

Dear Ms Shoshitashvili,

Thank you for your message of 16th January 2012 to the European Investment Bank (EIB) regarding a water infrastructure rehabilitation measure in Tetriskaro that is carried out with EIB financing under a broader programme aiming at water infrastructure modernisation in Georgia.

We would hereby like to respond, to the best degree possible, to the points that you outlined in your letter.

First of all, we would like to inform you that the EIB has signed a financing agreement with the Republic of Georgia on 19 September 2010, aiming to support a programme of water sector investments across the country. This operation covers a large number of separate small and medium sized water infrastructure rehabilitation and modernisation schemes in Georgia within the service area of the United Water Supply Company Georgia (UWSCG). The primary purpose of the programme is to support highly urgent investments with a view to restoring basic functionality of water supply systems and to start addressing serious inefficiencies.

The project is implemented by the UWSCG and monitored by the EIB. Please note that only in cases where larger components above specific thresholds are tendered, the Bank is directly involved in the procurement procedure. The program, composed of 26 municipal schemes has no works component in which the Bank is directly involved during the procurement.

The selection of the participating municipalities is solely under the control of the UWSCG and the Ministry of Regional Development and Infrastructure (MRDI). The review of projects schemes promoted by the UWSCG and the MRDI and the adequacy of the designs of selected measures is dealt with on a technical basis.

The UWSCG and the respective municipalities, with the help of local technical support, develop the individual investment schemes aimed at increasing, stabilizing or extending the water supply in the participating municipalities. Due to the sheer number of participating municipalities and individual measures, every scheme has a different focus, ranging from rehabilitation of sources and water intake structures to simple exchanges of pipes.

The final decision which individual measure is adequate within the project is then subject to review by an international technical consultant who verifies that the financed investment is cost efficient, offering good value-for-money and taking into account the limited overall funding available for this programme.

More specifically and related to the works that are implemented in Tetriskaro, the following measures have been identified as a first and efficient phase of investments towards a reliable, uninterrupted and permanent water supply for the inhabitants.

For the rehabilitation of Tetriskaro Water Supply System, the technical design stipulates reconstruction of Tetriskaro's existing water supply system, which includes:

Water main from Menqalisi source to inlet pipeline of central reservoir;

Water main from Rabbit Farming springs to central reservoir;

Rehabilitation of water supply network on G. Brtskinvale, D. Tavdadebuli, Odzelashvili, Garisi, Leselidze, Tbilisi, Samshvilde, Rustaveli, Gorgasali, Tsereteli, Dumbadze, Pushkin, Gamsakhurdia and Barnovi streets;

In nearly all municipal schemes the investment needs are by far larger than the scope of the measures included in the first phase of investment. In addition, one has to consider the already mentioned limited funds available. Thus, the core objective of the program in its first phase is to improve the water supply situation for as many inhabitants as possible rather than already aiming at a full rehabilitation and extension of the water infrastructure in one particular municipality.

In this regard we would also like to mention that feasibility studies and non-revenue-water programmes are about to start in several municipalities. This will further address the water supply situation and contribute to the overall improvement of access to water for every inhabitant.

In addition to the technical explanation, we would further like to clarify that all measures under the investment programme have been subject to an EIA Screening Procedure. For none of these measures, however, due to their mainly rehabilitating character, public participation, e.g. in form of a public hearing or consultation, was required.

In addition to the above clarifications, we would like to inform you that we have met on 25 January 2012 with the management of UWSCG in Tbilisi and discussed the concerns that you raised in your letter. We have received their assurance that they will respond to the letter within a shortest delay providing answers to the questions raised by you.

We hope that this information is useful and please do not hesitate in case of further questions.

Sincerely Yours,

Yours sincerely,

EUROPEAN INVESTMENT BANK

Juan Manuel Sterlin Balenciaga

Deputy Head of Division

Adrian Aupperle

Communication Officer

Corporate Responsibility and Civil Society Division

Corporate Responsibility and Communication Department