

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risks	Assessment without Mitigation	Management Plan or Measures
A. Governance		
1. Financial Management		
Improper accounting may hamper the project's sound financial management and appropriate auditing.	Medium	The MAWR accounting policy is based on Uzbekistan's national accounting standards, which are being modernized in stages to comply with international accounting standards. A separate accounting policy and a financial management manual will be developed for the project's PMO and PIO that will accord with the accounting requirements of ADB and the MOF of Uzbekistan.
Improper auditing may allow the misconduct of project's fund.	Medium	The MAWR has not been audited by an external auditor but annual procedural audits are conducted by the MOF. The operations of the PMO and the PIO under the MAWR are audited by independent external auditors on an annual basis. Auditing of the project accounts will be done in accordance with the International Standards on Auditing, which comply with the requirements of ADB. This will be stipulated in the loan agreement.
2. Procurement		
MAWR's weak capacity for timely and appropriate preparations and/or evaluations of tender documents may cause misprocurement and consequently delay project implementation.	High	The MAWR does not have a department responsible for procurement of goods, works, and services. Staff members who have gained some capacity in procurement through their involvement in donor-financed projects still lack experience and the ability to evaluate tenders through international competitive bidding, which includes complicated processes such as the two-stage, two envelop bidding method. International and national consultants will be recruited to (i) help the PMO prepare tender documents that meet ADB's requirement; and (ii) provide the project staff with hands-on training in tender evaluation.
Government approvals of tendering and/or procurement could be delayed.	High	The project will involve large capital investments and international procurement of major mechanical and electrical items. The risk of implementation delays arises from slow internal approval processes in the MAWR, lack of cooperation between government agencies, and delayed recruitment of the PMO and the PIO staff. Potential delays in approval of a project implementation consultant by the Ministry of Foreign Economic Relation Investment and Trade were also identified as a risk that could delay implementation. International and national consultants will be recruited through advance contracting to (i) help the PMO and PIO set up appropriate operational systems, and (ii) provide hands-on training to the project staff. Another advance contracting to procure the turnkey contracts will also reduce the risk of implementation delays. The government has given assurances that the release of counterpart funds will be adequate and timely during the implementation period. Authority for approving procurements of works, goods, and services including contract variations with an estimated cost of less than \$10 million will be delegated to the project

		manager. Advanced action will be taken to establish the PMO and recruit the PMO staff.
B. Project Management		
The MAWR's less competent staff may not manage project implementation timely and appropriately.	Medium	The MAWR has several experienced financial specialists. However, the ministry is having difficulty retaining competent staff due to its relatively modest salaries. Departures of these experienced staff members will hamper smooth project implementation. Establishing the PMO and the PIO and hiring their key staff from outside the MAWR at higher salaries to support the project director and manager will help avoid project implementation delays.
Limited qualified construction management engineers on site in the MAWR may not keep required standard of construction quality.	Medium	Given the large, complex construction activities involved in the project, the MAWR will recruit suitably qualified local construction management engineers as the PIO staff. An implementation consultant will provide qualified construction engineers to help the PIO.
C. Sustainability		
Insufficient budget allocation for system O&M and low capacity in the ABISA may threaten ABIS sustainability.	Medium	Insufficient budget expenditures for O&M and weak organizational capacity at the ABISA could make operations of the ABIS unsustainable. To address this, the project will (i) introduce improved O&M practices by establishing a water-energy-efficient ABIS operation and management plan and capacity building programs, (ii) reduce power consumption by retrofitting pump stations with energy-efficient pumps and motors, (iv) trade carbon credits to complement O&M expenditure, and (v) assure the full, timely provision of O&M funds from the MAWR, including an increase to cover O&M expenditures for ABIS sections in Turkmenistan.
Water withdrawal from Amu Darya River to the ABIS may be unstable and consequently it may threaten ABIS sustainability.	High	An extreme flood event or a major failure of the existing run-down dredging equipment in the ABIS intake channel in Turkmenistan risks a significant reduction in surface water supplies for an indeterminable time period. The government has committed to a 20% increase of O&M expenditures for sections of the ABIS in Turkmenistan's territory.
Overall	Medium	
Source: Asian Development Bank.		