

**RISK ASSESSMENT AND RISK MANAGEMENT PLAN**

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
<b>Public Financial Management</b>		
Public financial management	Low	<p>An assessment of financial management has been undertaken. MPRDC is a body corporate under the (Indian) Companies Act, 1956 and maintains and manages finances to meet regulatory requirements of government agencies, as well as corporate requirements. MPRDC uses double-entry, accrual-based accounts on an established commercial enterprise resource planning software. MPRDC has established financial management systems in its regional and field offices, to account for and report on project expenditure. The accounts are prepared in accordance with Indian Accounting Standards. The comptroller and auditor general (national auditor for state-owned corporations) has recorded no comments on the annual accounts from 2011 to 2013.</p> <p>The board of MPRDC is high-profile—the chief minister of the state is the chair, and members include the minister of public works, the chief secretary, the principal secretary finance and the managing director. This imparts very high visibility and scrutiny at very senior levels of the government.</p> <p>Statutory requirements under the Companies Act with regard to timely conduct of board meetings and annual general meetings need to be complied with.</p> <p>The external audit pointed out that potential claims on the corporation as a contingent liability were not provided for by the company. The claims are under appeal by MPRDC, which expects a favorable ruling.</p>
Fund flow	Low	<p>Necessary arrangements on timely availability of funds need to be in place in coordination with the government of Madhya Pradesh and MPPWD for implementation and maintenance. Maintenance funds are much lower than construction funds, and MPRDC should not have an issue managing them. The government of Madhya Pradesh and MPRDC will ensure the timely release of funds as per loan covenants.</p>
Road improvement does not remain a priority for government of Madhya Pradesh, and funding sources beyond the project are not available	Low	<p>The government of Madhya Pradesh has embarked on a systematic plan for improvement of state highways and rural roads. It is one of the few states in the country that has also taken over national highways where maintenance by the central line agencies was seen to be inadequate. The state government is already approaching other agencies to secure funds for the remaining road improvement works.</p>

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Severe economic reversals are encountered in the state	Low	The state economy has been on a high-growth path, relative to other states in the country. Infrastructure and industry investments will be growing.
Implementation capacity and staff turnover	Low	MPRDC staff has experience of three prior loans from ADB, and are trained in project design, procurement, implementation, and safeguard requirements to mitigate the potential risk of initial delays resulting from procedural clearance.  MPRDC has developed core staff strength and capacity not only in ADB projects, but also in various modes of PPP, including in developing high-end service buildings for government agencies.  Staff turnover has been low, and it is not expected to be a significant risk.
Delay in disbursement	Low	The financial management assessment has indicated that MPRDC has an efficient accounts and disbursement system. MPRDC is also engaged in a wide spectrum of projects, including extensive PPP contracts.
<b>Procurement</b>		
Initial delays in project implementation	Medium	MPRDC has prepared the detailed design for the four sample roads, and has completed safeguard related surveys and reviews. Detailed project reports (DPRs) for the non-sample roads are also progressing well, and are expected to be completed by November 2014. For sample roads, consultant recruitment for construction supervision and procurement for works contracts has been initiated, and in progress. Procurement actions for non-sample roads will commence in November 2014. Project designs have been prepared to minimize land acquisition.  However, because of the large number of non-sample roads, the risk after mitigation is still medium.
Limited interest by the construction industry in works	Medium	All contracts have been bundled into packages to attract qualified contractors internationally. In past projects, MPRDC has been able to attract significant interest in its projects. However, since this aspect is not entirely under the control of MPRDC, the risk is retained as medium after mitigation.
<b>Corruption</b>		
Inadequate quality checking and monitoring	Medium	Engineers and construction supervision consultants will be engaged for quality checks in accordance with contracts. ADB will undertake frequent review missions to ensure timely undertaking and quality of contracts. Ten project implementation units are envisaged, distributed around the state near work sites. These units will be supported by three separate firms of construction supervision consultants. The introduction of 5-year performance-based maintenance in works contracts will substantially increase contractor accountability for construction quality. Despite these steps, quality control and checking will be -best addressed by actual

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		field staff. The roads are dispersed geographically throughout this large state. Therefore, the level of risk after mitigation is still medium.
Transparency during procurement process	Low	All procurement for ADB financing will follow ADB procurement guidelines and procedures. MPRDC officers are very familiar with ADB's consultant recruitment and procurement guidelines, having experience of three prior loans.
<b>Safeguards</b>		
Safeguard compliance	Medium	Adverse impacts of land acquisition and social and environmental impacts have been minimized by undertaking all engineering measures. The road widths for district roads are not substantial, and land acquisition has been minimized in the designs. Works contracts will be awarded only after substantial completion of safeguard requirements. Consultants will be engaged for implementation support. Before commencing construction, MPRDC will (i) confirm that rights-of-way to be handed over to contractors are free of encumbrances and ready for handover to the civil works contractors, and inform project authorities and those affected of remedial actions, if any; and (ii) create awareness among project authorities of ADB's social safeguard requirements pertaining to the project.
<b>Other Risks</b>		
Sustainability: mechanisms for funding required road maintenance works	Medium	Five-year performance-based contracts will be adopted and included in the works contracts. This will be monitored during the maintenance period. The project will support development of a road asset management system.
Road safety targets are not met because (i) the accident response system of MPRDC is not functional; or (ii) traffic enforcement measures are not enforced by police	Medium	MPRDC has already structured the accident response system as part of the previous ADB loan, and is inviting bids to implement it. An accident response center control room has already been established to form a nodal office. In India, however, studies indicate that the majority of accidents (upwards of 70%) are on account of driver error, which can be improved only through awareness and enforcement. This risk remains medium.
<b>Overall</b>	<b>Medium</b>	

ADB = Asian Development Bank, DPR = Detailed project reports, MPPWD = Madhya Pradesh Public Works Department, MPRDC = Madhya Pradesh Road Development Corporation, PPP = public-private partnership.

Source: Asian Development Bank.