCG has developed the functional responsibilities for the staff including those involved in procurement with description of accountability measures. The functional responsibilities are kept in the HR Department. UWSCG has provided the information that during the project implementation the Anti-corruption audit reviewed the project and according to their conclusion, there was no integrity issues.

B. Strengths

- (i) UWSCG has good institutional arrangement for handling procurement.
- (ii) The procurement team are quite experienced in handling IFI-financed projects and have language capacity for communication with donors and bidders.
- (iii) The procurement team is experienced in using of the e-procurement system.
- (iv) Procurement actions are supported by information technology equipment and software at the satisfactory level.
- (v) UWSCG is a strong player at the market in their sector and is very attractive buyer for the bidders.
- (vi) PMD of UWSCG has good experience in contract management.

C. Weaknesses

- (i) Potential conflict of interest as the IPC has combined functions of procurement monitoring and implementation functions.
- (ii) No UWSCG Procurement Operations Manuals or instructions.
- (iii) No procurement capacity building program.
- (iv) Coordination between IPD and PMD is weak.
- (v) BEC is not dependent. IPD plays the role of BEC and implementing procurement action. There is no practice of a Declaration of Impartiality signing by members of evaluation teams.
- (vi) Rely heavily on external support from consultants, lack its own procurement expertise.

D. Procurement Risk Assessment and Management Plan (P-RAMP)

45. Based on the weaknesses identified and the risks assessment conducted in the UWSCG's departments involved in procurement, the procurement risks have been identified, assessed on the basis of likelihood of occurrence and degree of impact and mitigation/management measures identified. The results are presented in the Table 1 below while full questionnaire is presented in Appendix 3.

Table 1. Procurement Risk Assessment and Management Plan

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
Organizational and Staff Capacity		
Capacity for handling additional procurement is limited.	RL ⁴ : 3 RC ⁵ :2 (Efficiency, Quality) RR ⁶ : Medium	It is advised to extend contracts of national experts to assist the UWSCG in the coming project
Lack of the procurement capacity building program in the UWSCG	RL: 2 RC:2 (Efficiency, Quality) RR: Low	A full capacity building program will be defined based on recommendation done in the PAM. A program could be further used to develop a UWSCG's training program.
Quality of technical requirements in bidding documents	RL: 2 RC:2 (Efficiency, Quality, Value for Money) RR: Low	The TA 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.
The IPD has limited experience in selection of consultants.	RL: 3 RC:2 (Efficiency, Quality) RR: Medium	The Investment Program Management Office (IPMO) will be re-structured what will be staffed with experienced and qualified staff.
Information Management		
Allocation of adequate resources to records keeping infrastructure, which including a record keeping system, space, equipment and personnel to administer the procurement records management functions within the agency. The space allocated for keeping procurement records is limited.	RL: 2 RC:2 (Efficiency) RR: Low	The company's head office is considered to be moved in new office where the space will be sufficient.
Procurement Practices		
The UWSCG's limited experience in procurement under the ADB's New Procurement Framework.	RL: 2 RC:2 (Efficiency, Quality) RR: Low	Further training program on ADB New Procurement Framework will be conducted with assistance of ADB
Delays in bidding processes.	RL: 3 RC:2 (Economy, Efficiency) RR: Medium	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.
Delays in evaluation of bids.	RL: 3 RC:2 (Economy, Efficiency, Fairness) RR: Medium	Procurement Manual / Instructions to be prepared to include targeted time
Low quality of goods supplied/ works performed.	RL: 3 RC:2 (Economy, Efficiency, Quality, Value for Money) RR: Medium	Contract Management Plan are required before the signing of the contract.

