

## Tender Announcement

### Conducting feasibility study to prepare for the implementation of Georgia's Climate Action Plan activities: possibility of an increase in import duty for old vehicles based on an economic feasibility study (2.1.6.) and increase in taxes for fuels (2.2.1.)

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**Project Title:** Capacity for Climate Policy in Southeastern, Eastern Europe, Southern Caucasus and Central Asia, Phase III (CDCPIII) (with partial cost coverage by the regional project Mobility4Cities as mentioned below)

**Project N:** 2016.9088.2-004.00

**Assignment:** **Conducting feasibility study** to prepare for the implementation of selected activities of Georgia's Climate Action Plan

**Timeline:** 15.05.2023 – 30.09.2023

The regional projects 'Capacity for Climate Policy in Southeastern, Eastern Europe, Southern Caucasus and Central Asia, Phase III' (hereafter – CDCPIII) and 'Sustainable Urban Mobility in the South Caucasus' (hereafter – *Mobility4Cities*) in close cooperation with the Ministry of Environmental Protection and Agriculture of Georgia (MEPA) are requesting offers/proposals from local service providers (locally registered) with relevant experience in the conduction of feasibility studies to prepare for the implementation of two activities that are part of Georgia's Climate Strategy and Action Plan: 1. the increase in import duty for vehicles and 2. the increase in taxes for fuels (further characteristics from CAP are listed in the below section).

## Context

The transport sector is growing rapidly especially due to the growing road-based passenger transportation. Private vehicles, most of which are old and environmentally inefficient models, made up nearly 70% of passenger transport activity in 2015, while the shares of buses, minibuses and rail (including Tbilisi metro) accounted for 13%, 14% and 4%, respectively. In 2015, GHG emissions from the transport sector accounted for about 24% of total national GHG emissions (MEPA, 2019). Current projections show a doubling of transport-related emissions by 2030. In addition to the impact on the global climate, the transport sector contributes to a reduced quality of life in the cities due to its emission of air pollutants. Furthermore, economic damage is caused by congestion, accidents and by diseases due to air and noise pollution. This causes a high dissatisfaction of the population with the current traffic conditions (inadequate quality, safety, accessibility, and coverage of public transport).

Georgia's 2030 Climate Change Strategy and Action Plan (CSAP) is a planning and implementation mechanism for coordinated effort for climate change mitigation.

The CSAP identifies the actions needed for reaching Georgia's 2030 greenhouse gas (GHG) emissions reduction targets for climate change mitigation, as set in Georgia's Updated Nationally Determined Contribution (NDC) to the Paris Agreement of the United Nations Framework Convention on Climate Change (UNFCCC). The CSAP identifies a long-term vision and specific planned actions for GHG emission reduction by 2030.

To implement the vision set out in Georgia's NDC to reduce GHG, the goal is to reduce the GHG in the transport sector by 15% below the reference scenario projection by 2030. This goal can be achieved through the fulfilment of the identified objectives and activities which are listed in CSAP. Different activities are at different levels of implementation. This assignment focuses on two activities, which are not yet implemented: 1) the increase in import duty for old vehicles and 2) the increase in taxes for fuels. Conduction of the feasibility study is crucial to start the discussion on both topics since the desired period of implementation in CSAP is Q4 of 2023.

The CSAP lists several requirements/characteristics for the activities:

Activity:	2.1.6. Discussion on the possibility of increase in import duty for old vehicles based on (economic) feasibility study
Short description:	Discuss and impose high import progressive tax in case of economic feasibility. (From 2017, a double import tax rate above 10 years and a triple import tax above 14 years is in force, which reduces imports of old, inefficient vehicles and the active entry of new models, hybrids, and electric vehicles into the market)
Links to EU-Georgia Association Agreement and SDGs:	SDG 3 (Health and well-being)
Output indicator of the activity:	The study has been conducted that examines the economic feasibility of imposing progressive import duty on 5-year, 6-10-year,

