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# **MUNICIPAL INFRASTRUCTURE AND IDP HOUSING REHABILITATION PROJECT**

**RAPID APPRAISAL REPORT**

**CONTRACT: AID-EDH-I-00-08-00027-00, TASK ORDER: AID-114-TO-11-00002**

**JUNE 10, 2011; Revised August 1, 2011; Revised August 12, 2011**

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# MUNICIPAL INFRASTRUCTURE AND IDP HOUSING REHABILITATION PROJECT

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AID-114-TO-11-00002

10 June 2011; Revised 1 August 2011; Revised 12 August 2011

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August 12, 2011

Mr. Bradley Carr  
Water Irrigation and Infrastructure Advisor  
Office of Economic Growth  
US Agency for International Development  
11 George Balanchine Street  
Tbilisi, 0131  
Georgia

**Re: Rapid Appraisal Report for the Municipal Infrastructure and IDP Housing Rehabilitation Project**

Dear Mr. Carr:

This report is being submitted to you in accordance with the requirements of task order no. AID-114-TO-11-00002 of contract AID-EDH-I-00-08-00027-00. It provides Tetra Tech's rapid appraisal of the Municipal Infrastructure and IDP Housing Rehabilitation Project. This is a revised report incorporating the comments provided by USAID on June 16, 2011. The original was submitted on June 10, 2011.

Very truly yours,

A handwritten signature in black ink that reads 'Jeffrey W. Fredericks'.

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CC: USAID (George Kokochashvili); MDF (Kartlos Gviniashvili); Tetra Tech (Firouz Rooyani, Dean White, Tom Chicca, Ilia Elovshvili)

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## **1. INTRODUCTION AND PROGRAM OVERVIEW**

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The purpose of this report is to provide the results of the rapid appraisal of the Municipal Infrastructure and IDP Housing Rehabilitation Project (the USAID project).

The project background is described in the task order as follows:

*The dual shocks of Georgia's August 2008 conflict with Russia and the global economic downturn pose serious challenges to Georgia's economic stability. This in turn puts pressures on Georgia's political stability. The conflict, crisis, and subsequent slowdown in economic growth and foreign direct investment have placed a severe strain on Georgia's national budget and its ability to finance core investments in critical regional development initiatives. Many years of decline in the quality, coverage and maintenance of basic services, including water supply, sewage, local roads, solid waste services, and irrigation systems have dramatically reduced Georgia's quality of life in rural areas and constrained private sector growth. Such degradation and instances of conflict-related damage have resulted in significant constraints to the productive capacity and quality of life of thousands of Georgians, including old and new Internally Displaced Persons (IDPs), rural poor, and persons directly or indirectly affected by the 2008 conflict with Russia.*

*The major purpose of this project is to improve the infrastructure in five selected municipalities - Dusheti, Mtsketa, Gori, Kareli, and Oni, affected during Russian Georgian conflict in 2008 and improve living standards for nearly 4,000 houses constructed by the [Government of Georgia] GoG without running water or sewerage for IDPs from the August 2008 conflict, to provide each house with a shower, sink, toilet, water taps and other renovation as necessary. The funds will also be used to upgrade existing IDP shelters and redevelop buildings for use as durable housing for IDPs from previous conflicts. Funding will also support various other activities focused on ensuring overall sustainability of IDP housing.*

The project includes three major components and two subcomponents.

### **I.1 COMPONENT I: MUNICIPAL INFRASTRUCTURE**

This program component envisions USAID providing through a host country funding arrangement approximately \$9.57 million, via the Municipal Development Fund (MDF). The MDF will be responsible for procurement of the required goods and services and could focus on road repair, bridges, drainage channels, water and sanitation improvements.

In consultation with senior management of the Ministry of Regional Development and Infrastructure (MRDI) it is anticipated that five municipalities will be included in this program component. This includes Dusheti, Mtsketa, Gori, Kareli and Oni. Although the municipalities included may be supplemented or amended following USAID approval, at this time it appears that these five municipalities will in fact be the focus of this program component. All of these municipalities have provided infrastructure project recommendations to the MDF, which are now under review. Eight projects were proposed.

This program component is expected to impact at least 270,000 persons, including approximately 24,000 IDPs. Based on the results of the rapid appraisal, this target is reasonable.

