



საერთაშორისო გამჭვირვალობა - საქართველო
TRANSPARENCY INTERNATIONAL GEORGIA

COTTAGE SETTLEMENTS FOR GEORGIA'S NEW IDPS: ACCOUNTABILITY IN AID AND CONSTRUCTION

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To access all of the documents obtained from the MDF, Mtskheta Municipality and MRA for this report, please visit www.transparency.ge.

¹ Founders and member organizations of the Coalition are: "Eurasia Partnership Foundation", "Economic Policy Research Center", "Civitas Georgica", "Green Alternative", "Georgian Young Lawyers' Association", "Open Society Georgia Foundation", "Transparency International Georgia".



■ Executive Summary

This report seeks to explain the process by which new cottage settlements were constructed for people displaced during the August 2008 war between Russia and Georgia. The report investigates the quality of construction based on the assessment of several independent engineers, describes who was responsible for building the settlements and analyzes the costs, and reviews the government's accountability mechanisms for overseeing the construction process. In conclusion we look ahead, making recommendations for the government and donors in their upcoming round of investments into shelter solutions for IDPs displaced in the early 1990s.

The report's key findings are:

- Many problems in the cottages that were initially attributed to the wet building material and construction speed have persisted for more than a year, suggesting that the cause should be traced to the initial design and planning phase, rather than to the period of construction.
- The MDF's system for monitoring construction work is generally well-documented, which allows independent parties to verify the process. However, there are inconsistencies and inaccuracies in the MDF's method of documenting cottage defects and verifying that they were repaired. These problems erode the agency's ability to hold construction companies responsible for problems in quality of construction.
- The monitoring process of Mtskheta municipality, which built 68 percent of the cottages lacked independence and appears to have been conducted on an ad hoc basis and with a less rigorous approach to addressing concerns about defects
- Information asymmetries in the field of construction and engineering are significant, posing real challenges to effective citizen oversight and accountability. Therefore there is an even greater need for better communication from the MRA to IDPs about these processes, including publication of architectural plans and full transparency of construction company contracts and budgets. Such communication can be simple and inexpensive.
- Greater awareness and education about home maintenance is needed to help IDPs properly care for their new homes.
- A successful information campaign that explains why decisions have been made to beneficiaries is a necessary precondition to achieving accountability. This is especially relevant to the new round of investments into durable housing for IDPs from the early 1990s.

■ Background: The controversy over cottage quality

Between October and December 2008, the Government of Georgia built 3,963² individual cottage homes across 13 different locations to shelter those who could not return to South Ossetia after the August 2008 war. At an average cost of GEL 27,800 per home (approximately USD 19,700)³, the cottage settlements were financed through a combination of highly concessional loans from the World Bank and grants from the European Commission. The total cost of the construction of the cottage settlements and related infrastructure⁴ was GEL 133.3 million (USD 94.5 million).⁵ They are now home to 13,876 individuals.⁶

The Georgian government's immediate response to build durable shelter for IDPs deserves strong commendation. TI Georgia is unaware of any similar precedents by a country emerging from conflict to immediately address the shelter needs of an internally displaced population. The effort also represents a sea change in the Georgian government's attitude *and actions* regarding IDPs. Prior to the war, many of the 250,000 IDPs from the country's previous conflicts languished in unacceptable housing conditions, serving as pawns in political claims over contested territories.

The decision to build the cottages and the subsequent planning went extremely fast. The government had contracts with construction companies in place just a little more than one month after the war broke out, which means that architectural designs and identification of suitable land had already occurred. According to the terms of the contracts, construction companies had at most three months to complete the works. By comparison, during the international humanitarian response to the August 2008 war, engineers from the United Nations High Commission for Refugees (UNHCR)—experts in humanitarian relief operations—estimated that a minimum of 45 days would be needed to rehabilitate already constructed but empty buildings to convert them into durable housing for 450 families.⁷

2 The figure 3,963 comes from documentation provided by the Municipal Development Fund and Mtskheta Municipality, both of which are confirmed by multiple sources. The Ministry of Refugees and Accommodation regularly cites the number of cottages built at 3,979. TI Georgia was unable to find an explanation for the difference of 16 cottages.

3 Currency conversions are calculated based on September 15, 2008 exchange rates (1 USD = 1.41 GEL, 1 EUR = 2.01 GEL).

4 Infrastructure includes access roads, water and sewage; the costs of installing gas and electricity lines are not included in these figures or elsewhere in this report.

5 The government built a total of 38 new settlements for the 2008 IDPs, of which 25 are renovated apartment buildings (1,542 apartments) and 13 are new cottage settlements (IDP Housing Work Plan, Ministry of Refugees and Accommodation, distributed on February 8, 2010 to the Steering Committee on IDP Issues). The German and Turkish governments also separately financed and built cottage settlements for 400 and 100 families, respectively (Ministry of Refugees and Accommodation of Georgia, PowerPoint presentation to the Steering Committee on IDP Issues, December 4, 2009).

6 UNICEF, "Assessment of Situation, Needs and Priorities for Water, Sanitation and Hygiene in Georgia IDP Settlements", Appendix A-2: List of Collective Centers, Settlements and Villages, June 12, 2009.

7 Meeting Notes from the Shelter Coordination Group, September 03, 2008. <http://relief.migration.ge>. Accessed February 11, 2010.



The sheer speed of the building process surprised many of the major international organizations working on humanitarian relief,⁸ and the settlements earned the moniker “mushroom villages” for the pace with which they appeared to grow overnight. In January 2009, five months after the war broke out, IDPs began moving from temporary shelters in Tbilisi and Gori (schools, kindergartens and other public buildings) to their new cottage homes.

Conditions in the new cottage settlements were far from ideal. The most immediate problem, the cold and damp interiors, was caused by a combination of planning and building speed and problems in the availability of construction materials. These moisture problems resulted in widespread defects in the cottages, garnering a fair dose of criticism in the Georgian media⁹ and from many local civil society groups monitoring the process. The IDP Rights Coalition, for example, noted in July 2009 that “there are serious doubts about the quality of these houses and complaints related to this issue are heard quite frequently from news programs, experts and IDPs themselves.” The same report describes the main construction quality problems: “while visiting various settlements, Coalition members witnessed quite a grave picture: leaking rain water from the ceilings, mold on the walls due to dampness, deformed floors, grass in the rooms and drafty windows and doors.”¹⁰ Similar allegations, many including extensive photographic evidence of the defects in the cottages, were presented at a number of public conferences and events throughout 2009 by a wide range of civil society actors.¹¹ The underlying fear expressed by civil society and the media was that these newly-built shelters would collapse in a few years’ time if the current rate of deterioration continued.