⁴ RL–Risk Likelihood Score for the identified risk as per the Table A4.1 in the Appendix 4: Risk Assessment Tables

⁵ RC–Highest Risk Consequence Score for the identified risk as per the Table A4.2 in the Appendix 4: Risk Assessment Tables

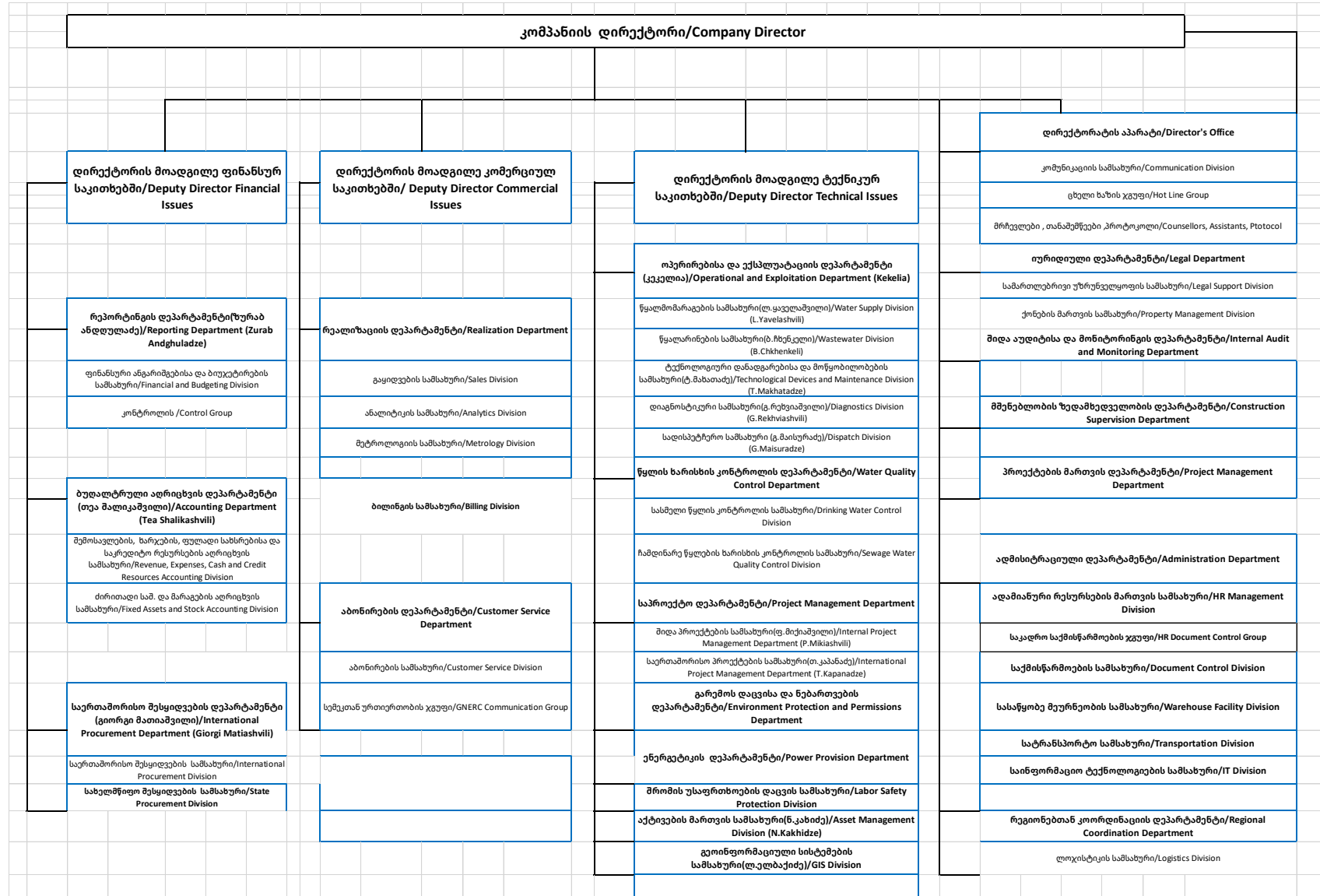
⁶ RR–Risk Rating

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
Delays in contracts implementation due to problems with contracts management	RL: 3 RC:2 (Economy, Efficiency, Quality, Value for Money) RR: Medium	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.
Accountability Measures		
The accountability management system is not sufficiently developed in the company.	RL: 3 RC:2 (Economy, Efficiency, Fairness, Transparency, Quality) RR: Medium	The PAM will address this issue and ADB Procurement Complaint System will be used. Declarations of impartiality/ no conflict of interest are signed by evaluators

III. CONCLUSION

46. As result of the project procurement risks assessment and based on risks management plan, it is recommended that a procurement risk rating of *low to medium* will be adopted for the project and the agency.