## **1.2 COMPONENT 2: REHABILITATION OF IRRIGATION INFRASTRUCTURE**

This program component envisions USAID investing \$8.16 million directly through the MDF. As with all of the program components, the MDF will be responsible for procurement of the goods and services required. It is anticipated that the irrigation infrastructure improvements could impact at least 30,000 hectares of land by restoring these lands to ‘productive capacity’ (i.e., the ability to be used for economically attractive agricultural production). At least 10,000 small land holders are expected to benefit from this program. These impacts seem achievable, based on the team’s rapid appraisal. However, as noted later, it will be critical to leverage other USAID activities (and perhaps those of other donors), including both the Economic Prosperity Initiative (EPI) and New Economic Opportunities (NEO) programs.

The Shida Kartli region is expected to be a priority given both the opportunity for irrigation restoration as well as the impact that the region felt as a result of the 2008 conflict.

## **1.3 COMPONENT 3: IDP DURABLE HOUSING**

The IDP housing component is the largest component in the USAID program, including close to \$35 million to be invested by USAID through the MDF. This program component also has two subcomponents:

### **1.3.1 Subcomponent 1: Provide Water and Sanitation Upgrades for IDP Cottage Housing for IDPs from the August 2008 Conflict**

This subcomponent is expected to provide upgrades for nearly 4,000 houses for IDPs constructed by the Government of Georgia without running water or sewerage. Funding will be used to provide each house with a shower, sink, toilet, water taps and other renovations. Specific actions to be undertaken as a part of this activity include: water supply improvements, installation of indoor plumbing, and installation of treatment systems.

This subcomponent will also upgrade existing shelters and redevelop state-owned buildings for use as durable housing. Funding will also support various other activities focused on ensuring the overall sustainability of IDP housing.

In addition to improving the overall living conditions of the IDPs, it is anticipated that these housing upgrades will increase the resale value of these houses.

USAID will prioritize those IDP settlements with sufficient access to clean water supplies allowing for the installation of indoor water taps. However, settlements without sufficient clean water could be selected for rehabilitation. In those settlements, additional/alternative water sources may be explored, such as wells. It will also be the responsibility of Tetra Tech to examine and promote conservation and recycling measures (e.g., water metering, indoor control devices, energy efficient water heating, waste water treatment).

Based on the results of the rapid appraisal, this target is reasonable.

### **1.3.2 Subcomponent 2: Provide Durable Housing Solutions for IDPs from 1990s Conflict**

This subcomponent will provide upgrades to existing IDP shelters and redevelop buildings for use as durable housing for IDPs from Georgia's 1990s conflicts. Many IDPs from the 1990s conflict remain in collective centers with poor physical living conditions. While the Government of Georgia (GoG) hopes to provide new housing for a portion of this population, it also intends to rehabilitate collective centers and other buildings for IDPs. The rehabilitation of these buildings is consistent with the Ministry of Refugee Affairs (MRA)'s interest in improving the overall living conditions of IDPs. The MRA has identified 118 potential buildings for USAID rehabilitation.

As part of the selection process, the MDF is now assessing the potential of approximately thirty-five buildings for rehabilitation. The buildings that have been identified for rehabilitation are located in several cities including Tbilisi, Rustavi, Kareli, Khashuri, Kutaisi, Khobi and Zugdidi. Following rehabilitation, it is expected that the GoG will transfer the property titles to the IDPs participating in the activity.

USAID, the GoG, and Tetra Tech will participate in the selection of the buildings to be rehabilitated. Some of the key criteria for making this determination will include: (1) the overall integrity of the building; (2) the size of apartments; (3) the rehabilitation costs per occupant; (4) the size of the apartments; (5) the condition of the building infrastructure (e.g., water, sewage and electricity); (6) availability of transportation services; and, (7) livelihood opportunities.

With a budget of \$26 million, USAID plans to provide technical assistance and financing via the MDF to rehabilitate approximately 3,000 family dwelling units. Energy efficiency will also be a priority for the rehabilitation efforts.

Although the task order indicated that in the event the GoG is not able to identify a significant number of existing buildings to rehabilitate, then USAID may consider other options, such as housing vouchers. Based on the rapid appraisal, a sufficient number of buildings are being identified for rehabilitation thus indicating that it is probably unlikely that these alternative options will need further consideration.

Based on the results of the rapid appraisal, the targets for this component are reasonable.

### **1.4 TETRA TECH'S ROLE**

In order to support USAID in the oversight and monitoring of MDF activities, USAID has engaged Tetra Tech. The total Tetra Tech budget of the contract is \$4,777,396 with a period of performance from May 23, 2011 through November 22, 2013.