The negative attention surrounding the cottages has not subsided, and opposition political parties have taken up the call. For example, in November 2009 a member of the Parliamentary Committee for Healthcare and Social Issues asserted that “as the cottages were built in a hurry, not all construction standards were followed. Huge sums were spent but what is the result? I have personally seen the cracked walls of the cottages; rain is leaking in the houses; the settlements do not have rubbish dumps. In such situation the winter will be difficult for [IDPs].”¹²

The Minister of Refugees and Accommodation, Koba Subeliani, rejects most of this type of criticism as the sensational work of the yellow press and politicized civil society organizations. “When we hear of a problem that is published in the press, we go to that village and find the person whose house is described in the complaint and they usually say ‘Yes, some NGO was here. They looked around, saw peeling paint, and reported that the wall is ruined.’”

Indeed, the evidence that the construction of the cottages was poor quality is still largely anecdotal, and it is nearly impossible to make claims about the construction quality without an expert engineer’s opinion. The IDP Rights Coalition rightly noted in its July 2009 report that there has been no independent assessment to understand the scale and degree of severity of defects in the cottage settlements.¹³ By the publication of this report, still no independent assessment has been made to address the claims about quality.

Those involved in the planning and construction process accept the problems in the cottage construction as the unavoidable result of triage during a humanitarian emergency. According to Ahmed Eiweida, a Senior Urban Management Specialist at the World Bank who

A Note on IDP Terminology

There is frequently confusion about IDPs that stems from a lack of consistency in the use of terms used to refer to different groups of IDPs. Practitioners know the difference, but often they fail to clearly distinguish which group they are writing or talking about. This paper is about one segment of the “**new**” or “**second wave**” IDPs – those who were displaced in 2008 and who now live in **cottage settlements**. In total there are approximately 22,000 new IDPs. A sub-category of the “new” IDPs is those living in **renovated apartment blocks**—about 8,100 people. Together, the apartments and cottages that were built for the new IDPs are collectively referred to as “**settlements**.”

A second major category of IDPs is the “**old**” or “**first wave**” IDPs who were displaced from Abkhazia and South Ossetia during the wars of the early 1990s, of which there are approximately 233,453 individuals. According to the MRA, 42 percent of this second group live in **collective centers**. These IDPs do not own their living space. Most collective centers are overcrowded and in dire physical condition. The remaining 58 percent of first-wave IDPs, live in so-called “**private accommodation**”—with relatives or in a rented flat. It is generally assumed that those living in private accommodation face similar hardships with regard to the physical state of their living space.

8 This has been confirmed through numerous TI Georgia Interviews throughout 2009.

9 See, for example, Tea Tedliashvili, “Living here is impossible; say IDPs settled in cottages”, *Monitori*, Special Edition, January 2009, available in Georgian only.

10 Translated by TI Georgia. Coalition for IDP Rights, “Program Report,” July 6, 2009, available in Georgian only at http://www.idp.ge/geo/index.php?option=com_content&view=article&id=120:6-&catid=49&Itemid=78&lang=ka

11 For example, at a presentation by the IDP Rights Coalition in November 2009, a representative of the organization gave a photo slideshow documenting the defects and problems in the settlements. The final report of the meeting summarizes the oral commentary that accompanied the slideshow: “The help IDPs received from the Government and from society in general was significant, and this led to their being resettled quickly, but in some cases the speed of their resettlement was detrimental to the quality of their new living conditions. The resettlement process could have been better planned and implemented, particularly with regard to the quality of the construction of new accommodation. The new buildings have no foundations, and this makes them unstable. There is little protection from the elements, as the roofs are badly-built and let in water.” (Final Report, “European Union-Georgia Civil Society Human Rights Seminar on Internally Displaced Persons,” Tbilisi, 12 November 2009.)

12 Tako Khutsishvili, “Valeri Kopaleishvili: ‘In Winter Every IDP Will Live Warm’”, *humanrights.ge*, November 6, 2009, <http://www.humanrights.ge/index.php?a=article&id=4352&lang=en> and <http://www.humanrights.ge/index.php?a=article&id=4350&lang=ge>. (Translation from Georgian by TI Georgia.)

13 The Coalition for IDP Rights, *Ibid*.



participated in the early planning and, later, in the financing of the cottages, the problems in construction quality were justified: “In such a fast response, the government had to balance between three things: speed, cost and quality. It is almost impossible to score high in all three areas. If you score high in two, bravo!”¹⁴ The World Bank provided concessional loans to the Georgian government to cover the construction cost of a portion of the new cottages. The same official continued, “The government was not stingy in costs. IDPs got televisions, furniture, etcetera. Tell me, which other country in the world has done something like this?”

Minister Subeliani also defends the fast pace of the building process: “three months after the ceasefire, no one was living in a tent anymore. In Sri Lanka, people are still living in tents.”¹⁵ This explanation may be exaggerated,¹⁶ but the sentiment is important because it illustrates the government’s rationale for the quick decision making. Those who support the government’s actions believe that it was imperative to build the cottages and move IDPs out of temporary shelters as quickly as possible. Certainly the psychological benefits of owning a real home and being able to make productive investments into one’s future, rather than sitting and waiting in an empty school building, are vast. The justification is supremely practical and results-oriented, and fitting to a country that faces high social demands with limited financial and institutional resources.

Nevertheless, this report will argue that a longer planning period involving a slightly larger circle of local and foreign experts in durable shelter could have led to a significantly higher standard of quality at very little additional cost.

In summer 2010, there will be a new round of large donor and government investments into both the new cottage settlements, and into durable shelter solutions for the first wave of IDPs from the early 1990s. The pace of work on these current efforts is just a notch below the lightning speed of the cottage construction in 2008.

With a view to improving these future investments into IDP shelter, this report seeks to clarify some of the most frequently cited concerns about the quality and process of construction. In the following sections, we present an independent engineer’s assessment of the cottage quality, describe the government’s procurement and building process, and review the monitoring mechanisms employed by the MDF and Mtskheta municipality to oversee construction.

■ Independent engineer assessment of cottage quality

In March 2009, responding to the widely-circulating reports of poor cottage quality in the months just after IDPs moved into their new homes, TI Georgia hired an independent engineer to assess the quality and durability of the new settlements. The initial approach sought to address some of the more wild claims that the construction quality was so poor that the structures were already crumbling to pieces. With a second independent engineer, TI Georgia conducted another round of assessments of cottage quality in December 2009, after the one-year liability period on the construction contracts was up. Paired with TI Georgia’s own researchers, the engineer-researcher teams visited five settlements in March 2009 over two days (Karaleti, Khurvaleti, Shavshvebi, Skra and Berbuki) and four settlements over one day in December 2009 (Karaleti, Khurvaleti, Shavshvebi and Akhalsopeli).

