

## POTENTIAL SAFEGUARD IMPACTS PER POLICY ACTION

	Actions prior to First Tranche Release (November 2020)	Actions prior to Second Tranche Release (July 2021)	Post-Program Partnership Framework (2021–2024)	Potential Environmental Impacts	Potential Involuntary Resettlement Impacts
Urban and rural WSS sector governance strengthened	<b>Enhanced legal and institutional frameworks to achieve WSS policy outcomes</b>				
	<p>1. Parliament approved the Law of Georgia on Energy and Water Supply (previously Law on Electricity and Gas) to ensure uniform regulatory accounting system.</p> <p><b>DE/RA:</b> Law of Georgia on Energy and Water Supply as enacted and published in the Legislative Herald of Georgia and <a href="http://www.matsne.gov.ge">www.matsne.gov.ge</a> [GNERC, MoESD]</p>	<p>1. The Government of Georgia submits the Law on Water Resources Management to the Parliament of Georgia for approval to incorporate all aspects of integrated water resources management including establishment of river basin management and harmonize Georgia's environmental legislation with the EU Water Framework Directive.</p> <p><b>DE/RA:</b> Law on Water Resources Management as submitted to the Parliament [MoEPA/MRDI]</p>	<p>GNERC requires WSS licensees in Georgia to report to them using uniform regulatory accounting system for improved transparency and performance benchmarking.</p> <p>Consulting-Coordinating Council of Basin Management oversee compliance of the MRDI, UWSCG, municipalities, municipal water companies, and community-based organizations in the WSS sector with the provisions of the envisaged Law on Water Resources Management.</p>	It is anticipated that the Law on Water Resources will not have any direct significant negative impacts on the environment.	It is expected that actions under the enhancement of legal and institutional frameworks in the WSS sector will have no land acquisition and involuntary resettlement impacts.
	<p>2. GNERC passed a resolution on Rule for Appraisal of Investments in the WSS sector to streamline and strengthen the principles and criteria for the development, submission, appraisal, approval, monitoring and modification of investment plans for all licensees whose tariffs are set by GNERC.</p> <p><b>DE/RA:</b> GNERC Resolution N27 on</p>		<p>GNERC makes available to the public the approved tariff, service and KPI—with associated calculation protocols—status and targets of all WSS licensees.</p> <p>GNERC develops further tariff structure and customers' charging rules in accordance with the relevant legislation to improve cost recovery, tariff affordability, and financial sustainability.</p>	The resolution will likely not have any impact on environment.	It is expected that actions under the enhancement of legal and institutional frameworks in the WSS sector will have no land acquisition and involuntary resettlement impacts.

	<b>Actions prior to First Tranche Release (November 2020)</b>	<b>Actions prior to Second Tranche Release (July 2021)</b>	<b>Post-Program Partnership Framework (2021–2024)</b>	<b>Potential Environmental Impacts</b>	<b>Potential Involuntary Resettlement Impacts</b>
	Investment Appraisal Rules published in the Legislative Herald of Georgia and <a href="http://www.matsne.gov.ge">www.matsne.gov.ge</a> [GNERC]				
	3. MRDI established a Steering Committee for WSS comprising members from MRDI, MoEPA, and municipalities with at least 30% women members to plan, coordinate, implement, and monitor the WSS Sector Vision and Policy Statement (urban and rural), and facilitate adoption and implementation of the WSS Sector Development Framework 2021–2030.  <b>DE/RA:</b> Order of MRDI Minister [MRDI]	2. MRDI approves a Vision and Policy Statement for the WSS sector covering both urban and rural including wastewater and stormwater management strategy and promoting adherence to integrated water resources management principles, good sector and service provider governance. The Vision and Policy Statement will include environmental and climate-friendly features and gender-specific provisions that will improve women's access to water and ensure their participation in community discussions and decision-making as water users and consumers.  <b>DE/RA:</b> Order of MRDI Minister and approved Vision and Policy Statement for WSS sector disclosed on <a href="http://www.mrdi.gov.ge">www.mrdi.gov.ge</a> [MRDI]		Establishing of the Steering Committee for WSS will have no environmental impacts. Vision and Policy Statement for the WSS sector may have positive environmental impacts due to inclusion of environmental and climate-friendly features.	It is expected that actions under the enhancement of legal and institutional frameworks in the WSS sector will have no land acquisition and involuntary resettlement impacts.
		3. MRDI prepares its WSS Sector Development	MRDI implements the approved WSS Sector	WSS Sector Development	It is expected that actions under the