Tetra Tech will provide USAID/Georgia and its implementing partners under the Municipal Development and IDP Housing Projects immediate access to a team of full-time and short-term technical assistance that will include all related fields of expertise required for successful oversight of implementation of Components 1, 2, and 3 of the USAID/Caucasus TO Municipal Infrastructure and IDP Housing Rehabilitation Project (GMIP) Contract No. AID-EDH-I-00-08-00027-00 Order No: AID-I14-TO-I1-00002. This expertise will include, but will not be limited to procurement management, engineering, environmental science, construction management, monitoring and inspection, and technical training. In addition to providing oversight for implementation of MDF's USAID-funded infrastructure projects, the contractor will strengthen

the capacity of MDF and project recipients to help ensure long-term sustainability of project interventions. The period of performance for the contract is May 23, 2011– November 22, 2013. Details are given in Section C.4 and F.6 of the TO.

## **2. CURRENT STATUS**

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### **2.1 THE ROLE OF THE MUNICIPAL DEVELOPMENT FUND**

A host country contracting arrangement has been determined as the financing vehicle for this program. Such an arrangement places the MDF in a key implementation role as this organization will be responsible for program management, procurement of goods and services, oversight and implementation. USAID successfully carried out a certification process relating to MDF's financial, technical and procurement management capacity to perform its responsibilities under this program. It will be helpful for Tetra Tech to have access to the MDF review completed earlier, to understand any specific areas of potential weakness that could necessitate support from Tetra Tech.

Two implementing Letters (IL's) 3 and 4 have been signed between the MDF and USAID. The IL's define the MDF as being responsible for all procurements of goods and services and for overall monitoring and reporting of the project. These IL's have been reviewed by Tetra Tech and are complete and comprehensive, well suited for this program.

### **2.2 CURRENT STATUS OF THE PROJECT**

Two important contracts for implementation of the project were signed between the MDF and Ltd Kavgioprotrance (contract no. USAID/NS/02 2011 with a period of performance from May 18<sup>th</sup> to June 29<sup>th</sup> 2011) and between the MDF and Geo Ltd. (contract no. USAID/NS/01-2011 with a period of performance from 18<sup>th</sup> May through the 18<sup>th</sup> of July, 2011). The contract with Kavgioprotrance deals with components 1 and 2 while the contract with Geo addresses component 3.

Both contracts have significant similarities and are designed to meet two major objectives, 'Objective A' and 'Objective B' as described below.

Objective A. This objective is to obtain technical and logistical services to support USAID's efforts to carry out environmental scoping and develop a scoping statement for follow on environmental review. This should identify significant environmental issues relating to the proposed rehabilitation of municipal and irrigation infrastructure, determine the range of alternatives and identify those issues to be analyzed in depth in the follow-on programmatic environmental assessment. The scoping process will help to set aside further examination of issues that are not significant and/or that have been addressed by prior studies. The environmental scoping will focus on what alternatives and probable significant environmental impacts are to be considered, with a detailed description of associated elements of the built and natural environment. The scoping statement will also determine if an additional environmental assessment is needed (i.e., site-specific environmental assessments).

To carry out the scoping process, environmental issues will be identified, reviewed, and prioritized. This will be accomplished through the following three tasks:

- Identifying and reviewing existing environmental information and studies related to the Irrigation and Municipal Infrastructure Project component;
- Carrying out site visit investigations to ascertain additional environmental issues; and,

- Obtaining stakeholder input and feedback in organized meetings to ensure that significant environmental issues are identified and that upgrade and rehabilitation activities best serve program recipients.

Each contractor is responsible for carrying out these three tasks.

Objective B. This objective is to carry out a technical assessment and prepare feasibility studies (e.g., construction sustainability, cost, benefit) for future design of the rehabilitation projects, which will be then used for the tendering. The feasibility studies will examine both the technical and economic aspects of proposed projects and will provide sufficient information to allow the MDF and USAID to select those proposed projects with the highest benefit per investment cost and that are the most feasible to implement.

Projects investigated by Kavgioprotrance under components 1 and 2 will include those proposed by the municipal governments and the irrigation districts (primary and secondary channels) of Saltvisi, Tirifoni, and Lamiskana.

Geo will carry out technical investigations for all proposed IDP cottage settlements and apartment buildings under component 3. and an approximate 25% sample of all proposed housing sites will undergo environmental review for the scoping statement development. The MRA has identified 118 potential buildings for USAID rehabilitation. As part of the selection process, the MDF is now assessing the potential of approximately thirty-five buildings for rehabilitation for objective A and all 118 buildings for objective B. It is already established by the project's IEE that a programmatic environmental assessment (PEA) will be required for the housing rehabilitation component. The PEA will be carried out by Tetra Tech and can address, in detail, any gaps in information that may result from the 25% sample size.