Settlement	Mar 2009	Dec 2009
Karaleti	X	X
Khurvaleti	X	X
Shavshvebi	X	X
Skra	X	
Berbuki	X	
Akhalsopeli		X

During both sets of visits, the teams conducted free-form interviews lasting between 20 minutes to an hour, speaking with five to eight households in each settlement. In total, TI Georgia interviewed approximately 60 households and the engineer made technical inspections of approximately 30 cottages in six different settlements. The teams only visited settlements built by the Municipal Development Fund and its contractors (as the next section describes, 68 percent of the cottages were built by Mtskheta Municipality and its sole contractor, New Energy, Ltd.)

The teams inspected the exterior and interior of the cottages, looking for defects and further explanations through free-form interviews. A third foreign engineer with extensive experience in both Georgia and internationally reviewed the technical designs of cottages and was consulted on the final version of this report.

14 TI Georgia interview with Ahmed Eiweida, Country Sector Coordinator, The World Bank, January 28, 2010.

15 TI Georgia Interview, January 13, 2010.

16 Although nearly 185,000 people were displaced at the height of the crisis, the figures declined quickly. According to the government’s own estimates, by late August (when the durable shelter strategy was being developed), only 15,000-30,000 people were expected to be displaced for the long term. Meanwhile, the Gori tent camp sheltered only a few thousand IDPs, and it was closed by early October. (For estimates of the number of IDPs, see: USAID, Bureau for Democracy, Conflict Resolution and Humanitarian Assistance, Office of US Foreign Disaster Assistance, “Georgia – Complex Emergency” Fact Sheets #13 and 18, August 26 and September 11, 2008, available at http://www.usaid.gov/our_work/humanitarian_assistance/disaster_assistance/countries/georgia/template/fs_sr/georgia_ce_fs18_09-11-2008.pdf and <http://ocha-gwapps1.unog.ch/rw/rwb.nsf/db900sid/MYAI-7HW2K3?OpenDocument>. On the closure of the Gori tent camp, see: “Reports of lawlessness creating new forcible displacement in Georgia,” August 26, 2008, United Nations High Commission for Refugees, Press Release, <http://www.unhcr.org/48b424f94.html>; “Georgia Interagency Health and Nutrition Working Group Situation Report No. 4,” September 8, 2008, World Health Organization, http://www.euro.who.int/Document/EHA/GEO_sitrep_04.pdf; and “Office of the UN Resident / Humanitarian Coordinator Situation Report No. 31 on the Situation in Georgia,” October 16, 2008, <http://blog.afgeorgia.org/wp-content/uploads/2008/10/20081016-georgia-sit-rep-31.doc>.)



Main findings of independent engineer inspections:

- There were no problems with the structural integrity of any cottages inspected.
- Nearly every house that the teams visited in March had some kind of non-minor defect, which we define as something that will have a clear impact on the quality of life of the inhabitants (these include extensive mold on walls and ceilings, large cracks in the walls that let in cold air and contribute to high energy bills, and warped floorboards that let in cold air, rodents and insects).
- **The majority of the problems were caused by oversights in the initial architectural design of the cottages and not, as initially assumed by TI Georgia and others, due to the quick construction period.**

The building process took place with such speed that none of the core building materials (especially cement/concrete and timber) were dry before walls were painted and families moved in. A cement foundation requires approximately two months of good weather to fully dry, but within two weeks it is already solid enough to withstand the weight of additional construction.¹⁷ Since all cottages were built over just three months, the moisture left in the partially-dry foundations evaporated into the structure's interior when the walls and roofs were built, creating a greenhouse effect that trapped the latent moisture inside. The winter construction period further prolonged the time needed to dry the materials. Other building materials, including the wood used in the floors and roofs, and the cement blocks used in the walls, were also not dry when they were installed.

Timber was provided through an agreement with the Forestry Department of the Ministry of Environment and Natural Resources because, at the time of construction, it was impossible to import materials due to the blockage of Poti port.¹⁸ The Forestry Department donated 38,850 m³ of coniferous wood and 3,800 m³ of deciduous wood.¹⁹ Because there is no large-scale wood processing and drying facility in Georgia, the material was still green upon installation.

Before conducting the second round of independent engineer inspections in December 2009, TI Georgia expected to find that the problems caused by excessive moisture would no longer be present, as the building materials in the cottages should have fully dried over the summer months. However in December the engineer-researcher teams viewed a number of cottages that still had moisture problems. Mold continues to grow in many cottages, especially in rooms that do not have a main heating source. In one cottage, the walls beneath a window were slimy to the touch, although in most cases the mold just appears as a dark coloring and is damp to the touch. Many IDPs legitimately worry that the mold causes health problems and increases the risk of serious allergies. It is also an indicator of the poor insulation in the cottages. One resident told us that every time it rains, a corner of her house has an odd smell from beneath the floorboards. These problems can no longer be attributed to wet building materials and speed of construction, suggesting that there are more fundamental flaws in the initial design of the cottages.

Nigel Rutylo, an engineer with the Georgian Reconstruction and Development Company (GRDC) who reviewed the architectural design plans of the cottage settlements, explained why the cottages were still damp. To start, we need to understand the physical properties of the building materials.

Concrete is not, by itself, a waterproof material unless it is mixed with other ingredients, for example in swimming pools and underground water tanks. The walls of the cottages are made of concrete blocks (made from a mix of water, cement, sand and a coarse aggregate like stones), and they contain small gaps that allow water (rain or groundwater) to penetrate into the solid material through capillary action.

There are several building methods that use concrete blocks and still manage to prevent moisture from seeking into the structure's interior. One method commonly used in Georgia, especially in older buildings, is to build a very thick concrete brick wall, from 50 cm to a full meter deep. Moisture penetrates the bricks from the outside, but the sheer depth of the wall prevents it from reaching the inside. According to Mr. Rutylo, such thick walls are very expensive to build.²⁰ The thickness of the cottage walls in the new settlements is only 20 cm.²¹

There are cheaper ways to prevent the *horizontal* transfer of moisture through a wall (which happens when rain washes down the outside and is soaked into the concrete bricks). These methods achieve the same level of damp protection and insulation as a thick wall but at a lower cost. In the US, for example, weather boarding is commonly fixed to the exterior, while in the UK the standard construction technique is to build a double wall with an empty cavity in the middle. Neither of these techniques was used in the building of the cottages. Further, the design of the cottage roofs, which barely hang over the edge of the cottages, and the lack of gutters on the roofs to channel rainwater, contribute to the horizontal transfer of moisture through the cottage's thin walls.

Water in the soil is another common source of moisture that can penetrate *vertically* into the cottages and cause damage. This is especially a concern in settlements that sit in flat, low-lying areas without proper drainage—a common characteristic of many of the new cottage settlement locations. One low-cost building method to prevent this vertical transfer of moisture is to lay a damp-proof membrane of plastic sheeting between the layers of concrete bricks, just below the level of the floor. The MDF confirmed that no such material was used in the building process.

¹⁷ TI Georgia interview and site visits with independent engineer, March 2009.

¹⁸ TI Georgia interview with Ahmed Eiweida, Ibid.

