

To: Executive Directors of EBRD

Dear Madame/ Sir

We would like to address your attention regarding the Tbilisi Water Supply Improvement Project that has been submitted to EBRD to get 25 million Euro for Tbilisi water company owned by Tbilisi municipality. While we welcome increased amount of municipal projects financed by EBRD in Georgia, we would like to stress our concerns with continuous untransparency and secrecy around of the projects sponsored by Tbilisi municipality.

The number of the goals of Tbilisi Water Supply Improvement Project already raise significant concerns among Tbilisi citizens regarding the project activities.

Residential block metering

One of the goals of the project is to meter blocks of flats so that one water-meter will measure the amount of water used. As a result the fee for water has to be paid collectively by the residents of the block based on the number of family members.

The same practice of collective meters exists in rural areas and in some districts of Tbilisi city with regard to the collection of energy fees, and according to the Georgian Independent Regulatory Commission this is to be ceased by 1 July 2007, as a violation of Constitutional rights of Georgian Citizens. One of the main problems is the cutting off of users that pay honestly for the electricity used, so this system creates lots of tension between the community members. Citizens are protesting against applying this controversial practice to the water supply system and there have been a number of protests against the unilateral decision taken by Tbilisi Water Company.

Water Fee and Right to Water¹

Neither Tbilisi Municipality nor the EBRD are addressing adequately the impact of water improvement project on socially vulnerable groups. According to the Ministry of Healthcare, Labour and Social Protection each family would be given around GEL 60 (USD 30) per year for all types of communal services. Taking into account the fact that the water fee per person is already GEL 2.40 per month the problem remains serious.

While the monthly salary for a school teacher constitutes GEL 120, according to the EBRD own research “the maximum affordable level of combined water and waste services should not exceed 4% of average household income”², particularly in case of simultaneous price increases “in other household expenditure such as electricity and heating”, which means that “even the 4% threshold may represent an unacceptable burden”³. During the last year prices for electricity and gas have increased in Georgia by up to 50 percent. In addition, around 50 percent of the population lives under the poverty line, that leads towards the situation that proportion of the population that may stay without drinking water and sanitation could be quite large.

It is important to undertake the specific safeguards to ensure that people that live under the poverty line would not stay without water and sanitation services, in line with the General comment 15 (2002) of the United Nations Committee on Economic, Social and Cultural rights,

¹ According to Article 11, paragraph 1, of the International Covenant on Economic, Social and Cultural rights of United Nations (UN) specifies a number of rights emanating from, and indispensable for, the realization of the right to an adequate standard of living “including adequate food, clothing and housing”. The right to water clearly falls within the category of guarantees essential for securing an adequate standard of living, particularly since it is one of the most fundamental conditions for survival. Committee on Economic, Social and cultural rights; **General comment No 15**, “The right to water”, (paragraph 3); November 2002;

² EBRD water toolkit: social and political acceptability of water tariffs; “Water Prices in CEE and CIS Countries. Volume I”; Chapter 5.3.1; See: <http://www.ebrd.com/country/sector/muninfra/toolkit/toolkit.htm>

³ EBRD water toolkit: social and political acceptability of water tariffs; “Water Prices in CEE and CIS Countries. Volume I”; Chapter 5.3.1; See: <http://www.ebrd.com/country/sector/muninfra/toolkit/toolkit.htm>

and right to sanitation as it is described in UN sub-Commission on the promotion of protection of Human Rights Guidelines (2006) for the realization of the rights to drinking water and sanitation⁴.

However, till now it is almost impossible to find out how the Tbilisi municipality or State government will support people that will have problems to pay the fees for water and sanitation services.

Access to Information and public participation

According to the General Comment No 15 (paragraph 48)⁵, "The formulation and implementation of national water strategies and plans of action should respect, inter alia, the principles of non-discrimination and people's participation. The right of individuals and groups to participate in decision-making processes that may affect their exercise of the right to water must be an integral part of any policy, programme or strategy concerning water. Individuals and groups should be given full and equal access to information concerning water, water services and the environment, held by public authorities or third parties".

Despite the number of requests to provide feasibility study of the Water Project from Tbilisi Water Company, as well as raising the issue on EBRD AGM with the Department of municipal and environmental infrastructure, the feasibility study is still unknown for the public.

Promotion of Public Private Partnership

Non-transparent decision to use a PPP mechanism rather than publicly-supervised public procurement

It is unacceptable that a PPP arrangement seems to have been chosen without any public discussion on the advantages and disadvantages of this approach.

Experience from around the world shows numerous problems with PPPs in the water supply sector, resulting in a number of contracts being terminated or re-negotiated, and the decision to use a PPP is not one that should be taken lightly. Noted problems include under-investment and failure to improve services (eg, Severn Trent Water International in Guyana, the City Water consortium in Dar es Salaam, Tanzania), overly generous contracts transferring too little risk to the private sector (eg, Szeged, Hungary), and difficulty in terminating contracts.

Even the IMF has admitted that "*Much of the case for PPPs rests on the relative efficiency of the private sector. While there is an extensive literature on this subject, the theory is ambiguous and the empirical evidence is mixed.*"⁶

Decisions on whether to use a PPP or public procurement for water supply in Tbilisi must be taken in full consultation with the affected people, including access to public sector comparator and value for money calculations.

Dear Directors,

To avoid drastic negative impacts from the project the EBRD should undertake the following measures:

- Make available all relevant documentation related to the Tbilisi Water Supply Improvement Project (Feasibility Study, audit of the company's accounts etc.)
- Undertake a social assessment to identify adequate mitigation measures for low-income households and obtain a commitment from the government on the implementation of the mitigation measures

⁴ "The human right to water entitles everyone to sufficient, safe, acceptable, physically accessible and affordable water for personal and domestic uses. An adequate amount of safe water is necessary to prevent death from dehydration, reduce the risk of water-related disease and provide for consumption, cooking, personal and domestic hygienic requirements". **General Comment 15, CESCR, 2002**

⁵ UN Committee on economic, social and cultural rights (2002)

⁶ International Monetary Fund Public-Private Partnerships March 12, 2004

<http://www.imf.org/external/np/fad/2004/pifp/eng/031204.htm>

- Organize public hearings and consultation on the different components of the project with different NGOs, vulnerable groups (internally displaced people, veterans, school teachers etc), political parties, trade unions etc.
- Create a public supervisory mechanism, that will be able to participate in key decision-making processes including the project design, water tariff setting, investment obligations, whether to use a PPP mechanism, and if so the development of PPP conditions etc.

Sincerely yours,

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