UWSCG ORGANIZATIONAL STRUCTURE



PROJECT PROCUREMENT RISK ASSESSMENT QUESTIONNAIRE

UWSCG: International Procurement Division

QUESTION	RESPONSE	RISK ¹
A. ORGANIZATIONAL AND STAFF CAPACITY		
PROCUREMENT DEPARTMENT/UNIT		
A.1 Does the agency or Government have a Procurement Committee that is independent from the head of the agency?	Yes, there are two Procurement Committees in the company. State Budget Procurement Committee and International Procurement Committee. The Head of Agency is head of the International Procurement Committee.	
A.2 Does the agency have a procurement department/unit, including a permanent office that performs the function of a Secretariat of the Procurement Committee?	There is a Procurement Department which deals with daily activities. There are two divisions within the Pd: State Budget Procurement Division (SBPD) and International Procurement Division (IPD). The former one is responsible for procurement under projects funded by donors.	
A.3 If yes, what type of procurement does it undertake?	Goods, Works, Services	
A.4 How many years' experience does the head of the procurement department/unit have in a direct procurement role?	5 years	
A.5 How many staff in the procurement department/unit are: i. full time ii. part time iii. seconded	5 full time staff in the SBPD. 3 staff + 3 ADB hired individual experts in the IPD.	
A.6 Do the procurement staff have a high level of English language proficiency (verbal and written)?	All procurement staff in the IPD is competent in English at the satisfactory level.	*
A.7 Are the number and qualifications of the staff sufficient to undertake the additional procurement that will be required under the proposed project?	Depending on the volume of additional procurement. Qualification of staff is not an issue. Sufficiency of the procurement expertise is a subject to extension of individual experts' contracts	*
A.8 Does the unit have adequate facilities, such as PCs, internet connection, photocopy facilities, printers etc. to undertake the planned procurement?	Yes, the PD is fully equipped, however some modernizing of the equipment is required.	
A.9 Does the agency have, or have ready access to, a procurement training program?	Most of the trainings in the IPD are provided by donor organizations at time to time basis. There is no procurement capacity building program in the company. No capacity building is planned under existing loans.	*
A.10 At what level does the department/unit report (to the head of agency, deputy etc.)?	Financial Director, Managing Director	
A.11 Do the procurement positions in the agency have job descriptions, which outline specific roles, minimum technical requirements and career routes?	yes	
A.12 Is there a procurement process manual for goods and works?	No procurement manuals are developed/ used in the company. In international procurement the	

¹ Questions indicated with * are associated with potentially 'High' or 'Substantial' risks due to the impact being 'High', therefore the strategy for managing those risks should be addressed in the Project Procurement Risk Analysis.

