

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Rating	Mitigation Measures	Responsibility
Technical			
1. Partial project readiness delays initial implementation	L	To minimize implementation delays, detailed design for TIA works was prepared under earlier projects and detailed design for GBA is substantially complete. Advance actions started in October 2020 for the recruitment of consultants and procurement of civil works, with the objective of awarding contracts shortly after loan effectiveness. Preconstruction activities, such as relocating utilities and obtaining forest and environment clearances, are underway.	CAAN
Economic and Financial			
2. Air passenger demand is lower than forecast	L	After disturbances during 2000–2015, the 2017 elections that followed the promulgation of the 2015 Constitution brought a period of political stability to Nepal, which is conducive to economic growth and inclusive development. While the economy remains strongly dependent on exogenous factors, such as monsoons and remittances, the risk of a prolonged economic downturn that would reduce traffic growth is low and cannot be mitigated by the project.	CAAN
Governance			
3. Weak governance and limited absorption capacity of Government of Nepal agencies for capital expenditure and adequacy of operation and maintenance budget	S	The government has initiated procurement and financial management and public procurement reforms nationally and locally. ADB will assist with these in conjunction with other development partners, including measures to mitigate fiduciary risks while promoting accountability and transparency. ADB will collaborate with other development partners to strengthen the capacity of integrity institutions, such as the Commission for the Investigation of Abuse of Authority and the National Vigilance Centre. Close monitoring by ADB of activities will reduce the country-specific risk in the project.	CAAN, ADB
4. CAAN's internal audit function is generally weak	S	There is an internal audit section in CAAN that conducts internal audits on a need basis. CAAN will carry out internal audits for the project semiannually.	CAAN
5. Procurement: Lack of oversight and guidance on up-to-date technical guidelines and manuals on procurement	M	The Public Procurement Monitoring Office, as the national procurement oversight agency under the Office of the Prime Minister and Council of Ministers, is mandated to (i) make recommendations to the government on reforms in procurement policy or laws, (ii) issue technical guidelines and manuals on procurement, (iii) prepare standard bidding documents, and (iv) conduct a regular training program for stakeholders. CAAN staff will be trained on procurement procedures and ADB guidelines and	CAAN

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		standard bidding documents through ADB's Nepal Resident Mission. The construction supervision consultant will support CAAN with the procurement and bid evaluation process during implementation. ADB will increase the overall level of procurement oversight.	
6. Procurement: inability of bidders to obtain sufficient landfill volume	S	CAAN has prepared a quarry and borrow area study of available quarries and borrow areas around Kathmandu and the estimated volume that each quarry can supply. The study will be made available to bidders with substantial landfill volumes so that they are informed and can arrange commercial contracts with suppliers.	CAAN
7. Organization and staff capacity: PIUs have insufficient experienced staff to efficiently undertake the procurement required to implement the project, and some staff in the PIUs may be new to ADB's procurement policies and regulations	S	ADB will provide increased procurement oversight through its Nepal Resident Mission. CAAN will deputize two additional senior engineers in the TIA PIU who have experience in procurement through other projects implemented at TIA through CAAN internal funding. The procurement capacity of staff at both PIUs will be also developed through training and orientation provided by ADB and consultants. Consultants will also support CAAN on procurement (bid evaluation process).	CAAN, ADB
8. Procurement and anticorruption: Collusion and intimidation occur	M	The MOCTCA and CAAN will increase their efforts to control collusion and intimidation. ADB will closely monitor the procurement process to uphold due diligence. Package sizes have also been designed to mitigate the risk of potential collusion among contractors.	CAAN, MOCTCA
9. Information management: In both PIU offices, record keeping is inadequate to enable internal or external audits of procurement processes	M	ADB will support CAAN by recruiting individual consultants. Both PIUs will also develop sound communication plans to deliver information to the bidders and contractors.	CAAN, ADB
10. Anticorruption: There is insufficient awareness and deterrence during procurement and implementation	M	The National Vigilance Centre was established in August 2002 to create awareness of corruption and activities related to corruption prevention. CAAN will appoint certified auditors acceptable to the National Vigilance Centre to technically audit the project and to assess how well the design criteria are met within the allocated timeframe and budget. Technical audits will be conducted at the (i) procurement stage, focusing on procurement of works in relation to transparency and the requirements of funding agencies; and (ii) implementation stage, focusing on	CAAN

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		accomplishment or construction in relation to the schedule and budget. The timeline will be determined during the ADB project inception mission. ADB will monitor CAAN's enforcement of the mandatory requirement to submit a formal declaration of any potential conflict of interest by those involved in procurement.	
11. The government is unable to provide counterpart funds on time, including sufficient maintenance financing	L	The loan agreement includes assurances that project counterpart funds will be made available on time during project implementation.	CAAN
Other Risks			
12. Disasters triggered by natural hazards may adversely affect the number of tourists	M	Natural disasters, such as a major earthquake, may affect the number of tourists. However, Nepal's experience from the 2015 earthquake indicates only a temporary reduction in tourist numbers, as there was significant growth (compared to 2014 numbers) 2 years after the earthquake once major infrastructures were repaired.	CAAN
13. Change of government policy on the civil aviation sector regulatory framework hampers project implementation	S	Strong incentive exists in the government to complete the civil aviation sector reforms to comply with international practices and recommendations. ADB will closely monitor the progress of related legislation and continue policy dialogues with the government involving, if necessary, international organizations and other development partners, including European Union member states.	MOCTCA, MOF, CAAN, ADB
14. High turnover among key CAAN staff during implementation because of increased domestic demand for skilled staff beyond projections	L	Many staff have worked at CAAN for a long time, and turnover has generally been low.	CAAN
15. Prolonged effects of COVID-19 may adversely affect the number of tourists.	L	Containment measures are being implemented by the government to minimize the negative and prolonged impacts of the pandemic.	GON

L = low, M = moderate, S = substantial.

ADB = Asian Development Bank, CAAN = Civil Aviation Authority of Nepal, GBA = Gautam Buddha Airport, MOCTCA = Ministry of Culture, Tourism and Civil Aviation, GON = Government of Nepal, MOF = Ministry of Finance, O&M = operation and maintenance, PIU = project implementation unit, TIA = Tribhuvan International Airport.

Source: Asian Development Bank.