	<b>Actions prior to First Tranche Release (November 2020)</b>	<b>Actions prior to Second Tranche Release (July 2021)</b>	<b>Post-Program Partnership Framework (2021–2024)</b>	<b>Potential Environmental Impacts</b>	<b>Potential Involuntary Resettlement Impacts</b>
		<p>Framework for 2021–2030 in consultation with UWSCG, municipalities, municipal water companies, community-based organizations, and river basin committees, and adopts the Framework to achieve continuous urban WSS and safe WSS in rural areas by 2030, with considerations for technical sustainability—including climate resilience, and environmental protection, as well as institutional and financial sustainability for the urban and rural WSS.</p> <p><b>DE/RA:</b> Order of the MRDI Minister and approved 2021–2030 WSS Sector Development Framework <b>[MRDI]</b></p>	Development Framework 2021–2030.	Framework for 2021–2030 can have positive environmental impacts due to consideration of environmental protection and climate-resilience features.	enhancement of legal and institutional frameworks in the WSS sector will have no land acquisition and involuntary resettlement impacts.
	<b>Effective cost recovery under WSS tariff regulatory frameworks</b>				
	4. GNERC amended the Tariff Setting Methodology to incentivize the utility to (i) increase efficiency through cost optimization, (ii) promote growth of financial returns of utility through increase of operational and management	4. As one of the first pilot SOE reforms initiative, UWSCG implements the SCI that will include an approved company business plan. The business plan will include cost reduction and revenue enhancement measures and tariff rationalization	<p>UWSCG under the national SOE reforms initiative, (i) appoints at least 30% external members for the Supervisory Board, and (ii) submits annual compliance reports to assess level of compliance with SCI, related norm, and standard requirements.</p> <p>UWSCG maintains an</p>	WSS Sector Development Framework for 2021–2030 can have positive environmental impacts due to consideration of environmental protection and climate-resilience features.	It is expected that actions under the enhancement of legal and institutional frameworks in the WSS sector will have no land acquisition and involuntary resettlement impacts.

	<b>Actions prior to First Tranche Release (November 2020)</b>	<b>Actions prior to Second Tranche Release (July 2021)</b>	<b>Post-Program Partnership Framework (2021–2024)</b>	<b>Potential Environmental Impacts</b>	<b>Potential Involuntary Resettlement Impacts</b>
	<p>efficiency, and (iii) ensure transparent, stable, and fair tariff rates.</p> <p><b>DE/RA:</b> Amendment to the Resolution N14 Tariff Setting Methodology published in the Legislative Herald of Georgia and <a href="http://www.matsne.gov.ge">www.matsne.gov.ge</a> [GNERC]</p>	<p>actions to achieve the operating ratio of at least 1 by 2023 from 1.45 in 2019.</p> <p><b>DE/RA:</b> MRDI approved SCI documentation package, including UWSCG business plan with a time-bound action plan to achieve cost recovery in operating activities, disclosed on Ministry of Finance website; GNERC's letter confirming receipt of the documents—financial statement, business plan, and investment plan for tariff rationalization—from UWSCG [UWSCG/MRDI/MOF]</p>	<p>operating ratio of at least 1 from FY2023 and holds regular tariff reviews with GNERC, as required by relevant tariff related laws and regulations.</p> <p>UWSCG publishes its annual report in the Accounting, Reporting, and Auditing Supervision Service website <a href="http://www.saras.gov.ge">www.saras.gov.ge</a>.</p>		
<b>UWSCG governance and management effectiveness improved</b>	<b>A. Enhanced management autonomy and accountability</b>				
	<p>5. Supervisory Board for UWSCG is established with minimum 30% women representatives and at least one external member to review and approve major corporate objectives, business plans, and strategies as initiated by UWSCG management, and monitor and review UWSCG management, and ensure legal and regulatory compliance.</p>	<p>5. UWSCG amends the existing company charter to detail responsibilities, rights, and obligations of the Director, particularly for day to day management of UWSCG, Supervisory Board, HR Reforms Committee, and Change Management Committee.</p> <p><b>DE/RA:</b> UWSCG Executive Order with</p>	<p>In line with the national-level SOE reform, the Supervisory Board for UWSCG adopts the OECD Guidelines on Corporate Governance of SOEs (2015).</p>	<p>WSS Sector Development Framework for 2021-2030 can have positive environmental impacts due to consideration of environmental protection and climate-resilience features.</p>	<p>It is expected that actions under the enhancement of legal and institutional frameworks in the WSS sector will have no land acquisition and involuntary resettlement impacts.</p>