QUESTION	RESPONSE	RISK ¹
	procurement staff is following the Donor Procurement Guidelines.	
A.13 If there is a manual, is it up to date and does it cover foreign-assisted projects?	No manuals neither for state budget procurement nor for internationally funded procurement in projects.	
A.14 Is there a procurement process manual for consulting services?	No manual	
A.15 If there is a manual, is it up to date and does it cover foreign-assisted projects?	No manual	
PROJECT MANAGEMENT UNIT		
A.16 Is there a fully (or almost fully) staffed PMU for this project currently in place?	No, it is not. Functions are split between the company's departments: PD, PMD, Design Department and Supervision Department. Under discussion with ADB establishment of PMU – ADB projects dedicated Unit.	*
A.17 Are the number and qualifications of the staff sufficient to undertake the additional procurement that will be required under the proposed project?	Sufficiency of the procurement expertise is a subject to extension of individual experts' contracts'	*
A.18 Does the unit have adequate facilities, such as PCs, internet connection, photocopy facilities, printers etc. to undertake the planned procurement?	Yes, the IPD is fully equipped, however some modernizing of the equipment is required.	
A.19 Are there standard documents in use, such as Standard Procurement Documents/Forms, and have they been approved for use on ADB funded projects?	The IPD is using ADB's standard bidding documents for all procurements implemented under the projects.	*
A.20 Does the agency follow the national procurement law, procurement processes, and guidelines?	The UWSCG is following the PPL in the state budget procurement and Donor Procurement Guidelines in the donor funded projects	*
A.21 Do ToRs for consulting services follow a standard format such as background, tasks, inputs, objectives and outputs?	In preparation of RPFs and TORs under donor funded projects the IPD is following Donor Procurement Guidelines	
A.22 Who drafts the procurement specifications?	Depending on procurement, FIDIC Engineers (individual experts hired through ADB funded projects), Design Department and any relevant department engaged in procurement of works, goods and services	
A.23 Who approves the procurement specifications?	International Procurement Committee	
A.24 Who in the PMU has experience in drafting bidding documents?	All staff of the IPD (international procurement department)	*
A.25 Are records of the sale of bidding documents immediately available?	Yes, it is.	*
A.26 Who identifies the need for consulting services requirements?	International Procurement Committee	
A.27 Who drafts the Terms of Reference (ToR)	Depends on procurement. The Design Department is responsible to drafts TOR. If they are not capable it is outsourced.	
A.28 Who prepares the request for proposals (RFPs)	International Procurement Department	
B. INFORMATION MANAGEMENT		
B.1 Is there a referencing system for procurement files?	The referencing system used in the Procurement Department is adequate to the requirements.	
B.2 Are there adequate resources allocated to record keeping infrastructure, which includes the record keeping system, space, equipment and personnel to administer the procurement records	All paper documents are scanned and saved on the server. Paper documents archived and kept securely. Further improvement is required mostly for additional space to keep documents safely.	*

QUESTION	RESPONSE	RISK ¹
management functions within the agency?		
B.3 Does the agency adhere to a document retention policy (i.e. for what period are records kept)?	Yes, original documents are kept at least for 5 years in accordance to the national legislation.	*
B.4 Are copies of bids or proposals retained with the evaluation?	Yes	
B.5 Are copies of the original advertisements retained with the pre-contract papers?	Yes	
B.6 Is there a single contract file with a copy of the contract and all subsequent contractual correspondence?	Yes	
B.7 Are copies of invoices included with the contract papers?	Yes	
B.8 Is the agency's record keeping function supported by IT?	Yes, it is supported.	
C. PROCUREMENT PRACTICES		
Goods and Works		
C.1 Has the agency undertaken procurement of goods or works related to foreign assistance recently (last 12 months or last 36 months)? If yes, indicate the names of the development partner/s and project/s.	Yes it was done under projects funded by ADB: Gudaure water and wastewater network Marneuli Water and Wastewater network	*
C.2 If the answer is yes, what were the major challenges faced by the agency?	Procurement of Plant (Wastewater Treatment Plant) was guided by the new ADB's procurement guidelines.	*
C.3 Is there a systematic process to identify procurement requirements (for a period of one year or more)?	Top Management through various departments distinguishes projects to be procured, besides Governmental requests	
C.4 Is there a minimum period for the preparation of bids and if yes, how long?	No planned targeted time	*
C.5 Are all queries from bidders replied to in writing?	Yes	*
C.6 Does the bidding document state the date and time of bid opening?	Yes	*
C.7 Are bids opened in public?	yes	*
C.8 Can late bids be accepted?	No	*
C.9 Can bids (except late bids) be rejected at bid opening?	No	*
C.10 Are minutes of the bid opening taken?	yes	*
C.11 Are bidders provided a copy of the minutes?	yes	*
C.12 Are the minutes provided free of charge?	yes	*
C.13 Who undertakes the evaluation of bids (individual(s), permanent committee, ad-hoc committee)?	Staff of the IPD including procurement consultants with assistance when needed from FIDIC Engineer, relevant department representatives and the IPC.	
C.14 What are the qualifications of the evaluators with respect to procurement and the goods and/or works under evaluation?	Qualifications of procurement experts are adequate.	*
C.15 Is the decision of the evaluators final or is the evaluation subject to additional approvals?	IPC (international procurement committee) approval	*
C.16 Using the three 'worst-case' examples in the last year, how long from the issuance of the invitation for bids can the contract be awarded?	EIB consultancy selection process is ongoing for more than a year: Design and Supervision of Kutaisi WW network and Plant.	

