

## RISK ASSESSMENT AND RISK MANAGEMENT PLAN

1. Asian Development Bank (ADB) Procurement Guidelines (2013, as amended from time to time) and Guidelines on the Use of Consultants (2013, as amended from time to time) shall be applied pursuant to the loan agreement. The government's policies and procedures shall be applicable to the extent that they accord with the loan and project agreements. In case of discrepancy, the loan agreement, project agreement, Procurement Guidelines, and Guidelines on the Use of Consultants shall apply, as well as ADB's regulations on ordinary operations loans. The risk assessment and risk management plan will be intensively monitored by the executing agencies, implementing agency, and ADB. Project progress reports and review missions' aide memoires or memorandums of understanding will record progress and challenges in implementing the risk assessment and risk management plan.

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
<b>A. Governance Risks</b>		
<b>1. Financial Management</b>		
a. Existing financial management systems are adequate but not integrated, hampering forecasting, planning and budgeting, implementation, and monitoring & evaluation	Medium	Train EA and IA staff on financial management and on the reporting required, supported by the capacity development consultant team
b. SWM tariff policies and setting can be further refined. The current tariff structure requires review and revision to ensure it is equitable and is sufficient to cover operations and maintenance, as well as capital replacement	Medium	Capacity development & training will assist tariff setting and rate calculation
c. Internal controls on revenue and expenditure management are insufficient. A lack of effective internal audit units can permit the diversion of funds to unauthorized uses	Medium	Provide capacity development and training to strengthen internal audits in the IA. The project will fund annual external audits of itself
<b>2. Procurement</b>		
a. Following the wrong procedures and thresholds	Medium	In the following order of precedence, the EAs and the IA shall observe the procedures specified in (i) the project financing agreement and (ii) ADB's procurement and consultant guidelines. During loan processing and negotiations, ADB should include procurement staff as members of the loan negotiation team to ensure schedule 4 (including the procurement plan) is fully understood The EAs endorse procurement and recruitment documents, and ADB conducts prior review as required by the procurement plan
b. Inadequate PIU procurement capacity	High	The Municipality establishes the PIU and recruits a project management consultant, who will assist the PIU in managing project implementation. The PIU includes positions for international and national procurement specialists. Observations and recommendations recorded in the procurement capacity assessment are implemented. The EAs recruit individual consultants, and the PIU is established and resourced as matters of urgency
c. Delays in recruiting consultants	Medium	Most procurement uses international competitive bidding, as prescribed in the loan agreement

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d. Delays in procurement (contract registration with the MFERIT and price verification, specifically during bid evaluation, leading to mis-procurement with increased costs, claims from contractors, collusion, and manipulation)	High	<p>Apply advance contracting and retroactive financing for recruitment of individual consultants for the EAs, and to cover the establishment and early operating costs of the PIU</p> <p>Advance contracting and retroactive financing are confirmed during loan negotiations</p> <p>Close communication and dialogue with the MOF and MFERIT ensure adherence with procurement plans and the timetable. Continual dialogue with the MFERIT by the EAs, individual consultants, and the PIU occurs during bidding</p> <p>A procurement monitoring system is established with deadlines and responsibilities set for each stage of procurement</p> <p>The EAs guide the PIU in establishing the procurement monitoring system</p>
e. Poor quality of design standards	High	<p>The project has incorporated international best practices. The EAs and the IA ensure appropriate and high-quality design standards</p>
f. Inadequate monitoring of contractors' work after contracts are awarded	Medium	<p>Regular due diligence and onsite monitoring of procurement processes and the implementation of contracts will be executed by the EAs, the IA, and ADB. An engineer will join ADB review missions to review construction if concerns about quality are raised. ADB will closely over the performance of international consultants</p>
<b>3. Combating Corruption</b>		
<b>3.1 Disclosure of Information</b>		
a. Inadequate disclosure of information	Medium	<p>The EAs will establish and maintain a website for publishing business opportunities, contract awards and their values, grievance systems, and complaints</p> <p>The EAs will update the website monthly</p>
b. Potential conflicts of interest among implementation staff	Medium	<p>Advertisements shall specify that civil society, NGOs, and interested people may attend bid openings. A conflict of Interest sheet will be signed by bid evaluation committees during procurement</p> <p>Monitored throughout the project by the PIU</p>
<b>3.2 Civil Society Organizations</b>		
a. Lack of involvement of civil society organizations	Medium	<p>The Municipality has already involved and engaged with stakeholders during project formulation.</p> <p>Advertisements shall specify that civil society, NGOs, and interested people may attend bid openings</p> <p>Monitored throughout the project by the PIU</p>
<b>3.3 Complaints and Remedies Mechanism</b>		
a. Lack of a formal complaints and remedies mechanism covering all aspects of project-financed activities	Medium	<p>The EAs will establish and implement a grievance redress system early in the project that will be monitored throughout the project</p>
<b>3.4 Code of Ethical Conduct</b>		
a. No code of conduct for project staff	Medium	<p>The EAs will design a code of conduct to be signed by all PIU staff within 3 months of loan effectiveness</p>
<b>3.5 Specific Acts of Corruption</b>		
a. Poor management and internal and external audit polices (resulting in corrupt practices: (i) unregistered users, (ii) misuse of funds, and (iii) lack of incentives for transparent monitoring of waste collection & disposal)	High	<p>Relevant provisions of ADB's Anticorruption Policy (1998, as amended to date) are included in the loan and project agreements and the bidding documents. Maxsustrans and SCNP shall perform an interim audit of project activities. Maxsustrans' accounts will be externally audited.</p>

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b.		Ensure proper due diligence is conducted for all proposals and that bidding processes comply with ADB requirements. The government shall perform interim audits of project activities with the involvement of the Control and Revision Department of the MOF. Project-related activities will be audited and examined ADB and MOF will monitor the project Ensure that ADB's Anticorruption Policy (1998 as amended to date) is built into draft bidding documents and that bidders are made aware of the key issues during, for example, pre-bid meetings
<b>B. Other Risks</b>		
<b>1. Project Coordination</b>		
a. Institutional weaknesses in coordination between key financial and line ministries	Medium	Close coordination will be ensured between the MOF, the EAs, and Maxsustrans, including regular formal project review meetings. Support from EA consultants will ensure that timely actions are taken An interministerial committee conducts regular reviews of projects. The EAs will provide regular updates on project implementation and major issues
<b>2. SWM Sector issues</b>		
a. Limitations of environmental regulations and external environmental monitoring and enforcement	Medium	Conduct an environmental sector assessment, identifying areas to strengthen & improve waste management system effectiveness. Adopt bylaws, norms, and standards The State Committee for Nature Protection will provide oversight Detailed waste management rules & regulations will be periodically monitored
b. Inefficient collection and transport routing and schedules	Medium	Modern transport logistics systems will be implemented Fuel consumption and vehicle utilization will be substantially reduced and confirmed by PIU reporting
c. Inefficient waste segregation	Medium	Guarded collection points equipped for proper waste segregation will be rehabilitated, and there will be more implementation of waste minimization and recycling, and of media and public relations programs Waste for final disposal will be reduced, monitored through monthly reporting by the IA
<b>Overall</b>	<b>Medium</b>	

ADB = Asian Development Bank, EA = executing agency, IA = implementing agency, MFERIT = Ministry for Foreign Economic Relations Investment and Trade, MOF = Ministry of Finance, NGO = nongovernment organization, PIU = project implementation unit, SWM = solid waste management.

Source: Asian Development Bank.