The deliverables are similar for both projects as well as almost identical delivery timing. The deliverables include:

- Report Outline/Table of Contents. Within the first two work days, the contractor was required to submit a proposed report outline to USAID and MDF. Although received, these are not yet approved. The MDF, USAID, and Tetra Tech are carrying out a joint review of this deliverable.
- Work Plan. A draft work plan was to be completed within five working days of award. The work plan should include a description of tasks and actions and a sequencing schedule along with recommendations for implementation. The work plan should describe the planning process for implementation of the tasks identified in the statement of work, the means to achieve these tasks, and a timeline of events with milestones. Although received, the work plans suffer from major deficiencies. The contractors have challenges in developing technical documents that are acceptable to the project. Rather than stop production, it was decided to work with both contractors to improve their work plans and other written deliverables while they continued field work. This has helped to keep both sets of studies on track. Tetra Tech is also providing its comments and recommendations to USAID.
- Report on Existing Environmental Information. Within the first seven work days, the contractor is to conduct a literature review of environmental issues associated and submit a draft report to USAID and MDF. This report should detail the content and assessment of existing environmental impact/issues materials identified by previous

programs. Examples of such materials could include studies past environmental assessments that have been carried out through international donor (World Bank, European Union, OSCE, etc.) and Georgian funded IDP housing and rehabilitation programs. These reports have also been received for both contractors and are under review, but again demonstrate significant weaknesses.

- Report on Existing Technical Information. Within the first seven work days, the contractor will conduct a literature review of technical issues and submit a draft report to USAID and MDF. This report should detail the content and assessment of existing technical impact/issues materials identified by previous programs. Examples of such materials could include studies past technical assessments that have been carried out through international donor (World Bank, European Union, OSCE, etc.) and Georgian funded IDP housing and rehabilitation programs. Both documents are under review by the project.
- Report on Site Investigations. This report (within 14 work days) should detail the results of field investigations of significant environmental and technical issues related.
- Report on Stakeholder Meetings. The contractor (within 25 work days) will organize and implement two stakeholder meetings through coordination with USAID and MDF. These meetings are intended to both present identified environmental issues and obtain stakeholder views and consensus on these issues. In this deliverable, the contractor will be required to: 1) provide major input in the selection of scoping meeting participants; 2) communicate with, and provide invitations to, the selected participants; 3) identify meeting venues and provide all services in the implementation of the meetings; and, 4) facilitate the scoping meetings, gather and record the results of the meetings, and present these results in written form to USAID Georgia and MDF.
- Scoping Statement Final Report. The contractor is to submit a scoping statement final report in a format acceptable to USAID and MDF in English and Georgian within five work days of the conclusion of all other deliverables. This report should summarize the results (environmental and technical) of investigations and information gathered under this purchase order, including a list of relevant findings, conclusions, and recommendations and will not exceed 10 pages in length (not including appendices with the sketch design, etc.). The report should contain a draft scoping statement in a format acceptable to USAID. USAID and MDF will review this report and return comments within one week. The contractor should finalize the report and return to USAID and MDF within three days thereafter and will give an oral presentation of this report at a venue acceptable to USAID and MDF.

Currently, Kavgioprotrance has supplied draft deliverables including the report outline, work plan, report on existing environmental information and report on existing technical information. Geo has provided drafts of the report outline, work plan and report on existing environmental information. Tetra Tech is compiling the comments of the MDF and USAID, and adding its own findings and recommendations. Overall, the draft reports provided to date demonstrate major shortcomings and highlight the need for Tetra Tech team involvement in supporting both contractors. It is probable that additional time will be required for each contractor to complete their deliverables to a standard acceptable by the project. The major problems seem related to organizing field information into concise written reports acceptable to the project. These weaknesses are recoverable and efforts are underway to mitigate these identified deficiencies.

Recognizing these problems with the contractor performance, Tetra Tech is mobilizing short-term international specialist support to focus on the environmental scoping requirements.