¹⁹ TI Georgia email correspondence with Ministry of Environment and Natural Resources, February 15, 2010.

²⁰ TI Georgia interview (January 22, 2010) and email correspondence (March 3, 2010).

²¹ Architectural design plans of the new cottages, provided to TI Georgia by the Municipal Development Fund.



The MDF explained that a concrete skirt laid around the perimeter of every cottage, about a meter wide and a few centimeters deep, is designed to prevent rain water from leaking into the foundation of the cottages. Mr. Rutylo had never heard of such a construction technique, although it appears to be quite common in Georgia. If a waterproofing agent is mixed into the concrete when this skirt is laid, then it could in theory protect the foundation. During TI Georgia's second round of visits to inspect the cottages, the research-engineer teams noted that many of the concrete skirts had developed long cracks at each of the four corners, and they often continued along the perimeter of the house for an extended length. The MDF explained that these cracks are caused when residents split wood or store heavy materials on the concrete skirts. Damage to this part of the cottage, they said, could be a main cause of the damp interiors. In December, TI Georgia's research-engineer teams saw that many of these cracks had been repaired by construction companies after the one-year liability period, although in several cases the cracks on the side of the house facing the street were repaired while the cracks facing into the back garden area were not repaired.

Many IDPs that TI Georgia spoke with were unaware that the concrete around their home was a "skirt" and reasonably assumed that it was just a part of the foundation. This highlights one of the main problems with the division of responsibilities across government agencies during the construction process. The MDF does not take any responsibility for engaging with project beneficiaries, and the MRA, which should act as a quasi-Ombudsman for IDPs, has no mechanism to monitor construction itself. Therefore, there is no accountability mechanism that would help relay key messages (e.g. "don't chop wood on your cottage's cement skirt") between technical experts and beneficiaries.

The World Bank, the European Commission and USAID are currently working with the MDF to put together a financial package that will pay to fix problems associated with the original design of the cottages. Most likely these repairs will be made in the spring and summer of 2010, although at the time of publication there was no further news on the status of the financing. It is not clear what types of repairs will be included in this round of financing or how much the total repairs will cost, but at a minimum TI Georgia recommends that the following issues be resolved:

- **Rain gutters and overhanging roofs:** None of the MDF-built cottages have gutters on the roofs to direct rainwater away from the exterior walls, and the front doors have no protection from the elements either. This makes the cottages more vulnerable to vertical transfer of moisture from rainwater.
- **Preventing moisture and mold:** It is not clear to TI Georgia what can be done about the persisting moisture problems, but at a minimum it would be worth consulting an expert about low-cost options to address the problems, since they can only be expected to get worse over time. They also have a significant impact on the energy efficiency and related costs of heating the cottages.
- **Insulation:** All floors need better insulation from the ground, and spaces between floorboards need to be patched or covered with a layer of linoleum or tile. Currently the cottage floors consist of a layer of wood supported by several longer beams underneath. There is a large empty space between the floorboards and the raw ground beneath. Not only does cold air seep through the gaps in the floorboards, but it allows rodents, insects and even snakes to enter the houses. While in most cases these pests are not a direct threat to human security, one IDP we interviewed mentioned that mice were entering through the cracks in the floorboards and eating her stored food. Insulation also has a significant impact on energy consumption and IDP's ability to pay the costs.²²

■ The construction process: Who built it and how was the money spent?

The Ministry of Refugees and Accommodation (MRA) was not the main government body behind the decision to build the cottage settlements. At the time of the conflict, the MRA lacked the financial and human resources to effectively manage a response to a complex humanitarian emergency and was generally considered one of the weaker ministries in government. Despite multiple inquiries, TI Georgia has not been able to determine precisely when the decision to build the cottages was made or by whom. A government decree issued on September 8 "On Financing Activities Aimed at Recovery of Damage Arising from Armed Conflict" assigns responsibility to the Minister of Finance and Minister of Regional Infrastructure and Development, although this decree does not explicitly cover IDP shelter financing. The spokesman for the Ministry of Interior (Moi) was the primary contacts with international aid agencies to communicate the government's new plans to build the cottages, and the Moi took a lead coordination role together with the Ministry of Economic Development in various aspects of the decision-making²³—tendering out the design of the cottages, locating available land in Shida Kartli in cooperation with local municipalities, and identifying state funds to pay for the work.²⁴

The selection of the settlement sites was led by the Ministry of Economic Development in coordination with local municipalities and the Ministry for Refugees Accommodation (MRA). The criteria used to identify the settlement locations were aimed at creating opportunities for livelihoods and minimizing construction costs. For example, sites had to be proximate to basic infrastructure such as roads and utilities, and availability of agricultural and ground water for drinking was a prerequisite.²⁵

22 One alternative settlement design that might have been adopted if there had been a longer planning process would have been to construct multi-family buildings in the settlements. This would have saved on energy costs and construction materials by reducing the number of exterior walls. It is not known if such an option was ever under consideration.

23 Bruckner, Till, "Decision-Making and Georgia's Perpetual Revolution: The Case of IDP Housing," *Caucasus Review of International Affairs*, Vol 3(2), Spring 2009.

24 TI Georgia interview, Ahmed Eiweida, World Bank, Ibid.

25 Ibid.



The construction work was managed by two principal agencies, the Municipal Development Fund (MDF)²⁶ and Mtskheta municipality. It is not clear to TI Georgia why the construction management was split across the two different entities. In order to save time, these two agencies selected construction companies to build the cottages through a closed procurement process rather than an open tender. (In humanitarian emergencies, truncated procurement mechanisms are generally accepted, although the best practice is to have a pre-approved list of companies in advance.) The MDF invited companies to negotiate based on their recent performance history of construction work with the two agencies. For example, the construction company New Energy, Ltd. had just completed a large contract with Mtskheta municipality to rehabilitate their water supply system and was the natural choice for the municipality.²⁷

The MDF contracted 14 different companies to build 32 percent of the cottages (1,263 houses) at an average cost of 27,183 GEL per unit; Mtskheta municipality contracted a single company, New Energy, Ltd. to build 68 percent of the cottages (2,700 houses) at an average cost of 28,200 GEL per unit, which is GEL 1,000 (USD 700) more per cottage than the MDF. New Energy, Ltd. sub-contracted the work to several dozen additional private companies.²⁸ The three cottage settlements built by New Energy, Ltd. on behalf of Mtskheta municipality were also the three largest settlements.

In total, it cost GEL 110.5 million (USD 78.4 million) to build the cottages. This figure does not include costs to build infrastructure such as access roads, water supply, drainage canals or utility connections (see Fig. 2).

