

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Rating	Mitigation Measures	Responsibility
1. Procurement: Lack of oversight and guidance on up-to-date technical guidelines and manuals on procurement	L	LGED is familiar with the ADB Procurement Policy (2017, as amended from time to time). Country procurement act and rules follow the ADB procurement guidelines.	LGED, PMU
2. Weak governance and possibility of collusion and intimidation during procurement	M	The E-procurement system will be used to ensure transparency and good governance. LGED will disclose information on its website concerning the project and business opportunities associated with the project. It will make increased efforts to prevent collusion and intimidation. ADB will closely monitor the procurement process.	LGED, PMU
3. Anticorruption: Lack of awareness and deterrence	M	LGED has experience in executing ADB-financed projects and is aware of the Anticorruption Policy (1998, as amended to date). However, procurement will be periodically reviewed by ADB, and procurement not in line with ADB policy will not be included under loan financing.	LGED, PMU, ADB
Other Risks			
4. Safeguard noncompliance	L	Before construction starts, ADB will field a due diligence mission to (i) confirm that rights-of-way to be handed over to contractors are free of encumbrances and ready for handover; and (ii) inform project authorities and those affected of remedial actions, if any.	ADB
5. Implementation delay	L	Advance actions are currently being taken to ensure high implementation readiness, with the objective of awarding contracts shortly after loan effectiveness. Ongoing preconstruction activities include utility relocation and obtaining forest and environment clearances. Prolonged impact of the COVID-19 pandemic on global value chains could delay procurement of goods and services, resulting in delayed project completion	LGED, PMU
6. Prolonged impact of the COVID-19 pandemic on global value chains could delay procurement of goods and services, resulting in delayed project completion.	L	The civil works will be procured nationally using the open competitive bidding method. The contracts will be of 18 months duration.	LGED, PMU

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7. Unstable implementation environment	M	The project was designed with a particular focus on people's participation in decision making, using a community participation framework designed for the project, which has helped build community support.	LGED, PMU
8. Lack of maintenance funds	S	The government agreed to reduce the gap between annual budgetary allocation and operation and maintenance needs. The current project will pilot test maintenance in civil works contracts for 5 years to ensure better asset quality and improved maintenance. Also, the technical assistance under the current project will strengthen the maintenance planning and asset management.	MOF, LGED
9. Extreme weather conditions could cause significant damage to the road network	M	To address climate change impacts, the design of the roads adopts climate resilience parameters for slope protection where the slope is subject to water level fluctuations; rigid reinforced concrete pavement at submersible road sections; additional cross drainage; and wet-mix macadam on all project roads, which is more durable when subjected to flooding. Roads that pass near cyclone shelters will be upgraded to rigid pavement to provide reliable connections between the shelters and the nearest habitations.	LGED, PMU
10. Weak decentralized financial management	S	The fund flow scheme implemented under the current project will be replicated for the additional financing. A full-time financial expert to be hired under the current project will also support financial management and audits during implementation of the additional financing project. In addition, a supplementary financial management procedures manual is being developed and comprehensive financial management information will be monitored via quarterly reporting.	LGED, PMU
11. Delayed release of counterpart funds could hamper the completion of works	M	ADB will finance 61% of the total project investment cost. Government financing will also cover taxes and duties. These arrangements will ease the government's financial burden to provide counterpart funding and ensure adequate cash flow during implementation.	MOF, LGED
Overall		Moderate	

ADB = Asian Development Bank, L = low, LGED = Local Government Engineering Department, M = moderate, MOF = Ministry of Finance, PMU = project management unit, S = substantial.
Source: Asian Development Bank.