Tetra Tech will review and analyze the proposed irrigation (3 projects), municipal infrastructure (8 proposed projects), and the settlements (14) & apartment buildings (205) throughout the design study phase. This will include but not be limited to:

1. Meeting minimum weekly with USAID & MDF to review status of MDF contracts.
2. Meeting regularly with MDF contractors to discuss problems and issues as they arise.
3. Communicating through email or by telephone with USAID, MDF, and/or the MDF contractors to answer any questions or solve any problems that may arise.
4. Review and provide guidance on format and content prior to submission of the MDF contractor deliverables.
5. Review and provide comments on the initial “draft submission” of all MDF contractor deliverables.
6. Review and recommend approval on the final submission of all MDF contractor deliverables.
7. Accompany USAID, MDF, and MDF contractors on field visits as required.
8. Attend all MDF contractor stakeholder meetings.
9. Prepare regular status reports on progress of MDF contracts for the design study phase.

Some of the issues Tetra Tech expects to face during the design study phase include:

1. Criteria for selection of the DH buildings. Many of the buildings are in a deteriorated state and cannot be easily rehabilitated. Some of the buildings have families occupying flats larger than the allowed GOG regulation size. Some of the buildings are in remote areas and have limited infrastructure. Some of the buildings are empty; others are occupied. The specified project target is approximately 3,000 family dwelling units costing between \$6,000 and \$8,000. These criteria may change subject to actual conditions determined during the design study phase.
2. Out of 14 cottage communities only 11 have been targeted for project interventions. All of the cottages have an installed domestic water supply system. The three not included for design review have an installed sewer system. The cottages are small and installation of internal showers and toilet facilities would be difficult. Many of the cottage residents would prefer installation of a storage facility rather than a shower or toilet. A formal sewer system will require a waste water treatment facility (WWTF). Initial designs must be prepared and a potential site location identified. Effluent disposal must be considered. If septic tanks are to be proposed depth to water table, soil characteristics, and infiltration rates must be evaluated for each WWTF site.
3. Although the irrigation projects will only involve rehabilitation of the main and secondary canals the extent of the deterioration of these canals and their related structures is unknown. Several of the proposed canals pass through disputed territory. The water availability for irrigation supply from the rivers and the reliability of the flow in the source rivers needs to be evaluated. Rehabilitation techniques for replacing canal lining and structures need to be reviewed in terms of cost. Will it be sufficient to rehabilitate only main & secondary canals leaving tertiary & on-farm to others? The environmental clearance requirements for irrigation under USAID regulations will need to be addressed.
4. Some of the municipal projects may involve “new” construction. There is concern that some of the road projects after completion will be followed by water supply and/or sewer line construction projects; and the newly asphalted pavement will be dug up and not replaced properly.

5. Finally there is the concern that the quality of the MDF contractor work may need to be supplemented to provide proper environmental scoping documents and/or feasibility costs for preparation of procurement materials needed to move on to the design phase.

### **3. COORDINATION WITH OTHER TECHNICAL ASSISTANCE ACTIVITIES**

Other technical assistance activities, either planned or underway, that could have an impact on this program are believed to be substantial. At present, the Tetra Tech team has not completed a full inventory of such programs; indeed, completing such an inventory remains an important next step.

It is also evident that the USAID program will need tangible support and very close coordination to allow for the USAID and Government of Georgia objectives to be met.

#### **3.1 OTHER ASSISTANCE PROGRAMS**

##### *a. USAID*

The irrigation component of the program needs to be pursued in collaboration with other USAID programs including NEO and EPI. These USAID initiatives need to be promoted in tandem to ensure that the infrastructure provided by this program supports the objectives for economic development being pursued by the NEO and EPI programs.

##### *b. OTHER DONOR ASSISTANCE*

There is believed to be other donor assistance programs that could positively impact this USAID effort. For instance, the World Bank has approximately 2 million GEL available to support insulation in rehabilitated housing. This is an opportunity to align with the USAID program, to provide additional support for the IDP durable housing component. Additionally, it appears that both KfW and the EU are active in supporting IDP housing; it will be necessary to liaise with both organizations to understand if there are any opportunities for collaboration.

For South Ossetia, it is also possible that the OSCE may be able to support the irrigation component of the USAID program to the extent that such irrigation infrastructure relies on assets located on South Ossetia territory. This may need further examination depending on the project selection.

Fortunately, collaboration with other donors should be made easier given the role of the MDF in the USAID program and other donor funded activities.

#### 4. **TETRA TECH'S ANALYSIS OF THE STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS (SWOT)**

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##### 4.1 **SWOT ANALYSIS**

As part of the rapid appraisal, Tetra Tech completed a high level SWOT analysis, to understand the strengths, weaknesses, opportunities and threats to the program. The summary of the results is shown in the exhibit below.

The SWOT analysis is useful in that it provides guidance to ensure that the USAID team focuses on capturing the opportunities available. It is also useful in that it points out the weaknesses and threats to success, thus helping to prioritize steps and actions that can be taken to reduce the adverse impact such weaknesses and threats may cause.