	and above 10-year-old vehicles' import taxes in point of vehicle's age and engine capacity at a directly proportional growing rate
Sources of verification:	The (economic) feasibility study report
Responsible institution:	Ministry of Finance
Partner institution:	Ministry of Environmental Protection and Agriculture, LEPL "Service Agency", LEPL "Revenue Service"
Activity:	2.2.1. Discuss the increase in taxes for fuels
Short description:	Discuss and prepare the possibility to increase in taxes for fuels for decreasing activity of gasoline and diesel-driven cars, with a proportion of drivers making the shift to using public transport systems as a primary mode
Links to EU-Georgia Association Agreement and SDGs:	Support implementation of directive 2009/28/EC; SDG 3 (Health and well-being)
Output indicator of the activity:	Report on the feasibility of potential increase in taxes for fuels in terms of economic and environmental impact, including tax and administration perspectives
Sources of verification:	Feasibility Study Report
Responsible institution:	Ministry of Finance
Partner institution:	Ministry of Economy and Sustainable Development Ministry of Environmental Protection and Agriculture

**Objectives and scope**

Any effective legislative and public policy initiative of the government should be evidence-based, thoroughly evaluating the social, environmental and economic impacts. The two activities set out in the CSAP require an actor and policy mapping to study and identify opportunities and challenges for an increase in import duty for old vehicles based on an economic feasibility study and increase in taxes for fuels. The goal of the assignment is to conduct feasibility study for the following two measures set out in the CSAP:

- increase of the import tax for vehicles and
- increase of fuel tax for diesel and gasoline passenger vehicles

*The feasibility study **on increasing the import tax on light-duty vehicles** is being done in the frame of Mobility4Cities programme and the feasibility study **on increasing of fuel tax** for diesel and gasoline passenger vehicles is being done in the frame of CDCPIII project.*

The feasibility study should be complemented by recommendations for next steps towards policy development and implementation and should include best practices regarding the development and implementation of both policies. It should also include long term goals e.g., phasing out plan for vehicles, what might be the envisaged time scope/steps of the import taxes or a stepwise out-phasing of combustion engines as more transformative solution.

The service provider should ensure that the feasibility studies are in line with the CSAP and other sectoral priorities. The climate strategy aims to encourage the use of low- and zero-emission

vehicles and reduce the activity of gasoline and diesel engine vehicles and imports of older, environmentally inefficient vehicles. To achieve this, the government will examine the option of increasing the import tax on light-duty vehicles on the basis of an economic feasibility study and will introduce an emission standard for imported vehicles based on cost-effectiveness analysis (Engine EUR4 / EUR5).

Removing the least efficient vehicles from the vehicle market and upgrading the vehicle fleet will increase not only its average efficiency but also the air quality in general while reducing GHG emissions.

Since fossil fuel use in transport has a negative impact on greenhouse gas emissions, the objective is to encourage significantly reduced demand on fossil fuel and one option is increasing the fuel tax. Taxes represent more than half of fuel prices in the European Union countries. In France, the share of these taxes is 64% for unleaded petrol and 59% for diesel. Originally, fuel taxes in Europe were designed as a measure to reduce reliance on oil imports; nowadays they are used as incentive tools to change behavior (for instance, by trying to stimulate the purchase of more fuel-efficient and low-emission cars). Increasing fuel taxes may reduce fuel demand by inducing changes in household behavior. Public intervention by taxation aims to guide people's choices towards more efficient driving of clean vehicles, with all the positive externalities for air quality and CO<sub>2</sub> reduction that follow (OECD, 2010). Hence, many governments plan to wean off fossil fuels via small but regular tax increases with exemptions for public transport and cross financing of sustainable urban mobility measures.

In order to effectively analyze the sector, the service provider shall consult and actively engage with different groups of the society, first of all stakeholders of the relevant sector, as well public sector encompassing field ministries, legal entities of public law (LEPLs), field committees of the Parliament or others, private sector, civil society, scientific or research institutions, business associations. The results and findings of this inclusive and transparent process shall be presented in the feasibility study.