Figure 1: Individual cottage costs by settlement and contractor

Settlement (Region)	Construction Company	Number cottages	Contract amount (GEL)†	Cost per cottage (GEL)	Contract sign date (2008)	Contract end date (2008)	Managing agency
Berbuki (Gori)	Ltd Lazo Invest	134	3 518 450	26 257	16-Sep	17-Nov	MDF
Skra (Gori)	Ltd Nola	86	2 278 602	26 495	16-Sep	17-Nov	MDF
Shavshvebi (Gori)	JSC Tbilmetrsvmsheni-3	27	722 752	26 769	16-Sep	17-Nov	MDF
	Ltd Oda	30	824 479	27 483	16-Sep	17-Nov	MDF
	Ltd RTG	30	813 312	27 110	16-Sep	17-Nov	MDF
	Ltd Goni	30	797 793	26 593	16-Sep	17-Nov	MDF
	Ltd Imereti-2000	30	809 855	26 995	16-Sep	17-Nov	MDF
	Ltd Mshenebeli 80	30	821 933	27 398	16-Sep	17-Nov	MDF
Khurvaleti (Gori)	JSC Samsheneblotresti #3	100	2 672 385	26 724	16-Sep	17-Nov	MDF
	Ltd Intermsheni A&P	39	1 042 230	26 724	16-Sep	17-Nov	MDF
Karaleti & Tsmindatskali (Gori)*	Ltd Aksmsheni	162	4 531 605	27 973	22-Sep	20-Nov	MDF
	Ltd Planeta	158	4 433 783	28 062	22-Sep	20-Nov	MDF
	Ltd Block-Georgia	160	4 505 067	28 157	22-Sep	20-Nov	MDF
Teliani (Kaspi)	Ltd Planeta	54	1 417 906	26 258	16-Sep	17-Nov	MDF
Metekhi (Kaspi)	Ltd Planeta	35	919 013	26 258	16-Sep	17-Nov	MDF
Akhalsopeli (Kaspi)	Ltd Axsisi	100	2 706 824	27 068	16-Sep	17-Nov	MDF
Mokhisi (Kaspi)	JSC Inzhmsheni	58	1 534 448	26 456	16-Sep	17-Nov	MDF
Tserovani (Mtskheta)	New Energy	2 000	56 400 000	28 200	9-Sep**	15-Dec	Mtskheta Municipality
Tsilikani (Mtskheta)	New Energy	400	11 280 000	28 200	17-Sep	15-Dec	Mtskheta Municipality
Prezeti (Mtskheta)	New Energy	300	8 460 000	28 200	17-Sep	15-Dec	Mtskheta Municipality
	TOTAL:	3 963	110 490 437				

* Karaleti consists of two geographically distinct communities that are separated by a pre-existing set of apartment blocks in the city of Gori. For construction purposes, the MDF considered it as a single project; according to the MRA and many international development agencies, it is counted as two separate settlements, called Karaleti and Tsmindatskali. Therefore throughout this report we refer to 13 settlements total, considering Karaleti as two.

**Five separate contracts with New Energy were signed as tranches of funds from the central budget were disbursed. The earliest was September 9; all were to be complete by the same date, December 15.

†The contract amounts in this column were obtained by TI Georgia from the MDF in April 2009. In January 2010, TI Georgia obtained a second list of project costs by settlement (not broken down by individual contractor). The figures in these two documents add up across all settlements with the exception of Karaleti. In that case, the sum of the three individual contract amounts (April 2009 data) is 33,579 GEL more than the total project cost (January 2010 data).

26 The MDF was established in 2007 as a legal entity of public law with the primary mission to fund and supervise infrastructure investments throughout Georgia. Before 2007 it was a separate entity set up by the World Bank to oversee infrastructure investment projects. The Prime Minister Chairs the MDF's Advisory Council.

27 TI Georgia interview with Merab Tukhareli, head of procurement services of Mtskheta Municipality, January 28, 2010.

28 A forthcoming report by the Georgian Young Lawyers Association is expected to elaborate on the details of the subContracts.



The MDF estimated the total cost of each contract based on an estimated cost of a single cottage, then extrapolated linearly (i.e. there were no efficiencies of scale in building one cottage or 2,000). The MDF made amendments to every contract after building began to account for unforeseen changes, most of which were related to the varying topography and soil types of the sites, which affected the amount of work necessary to prepare the ground before construction began. Only one of the MDF's 14 contracts was adjusted downwards, by GEL 58 (Berbuki settlement). Most contracts saw an increase of between one and four percent of the original price; the three builders of Karaleti (Aksmsheni, Block-Georgia and Planeta) all received six to seven percent more than the original contract price. Given that the land in Karaleti settlement is known to be swampy, this explanation and evidence would refute suggestions that the price differences in the MDF contracts are the result of fraud or corruption. It is not uncommon for construction projects to exceed original cost estimates. International financial institutions typically reserve a 10-15 percent contingency for infrastructure investment and construction projects.

Mtskheta municipality does not appear to have made any adjustments in its set of contracts with New Energy.

The difference in the per-cottage costs of the settlements managed by Mtskheta municipality and the MDF are most likely due to differences in architectural design scheme. The Ministry of Economic Development provided the MDF with a common architectural plan,²⁹ while Mtskheta municipality hired the company Architectural Group and Partners to draw up several designs, ultimately selecting the least expensive option. Cottages in Tserovani and Karaleti settlements, built by Mtskheta municipality and MDF, respectively, are nearly the same in terms of cost, and they are both "urban" settlements with indoor toilets.

The construction of access roads, water supply and sewage systems for the new cottage settlements were arranged through a separate set of contracts, worth a total of GEL 22.8 million (USD 16.2 million):

Figure 2: Infrastructure costs by settlement and contractor

Settlement	Managing Agency	Construction Company	Contract amount (GEL)	Description of works	Contract Start and End Dates
Akhalsopeli	MDF	CMC, Ltd	50 000	Access Roads	Data unavailable
		Tskalcanalremmsheni, Ltd	100 073	Water supply	
Berbuki	MDF	Lazo-Invest, Ltd	147 837	Access Roads	
		El-Rio, Ltd	109 870	Water supply	
Karaleti and Tsmindatskali	MDF	Akmsheni, Ltd	91 492	Access Roads	
		Block Georgia, Ltd	111 475	Access Roads	
		Planeta, Ltd	117 436	Access Roads	
		El-Rio, Ltd	742 770	Water supply and Sewage	
Khurvaleti	MDF	El-Rio, Ltd	77 900	Water supply	
Metekhi	MDF	Planeta, Ltd	32 004	Access Roads	
		Tskalcanalremmsheni, Ltd	58 152	Water supply	
Mokhisi	MDF	Ijhmsheni, JSC	32 773	Access Roads	
		Tskalcanalremmsheni, Ltd	63 752	Water supply	
Prezeti	MDF	Tskalcanalremmsheni, Ltd	470 768	Water supply	
Shavshvebi	MDF	Imereti, Ltd	244 963	Access Roads	
		El-Rio, Ltd	105 030	Water supply	
Skra	MDF	Nola, Ltd	68 927	Access Roads	
		El-Rio, Ltd	78 100	Water supply	
Teliani	MDF	Planeta, Ltd	34 556	Access Roads	
		Tskalcanalremmsheni, Ltd	416 506	Water supply	
Tsilikani	MDF	Tskalcanalremmsheni, Ltd	264 074	Water supply	
Tserovani, Tsilkani, Prezeti	Mtskheta Municipality	New Energy, Ltd	17 300 000	Road infrastructure, designing houses, water supply, sewage system	Oct 3, 2008 - Jul 1, 2009
Tserovani	Mtskheta Municipality	New Energy, Ltd	800 000	Construction of sewage cleaning building (II stage)	Dec 15, 2008 - Apr 15, 2009
		<i>Total:</i>	<i>21 518 457</i>		

