

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risks	Assessment without Mitigation	Management Plan or Measures	Assessment with Mitigation
A. Financial Management			
<p>Institutional capacity in KUKL to manage its finances including accounting, auditing, internal controls, and reporting, or to increase its revenues is poor, which could affect budget allocation for operating and maintaining facilities.</p>	<p>Medium</p>	<p>The CBP team will help KUKL improve its operating and financial systems. Some measures have been initiated, such as a nonrevenue water reduction plan, water and wastewater connection policy, the preparation of customer database, and a proposal to rationalize tariffs. These are likely to have positive impacts once in operation.</p> <p>The MOUD will strongly monitor compliance with the agreed business plan to ensure KUKL's financial sustainability.</p> <p>The PID will keep separate and adequate records and accounts for imprest fund and project expenditures to identify works, goods, and services financed by ADB.</p> <p>The MOUD and KUKL will review and establish a proper institutional structure for KUKL to ensure its accountability to the government and citizens.</p> <p>The Auditor General's Office of Nepal will audit project accounts and records and provide audit opinion on project accounts. The PID will submit audited project accounts to ADB on the use of loan proceeds and financial covenants within 9 months of the end of the fiscal year.</p> <p>ADB will conduct random checks of statements of expenditure.</p>	<p>Low</p>
<p>Payment to contractors and consultants are delayed.</p>	<p>Medium</p>	<p>Standard operating procedures (time of payment, responsibility for it, and interest on delayed payment) will be agreed to expedite the processing of contractors' claims.</p> <p>Adequate provisions will be included in the bidding documents. Payments to contractors and consultants by ADB's direct payment method have been agreed with the PID.</p> <p>ADB will monitor payments to the contractors and facilitate direct payments when required.</p>	<p>Low</p>
B. Procurement			
<p>KUKL and the PID have previous experience with ADB's Procurement Guidelines and procedures, but there is little institutional memory in procurement unit due to high staff turnover.</p>	<p>Medium</p>	<p>The number of staff will be adequately enhanced, and their capacity built, to undertake additional procurement funded by ADB. The MOUD and KUKL will assign qualified staff to the PID and minimize staff turnover.</p> <p>Training on ADB's procurement guidelines will be provided to PID staff.</p> <p>Advance action has been initiated to kick-start project implementation.</p> <p>The work of the DSC will be strongly monitored and coordinated to ensure timely completion.</p>	<p>Medium</p>

Risks	Assessment without Mitigation	Management Plan or Measures	Assessment with Mitigation
Procedural delays in approving the bid evaluation report cause shortfalls in contract awards and disbursements.	Medium	The PID will be made adequately autonomous to take timely decisions related to procurement and day-to-day management of the project. A project steering committee will be established to frequently oversee the work of the PID. The KUKL board will ensure an enabling environment for smooth project implementation.	Low
Interest may be lacking or bids excessively high for WWTP packages due to the perceived inability of KUKL to fund O&M costs for the period stipulated in the contract.	Medium	Packages have been kept large to attract international bidders. The MOUD will guarantee O&M cost coverage after project completion.	Low
C. Anticorruption			
Disclosure of information about the use of funds is insufficient, and citizen oversight over project activities is lacking.	Medium	The CAPC will help the PID organize the disclosure of project-related information and conduct public audits of project works through regular and effective meetings of local area committees and other citizens' groups. A citizens' charter will be displayed and enforced adequately. Contractors will disclose basic contract information on display boards at each construction site. ADB will regularly check the physical and financial progress, quality, and safety of works. The PID will widely disseminate ADB's anticorruption policy to the MOUD, contractors, consultants, NGOs, and citizens. The DSC will be an independent engineer, who will oversee proper contract administration and use of funds.	Low
D. Other Risks:			
The transition to a federal structure, the peace process, and political instability affect project implementation.	Medium	Development partners will maintain close dialogue with the government and other stakeholders to ensure that the development and reform process is not derailed and keeps its momentum beyond the political challenges. The project will involve key stakeholders to generate consensus for its successful implementation.	Low
Water from Melamchi Tunnel is not available in time.	Medium	the MOUD and ADB will monitor closely to ensure that the tunnel work is completed as per the updated plan. Regular ADB missions will be fielded to update the risk assessment and suggest further mitigation measures.	Low
Delays in project implementation, including those affecting the availability of sites, cause cost and time overruns.	Medium	The DSC will support project management, safeguards, reporting, and training on FIDIC contracts. Large contract packages will be designed to attract international bidders. The MOUD will ensure the possession and security of lands acquired for project works.	Low
Coordination among various agencies is lacking, causing a suboptimal outcome.	Medium	The project steering committee will provide direction and guidance for coordination. The roles, responsibilities, and functions of the PID, KUKL, and the HPCIDBC will be clearly	Low