To plan and implement necessary measures, a comprehensive analysis and assessment of the current situation is needed. The baseline and stakeholder analysis and understanding their interests/needs will help to identify possible scenarios for further steps including proper stakeholder consideration and possibly engagement. They may lead to potential cooperation among different stakeholders, which might help to achieve synergies and accelerate success.

## Tasks

The service provider shall conduct the entire process according to the international best practices and taking into consideration the relevant EU directives (e.g., 2009/28/EC) through the following activities:

### 1. Kick-off:

The Service Provider shall initially discuss and agree on the work approach, foreseen involvement of stakeholders and the scope of possible interventions from CDCPIII, Mobility4Cities and MEPA (reviewing, commenting, consulting, etc.).

2. Research and analysis:
  - Quantitative and qualitative research of the current situation, analyses of all stakeholders and assessment of risks connected to the possible regulatory and non-regulatory interventions,
  - Organization and conduction of interviews with the relevant stakeholder, documentation of meetings,
  - Collection of relevant data and their evaluation,
  - Research of requirements of EU directives and international best practices.
  
3. Consultations:
  - Conduction of stakeholder consultations among a broad group of stakeholders, including Ministries, Parliament Committees, civil society organizations and other interested stakeholders during the entire feasibility study developing process; monitor that the outcomes of the consultations are enshrined in relevant chapters of the feasibility study. GIZ will initiate the communication with stakeholders.
  - Constant communication with the respective staff of GIZ and MEPA on the processes and initial outcomes.
  
4. Presentation of interim and final documents:
  - Support GIZ in the organization of the meetings and presentation of interim and final feasibility studies to the involved stakeholders.

Conduct other activities linked to the process in close coordination with *CDCPIII* and *Mobility4Cities*.

It is anticipated to conduct the stakeholder meetings on spot in Georgia (event logistics, including the interpretation will be organized by GIZ). If the pandemic situation does not allow for travels and gatherings, the meetings will be conducted either in hybrid or fully online format. Agenda and sessions will be adjusted according to the needs of the format.

### Admissibility and qualification

- Local Consulting firms,
- Local Research institutions,
- Local Universities,
- Local Non-governmental organizations.

**Note:** registered in Georgia

### Personnel concept

The bidding company shall submit technical and financial proposals to comply with the following requirements:

The contractor is required to provide personnel who are suited to filling the positions described below, based on their CVs, the range of tasks involved and the required qualifications. The expert group shall be compiled by highly qualified individuals with good analytical, writing and research skills and demonstrated ability to produce high level written outputs and presentation skills in

English and Georgian. Reference to previous relevant work shall be included in their CV to be attached to the offer.

### **Team leader**

#### Tasks of the team leader:

- Overall responsibility for the provision of the services described in this document by the contractor (quality and deadlines)
- Coordinating the project team
- Coordinating and ensuring communication with GIZ, partners and others involved in the project

#### Qualifications of the team leader:

- University qualification in Transport, economics, public policy, Business Administration, environmental studies or similar
- Good business language skills in English
- At least 5 years of professional experience of executing research of similar scope of transport and climate change sector policy documents, including environmental, social, technical, legal and policy reviews and analysis.

### **Transport expert**

#### Tasks of the transport expert:

- Collection and analysis of relevant transport data and information
- Facilitation and participation in stakeholder consultations
- Providing inputs regarding the relevant transport topics
- Participating in the preparation of presentations and reports

#### Qualifications of the transport expert:

- University qualification in Transport, civil engineering or similar
- Good business language skills in English
- At least 3 years of professional experience in the transport sector

### **Climate expert**

#### Tasks of the Climate expert:

- Collection and analysis of relevant climate data and information
- Facilitation and participation in stakeholder consultations
- Providing inputs regarding the relevant climate topics
- Participating in the preparation of presentations and reports

#### Qualifications of the Climate expert:

- University qualification in Political Science, Public Policy, social and environmental studies or similar
- Good business language skills in English
- General professional experience in the climate sector
- Specific professional experience in the field of Environmental Policy Advisory or similar

