

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risks	Assessment without Mitigation	Management Plan	Assessment with Mitigation
A. Public Financial Management			
1. Weak country-level public financial management arrangements, particularly regarding budget execution	High	To implement financial reforms under the Public Financial Management Reform Strategy 2007–2018, MOF established the Department for Methodology and Introduction of Treasury Execution for the State Budget. This will create a new government financial management information system, new budget classifications, and new chart of accounts. ADB is supporting the government with an ongoing loan. ^a	Medium
2. Inadequate database leading to lack of optimization of public investment policy in the road subsector; use of normative standards for design that may not reflect economic efficiency	Medium	The highway Design and Management (HDM) methodology (version 4) which can include net present value assessment was widely introduced in RRF and Uzavtoyul under the ADB-funded CAREC Regional Road Project. ¹ Use of international procurement and FIDIC guidelines will improve investment efficiency.	Medium
3. The sustainability of the investment may be undermined by a lack of investment in subsequent road maintenance	Medium	As part of the loan assurance a sufficient amount is be set aside to maintain the investment program roads. Annual road maintenance budget are inflation-linked. Advisory services will review revenues and expenditures, maintenance, and independent quality control systems	Low
4. Weak internal control system	Medium	The Control Revision Unit of MOF (equivalent to an internal audit unit) carries out internal audit of state entities once every 2 years. The unit inspects the compliance of the entities with budget rules and regulations. Other oversight agencies also conduct sporadic reviews over the executing agency and PMU; this distracts staff from their project implementation activities. The government assures that planned internal control will only be conducted by the Control Revision Unit.	Low
5. Shortage of experienced financial analytical and managerial skills and capacity	Medium	The investment program will introduce a modern management information system and other software that satisfy operating and financial management, and reporting. The investment program will provide for necessary capacity building of staff.	Medium

¹ ADB. 2007. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Republic of Uzbekistan for the CAREC Regional Road Project*. Manila. (Loan 2403-UZB, approved on 19 December, for \$75.3 million).

Risks	Assessment without Mitigation	Management Plan	Assessment with Mitigation
6. Financial transparency and accountability	Medium	The PMU, using the financial management system set up under the first investment program, is developing an accounting manual and automating the accounting system. Adequate training will be provided to RRF and PMU staff. External auditors will verify proper implementation of the financial management system on an annual basis.	Medium
B. Procurement			
1. Capacity of the PMU to manage procurement	Medium	The PMU staff has gained procurement experience through implementing the two ongoing projects. Additional capacity will be built through hands-on training by the in-house international procurement specialist and ADB's regular training seminars.	Low
2. Delays in procurement contract registration, and price verification procedure controls threaten effectiveness, and could lead to delays, increased costs, and increased claims from contractors	Medium	The Ministry of Foreign Economic Relations, Investment, and Trade has assured that all ADB-financed and administered projects are exempt from the requirements for examination of tender results and price verification of contracts awarded on the basis of competitive bidding, including international competitive bidding.	Low
3. Program implementation delays	Medium	RRF will continue its ongoing practice on project readiness before approval, including advance contracting. RRF also agreed that no staff changes will be made in the project management unit without ADB approval	Low
C. Corruption			
1. Limited capacity and impact of accountability in implementation and oversight institutions	Medium	The ongoing reform strategy of MOF is leading to better accountability.	Medium
2. Transparency measures should be timely and available to all stakeholders.	Medium	More information is to be made available through the website of MOF and RRF to create greater transparency.	Medium
Overall	Medium		Low-Medium

ADB = Asian Development Bank, FIDIC = Fédération Internationale Des Ingénieurs-Conseils; MOF = Ministry of Finance, PMU = program management unit, RRF = Republican Road Fund.

^a ADB. 2007. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Republic of Uzbekistan for the Public Finance Management Reform Project*. Manila. (Loan 2338-UZB for \$20.7 million approved on 28 June).

Source: ADB. 2011. *Technical Assistance to the Republic of Uzbekistan for the CAREC Transport Corridor 2 Road Investment Program II*. Manila. (TA 7789-UZB, for \$220,000, approved on 1 March).