

## RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risks	Assessment without Mitigation	Management Plan or Measures	Assessment with Mitigation
<b>1. Public Financial Management</b>			
Responsibility: Guangxi PMO, executing and implementing agencies, local financial bureaus, PICs, auditing bodies, initial start-up consultants, project management consulting service Timeline: Prior to project implementation and throughout the implementation period			
1.1 Capacity building City Finance Bureaus and PICs lack experience in withdrawing ADB loan proceeds, resulting in delay of disbursement and construction at initial stage.	Medium	Provide training and knowledge to city PMOs to build the capacity of the staff of finance bureaus and PICs.	Low
1.2 Responsibility clarification Their respective roles in financial management are not clear to various government offices and stakeholders at various levels when they are entrusted with project responsibilities.	Low	Strengthen coordination mechanism between stakeholders through day-to-day communication.  Provide training on project management system for various stakeholders to clarify their responsibilities.	Low (negligible)
1.3 Counterpart funding Disbursements to ADB projects are adversely affected by late provision of counterpart funding.	Low	Provide training to build the capacity of the financial staff of the PICs and strengthen the communication and coordination between different government offices involved in the disbursement process.	Low (negligible)
1.4 Revenue generation Maoling wastewater company lacks O&M capacity and tariff adjustments are not implemented on time, affecting the financial sustainability of the subproject.	Medium	Provide training to Fangchenggang municipal government and the PIC for various operational schemes and financial management of the wastewater treatment plant.  Adequate counterpart fund allocation for sustaining O&M is assured.	Low
1.5 Monitoring mechanism Institutional monitoring mechanisms are incomplete and internal audit mechanisms are often missing for the PICs.	Medium	Provide support to strengthen the capacity of internal auditing system for the PICs.	Low
1.6 Information capture Mechanisms for capturing financial information relating to flow of funds do not exist.	Low	Provide financial and technical support to augment internal controls by developing a robust monitoring and evaluation capability in executing and implementing agencies.  Help the PICs establish the information management system for financial management.	Low (negligible)

Risks	Assessment without Mitigation	Management Plan or Measures	Assessment with Mitigation
<b>2. Procurement</b>			
Responsibility: Guangxi PMO, executing and implementing agencies, financial bureaus, PICs, initial start-up consultants, project management consulting service Timeline: Throughout the project implementation period			
2.1 Procurement capacity Because Beihai and Qinzhou municipal governments and the PICs do not have experience in procurement under ADB-funded projects, preparation of procurement plan and bidding documents is not efficient. <sup>a</sup>	Medium	Transfer knowledge from Guangxi PMO and Fangchenggang municipal government to these municipal governments about ADB procedures and requirements on procurement.  Ensure that local entities involving with procurement are provided with adequate procurement training.  Engage initial start-up consultants to help PICs in advanced procurement activities.	Low
2.2 Monitoring mechanism Monitoring mechanism to oversee and prevent collusion, bid rigging, and cartelism in procurement of goods, works, and services is lacking.	Medium	Provide assistance to local bodies to build capacity in monitoring.  Conduct public audits before acceptance of end product.	Low
2.3 Contract variation Contract variations occur frequently because of poor quality site survey and bidding documentation.	Low	Provide rigorous and frequent training for staff involved in procurement.	Low (negligible)
2.4 Cost escalation Cost estimates for construction are unrealistic because of inadequate design and costs escalate due to contract variation and renegotiation after awarding of contract.	Medium	Conduct rigorous technical review during detailed design to estimate provisional contract prices.  Provision of additional counterpart funds to finance cost overrun, as necessary.  Regular check and update of standard bidding documents and evaluation criteria complying with ADB policies and procedural requirements.	Low
2.5 Construction supervision Construction supervision to oversee and evaluate contractor performance is inadequate, leading to substandard operation, administration and service.	Low	Develop monitoring mechanism to ensure timely supervision and frequent site inspection by relevant agencies.  Provide assistance to local bodies to build capacity in monitoring.	Low (negligible)
<b>3. Corruption</b>			
Responsibility: Guangxi PMO, executing and implementing agencies, local financial bureaus, PICs, auditing bodies Timeline: Throughout the implementation period and the post-implementation period			
3.1 Patronage and nepotism Political interference, conflicts of interest, and nepotism affect project design, procurement, and implementation, leading to poor-quality projects.	Medium	Help the PICs prepare a code of ethics.  Conduct social awareness programs against corruption.  Check performance and remind relevant agencies on loan covenants on anti-corruption in day-to-day operations and communication.	Low

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3.2 Anticorruption institutions PICs do not have an effective anticorruption strategy or action plan and absence of local institutions to fight corruption has reduced transparency and accountability.	Medium	Organize seminars and workshops on ethical values and provide technical assistance to establish a public complaint system.  Check performance and remind relevant agencies on appropriate loan covenant in day-to-day operations and communication.	Low
<b>4. Others</b>			
Responsibility: Guangxi PMO, executing and implementing agencies, local financial bureaus, PICs, initial start-up consultants, project management consulting service			
Timeline: Throughout the implementation period and the post-implementation period			
4.1 Land acquisition Delayed land acquisition approvals and implementation affect project implementation progress.	Medium	Make compensation funds available for affected persons at an early stage of the project implementation.  Comply strictly with the resettlement plans.  Transfer experience and knowledge from other cities in Guangxi with on-going ADB-financed projects.	Low
4.2 Institutional arrangement Weak project coordination and synchronization between agencies delays project implementation progress.	Medium	Support and coordinate closely through project management consulting service.  Monitor the project implementation closely by frequent site inspections, and regular coordination meetings among the Guangxi PMO, executing and implementing agencies, and PICs.	Low
4.3 Road maintenance plan PICs lack latest knowledge on formulating efficient and effective maintenance plan to ensure operational sustainability of the roads.	Low	Conduct capacity building to responsible government bureaus and the PICs to acquire latest knowledge on long-term road O&M skills.  Transfer knowledge from other cities with on-going ADB-financed project in Guangxi.	Low (negligible)
4.4 Wastewater treatment plant O&M Fangchenggang municipal government, the PIC and Maoling wastewater company lack O&M capacity, affecting operational sustainability of the wastewater treatment plant.	Medium	Provide training to the Fangchenggang municipal government and the PIC for various aspects of O&M for the wastewater treatment plant and operational management schemes.  Provision of subsidies from the Fangchenggang municipal government to support the sustainable operation of the wastewater treatment plant.	Low
<b>Overall</b>	<b>Medium</b>		<b>Low</b>

ADB = Asian Development Bank, O&M = operation and maintenance, PIC = project implementing company, PMO = project management office.

<sup>a</sup> Although this will be the first ADB-funded project for Beihai and Qinzhou, the two cities have experience in project implementation financed by other international development partners such as the Canadian International Development Agency and the Department for International Development of the United Kingdom. Refer to Development Coordination (accessible through the list of linked documents in Appendix 2).

Source: Asian Development Bank estimates.