QUESTION	RESPONSE	RISK ¹
	Most of delays (70%) are because of long time for responses from the Bank.	
C.17 Are there processes in place for the collection and clearance of cargo through ports of entry?	yes	
C.18 Are there established goods receiving procedures?	yes	
C.19 Are all goods that are received recorded as assets or inventory in a register?	yes	
C.20 Is the agency/procurement department familiar with letters of credit?	yes	
C.21 Does the procurement department register and track warranty and latent defects liability periods?	Yes, however the responsibility with the contract management including this issue is of the Projects Management Department of the company.	
Consulting Services		
C.22 Has the agency undertaken foreign-assisted procurement of consulting services recently (last 12 months, or last 36 months)? (If yes, please indicate the names of the development partner/s and the Project/s.)	Educational Component consultancy services, under the ADB's USIIP program.	*
C.23 If the above answer is yes, what were the major challenges?	Low attendance of participants at the trainings provided. There is no proper training facility in the company	*
C.24 Are assignments and invitations for expressions of interest (EOIs) advertised?	yes	*
C.25 Is a consultants' selection committee formed with appropriate individuals, and what is its composition (if any)?	Same as for works and goods. However sometimes the preliminary evaluation is conducted by single evaluator who later present and discuss the evaluation results with the IPD and IPC.	
C.26 What criteria are used to evaluate EOIs?	General qualification, specific qualification, regional experience, team composition	
C.27 Historically, what is the most common method used (QCBS, QBS, etc.) to select consultants?	QCBS	*
C.28 Do firms have to pay for the RFP document?	No	*
C.29 Does the proposal evaluation criteria follow a pre-determined structure and is it detailed in the RFP?	Yes	*
C.30 Are pre-proposal visits and meetings arranged?	Yes, when needed.	
C.31 Are minutes prepared and circulated after pre-proposal meetings?	yes	*
C.32 To whom are the minutes distributed?	All the shortlisted firms	*
C.33 Are all queries from consultants answered/addressed in writing?	yes	*
C.34 Are the technical and financial proposals required to be in separate envelopes and remain sealed until the technical evaluation is completed?	yes	*
C.35 Are proposal securities required?	No	*
C.36 Are technical proposals opened in public?	yes	*
C.37 Are minutes of the technical opening distributed?	yes	*

QUESTION	RESPONSE	RISK ¹
C.39 Who determines the final technical ranking and how?	Evaluators using evaluation grid, provided by donor.	*
C.40 Are the technical scores sent to all firms?	yes	*
C.41 Are the financial proposal opened in public?	yes	*
C.42 Are minutes of the financial opening distributed?	yes	*
C.43 How is the financial evaluation completed?	After arithmetical correction and evaluation for completeness and correspondence to a technical proposal. In last 4 years only one consulting assignment is under implementation. It is at the stage of technical evaluation. No experience with financial evaluation.	*
C.44 Are face to face contract negotiations held?	yes	*
C.45 How long after financial evaluation is negotiation held with the selected firm?	In 28 days period	
C.46 What is the usual basis for negotiation?	No experience yet	
C.47 Are minutes of negotiation taken and signed?	yes	*
C.48 How long after negotiation is the contract signed, on average?	No experience yet	
C.49 Is there an evaluation system for measuring the outputs of consultants?	Monitoring of contracts is under the Project Management Department	
Payments		
C.50 Are advance payments made?	yes	
C.51 What is the standard period for payment included in contracts?	28 days after submission of the invoice	
C.52 On average, how long is it between receiving a firm's invoice and making payment?	It is implemented under the PMD. On average it takes one week – 10 days.	
C.53 When late payment is made, are the beneficiaries paid interest?	The PMD so far has no cases of late payments. All payments made on time. Provisions of interest to be paid on late payments are included in the bidding documents and RFPs.	
D. EFFECTIVENESS		
D.1 Is contractual performance systematically monitored and reported?	yes	
D.2 Does the agency monitor and track its contractual payment obligations?	yes	
D.3 Is a complaints resolution mechanism described in national procurement documents?	yes	
D.4 Is there a formal non-judicial mechanism for dealing with complaints?	The Disputes Resolution Board established under the State Procurement Agency.	
D.5 Are procurement decisions and disputes supported by written narratives such as minutes of evaluation, minutes of negotiation, notices of default/withheld payment?	yes	*
E. ACCOUNTABILITY MEASURES		
E.1 Is there a standard statement of ethics and are those involved in procurement required to formally commit to it?	Yes, however no declarations of impartiality/ no conflict of interest are signed by evaluators. It is a Code of Ethics signed by the procurement staff once.	*
E.2 Are those involved with procurement required to declare any potential conflict	yes	*

