



MCC Works with Donors to Bring Reliable Water Services and Safe Drinking Water to the Georgian City of Poti

Imagine having only two hours of running water per day. Now, try to picture how this situation would impact not only your own household but local services and businesses, including hospitals, restaurants, hotels and factories.

The residents of Poti, a port city on Georgia's Black Sea coast, know from experience what it means to live with limited access to water. The current state of the city's water supply means that two thirds of Poti's 50,000 residents use private wells to supplement what they receive from the city system. Limited water availability is not the only issue. The quality of the water they receive has been a problem for years. Water treatment is a challenge and the water distribution system is badly rusted and damaged. Most Poti residents have to boil their water before using it to avoid the risk of water borne diseases (the price of bottled water is out of the question for most of Poti's low-income households).



Poti's distribution system is badly rusted and damaged. MCC will fund, among other projects, emergency repairs to the existing water transmission pipeline and rehabilitation of Poti's water distribution network, which is 90% completed.

Households are not the only ones affected. Water-intensive businesses suffer from the lack of a dependable water supply. There are opportunity costs associated with the difficulty, due to water scarcity, of developing businesses like hotels and restaurants, which would help stimulate the local economy. The water company itself has also suffered. Its operating expenses have increased in the past years and, with a bill collection rate of only 43%, it is currently operating at a loss. The system's energy inefficiencies have also taken a toll on Poti's municipal government resources, which currently provides subsidies to cover the water company's electricity expenses.

Tackling the problem of water services is a top priority for this city, which is emerging as a potential major economic center in the region. (Georgia has recently designated Poti as a free industrial zone with tax and custom incentives for business and investment.) The government has been exploring solutions to Poti's water problems since 2003 with the help of the European Union (EU), which funded the feasibility studies, and the World Bank, which participated in the engineering design of required system rehabilitation.

In 2005, a new partner came into the picture to contribute to these efforts. The United States' Millennium Challenge Corporation (MCC) signed a \$295.3 million compact with the government of Georgia focusing on improving the country's infrastructure and developing private enterprise. Providing Poti with a 24-hour supply of safe drinking water became one of the activities under the compact's \$43 million Regional Infrastructure Development Project, which seeks, among other goals, to provide a solution to deteriorating municipal services.

Poti's \$15.87 million water project, designed by the government in consultation with the population, improves municipal water services in the City of Poti by building new infrastructure, renovating existing structures, and strengthening the local water supply company. Multiple donors are working together to fund projects in this area and provide relevant expertise in different areas. The MCC has committed a grant of \$5.55 million, managed through the Millennium Challenge Georgia Fund (MCG), the organization in charge of implementing the compact in Georgia. The MCG grant funds have help[ed] leverage a loan from the European Bank for Reconstruction and Development (EBRD) for \$3.8 million and additional grants from the Swedish International Development Cooperation Agency (SIDA) and the EU. The Georgian Government and Poti Municipality are also providing co-financing.

The project, organized in three phases, started in early 2007 and is expected to finish on schedule during the first quarter of 2009. The first phase, financed by EBRD and SIDA, consists of the construction of new headworks at the Grouli Spring water source and 47 kilometers of new pipeline. Eighty percent of the initial phase has already been completed. The second phase entails emergency repairs to the existing water transmission pipeline and rehabilitation of Poti's water distribution network, which is 90% completed. Finally, the third phase provides for the installation of meters in all Poti households. The meters have already been supplied and installations have started. These last two phases are almost entirely funded by the MCG.

A final phase consisting of technical assistance for the financial and operational restructuring of the Poti water company is financed by the EU and administered by EBRD. It includes the implementation of a new tariff policy and better customer service standards. Combined with the new meters, this component aims to assist the water company in improving its collection rate and ensuring this initiatives sustainability over the long term.

The multi-donor partnership, with MCC funding as an important catalyst, "has been a very successful collaboration," says Khatuna Kunchulia, MCG's Director for the Regional Infrastructure Development Project. It has allowed the Poti government to implement an extremely comprehensive project that, according to Kunchulia, "is the largest of this type ever implemented in Georgia since its independence."

This country-led partnership between the government, MCC and other donors will change Poti's social and economic landscape in many ways. For residents, the project will result in considerable quality of life improvements as well as a reduction in health-care costs associated with water borne diseases. Companies will benefit from productivity gains and there will also be an increase in small and medium business opportunities.

To learn more about the \$295.3 million Georgia compact, visit www.mcc.gov.