Only Tserovani and Karaleti/Tsmindatskali settlements have sewage systems and indoor toilets; all other settlements have outdoor pit toilets (although that may change in 2010 after investments from the World Bank, European Commission and USAID are made). The sewage system in Karaleti/Tsmindatskali settlement was less than 5 percent of the total cost of the settlement (roads and water supply included). It is not possible to make the same comparison for Tserovani, because Mtskheta municipality did not provide a breakdown of the infrastructure costs. However, the figure for New Energy to install roads, water and sewage for the three settlements, accounting for 68 percent of all

29 TI Georgia interview with Ahmed Eiweida, World Bank, Ibid.



cottages (Tserovani, Tsilkani and Prezeti) is substantially higher than the rest—80 percent of all infrastructure costs across the 13 settlements was spent on those three settlements. The high difference in prices could be justified by difference sewage treatment plans, but TI Georgia did not verify these designs.

Figure 3 provides a comparison of the average per cottage cost, including infrastructure, by settlement. We see that Karaleti/Tsmindatskali was 11 percent higher than the average, while Tserovani, Tsilkani and Prezeti together were 18 percent higher than the average. If we were able to remove Tsilkani and Prezeti from the figure (neither of which have sewage systems in place), then we would expect the average per family cost of building Tserovani settlement to be even higher than 18 percent above the average. Skra was the cheapest settlement to build, followed closely by Berbuki.

Figure 3: Average cost per family by settlement

Settlement	Number of cottages	Cost of cottages (GEL)	Cost of infrastructure (GEL)	Total cost, cottages plus infrastructure (GEL)*	Average cottage cost (GEL)	Managing agency	Difference above/below the average cost per family (%)
Akhalsopeli	100	2 706 824	150 073	2 856 897	28 569	MDF	4
Berbuki	134	3 518 450	150 073	3 668 523	27 377	MDF	-10
Karaleti & Tsmindatskali	480	13 470 455	1 063 172	14 533 627	30 278	MDF	11
Khurvaleti	139	3 714 615	77 900	3 792 515	27 284	MDF	-5
Metekhi	35	919 013	90 156	1 009 170	28 833	MDF	3
Mokhisi	58	1 534 448	96 525	1 630 973	28 120	MDF	-3
Shavshvebi	177	4 790 124	349 993	5 140 117	29 040	MDF	-2
Skra	86	2 278 602	257 707	2 536 309	29 492	MDF	-15
Teliani	54	1 417 906	451 062	1 868 968	34 611	MDF	-2
Tserovani, Tsilkani and Prezeti	2700	76 140 000	19 098 916	95 238 916	35 274	Mtskheta Municipality	18
All settlements	3 963	110 490 437	21 785 577	132 276 015	29 888		

*These estimates do not include the costs of infrastructure for gas and electricity connections, for which TI Georgia was unable to gather data

**TI Georgia was not able to get a settlement-by-settlement breakdown of these costs from Mtskheta municipality.

Figure 4: Schools and administrative buildings in Tserovani, Tsilkani and Prezeti

Settlement	Construction Company	Contract amount (GEL)	Description of works	Contract Start and End Dates
Prezeti	Efeqti, Ltd	196 052	Rehabilitation of public school in Akhaldaba	Oct 3, 2008 - Dec 31, 2008
Tserovani	New Energy, Ltd	300 000	Preparatory construction works for Kindergarten	Nov 24, 2008 - Jan 26, 2009
	Archservisi, Ltd	19 500	Planning and accounting for the construction of an administrative building	Dec 24, 2008 - Jan 12, 2009
	Rago, Ltd	478 000	Construction of administrative building	Dec 24, 2008 - May 1, 2009
	New Energy, Ltd	300 000	Construction of Kindergarten (II stage)	Dec 29, 2008 - Jul 1, 2009
	Expert, Ltd	2 500	Expert review of documents relating to the design and construction costs of the administrative building in Tserovani	Dec 30, 2008 - Jan 29, 2009
	<i>Total:</i>	<i>1 296 052</i>		



■ An assessment of government accountability mechanisms

The MDF and Mtskheta municipality used different methods to supervise, monitor and evaluate the construction of the cottage settlements. This section, based on interviews with key staff at and documents shared openly with TI Georgia by both agencies, describes and evaluates those processes.

The problems in the construction of the cottages can be divided into two main categories:

1. *Defects that are the fault of the government.* This type of defect is the result of omissions or mistakes in design plans and/or the high speed of construction, which was driven by strict deadlines imposed by the government and established through contracts with construction companies. Examples include most problems in the interiors of the cottages associated with moisture damage, including peeling paint, mold and gaping holes between floorboards. (According to the MDF, this includes all problems associated with “internal walls, ceilings and floors.”) The government openly takes responsibility for these problems.
2. *Defects that are the fault of the construction companies.* These defects are generally the result of negligence, incompetence or the motivation to save time and materials by cutting corners. This type of defect includes problems with the installation of doors and windows, crumbling cement staircases, missing construction materials (such as wooden support beams under the floors), cracks in the exterior plaster, leaking roofs, broken door and window handles, etc. According to the terms of their contracts with MDF and Mtskheta municipality, the companies were obliged to fix any defects that are identified within one year (by December 2009).

■ The Municipal Development Fund

During the two-month period of construction, the MDF assigned a supervisory engineer to monitor each contract. (If a company held two different contracts, they were assigned two different supervisory engineers; and if three different companies built houses in one settlement, three supervisors monitored different pieces of work in the same settlement.) Thus the MDF used 14 different supervisory engineers to monitor the construction of housing in 10 different settlements, with each monitor spending about four days a week on site to inspect and oversee the construction. Management authority for the contracts was split across several different departments within the MDF, probably because of internal capacity constraints.³⁰

One year after the houses were built, the MDF supervisory engineers evaluated each house for the second type of defect—those that were clearly the fault of construction companies. Each supervisory engineer collected a list of defects and provided it to the responsible construction company, returning one month later to verify that the repairs were complete by collecting signatures from IDP households.