<p><i>Strengths</i></p> <ul style="list-style-type: none"><li>• Tetra Tech's experience/ in similar project implementation in Georgia</li><li>• MDF's experience in working with donor funds and donor organizations</li><li>• Environmental and technical studies are already underway.</li></ul>	<p><i>Weaknesses</i></p> <ul style="list-style-type: none"><li>• Limited time for pre-design studies (30 days). Suggest min 45 days</li><li>• Mostly local companies will participate in tenders.</li><li>• Wide range of projects, different nature, geographic spread</li></ul>
<p><i>Opportunities</i></p> <ul style="list-style-type: none"><li>• Liaise with other donor organizations</li><li>• MDF's capacity building</li><li>• Huge success story potential</li><li>• Major direct and observable benefits to large segments of the population.</li></ul>	<p><i>Threats</i></p> <ul style="list-style-type: none"><li>• Poor planning and project management may result in budget overrun, underachieving targets, poor quality</li><li>• Possible dissatisfaction of beneficiaries (mostly IDPs)</li><li>• Failure to secure investments through lack of proper care and maintenance.</li></ul>

The strengths, at a high level, include the role of the MDF and its experience dealing with donor organizations, combined with the Tetra Tech team's experience in Georgia dealing with large complex infrastructure programs. Further, it is positive that efforts have already launched to

support the environmental and technical scoping required to support project selection. There is no lag in program start-up; activities are launched and operating according to an aggressive timetable.

The opportunities are also considerable including the ability to collaborate with others due to shared common objectives (and similarly, the likelihood that others will not be operating at odds with the USAID program objectives). The program also has an opportunity to enhance substantially the capabilities of the MDF. From the perspective of USAID results, this program also offers an excellent (almost unprecedented) ability to generate success stories and gain positive media, government and public at large attention for USAID. It is able to generate these successes through the direct involvement it has on addressing the needs of a large segment of the population.

A weakness is the large range of projects potentially supported by the program, including their geographic range and differing technical nature. This feature could lead to some loss of control of the program and overwhelm available resources for monitoring and oversight. Tetra Tech will address this weakness in several ways including: (1) ensuring that the team includes experienced professionals, accustomed to infrastructure investments in Georgia and elsewhere; (2) committing to substantial field time for all team members; (3) using modern tools to support project management (e.g., using for instance construction project management software rather than relying on spreadsheets or more simplified project management tools for program tracking and analysis).

A further weakness is that the competition for goods and services provided by this program are likely to be from local companies that lack capabilities. The fact that local companies are able to participate is, of course, positive and offers an opportunity; however, the capability weaknesses, such as what are now being seen by the two MDF contractors and what Tetra Tech has experienced on other Georgian projects over the past several years, represents a weakness. The best way to address this weakness is to: (1) recognize upfront the capability weaknesses and presume that there will be gaps that will need to be addressed; (2) have an approach to provide limited support and 'hand holding', especially in the area of proper project management; and, (3) require proof of the financial and technical wherewithal of the companies, to ensure that liquidity or solvency does not affect delivery. Further, if there are highly specialized tasks, it may be important to solicit actively international specialist firm involvement. In addition, design and construction tenders will be advertised internationally and could attract more qualified firms, particularly for the design phase.

In terms of threats to the program, Tetra Tech has identified several potential threats. An important issue will be the sustainability to specific project investments due to a lack of appropriate maintenance and operation. Efforts must be considered during implementation to address this especially for the irrigation and IDP durable housing components. They will need to be assessed and considered early on, in tandem with the site selection. Tetra Tech will need to recommend interventions for the irrigation enterprises in an effort to try to improve their general level of commercial operation and management.

