

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Risk Assessment	Mitigating Measures or Risk Management Plan
Country and Subnational Risk		
Macroeconomic risk	Low	Continuous monitoring by ADB of macroeconomic conditions and assessment of impacts of external shocks.
Governance	Low	Risk assessment updated under 2012 ADB CPS for the PRC. All road procurement will be under ADB processes and PMC will ensure consistency in management reporting.
Sector Policies, Institutions, and Governance		
Fraud and corruption	Low	ADB's Anticorruption Policy was explained in detail and the provisions of fraud and corruption in the procurement guidelines highlighted during loan processing. The executing agency will hire and will maintain an external procurement agency to handle all biddings, prior to procurement commencement.
Institutional capacity and governance	Medium	The executing agency has a longstanding dedicated foreign-funded project management office to coordinate project implementation. ADB will provide procurement and loan administration training to both the implementing and executing agencies. The project will finance a PMC.
Inexperience in ADB safeguards requirements	Medium	Engage external monitors early. Conduct training for implementing and executing agencies and PMO staff in 2015.
Project-Specific Risks		
Implementation delay	Low	Early recruitment of a procurement agent with demonstrated experience on ADB projects. ADB to develop initial request for proposal documents for the PMC. Domestic approvals are in an advanced state of preparation.
Counterpart fund availability	Low	The fiscal capacity of the SPTD, AKTB, and SCG is adequate and a loan assurance will require that counterpart funding be made available in a timely manner. Biannual loan administration mission by ADB. Quarterly progress reporting by executing agency. (Before, during, and after project implementation)
Implementation capacity	Medium	FFPO to monitor implementing agencies closely and provide training and knowledge of ADB's disbursement procedures and project accounting requirements to sub-PMOs and implementing agencies at inception or beforehand to build staff capacity. Provide training workshops on ADB disbursement policies and procedures. (Before and during project implementation)
Lack of coordination among agencies	Low	Employ appropriately qualified staff in the FFPO and implementing agencies, continually update the implementation program, and frequently distribute to the involved government agencies. Establish a project reporting system that identifies delays early and prompts appropriate interventions.
Monitoring mechanisms	Low	A separate auditor's opinion on the use of the imprest account and statement of expenditure will be part of the audit reports. The executing agency's audited financial statements and audited project financial statements will be submitted annually, no later than 6 months after the end of each fiscal year throughout the implementation period.
Ability to handle	Low	The executing agency to implement the project's EMP,

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ADB's safeguard requirements		resettlement framework, resettlement plans, SDAP, and GAP. Specific clauses on safeguards management included in contractors and supervision consultant contracts. The PMC will include environment and resettlement specialists. Semiannual monitoring and reporting to ADB as part of progress reports. Training will be carried out for PMO and sub-PMO staff.
Land acquisition and demolition could delay construction	Medium	
Ability to handle procurement	Low	PMC RFP documents will be ready in June 2015. Training in ADB procedures will be provided during implementation. Prior review will be applied to the first ADB-financed contracts from each category. Annual financial audits will be conducted.
Financial management	Medium	The implementing agencies will receive training in ADB's financial management, procurement, and disbursement procedures. Regular reporting and periodic external audits will be undertaken.
Road safety	Low	The safety of the roads was assessed after preliminary design and a 3-star ChinaRAP rating is a loan covenant. A primary school education and associated community road safety awareness program will be carried out. Specialist road safety organizations will be appointed to facilitate implementation.
Overall	Medium	

ADB = Asian Development Bank, AKTB = Ankang City Traffic Bureau, CPS = country partnership strategy, EMP = environmental management plan, FFPO = foreign-fund-financed project office, GAP = gender action plan, PMC = project management consultant, PMO = project management office, PRC = People's Republic of China, RFP = Request for Proposal, SCG = Shangnan County Government, SDAP = social development action plan, SPTD = Shaanxi Provincial Transport Department,

Source: Asian Development Bank.