Risks	Assessment without Mitigation	Management Plan or Measures	Assessment with Mitigation
		delineated. The interagency coordination committee will ensure effective coordination.	
KUKL does not have adequate technical capacity in terms of equipment or staff skills or financial resources to manage the operation of the new facilities in a sustainable way, including regular and reliable power supply for operating wastewater treatment plants.	High	The Sewerage Operation Department of KUKL will be strengthened through the deployment of adequate number of qualified staff. WWTP construction contracts include O&M for 5–7 years and training component for department staff. The MOUD will ensure dedicated electricity supply to WWTPs, and the designs of WWTPs will include energy generation from sludge digestion and stand-by diesel generators.	Medium
Local communities oppose the rehabilitation of wastewater treatment plants and laying of sewerage systems. Beneficiaries are unwilling to separate sewer systems from storm water systems or unable to afford to connect to the sewerage system.	High	A grievance redress mechanism will be established to receive, evaluate, and facilitate the resolution of local communities' concerns, complaints, and grievances. The PID, with the support of the CAPC, will raise awareness about WWTPs and inform all stakeholders, including political parties, about their function, quality of effluent, and air quality to generate positive consensus for successful implementation. Household connections to the sewerage system will be included under the civil works contract with no additional connection costs for consumers. Funds required for the reinstatement of roads will be included in the civil works contracts.	Medium
The coordination of sewer network improvement and other urban infrastructure is poor, causing the inefficient use of funds and unacceptable social disruption (e.g., through roads dug several times)	High	The steering committee will provide direction and guidance for coordination throughout project implementation. The roles, responsibilities, and functions of the PID, KUKL, and the MOUD regarding project implementation will be clearly delineated before project effectiveness. Efforts will be made to properly sequence various works to avoid digging up roads multiple times.	Medium
Design parameters are not consistent across agencies.	Medium	The PID, HPCIDBC, and BRBIP will agree on uniform design parameters.	Low
Untreated industrial wastewater disposed of into sewerage network affects the functioning of the WWTPs.	High	The MOUD, with support from other government agencies, will monitor and enforce industries' strict compliance with effluent discharge standards before discharging their waste into sewerage networks or rivers.	Medium
The facilities do not perform satisfactorily in case of natural disasters such as earthquakes, floods, or landslides, or under the effects of climate change.	Medium	The PID, with support from the DSC, will incorporate into detailed technical designs adequate mitigation measures for risks related to earthquakes, landslides, floods, and climate change.	Low
ADB = Asian Development Bank, BRBIP = Bagmati River Basin Improvement Project, CAPC = community awareness and participation consultant, CBP = capacity building and public–private partnership, DSC = design, supervision, and management consultant, FIDIC = Fédération Internationale Des Ingénieurs-Conseils (International Federation of Consulting Engineers), KUKL = Kathmandu Upatyaka Khanepani Limited, HPCIDBC = High Powered Committee for Integrated Development of Bagmati Civilization, MOUD = Ministry of Urban Development, NGO = nongovernment organization, PID = project implementation directorate, WWTP = wastewater treatment plant.			