

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan	Responsibility
1. Financial Management The internal audit department's independence appears to be impaired by functional and administrative reporting to the senior management.	M	The establishment of a supervisory board is a key policy action under the policy-based loan. The internal audit charter will be updated to allow direct functional reporting by the internal audit department to the supervisory board.	MRDI, UWSCG
2. Financial Sustainability UWSCG delays the application and implementation of the tariff determined by GNERC because of a prolonged economic slowdown associated with COVID-19.	S	<p>The program aims to achieve sustainable operations of UWSCG. The comprehensive reform program will help minimize adverse impacts on the end-user tariff through (i) cost optimization (i.e., energy efficiency, commercial orientation, performance management, asset management, streamlined business processes, automated processes, outsourcing); and (ii) revenue enhancement (i.e., metering program, reduction in illegal connections and unbilled customers). More proactive tariff rationalization is required to reduce cross-subsidies between residential and commercial customers and to provide support to low-income households.</p> <p>ADB's ongoing technical assistance is helping redesign the tariff structure to further rationalize tariffs. ADB will continue to engage in policy dialogue and monitor tariffs through the post-program partnership framework.</p>	<p>UWSCG, MRDI</p> <p>GNERC</p>
3. Procurement COVID-19 adversely impacts project implementation schedule and cost estimates.	L	The civil works package is relatively small at an estimated \$9 million of the \$20 million project loan. ADB will revisit the implementation plan and cost estimates if the impact of COVID-19 continues to threaten the project's timely implementation.	UWSCG
4. Asset Management UWSCG continues to have low technical capacity and resources for effective O&M.	M	The project allocated significant resources for O&M support, training, and capacity building. This will be underpinned by corporate policies, strategies, and programs for better management of change and human resources under the policy-based loan.	UWSCG

ADB = Asian Development Bank, COVID-19 = coronavirus disease, GNERC = Georgian National Energy and Water Supply Regulatory Commission, L = low, M = moderate, MRDI = Ministry of Regional Development and Infrastructure, O&M = operation and maintenance, S = substantial, UWSCG = United Water Supply Company of Georgia.

Source: Asian Development Bank.