

**RISK ASSESSMENT AND RISK MANAGEMENT PLAN**

Risk Description	Rating <sup>a</sup>	Mitigation Measures	Responsibility
<b>General</b>			
<b>Health Risks</b> Incidence of COVID-19 increases substantially placing significant burden in public health systems and triggering another nation-wide lockdown.	M	Cooperate with MOILHSA, other IFIs, specialized donors and UN-specialized agencies to support government's efforts to contain spread of coronavirus (immediate- to short-term) and strengthen health care system and capacity (long-term). Utilize existing TA resources to provide support to MOILHSA and grant resources made available under a regional TA facility to help procure medical supplies and equipment.	ADB and MOF IFIs MOILHSA UN-specialized agencies
<b>Macroeconomic</b> Regional economic slowdown worsens external balance and places downward pressure on the GEL, leading to higher inflation and increasing debt burden for foreign currency denominated public debt.	M	In the short-term: <ul style="list-style-type: none"> <li>• Continue to monitor evolution of macroeconomic situation closely with MOF and other IFIs.</li> <li>• Utilize existing TA resources, particularly the MEL Lab, provide evidence-based policy recommendations on to best address adverse impacts of a weaker GEL on the economy.</li> <li>• Encourage macroeconomic coordination between MOF and NBG to ensure complementarity of monetary and fiscal policy responses.</li> </ul> In the medium-term: <ul style="list-style-type: none"> <li>• Continue to support Georgia's ability to effectively identify and manage fiscal risks, including and especially those stemming from foreign exchange exposure of both general government debt and SOEs.</li> <li>• Support the government's efforts under the Georgia 2020, to further development of a domestic debt market to ensure higher share of domestic debt and minimize foreign currency exposure.</li> </ul>	MOF, MOESD, NBG, MOILHSA
<b>Political risk.</b> Changes in government may affect its	L	Policy actions under Subprogram 1 have been completed before approval. Further, opposition forces have announced their support for the vast majority of the	MOF, ADB, other development partners.

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commitment to reform measures envisaged under ADB support.		<p>measures included in the reform package, including reform to the pension system, making the materialization of this risk unlikely.</p> <p>Even then, in order to effectively mitigate this risk, ADB pursues a policy matrix that entails institutionalization of policy actions on legal basis, making policy reversal politically challenging. Parliamentary approval required for many of the policy actions proposed will require consensus on the policy commitment that the program captures, further minimizing the chances that this risk derails progress made towards the policy commitments it supports.</p>	
<b>Program Implementation</b> Ineffective coordination across government agencies.	H	<p>Most of the policy content of the program depends on actions taken by the MOF, effectively insulating the vast majority to policy actions from this risk.</p> <p>That said, ineffective coordination between government agencies (particularly NBG, MOF, MOESD) may affect particular policy actions which require cross-governmental coordination. To this end, ADB has and will continue to utilize existing TA resources to stimulate close coordination between all relevant stakeholders. Multi-stakeholder workshops have been organized and others have been planned for policy actions that require the active participation of various agencies (i.e., approval of the capital market development plan; coordination between the Pension Agency and the Revenue Service, etc.). ADB will continue to operate as a third-party, neutral mediator between relevant stakeholders and host initiatives aimed at promoting close coordination and sharing of information from the start.</p>	MOF, ADB, MIA, IACC, other development agencies.
Ineffective coordination between government	M	First, country systems are sufficiently robust to ensure that this risk does not materialize. Government maintains a comprehensive donor database,	

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agencies and development partners is weak leading to duplication of work.		<p>electronic aid information management system (eAIMS), created to provide and manage information on all aid commitments and ensure that all principles enshrined in the Paris Declaration on Aid Effectiveness are observed.</p> <p>To complement strong country systems, ADB has initiated active policy dialogue with all development partners involved its respective areas of engagement, namely the IMF, France, the EU, the World Bank and UNICEF.</p>	
Phasing out of measures provided under the Anti-Crisis Plan lead to sharp increase in unemployment and poverty resurgence.	H	<p>Through policy dialogue, ADB has suggested that phasing out of support measures is done gradually and in parallel with reforms to existing social protection schemes. The proposed Program promotes reform of existing social protection systems as Anti-Crisis Plan continues to be implemented to ensure that once the support measures under the Plan are phased out, the social protection infrastructure in Georgia is able to continue supporting the share of the population most affected by the crisis. Further, ADB, together with other development partners, are providing budget support which is \$172 million higher than the estimated financing gap. This gives the government of Georgia a comfortable margin of maneuver should it need to expand current support measures provided under the Anti-Crisis Plan.</p>	MOILHSA, IACC, MOF

ADB = Asian Development Bank, COVID-19 = coronavirus disease, EU = European Union, IFI = international financing institutions, IMF = International Monetary Fund, MEL = Monitoring, Evaluation and Learning, MOESD=Ministry of Economy and Sustainable Development, MOF=Ministry of Finance, MOILHSA=Ministry of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs, NBG=National Bank of Georgia, SOE = state-owned enterprise, TA = technical assistance, UN = United Nations.

<sup>a</sup> H = High, S = substantial, M = moderate, L = low.

Source: Asian Development Bank.