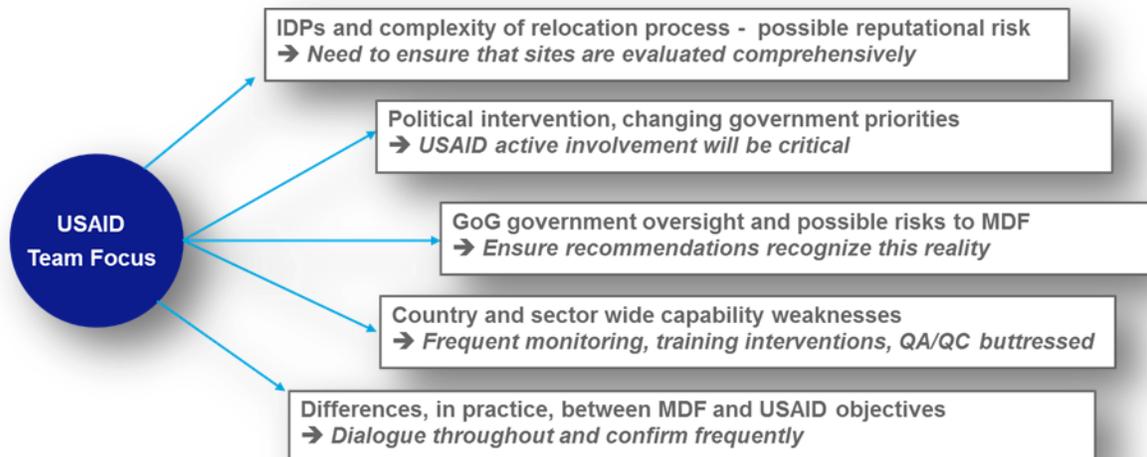
Finally, another major threat involves the IDPs. There have been many problems in Georgia associated with the relocation of IDPs; these problems have included violent protests and vandalism of property. It is a complex matter and is, in Tetra Tech's view, probably the single greatest risk to the USAID program across several areas including reputation and long term sustainability of the project objectives. The mitigation will come from having an experienced

team that has dealt with complicated IDP issues in the past. The fact that Tetra Tech (as PA Consulting) managed the Georgia Winter Heating Assistance program for several years and worked well with the IDP communities and collective centers, at least gives the team better awareness of IDP related issues. Further, it will be critical for the team to evaluate all aspects that are needed to ensure success for the IDP housing including, for instance, the availability of economic livelihoods in the relocated areas and the community dynamics. Although relocation itself and the decisions surrounding it are the responsibility of the MRA, the USAID team will also need to ensure that there is a comprehensive view on the IDP housing issue and the elements that are needed to work in tandem to make this program component successful.

## 5. ISSUES, RISKS AND MITIGATIONS

### 5.1 ISSUES CONFRONTING THE USAID PROGRAM

In addition to the SWOT analysis, the Tetra Tech team undertook an effort to determine the issues, risks and mitigation measures that could impact this program. A summary exhibit below shows some of the issues that the team expects to confront during program execution. An issue is defined as something in the external environment outside of the program that could nonetheless impact the program.



The IDP issue has already been mentioned, but it remains, in Tetra Tech's view, a paramount issue for consideration. A second challenge will be the possibility of political intervention. It is common in Georgia for priorities to be announced suddenly, and with associated very tight timeframes, which could modify the approach, timing and even projects supported by the MDF. This is a characteristic of the current government environment and could impact the project at some stage. Because MDF has a grant agreement that spells out the project in specific terms and this cannot be modified without USAID agreement, hopefully this will not become an issue. USAID active involvement in the program will be critical to ensure that the program remains on track and is not diverted unduly without careful consideration and agreement with USAID.

Further, it is also important to acknowledge the operating environment in which the MDF finds itself. There is considerable scrutiny of any significant procurement decision by various legal authorities, such as the General Prosecutor's office. In other circumstances, this has led to a hesitancy to make decisions or to only make a decision when there is, for instance, a supportive government decision in place, putting the responsibility for decision-making elsewhere. For the USAID program, it is important to recognize the pressure that the MDF and its officials find themselves under and to ensure that recommendations on how to proceed acknowledge this challenge. This is not simply an issue of more transparency or documentation of procurement decisions, but may require other ways to provide confidence. For instance, in a past project, Tetra Tech used local media, representatives of the municipality and NGOs to be observers for tender openings and deliberations, to provide added transparency.

Because government and/or donor interests can change during the course of a project, there is always the possibility that this could affect this program. It will be incumbent on USAID, MDF, and Tetra Tech team to monitor, communicate clearly and ensure that there is no confusion in the objectives being sought for this program.

## 5.2 RISK ASSESSMENT

To support the rapid appraisal, Tetra Tech also completed a high-level risk assessment for specific program elements, and considered how specific risks could impact the program components. The exhibit below shows five major risk areas including capability weaknesses, procurement integrity, sustainability of the program impacts, reputational risks for USAID and the MDF, and possible over commitment. The risk assessment used a ‘Booz ball’ qualitative analysis to consider how serious each risk might be for each program component. The results are shown below and demonstrate that of the three components, it is the IDP durable housing component that faces the most significant exposure to these risks and thus, also warrants the bulk of risk mitigation activities.

