

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risks	Assessment without Mitigation	Management Plan or Measures	Assessment with Mitigation
Public financial management. The government is unable to provide timely counterpart funding for the investment program during implementation. The government's budget deficit continues to grow, and budgetary support from international financial institutions is limited.	Medium	The government will be provided with a detailed contract award and disbursement plan for the proposed investment program during preparation, to be updated after completion of detailed engineering designs. The plan will allow the government to program counterpart funds in its annual budget.	Low
Policy. The government is unable to address the objectives of the urban water supply and sanitation policy and sector development plan.	Medium	The SCWSE has adopted the sector development plan, and the government is committed to following the sector road map addressing physical and other investments. Through the SCWSE, the investment program will closely monitor and follow up on actions identified in the sector road map.	Low
Technical sustainability. The WSS systems created under the investment program are not based on good operating practices, and services are delivered inefficiently.	Medium	International consultants have been appointed to prepare detailed engineering designs based on internationally accepted design principles. A management contractor will develop UWSCG's capacity to operate the WSS systems and ensure efficient service delivery.	Low
Environmental protection. Treated effluent discharged into water bodies fails to meet Georgia national standards for effluent discharge or comply with environmental safeguards in ADB's Safeguard Policy Statement (2009).	Medium	The investment program environmental assessment and review framework provides the basis for monitoring environmental safeguard compliance and indicates effluent discharge standards. Monitoring affluent quality using laboratory equipment financed by the investment program will ensure reporting on treatment plant operations and provide a feedback mechanism to mitigate any negative impacts.	Low
Environmental protection. UWSCG does not obtain water abstraction licenses for all intake facilities due to current restructuring of governmental organizations in the sector having responsibility to issue licenses.	Medium	The government has provided undertakings to ensure that UWSCG is provided licenses for all water abstraction facilities by 2011. UWSCG has completed the preliminary asset inventory and identified water intake facilities requiring licenses and would be able to secure licenses once the governmental organization restructuring is complete.	Low
Financial sustainability. The government is unable to provide sufficient viability gap funding to UWSCG early in the investment program.	High	Based on the preliminary techno-economic feasibility studies, UWSCG will identify the viability gap funding required to sustain operations and ensure efficient service delivery. Determining the amount is programmed into the scope of work for detailed engineering design studies, and	Medium

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		the government will be informed of the amount so it can allocate budget.	
Financial sustainability. UWSCG is unable to set WSS tariffs based on a multiyear regulatory principles, and service delivery is severely constrained by revenues being too low to meet increasing operation and maintenance costs.	High	Both UWSCG and GNEWSRC will agree on multiyear regulatory principles that include a price-setting formula. The business plan developed by UWSCG will incorporate the price setting and cost recovery plan, and GNEWSRC will closely monitor performance based on the approved business plan.	Medium
Financial management. UWSCG fails to improve collection efficiency, undermining its financial sustainability.	Medium	Prudent financial management and revenue surplus generation by UWSCG will be programmed into its business plan, which will cover asset management, operational, commercial, and financing issues.	Low
Financial management. Consumer willingness to pay revised tariffs is low, possibly affecting cost recovery.	Medium	The investment program component supporting project implementation includes a public awareness program that will educate consumers on tariffs and associated improvement in access to and quality of services. The program will commence at the start of WSS system construction and continue throughout implementation.	Low
Financial management. Water meters will not be accepted by consumers, which may affect the revenue collection plan.	Medium	The metering regime under the investment program will be implemented in a phased manner that targets nondomestic consumers first and domestic consumers in detached houses. The public awareness program will educate consumers on water conservation through the metering program. As meters will be phased in, consumers will have time to adjust consumption. Where to locate meters in minority households in Marneuli will be determined in consultation with the household to allow meter reading without readers' entering homes. Connection fees for poor households will be spread over 1 year, rather than requested upfront.	Low
Institutional effectiveness of UWSCG. Weak capacity in UWSCG to undertake business planning and tariff setting could hinder the improvement of WSS asset improvement and service delivery.	High	The investment program will include 3 years of management contractor support to UWSCG for long-term capital planning and asset strengthening, procurement, supervision of capital improvement works, operation and maintenance, and financial management—all developing UWSCG institutional capacity to better manage WSS services.	Medium
Institutional effectiveness of	High	The investment program will finance a	Medium

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UWSCG. The lack of skilled technical and managerial staff in the country renders the delivery WSS services inefficient.		WSS management program with technical assistance from Georgian universities or other educational institutions identified by MRDI and develop the skills of graduating students for work in the WSS sector.	
Institutional effectiveness of regulatory bodies. Adequate staff knowledge in GNEWSRC, MEPNR, and MAFS regarding sector regulatory principles and ability to approve tariffs for WSS services are lacking.	Medium	The investment program will support developing the capacity of staff in GNEWSRC regarding multiyear regulatory directives, accounting guidelines, reporting tools, and control systems to monitor WSS performance. It will also develop MEPNR staff capacity in environmental regulatory and licensing frameworks and reporting and monitoring systems. Similarly, the investment program will develop MAFS staff capacity to monitor and regulate water quality and reporting and monitoring systems.	Low
Procurement. Inadequate capacity in UWSCG to manage procurement processes in line with ADB Procurement Guidelines (2010, as amended from time to time).	Medium	The IPMO has undergone on-the-job training on consultant recruitment and ICB procurement while conducting advance contracting with ADB assistance. Further training from the ADB Central Operations Services Office is programmed in 2011 to guide IPMO staff on ADB Procurement Guidelines.	Low
Combating corruption. Political interference affects the selection of consultants and contractors.	Medium	Consultant recruitment will follow ADB Guidelines on the Use of Consultants (2010, as amended from time to time), and procurement will follow ADB Procurement Guidelines. ADB oversight will be programmed into the recruitment of consultants and specifically on the consultant selection committee.	Low
Social development. Internally displaced people will not receive WSS project benefits because of physical obstacles to accessing WSS in communal settlements.	Medium	The detailed engineering design consultants will specifically identify settlements of internally displaced people and assess WSS services in the area while conducting surveys and investigations. The civil works procurement package will include improved services to the areas inhabited by internally displaced people.	Low
Overall	Medium		Low

ADB = Asian Development Bank, GNEWSRC = Georgia National Energy and Water Supply Regulatory Commission, ICB = international competitive bidding, IPMO = investment program management office, MAFS = Ministry of Agriculture and Food Safety, MEPNR = Ministry of Environmental Protection and Natural Resources, MRDI = Ministry of Regional Development and Infrastructure, SCWSE = State Commission on Water Supply and Energy, UWSCG = United Water Supply Company of Georgia Limited Liability Company, WSS = water supply and sanitation.

Source: Asian Development Bank.