TI Georgia obtained a copy of the defects list and IDP verification signatures for Khurvaleti and visited the settlement on January 14, 2010 to verify whether the repairs had been made. We randomly selected 12 houses on a walk-through visit, interviewing residents to verify whether the repairs documented in the MDF’s list had in fact been made and visually inspecting the works when possible. A sample of the type of list we verified is reproduced below:

³⁰ Information in this section is based on multiple TI Georgia interviews and email correspondence with the MDF throughout the fall of 2009 and early 2010.



Figure 5: Sample MDF defect/signature list for Khurvaleti settlement

Act N:

The following act documents that in IDP cottages located in village Khurvaleti (Gori region) all preliminary defects (other than internal walls, ceilings and floor defects) have been fixed.

Date: 3 December 2009

Contractor: "Samsheneblo Tresti N3"

Procured by: Municipal Development Fund

Number of cottages: 100

N	Inhabitant	Defect description	Signature
1	Kakhadze Nugzari	Window surrounding ("sariteli"), broken window	
2	Kobadze Nino	Restoration of staircase, fixing the roof	
3	Tavadze Eteri	There is no damage	
4	Tsereteli Vakhtangi	Restoration of the window	
5	Julakidze Tamari	Minor cracks on the façade, resoration of window surrounding ("sariteli")	
6	Khorguashvili Natela	Fixing windows and doors	
7	Talakhadze Gela	The door of the kichen does not have a glass and the window is cracked, Cracks in the window surrounding ("sariteli"), Windows and Doors need regulation	
	Etc.		

Signed: MDF and Samsheneblo Tresti N3

**The names, house numbers and exact defect descriptions in the list above have been fabricated to protect the identity of the inhabitants.*

TI Georgia verified defect/signature lists reflecting the work of two construction companies and their assigned supervisory engineers (out of 14 total), both of which built cottages in a single settlement. Therefore the results summarized in the chart below cannot be generalized to other settlements, contractors and MDF supervisors.

The chart below compares the description of the defect that was supposed to be fixed (the middle column in figure 4 above) to TI Georgia's observations of actual repairs conducted.

Figure 6: Verification of repairs in Khurvaleti, January 14, 2010

House	Construction Company	Actual repairs match those documented by MDF monitors?
1	Construction Trust No. 3	Fully repaired
2	Construction Trust No. 3	Partially repaired (MDF documentation is incorrect)
3	Construction Trust No. 3	Partially repaired
4	Construction Trust No. 3	Partially repaired
5	Construction Trust No. 3	Fully repaired
6	Construction Trust No. 3	Partially repaired
7	Construction Trust No. 3	Fully repaired
8	Construction Trust No. 3	Fully repaired
9	Construction Trust No. 3	Partially repaired
10	Intermsheni A&P, LLC	Partially repaired
11	Intermsheni A&P, LLC	Fully repaired
12	Intermsheni A&P, LLC	Fully repaired

We found that while almost every house received some kind of repair work, half of the houses we checked still required further work in order to address all the defects that were documented by MDF. This is due to a combination of factors. While the construction company overtly neglected repairs at several cottages (for example, at one cottage TI Georgia found that the stairs were repaired but a broken window was not fixed, even though both repairs were listed on the MDF defect/signature list and a resident had signed that they were both complete), in other cases the MDF documentation did not match all of the actual repair needs.



In three of the houses we visited, long cracks at each corner of the cement “skirt” surrounding the house were repaired on the two corners facing the street, but the corners facing away from the street had not been repaired. As one resident explained, “the construction company told us the cracks in the back were not their responsibility to fix.” When TI Georgia asked an elderly resident why she gave her signature for works that had not been completed, she replied, “I don’t see very well and I could not read the paper I was signing.”

The defect/signature lists that we obtained for each settlement vary widely in their format and level of detail. Several do not contain any description of the actual repairs made (Karaleti, Tsmindatskali, Metekhi and Teliani); several other lists are written in a verb tense that implies that the defect has not yet been repaired, e.g. in the defect description column, it says “cracks in the area around the windows and stairs need to be restored”³¹ even though the signature is presumably to verify that the repair had already been made. MDF explained to TI Georgia that their internal departments were each assigned to come up with a documentation format of their own. Standardizing that process would be a small step towards improving MDF’s accountability mechanisms.

Despite the inconsistencies in the MDF’s data collection and TI Georgia’s limited verification exercise (based only 12 cases), we can still draw some preliminary conclusions about the construction quality and capacity of MDF to monitor and hold construction companies accountable. The results show that the MDF’s documentation of repair works is not reliable on a case-by-case basis. Still, the defect/signature lists do provide a fairly good *overall* indication of the type and scale of defect that is the fault of the construction company in each settlement. The list for Berbuki, for example, indicates that more than 85 percent of cottages had problems with the floors that were the fault of Lazo Invest. Interestingly, in all other settlements MDF and the government take responsibility for problems with the floors caused by damp wood used in construction.

In Khurvaleti, the most common type of defect according to the MDF list was related to *sarineli* – the space in the wall where a window is installed.³² Defects in the *sarineli* appeared most frequently in houses built by Shamsheneblo Tresti N3 (occurring in 73 percent of the houses the company built) and by Intermsheni A&P (74 percent of houses built by that company). The defects/signature lists therefore provide a useful guide to the types of issues that a supervisory monitor of construction and housing projects should be looking out for.

Thus we see a combination of several small problems, including:

- Weak initial documentation and follow-up verification systems by MDF
- Incomplete work and negligence by construction companies, even after MDF’s monitoring
- Provision of signatures by IDPs on documents that do not accurately reflect the actual repairs made.

Taken together, we cannot conclude that the repair of defects that are the responsibility of construction companies was properly done. A more comprehensive verification of the repairs is necessary to understand the scope.

The verification exercise leaves us with two general conclusions. The first is a recommendation that the MDF could make some small adjustments to improve its construction monitoring by standardizing the format of the verification lists and formalizing the process of collecting signatures. Second, and more generally, the verification exercise highlights the high degree of complexity that MDF, Mtskheta municipality and others face in monitoring construction work. With higher levels of construction speed, more effective monitoring and accountability mechanisms become increasingly necessary.

■ Mtskheta Municipality

Mtskheta municipality outsourced the daily monitoring of New Energy’s construction work to Experti Ltd, whose offices are adjacent to the municipality building. According to Experti Ltd, two individuals—the Director and an assistant—examined every cottage. “We worked very closely with New Energy Ltd. and whenever we saw a problem, we reported it to the construction company workers and they would immediately address it. Building 2,700 cottages in three months is a very big achievement,” Tamaz Khabeishvili, Experti Ltd’s Director, told TI Georgia.³³

Mtskheta municipality collected lists of defects and documented them in a similar fashion to the MDF. This list documents defects in 389 cottages in Tserovani, Prezeti and Tsilkani, out of a total of 2,700 cottages. (MDF’s supervisory engineers documented defects in almost 100 percent of the cottages it was responsible for.)