### **Economist**

#### Tasks of the economist:

- Collection and analysis of relevant policies, laws and reforms
- Facilitation and participation in stakeholder consultations
- Providing inputs regarding the relevant scenarios
- Participating in the preparation of presentations and reports

#### Qualifications of the economist:

- University qualification in economics, business administration or similar
- Good business language skills in English
- General professional experience as economics
- Specific professional experience in the field of taxation or economic analysis is preferable

#### **International expert**

##### Tasks of the International expert:

- Analyzing collected data and elaborating the outline for the studies
- Overall responsibility for ensuring quality of the documents provided by the contractor
- Providing knowledge of international best practices and proposing adjustments for Georgian reality

##### Qualifications of the International expert:

- University qualification in Transport, civil engineering, social and environmental studies or similar
- Good business language skills in English
- Profound knowledge and experience in relevant transport related topics shall be ensured in the process.

The organization participating in the tender may propose an expert, who will also combine the function of another expert, if the qualification requirements of the relevant expert will be met. (e.g., a team leader may also fit the position of climate expert if he/she meets the relevant qualification requirements).

### Financial Provisions

The attached price schedule is to be used for the preparation of the financial offer. (e.g. expert days of national/international experts, conference/workshop/training/discussion related costs; editor services (if necessary), etc.).

### Deliverables

The applicant winning the tender, shall submit the following deliverables:

<b>Nr.</b>	<b>Deliverable:</b>	<b>Timeline:</b>	<b>Allocated workdays:</b>
1	Inception report	31 May 2023	13 expert days
2	Action Plan with timeline for the feasibility studies conduction	31 May 2023	5 expert days
3	outline for the two feasibility studies	10 June 2023	5 expert days
4	Draft feasibility study on increasing the import tax on light-duty vehicles	20 June 2023	15 expert days

5	Final feasibility study on increasing the import tax on light-duty vehicles	15 July 2023	15 expert days
6	Presentation materials e.g., slides for discussions on light-duty vehicles	15 July 2023	1 expert day
7	Draft feasibility study on increase in taxes for fuels	31 August 2023	15 expert days
8	Final feasibility study on increase in taxes for fuels	30 September 2023	15 expert days
9	Presentation materials for the feasibility study on increase in taxes for fuels e.g., slides for discussions	30 September 2023	1 expert day

The feasibility studies should entail:

- a. The outcomes of the assessment process with all relevant documentation,
- b. Consideration of the relevant EU directives` requirements
- c. Recommendations for next steps towards policy development and implementation
- d. Reasoned possible alternatives of interventions in order to achieve goals set in the CSAP for the transport sector. Whereby possible alternatives should be listed and briefly reviewed in the developed documents.

*All deliverables should be provided in both Georgian and English languages.*

*The deadline for submitting final feasibility study **on increasing the import tax on old light-duty vehicles** on the basis of an economic feasibility study is July 15, 2023.*

*The deadline for submitting final feasibility study **on increase in taxes for fuels** is September 30, 2023.*

## Payment rules

The tender is jointly announced by two projects implemented by GIZ Georgia. Accordingly, all costs related to deliverables 1-3 are split 50:50, all costs related to deliverables 4-6 are covered by Mobility4Cities and all costs related to deliverables 7-9 are covered by CDCPIII.

The applicant winning the tender will receive the service payment in three tranches compliant to the below presented deliverables:

First payment 50% of payment:

- after submitting deliverables 1-6 on 15<sup>th</sup> July 2023.

Second payment 50% of payment:

- Final feasibility studies,
- Presentation of final documents.



### Duration and place of the assignment fulfillment/completion

The place of implementation is Georgia. The feasibility studies have to be developed and presented within 6 months from the signing of the agreement between the service provider and the service receiver, but not later than September 30, 2023. The deadline for submitting final feasibility study on increasing the import tax on old light-duty vehicles on the basis of an economic feasibility study is July 15, 2023.

*Assessment criteria are provided in the attached Excel file.*