	<b>Actions prior to First Tranche Release (November 2020)</b>	<b>Actions prior to Second Tranche Release (July 2021)</b>	<b>Post-Program Partnership Framework (2021–2024)</b>	<b>Potential Environmental Impacts</b>	<b>Potential Involuntary Resettlement Impacts</b>
	<b>DE/RA:</b> Order of the MRDI Minister <b>[MRDI]</b>	approved revised company charter <b>[UWSCG]</b>			
	<b>B. Strengthened operational efficiency and effectiveness</b>				
	<p>6. UWSCG established a high-powered Change Management Committee with suitable experts authorized to propose, support, approve, and modify large-scale macro-change efforts in order to facilitate corporate restructuring.</p> <p><b>DE/RA:</b> UWSCG Executive Order and approved terms of reference for the Change Management Committee <b>[UWSCG]</b></p>	<p>6. UWSCG Supervisory Board approves a corporate restructuring plan encompassing streamlined HQ business units, regional offices, and service centers with a focus on geographical delineations based on river basins and integrated water resources management.</p> <p><b>DE/RA:</b> Restructuring plan and new organogram submitted to the Supervisory Board <b>[UWSCG]</b></p>	UWSCG restructures regional offices and service centers as per the restructuring plan to enable these offices/centers to carry out day to day operational activities based on revised authorities granted by UWSCG HQ in accord with their respective performance agreement.	WSS Sector Development Framework for 2021-2030 can have positive environmental impacts due to consideration of environmental protection and climate-resilience features.	It is expected that actions under the enhancement of legal and institutional frameworks in the WSS sector will have no land acquisition and involuntary resettlement impacts.
		<p>7. UWSCG enters into performance agreements with (i) regional offices and service centers and (ii) MRDI. The performance agreements will include roles and responsibilities of the parties, KPIs, and incentives.</p> <p><b>DE/RA:</b> Signed performance agreements between UWSCG and regional offices, and between UWSCG and MRDI <b>[UWSCG/MRDI]</b></p>	MRDI holds annual performance reviews of UWSCG.	Entering into performance agreements will not have any environmental impacts.	It is expected that actions under the strengthening of operational efficiency and effectiveness of UWSCG in regard to performance assessment will not cause any land acquisition and involuntary resettlement impacts.
	7. UWSCG approved the (i) Metering Program to	8. UWSCG (i) adopts (a) Asset	UWSCG completes 100% bulk meter installation by end 2022,	Entering into performance	It is expected that actions under the