QUESTION	RESPONSE	RISK ¹
of interest and remove themselves from the procurement process?		
E.3 Is the commencement of procurement dependent on external approvals (formal or de-facto) that are outside of the budgeting process?	Yes, it is. According to the law the Ministry of Justice is providing approval on contracts above some threshold, after that the Cabinet of Ministers and the Prime Minister provide approvals for international contracts. It takes usually 1 month.	
E.4 Who approves procurement transactions, and do they have procurement experience and qualifications?	Procurement transactions under projects are approved by the IPC. They have got sufficient experience in procurement.	*
E.5 Which of the following actions require approvals outside the procurement unit or the evaluation committee, as the case may be, and who grants the approval?	IPC: Procurement plans Bidding documents Evaluation Reports and contracts, Amendments to contracts.	
a) Bidding document, invitation to pre-qualify or RFP	IPC	
b) Advertisement of an invitation for bids, pre-qualification or call for EOIs	IPC	
c) Evaluation reports	IPC	*
d) Notice of award	IPC	*
e) Invitation to consultants to negotiate	IPC	
f) Contracts	IPC	*
E.6 Is the same official responsible for: (i) authorizing procurement transactions, procurement invitations, documents, evaluations and contracts; (ii) authorizing payments; (iii) recording procurement transactions and events; and (iv) the custody of assets?	No one single person, it is IPC	*
E.7 Is there a written auditable trail of procurement decisions attributable to individuals and committees?	YES	*

EIB = European Investment Bank, TOR = terms of reference

QUESTION	RESPONSE	RISK
What is the experience of the UWSCG in ADB funded projects	More than 15 ADB bidding processes/contracts are ongoing within 6 tranches of the USIIP financing program. Among them 5-6 bidding processes are under the NEW Procurement Structure. Not involving in resolution of contractual claims Individual consultants – local - 3	
What stage of procurement cycle has potentially more problems?	Getting No Objections – long time for review <ul style="list-style-type: none"> 1-4 tranches of USIIP are reviewed by the Georgian Resident Mission of ADB. Tranches 5-6: reviewed by Manila Preparation of Tech Secs – often there are needs for outsourcing.	
At what stage most of delays occur?	Collecting data for bidding documents – communication problems Evaluation and approval by IPC	
In your opinion does the capacity building needed?	Yes, it is needed in following fields: FIDIC; Additional training for New procurement framework, project management training Design build operate procurements	
What risks do you facing?	Low quality winners in works.	

QUESTION	RESPONSE	RISK
	Delays	
What are share of NCB/ICBs in total number of contracts	Goods – 10% NCB and shopping, Works practically 100% ICB	

ICB = international competitive bidding, IT = information technology, PPL = Public Procurement Law

UWSCG: PROJECT MANAGEMENT DEPARTMENT

[Responses are provided only to the questions related to the PMD's involvement in procurement. Irrelevant questions are deleted from the table. The numbering of questions is the same as for all questionnaires].

