

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk	Assessment without Mitigation	Management Plan or Measures	Assessment with Mitigation
Initial delay in implementation	Medium	Detailed design for the roads, BRT, and nonmotorized transport has been prepared and advance action for civil works procurement and consultant recruitment has been initiated. Timely environmental clearance for the project. Effective coordination between bureaus of the government, Hubei province, and executing agency to ensure that the project loan becomes effective without delay.	Low
Public financial management			
1. Limited capacity for financial management and disbursement	Low	The executing and implementing agencies have good financial management mechanisms, and meet ADB's requirements. Internal audit and external audit will be conducted in accordance with national requirements and auditing standards acceptable to ADB.	Lower
2. Lack of experience with ADB projects	Medium	Consulting services for financial capacity building will assist the executing agency, implementing agency, and tendering agency in (i) disbursement procedures, (ii) project accounting, (iii) strengthening of internal audit function, and (iv) budgeting as required by ADB. Staff training for financial management and disbursement will be provided. A tendering company will be engaged to support procurement of all packages financed by ADB. Staff involved will receive training on ADB procurement procedures during project preparation and implementation via the capacity building component.	Low
3. Insufficient commitment to the project and limited availability of counterpart funds	Low	Annual supervision mission by ADB and quarterly progress reporting by the executing agency	Lower
4. Lack of financial transparency and accountability	Medium	Executing and implementing staff will be properly trained. The implementation consultant will also assist executing agency, PMO, and implementing agency with financial management and reporting. External auditors acceptable to ADB will annually verify proper implementation of the financial management system.	Low
Procurement			
1. Insufficient capacity for and experience with ADB-financed projects	Medium	A tendering company will be engaged to help the executing and implementing agencies handle procurement for all packages financed by ADB in accordance with ADB's Procurement Guidelines (2010, as amended from time to time). Staff involved will be trained in ADB procurement procedures during project preparation and implementation via the capacity building component. Lessons learnt from similar projects will reinforce this.	Low

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2. Lack of professionalism in procurement matters	Low	Use of a specialized tendering company will bolster professionalism. Secondment of procurement professionals to the PMO and involvement of the Public Resources Trade Center by the local governments. Use of accredited experts for bid evaluations.	Low
3. Contract variations occur frequently because of poor-quality design details and bidding documentation.	Medium	Provision of rigorous and frequent training for staff involved in procurement and project implementation. Involvement of experienced design institutes. Timely consulting support for review of design and bid documents.	Low
4. Delays in the procurement process	Medium	Training in project management and planning. Adequate advance procurement action. Advice and support of tendering companies and loan consultant. Assurance of bidding evaluation reports with high quality.	Low
5. Nonperformance by contractors or suppliers	Medium	Use of performance guarantees. Investigation and/or monitoring of past performance. Advisory support from loan consultant and/or ADB where potential problems are identified.	Low to medium
Governance and corruption risks			
1. Corrupt practices Corrupt practices affect project design, procurement, and implementation, and result in poor-quality projects.	Medium	Assurance that the executing and implementing agencies and the PMO will undertake the following anticorruption actions: (i) maintain the effective operation of a supervisory body to prevent undue interference in business activities, (ii) involve the agencies responsible for oversight of bidding processes, and (iii) periodically inspect the contractors' activities related to fund withdrawals and settlements (during implementation).	Low to medium
2. Anticorruption measures Limited enforcement of anticorruption measures	Medium	Assist the executing and implementing agencies, and the PMO to ensure good governance, accountability, and transparency in project operations. In consultation with central government ministries, update rules and regulations on local and corporate governance and anticorruption measures, and reinforce the transparency of operations. Anticorruption responsibilities, measures, and procedures have been included and emphasized in the project administration manual. The government has introduced an integrity program focused on prevention and punishment. Loan capacity building program will include the strengthening of governance mechanisms.	Low
3. Constrained capacity to conduct effective audit of ADB-financed projects	Medium	Scope of project audit and audit certification to include compliance with loan conditions. ADB to receive and review annual audit reports (including any appropriate follow-up).	Low

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4. Existence of conflicts of interest	Medium	Preliminary institutional assessment has been performed under project preparatory technical assistance and found no apparent conflicts. Local government regulations require officials to declare conflicts of interest.	Low to medium
5. Lack of transparency	Medium	Loan conditions to promote greater transparency and public availability of information, including the project procurement plan and contracts awards. ADB and the government will conduct periodic reviews.	Low
Other risks			
1. Land acquisition Delayed land acquisition approvals, house demolition, and resettlement implementation affect project implementation progress.	Medium	Ensure that compensation funds are available for affected persons at an early stage of project implementation. Consultation and participation. Comply strictly with the resettlement plans. Transfer experience and knowledge from similar and ongoing ADB-financed projects. External and community-based monitoring. Conduct periodic reviews.	Low
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 project implementation closely via frequent site inspections and regular coordination meetings between PMO, executing and implementing agencies, and other agencies.	Low
3. Technical risk Lack of latest knowledge on efficient and effective maintenance practices to ensure sustainability of roads, and lack of experience in BRT management and operation.	Medium	Build capacity of government bureaus and the executing and implementing agencies to acquire latest knowledge on long-term road maintenance. Provide training courses to improve the implementing agency's knowledge of proper BRT management and operation. Transfer knowledge from other successful domestic and international projects.	Low to medium
4. Failure to monitor environmental impacts and implement the environmental management plan during construction and operation.	Medium	This risk will be mitigated by (i) providing training in environmental management under the project, (ii) appointing qualified project implementation consultants, (iii) following adequate project implementation monitoring and mitigation arrangements, (iv) ADB conducting regular project reviews, and (v) project assurances covenanted in the loan and project agreement with ADB.	Low
Overall	Medium		Low

ADB = Asian Development Bank, BRT = bus rapid transit, PMO = project management office.

Sources: Asian Development Bank, project preparatory technical assistance consultants.