Merab Tukhareli, head of procurement services of Mtskheta municipality, explained to TI Georgia how the information in the defects lists was collected: as IDPs submitted complaints to the municipality, the municipality and/or Experti Ltd. would respond, inspecting nearby

31 MDF defect list for Construction Trust No. 3, in Khurvaleti settlement.

32 TI Georgia has not been able to find an exact translation for the Georgian term “sarineli” into English.

33 TI Georgia phone interview, February 22, 2010.



cottages and documenting problems found there as well. The list of defects that were found in the 389 cottages was passed on to New Energy through a letter dated June 4, 2009. New Energy had until June 20 to fix the defects. In this way, Mr. Tukhareli believes that the municipality's monitoring was comprehensive: "We haven't received any complaints in a long time, so we assume that all the problems are fixed."

The final evaluation of the cottages in Tserovani, Prezeti and Tsilkani was similarly ad hoc and questionable. As each contract for construction works was completed,³⁴ Mtskheta municipality invited a commission made up of the Director of Experti Ltd and five representatives of various departments of the municipality to make a final evaluation of the construction.³⁵ No independent parties were represented on the commission.

The commission's evaluation was based on visits to a random sample of cottages in each settlement. No final report of this assessment was written, although an "Agreement of Services Rendered" confirming that New Energy Ltd. delivered the procured services was signed.³⁶ Ltd Experti also wrote a "conclusion of expertise" based on an assessment of a single cottage, because, according to Mr. Khabeishvili "all cottages were built in the same way" and therefore were identical.

Given these facts, it is unlikely that Mtskheta municipality was able to thoroughly oversee and monitor the cottage construction process with limited monitoring scope and the lack of a final independent oversight mechanism. Further, TI Georgia was unable to find a good justification for the fact that the building of 68 percent of the cottages was managed by a municipality with relatively weak procurement and accountability mechanisms compared to the MDF.

Conclusion and recommendations

The building of the cottage settlements is an unprecedented step towards the durable resettlement and viable integration of IDPs—unprecedented for Georgia and worldwide. In comparison to the first wave of Georgian IDPs from the 1990's, who have languished for 17 years in the squalor of collective centers, often with collapsing infrastructure and no running water and who are highly dependent on the welfare state, the 2008 IDPs are in an enviable position. The opportunity to settle quickly into durable shelter is a necessary first step to increasing levels of self-reliance. In that sense, this great experiment will continue to be under careful scrutiny for years to come.

With these accolades, TI Georgia's overall conclusion of the process remains mixed. The sheer speed of construction led to myriad problems that could have been avoided by taking a slower approach, perhaps even by spending just a few more months, especially on initial planning and design phase. The approach is symptomatic of a government in a rush to show concrete results, but with limited human and financial capacity and significant competing demands for those resources. In this environment, donors play an especially influential role through their financing of such projects.

The cottage building effort also severely tested the capacities of both the MDF and Mtskheta municipality to manage the quality construction under high time pressure. While this study was unable to assess the quality of Mtskheta municipality's work, the differences in monitoring approaches between the two agencies are stark: MDF used 14 individual engineers to monitor 32 percent of all the cottages—one monitor for every 90 houses; Mtskheta municipality used one company with two individuals, plus some of its own staff, to monitor 68 percent of the cottages—one monitor for every 1,000 houses. In other words, Mtskheta municipality's monitors had 10 times more work to do than MDF's monitors. Further, MDF's documentation, although sometimes problematic and inaccurate, is extensive and retraceable; Mtskheta municipality's documentation is less detailed because it appears that they did not do a door-to-door check of cottage defects, instead relying mostly on IDPs to self-report problems and an ad hoc monitoring approach.

For the government's part, until quite recently it has done very little to allay the concerns of civil society about the cottage construction process and quality, to publicly explain how decisions were made and resources allocated, or to engage these groups in a dialogue about the main issues. Many of the government's decisions regarding the construction of the cottages have strong, legitimate justifications, but due to the lack of transparency in the decision-making process the MRA rightly received significant criticism for its actions.

In a 2009 case study of governance in Georgia, Valeri Kopaleishvili, Head of the Administrative Department at the MRA, authored a chapter on "Accountability of the Georgian Government to Internally Displaced Persons" in which he writes, "Despite efforts to expand communication with IDPs, the MRA, due to a lack of resources, often implements policy without carrying out a full-scale information campaign. Information campaigns currently require financial support from donors, which is often time-consuming and bureaucratically difficult to obtain."³⁷ Yet

³⁴ Five separate contracts with New Energy were signed as tranches of funds from the central budget were disbursed to the municipality. The first tranche was disbursed on September 9; all contracts had the same end date, December 15, 2008.

³⁵ The commission was made up of the Chief of staff of Mtskheta Municipality, two representatives from Mtskheta Municipality procurement services, the Agency of Economy and Infrastructure Development of Mtskheta Municipality and Experti Ltd. (TI Georgia phone interview with Merab Tukhareli, head of procurement services of Mtskheta Municipality, February 2010.)

³⁶ TI Georgia interview with Merab Tukhareli, Ibid. TI Georgia was unable to obtain a copy of the Receive-Obtain Act.

³⁷ Kopaleishvili, Valeri, "Accountability of the Georgian Government to Internally Displaced Persons," in Mikeladze, Mzia and Aaron Erlich (eds.), *Challenges Facing Effective Governance in Georgia*, Tbilisi: 2009, p. 49. (Published under the USAID Public Administration Reform project in cooperation with the International School of Economics at Tbilisi State University and the Caucasus Research Resource Centers.)



even a very basic, low-cost information campaign can be highly effective. Simple transparency procedures (such as posting information in public spaces, including websites, with logos of the responsible agencies, a date of the information post and contact information to a hotline) do not effectively operate. This has less to do with resources and everything to do with the policy-making process, in which decisions are made behind closed doors and then implemented overnight. In such an environment, even the most well-intentioned and well-funded information campaign could not be effective.

With a view to improving the effectiveness and transparency of upcoming investments in IDP shelter programs, TI Georgia makes the following recommendations:

- Government and those financing the works (donors) should do more to emphasize a longer, more inclusive planning and design phase during large-scale construction and infrastructure programs. This can lead to small improvements in project design that significantly improve quality and long-term sustainability.
- The MRA should provide an evidence-based explanation to the public, including to IDPs, of its plans *before* implementation of new programs begins, including by posting strategy documents to its website and frequently updating them as the situation changes.
- Donors play an influential role in pushing for greater transparency and accountability of aid processes, including by advocating for more inclusive and transparent planning and design. Aid disbursements should be conditional on meeting accountability criteria, and these criteria should be publicly available. They should also be clear and simple and should not turn into reporting burdens for government agencies.
- Donors should also lead by example. This report is missing a section that details who financed which new cottage settlements because it is extremely difficult to follow the path of aid funds. The World Bank and the European Commission have not done enough to explain what they funded in a way that is traceable and comparable.