QUESTION	RESPONSE	RISK ¹
A. ORGANIZATIONAL AND STAFF CAPACITY		
PROJECT MANAGEMENT UNIT		
A.16 Is there a fully (or almost fully) staffed PMU for this project currently in place?	Yes	*
A.24 Who in the PMU has experience in drafting bidding documents?	If under PMU is mean Project Management Department then None	*
A.26 Who identifies the need for consulting services requirements?	Technical Structural Units of UWSCG	
A.27 Who drafts the Terms of Reference (ToR)	Procurement Department after relevant consultations with the Technicians	
A.28 Who prepares the request for proposals (RFPs)	Question to Procurement Department	
B. INFORMATION MANAGEMENT		
B.6 Is there a single contract file with a copy of the contract and all subsequent contractual correspondence?	The contract generally has two copies – for the Employer and the Contractor. As to linked documentation PM department mostly collects them	
B.7 Are copies of invoices included with the contract papers?	Yes	
B.8 Is the agency's record keeping function supported by IT?	Minor	
C. PROCUREMENT PRACTICES		
C.17 Are there processes in place for the collection and clearance of cargo through ports of entry?	Yes	
C.18 Are there established goods receiving procedures?	Yes, which is regulated with relevant code	
C.19 Are all goods that are received recorded as assets or inventory in a register?	All goods are recorded as inventory	
C.20 Is the agency/procurement department familiar with letters of credit?	Yes. LC was already used in other projects.	
C.21 Does the procurement department register and track warranty and latent defects liability periods?	Yes	
Consulting Services		
C.49 Is there an evaluation system for measuring the outputs of consultants?	No	
Payments		
C.50 Are advance payments made?	Yes, based on Bank Guarantee	
C.51 What is the standard period for payment included in contracts?	Generally, 2 weeks after official submission of relevant invoices	
C.52 On average, how long is it between receiving a firm's invoice and making payment?	Around 3-4 days	
C.53 When late payment is made, are the beneficiaries paid interest?	According to the contract conditions we have 45 days for payment after submission of hard copies to UWSCG head office. All previous payments was done earlier than indicated deadline so UWSCG never was charged with late payment interest	
D. EFFECTIVENESS		

¹ Questions indicated with * are associated with potentially 'High' or 'Substantial' risks due to the impact being 'High', therefore the strategy for managing those risks should be addressed in the Project Procurement Risk Analysis (Appendix 3).

QUESTION	RESPONSE	RISK ¹
D.1 Is contractual performance systematically monitored and reported?	Yes	
D.2 Does the agency monitor and track its contractual payment obligations?	Yes	
D.4 Is there a formal non-judicial mechanism for dealing with complaints?	Yes	

IT = information technology

RISK ASSESSMENT TABLES

Tables 1–3 describe risk likelihood, risk consequence, and the risk rating matrix, respectively. Table 4 describes the risk rating key.

Table 1: Risk Likelihood

Descriptor	Likelihood Score	Description	Indicative Probability
Almost certain	5	Expected to occur	> 95%
Likely	4	Probably will occur	66%–95%
Possible	3	May occur at some stage	26%–65%
Unlikely	2	Would be surprising if it occurred	5%–25%
Rare	1	May never occur	< 5%

Source: Asian Development Bank.

Table 2: Risk Consequence

How the risk identified affects the achievement of							
Descriptor	Consequence Score ^a	Economy (1)	Efficiency (2)	Fairness (3)	Transparency (4)	Quality (5)	Value for Money (6)
Insignificant	1						
Minor	2						
Moderate	3						
Major	4						
Severe	5						

^a For each risk identified, the assessor assigns a consequence score for each relevant core procurement principle. If a risk has an impact on more than one principle, the highest-rated impact should be recorded and used as the input for the risk rating matrix in Table 3 to determine the risk rating.

Source: Asian Development Bank.

Table 3: Risk Rating Matrix

			Risk Consequence				
			Insignificant	Minor	Moderate	Major	Severe
			1	2	3	4	5
Risk	Almost Certain	5	Medium	Medium	High	Extreme	Extreme
	Likely	4	Medium	Medium	High	High	Extreme
	Possible	3	Low	Medium	Medium	High	High
	Unlikely	2	Low	Low	Medium	Medium	High
	Rare	1	Low	Low	Low	Medium	Medium

Source: Asian Development Bank.

Table 4: Risk Rating Key

Extreme	
High	
Medium	
Low	

Source: Asian Development Bank.