Risks	Possible Remedies	Infrastructure	Irrigation	IDP Housing
Capability Weaknesses	USAID/Tetra Tech to serve as “hand holder” throughout the project implementation – will also contribute to knowledge transfer and capacity building. Proactive approach throughout.			
Procurement Integrity	USAID/Tetra Tech to advise on robust procurement processes and assist in developing tendering documentation. Tender evaluation oversight.			
Sustainability	USAID/Tetra Tech to work with counterparts on planning sustainability initiatives to be deployed during and post implementation.			
Reputational Risks	USAID/Tetra Tech to advise MRA on potential risks to be taken into consideration during the site selection process and implementation.			
Over-commitment	USAID/Tetra Tech to work with MDF in ensuring that realistic and most feasible projects are selected and ensure close monitoring to completion. Careful communication throughout to prevent unrealistic expectations.			

Key  
Strength of relationship  
 Low → High

Of course, this is as noted earlier, a high level assessment. Once specific projects are identified, the risk assessment will be able to be conducted on the full portfolio of projects selected.



## **6. CONCLUSIONS**

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This rapid appraisal focused on the current status of the program, the overall enabling environment, and how the program could benefit from various strengths and opportunities as well as ways to buttress potential weaknesses and reduce possible threats. Issues associated with the external environment, were also examined along with specific program risks and their mitigation.

Based on this rapid appraisal, Tetra Tech concludes the following:

1. The program has the potential of achieving important successes that are measurable and directly observable. There is no 'free rider' effect – that is, without USAID involvement, it is doubtful that much progress on these projects would be achieved, especially not within the same time frame.
2. It is assumed the initial selection of projects was agreed upon by USAID and GOG in the program preparation phase. No detailed economic analysis (EIRR) is being carried for the DP building or the cottage communities. For the municipal and irrigation projects a cost/benefit analysis was required as part of the MDF contract; however limited data and time will probably only provide indicative results that should be compared to more sophisticated analysis of similar projects (World Bank, Asian Development Bank). Given the extent of needs and evaluation process, it is unlikely that the program will make a serious mistake by selecting unwarranted projects.
3. Although there are a set of issues and risks that confront the program, they are able to be addressed or mitigated to reduce the possibility of disruption to the program or the sustainability of its results.
4. There are major coordination requirements, and opportunities for collaboration, with other USAID initiatives and possibly other donor programs. It will be important for the team to liaise rapidly, to begin this coordination process.
5. Certain elements of the program, such as the quality selection criteria required for goods and services under the implementing letters will need support from the Tetra Tech team to ensure that the MDF and local market understand and implement these provisions effectively (and transparently). It should be noted that there are examples in which the use of a quality selection criterion (as compared with say a quality and cost based selection) led to an increase in concerns about the integrity of the procurement process. This will need to be managed to ensure it does not become an issue for the program.
6. Of the various program components, the IDP durable housing will be the most complicated component to address. The issues surrounding IDPs and the intense sensitivity of IDPs, their interaction with each other and with broader non-IDP communities, can be complicated and require careful consideration throughout to avoid possible problems during implementation and even outright conflict. It is not advisable to rely solely on the ministry to consider such issues.
7. The MDF should be an effective program counterpart. It is not apparent that any other government structure would be better suited for managing this program. At the same time, it is recommended that the review of the MDF that determined its suitability for host

country contracting be shared with Tetra Tech as it may shed insight into certain areas within the MDF that require closer monitoring and support.

8. Once again, as the project selection elements move forward, it will be important to reassess the risks associated with the specific package of projects selected for implementation. It is only at that stage that a full risk assessment can be completed with mitigation measures identified throughout.
9. Specialist support is needed rapidly in key areas, especially the environment, to work with the MDF and its contractors, to ensure that the results of such work are supportive of the program needs and of sufficient quality. This is a critical path item.

Finally, having completed a review of the program and launched program activities, it is also important to examine again the capabilities of the team of specialists proposed on the Tetra Tech team to ensure alignment with the program needs. The team of specialists proposed by Tetra Tech should be well suited to this program and have the range of capabilities that are going to be required for program monitoring, oversight and support. No capability gaps are evident at this time.

Thus, in Tetra Tech's opinion and based on the results of this rapid appraisal, the program is ready for aggressive implementation. The program offers impressive opportunities to address infrastructure weaknesses and thus capture important benefits (e.g., restoration of agricultural land and municipal infrastructure service to productivity, helping improve housing for the dislocated) while also helping to strengthen capabilities in the government (at the MDF) and in the local environment.