

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

1. The Asian Development Bank conducted a country-level risk assessment for Georgia in 2014 as part of the preparation of its country partnership strategy, 2014–2018.¹ A financial management assessment and procurement risk assessment were conducted for the Road Department as part of project preparation. Country-level and project-level risks and their management plans are summarized in Table 1.
2. **Procurement.** Georgia's national procurement system is regulated by the 1999 Law on State Procurement (and subsequent amendments). The establishment of Georgia's Competition and State Procurement Agency facilitated procurement reform. Recent changes include (i) a strengthened e-procurement system, (ii) mandated disclosure of contract values by procuring entities, and (iii) the inclusion of civil society representatives in dispute resolution procedures. E-procurement has significantly simplified procedures, and allows any person to file an electronic complaint for review by a dispute resolution board. Data on the value of public contracts is maintained in a public procurement database and Treasury Information system. Spending unit payment schedules allow access to treasury cash request data. Bidders can download public procurement contract data from the electronic tender system.
3. The national procurement regulations are considered to be well developed and practiced. Generally, all procurement handled by Roads Department is subject to the national procurement law and the procurement guidelines of international financing institutions, if agreed to in loan agreements. Competitive bidding in the road sector has been consistent and generally evident across all projects, with contractors regularly submitting bids that are largely responsive; there were four bidders on average per contract for projects financed by development partners.
4. **Anticorruption.** Georgia's anticorruption regulatory framework is outlined in the 2009 Law of Georgia on the Conflict of Interests and Corruption in Public Service. The Investigative Division of the Prosecution Service is the key anticorruption body. The Anti-Corruption Interagency Council under the Ministry of Justice is tasked with coordinating anticorruption efforts. The council comprises high-level officials (supported by a secretariat) along with nongovernment organizations and private sector representatives. Georgia's first National Anti-Corruption Strategy and Action Plan was adopted in 2005. Since 2012, the government has taken steps to restore judicial independence and improve accountability and transparency in public finance, procurement, and private sector oversight. 2014 amendments to the Law on Conflict of Interests and Corruption in Public Service seek to improve whistleblower protection, in particular by expanding the channels of reporting, and providing for anonymity and protection.
5. Petty corruption has almost been eliminated. Conflict of interest rules and codes of ethics govern the conduct of public servants. Government officials are required to publicly disclose their income and assets annually. The prospect of sanctions has significantly affected the extent to which public officials shape policies for their own interests. There is a need to institutionalize and consolidate Georgia's anticorruption efforts and achievements, however.

¹ ADB. 2014. *Country Partnership Strategy: Georgia, 2014–2018*. Manila.

Risk Description	Rating	Mitigation Measures	Responsibility
<p>Anticorruption While corruption has been reduced, some concerns regarding corruption remain.</p>	L	ADB will support the government's anticorruption initiatives relevant to core sectors to develop stronger policy and regulatory frameworks and enhance government capacity.	Anti-Corruption Interagency Council
<p>Procurement Procurement of the detailed design has been delayed which will affect the procurement of works of the project.</p>	S	Detailed design and procurement documentation is being prepared under separate financing, and will be completed by November 2017. Procurement of supervision consultant will commence in March 2017. Procurement of civil works contractors will commence in July 2017. When the project becomes effective, the supervision contract will be ready to be awarded. Civil works contracts will be awarded shortly after. Advanced contracting action is to be taken for consultants and civil works.	Roads Department
<p>Document retention policy and record keeping are adequate to enable internal and external audit of procurement processes, but filing facilities and support functions are inadequate to securely organize the transactions in progress.</p>	L	Procurement Unit facilities (including offices and staff work stations) where procurement files (including bid proposals) are temporarily stored, will be expanded and equipped to improve record-keeping infrastructure and document retention and safety.	Roads Department
<p>Civil works costs underestimated.</p>	L	At the feasibility stage, engineering design was comprehensive and quantities are not expected to vary significantly during detailed design. Physical contingencies were computed at 10% for civil works and consulting services and price contingencies computed according to the ADB cost escalation factors, together providing an adequate provision for variations in quantities and costs. The detailed design consultant will assist the Roads Department in finalizing design; preparing accurate cost estimates; and assisting in bid document preparation, procurement, and evaluation.	Roads Department
<p>Financial management Outdated financial management manual may result in inappropriate disbursement arrangements.</p>	L	ETCIC's financial management manual will be updated to reflect the project specific fund flows, disbursement arrangements, and other relevant sections for the upcoming ADB projects.	ETCIC and ADB

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Actual cost variances from the planned amount are not properly reported.	L	ETCIC will provide the interim unaudited project financial statements including planning, actual, and variance amounts (current and cumulative amounts) upon request by ADB.	ETCIC
Project implementation			
The human, technical, and financial resources of the Roads Department are inadequate to manage a rapidly growing portfolio and technically complex projects that require sophisticated highway engineering.	M	The Roads Department hired an international tunnel and bridge engineer for a World Bank project approved in 2015, and their expertise could be shared for other projects as needed. ADB's new projects include a cost item for project management and institutional support, which will be used for hiring special expertise needed for project implementation.	Roads Department
Inaction or indifference on the part of land owners with regard to legalization of their lands may extend already lengthy land acquisition processes.	L	The Roads Department includes a dedicated safeguards unit, which will be augmented with consultants provided through the project. The consultants will assist the Roads Department in updating and monitoring resettlement plan finalization and implementation.	Roads Department
Safeguards complaints and delays in project implementation.	S	Extensive and effective consultations with nongovernment organizations and local residents were conducted during project preparation, and will be continued during the detailed design process and project implementation. A grievance redress mechanism will be established once the final updated LARP is available following the completion of the detailed design process.	Roads Department
Sustainability of road network			
An inadequate road maintenance budget may jeopardize the sustainability of large investments in the road network, and preservation of road assets.	S	Apart from the joint policy dialogue by development partners to increase the fiscal budget for road maintenance, efforts are also being exerted to (i) reduce the maintenance backlog, particularly for secondary roads, and thereby use limited maintenance resources more productively; and (ii) introduce PBM contracts to spend limited road maintenance resources more efficiently.	MOF, MRDI, and Roads Department

H = high, S = substantial, M = moderate, L = low.

ADB = Asian Development Bank, ETCIC = Eurasian Transport Corridor Investment Center of MRDI, LARP = Land Acquisition and Resettlement Plan, MOF = Ministry of Finance of Georgia, MRDI = Ministry of Regional Development and Infrastructure, PBM = performance-based maintenance.

Source: Asian Development Bank.