	<b>Actions prior to First Tranche Release (November 2020)</b>	<b>Actions prior to Second Tranche Release (July 2021)</b>	<b>Post-Program Partnership Framework (2021–2024)</b>	<b>Potential Environmental Impacts</b>	<b>Potential Involuntary Resettlement Impacts</b>
	<p>achieve 100% bulk meter installation by the end of 2022 (from 11% in 2019) and 80% of household metering by 2025 (from 58% in 2019) within the boundaries of the UWSCG service area; and (ii) Public Communication Strategy to engage with the public effectively for customer outreach and care, with attention to addressing women's needs, rational use of water, and increased public awareness on health, hygiene, and sanitation to prevent the spread of COVID-19 and other diseases.</p> <p><b>DE/RA: UWSCG</b> Executive Orders; approved Metering Program and Action Plan; Public Communication Strategy <b>[UWSCG]</b></p>	<p>Management Policy, and (b) Nonrevenue Water (NRW) Reduction Strategy 2021–2025 to progressively reduce NRW to at most 47% in 2025 from 77% of the water supplied in the network in 2019, (ii) initiates implementation of the Metering Program.</p> <p><b>DE/RA: UWSCG</b> Executive Orders and approved Asset Management Policy and NRW Reduction Strategy <b>[UWSCG]</b></p>	<p>and at least 75% of household metering by 2024.</p> <p>UWSCG progressively reduces NRW based on the NRW reduction strategy 2021–2015 and continuously implements public communication strategy.</p> <p>UWSCG implements asset management process following ISO standards.</p>	<p>agreements will not have any environmental impacts.</p>	<p>strengthening of operational efficiency and effectiveness of UWSCG in regard to performance assessment will not cause any land acquisition and involuntary resettlement impacts.</p>
	<p>8. UWSCG approved Internal Staff Regulations and HR Management Policy, and established an HR Reforms Committee to provide (i) policy direction on HR management issues and administrative support functions related to the</p>	<p>9. UWSCG adopts an HR Management Development Plan, and implements (i) salary, compensation, and benefits reviews, (ii) staff performance management system, (iii) incentive and recognition programs, (iv) gender equality policy provisions</p>	<p>UWSCG continuously implements HR Management Development Plan according to the HR Reforms Committee recommendations.</p>	<p>Internal Staff Regulations and HR Management Policy and HR Management Development Plan will not have any direct impacts on the environment.</p>	<p>It is expected that actions under the strengthening of operational efficiency and effectiveness of UWSCG in regard to HR reforms will not cause any land acquisition and involuntary resettlement impacts.</p>

	<b>Actions prior to First Tranche Release (November 2020)</b>	<b>Actions prior to Second Tranche Release (July 2021)</b>	<b>Post-Program Partnership Framework (2021–2024)</b>	<b>Potential Environmental Impacts</b>	<b>Potential Involuntary Resettlement Impacts</b>
	<p>management of employees for all the organization, and (ii) HR development programs that attract, develop, retain, and engage a skilled, diverse, and gender equitable workforce, with 80% of the staff improved knowledge by 2025.</p> <p><b>DE/RA:</b> UWSCG approved Internal Staff Regulation; UWSCG approved HR Management Policy; UWSCG Executive Order establishing HR Reforms Committee with approved HR Reforms Committee terms of reference <b>[UWSCG]</b></p>	<p>to address specific needs of women staff such as maternity leaves, among others, and (v) workforce rationalization through timely retirement, voluntary or involuntary early retirement, retrenchment (performance and personnel-driven) and re-training programs for minimum 200 UWSCG's staff development and training annually.</p> <p><b>DE/RA:</b> HR Reforms Committee approved HR Management Development Plan; Minutes of the HR Reforms Committee meeting on the implementation progress of HR Management Development Plan <b>[UWSCG]</b></p>			
		<p>10. UWSCG adopts a Water Safety Plan for the cities with a population of 20,000 or more to facilitate emergency responses to disasters, including from virus pandemics and higher likelihood and frequency of waterborne diseases induced by climate change, following the WHO</p>	<p>The Georgian National Accreditation Center (<a href="http://www.gac.gov.ge">www.gac.gov.ge</a>) accredits UWSCG's central water lab.</p> <p>UWSCG implements the Water Safety Plan for selected target cities as specified in the Plan.</p>	<p>The Water Safety Plan can contribute to positive impacts on community health and safety.</p>	<p>It is expected that actions under the strengthening of operational efficiency and effectiveness of UWSCG's Water Safety planning and emergency responses will not cause any land acquisition and involuntary resettlement impacts.</p>

	<b>Actions prior to First Tranche Release (November 2020)</b>	<b>Actions prior to Second Tranche Release (July 2021)</b>	<b>Post-Program Partnership Framework (2021–2024)</b>	<b>Potential Environmental Impacts</b>	<b>Potential Involuntary Resettlement Impacts</b>
		<p>Water Safety Manual (2005 as amended from time to time).</p> <p><b>DE/RA:</b> UWSCG Executive Order with UWSCG adopted Water Safety Plan <b>[UWSCG]</b></p>			
	<b>C. Mainstreamed outsourcing and catalyzed private sector engagement</b>				
	<p>9. UWSCG issued the Executive Order to mainstream outsourcing in UWSCG operations with identified time-bound action plan including but not limited to the areas of installation of new house-connections, meter installation, meter reading, repair works, billing and collection, car fleet, and maintenance of electrical and mechanical equipment.</p> <p><b>DE/RA:</b> UWSCG Executive Order <b>[UWSCG]</b></p>	<p>11. UWSCG submits PSP and PPP road map and WSS PSP or PPP project pipeline to MRDI for approval. The WSS PSP or PPP project pipeline will include information on a list of priority PSP or PPP projects, rationale, location, scope, estimated capital expenditure, and potential source of revenues.</p> <p><b>DE/RA:</b> PSP and PPP roadmap and pipeline submitted to MRDI <b>[UWSCG]</b></p>	<p>UWSCG outsources selected services and establishes contractual relationships with private companies.</p> <p>UWSCG issues a request for proposal to procure a WSS PSP or PPP project through competitive bidding procedures based on market practice.</p>	<p>No environmental impact are anticipated from mainstreamed outsourcing and catalyzed private sector engagement.</p>	<p>It is anticipated that the policy area related to mainstream outsourcing and engagement of private sector will not cause any land acquisition and involuntary resettlement impacts.</p>

DE/RA = documentary evidence/responsible agency, GNERC = Georgian National Energy and Water Supply Regulatory Commission, HR = human resource, KPI = key performance indicator, MoEPA = Ministry of Environmental Protection and Agriculture, MoESD = Ministry of Economy and Sustainable Development, MRDI = Ministry of Regional Development and Infrastructure, NRW = nonrevenue water, OECD = Organisation for Economic Co-operation and Development, PPP = public-private partnership as defined in ADB's Public-Private Partnership Operational Plan 2012–2020 (amended from time to time), PSP = private sector participation as defined in ADB's Public-Private Partnership Operational Plan 2012–2020 (amended from time to time), SCI = Statement of Corporate Intent, SOE = state-owned enterprise, TOR = terms of reference, UWSCG = United Water Supply Company of Georgia, WSS = water supply and sanitation.

**Notes:**

UWSCG is a state-owned water supply and wastewater service provider, MRDI in charge of UWSCG as delegated by MoESD, the asset holder.

GNERC is the national regulatory body for electricity, natural gas, and water/wastewater.

Nonrevenue water as defined by GNERC.



*Operating ratio* means the ratio of UWSCG's operating expenses over its operating revenue. *Operating expenses* means all expenses of UWSCG on operation and maintenance including staff salaries, cost of energy, chemicals, routine maintenance, spare parts, consumables, taxes, etc. but excluding capital expenditure, debt service obligations, amortizations, and depreciation. *Operating revenue* means the revenue collected by UWSCG from the sale of water and other revenues excluding grants from the government.

Statement of Corporate Intent will define the scope of the public corporation's business, objectives, and strategies to achieve its objectives. It will further include (i) limits of the risks, (ii) any transfers the public corporation shall receive from or pay to the budget to compensate for competitive disadvantages and advantages and to compensate for undertaking activities at the government's explicit direction, (iii) the consequences of the public corporation's failure to achieve its objectives or comply with its risk or other obligations, and (iv) any other provisions as the Ministry of Finance requires at any time.