

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Rating	Mitigation Measures	Responsibility
A. Public Financial Management			
1. Recent changes in government procedures for the payment of taxes and duties may challenge timely payments.	S	The government will expedite the passing of a decree to provide full clarity.	MOF
2. UTY's financial performance dipped in 2018 because of its noncore businesses, especially coal.	S	The government is removing noncore businesses from UTY's balance sheet. The coal business was removed in March 2020 through a Cabinet of Ministers resolution. The government will pass another decree to (i) remove noncore businesses from UTY, and (ii) prevent UTY from acquiring noncore businesses in the future. Compliance with this decree will be monitored by ADB on an annual basis.	MOF, UTY
3. Noncompliance with the IFRS in reporting of UTY's financial statements.	S	UTY will hire external consultants to develop a unified accounting policy, and an external valuation company to determine the fair value of its fixed assets and acquired businesses in compliance with the requirements of IFRS within 1 year after loan effectiveness.	UTY
B. Procurement			
4. Delays in the preparation and approval of the bidding documents and conduct of the bidding process, caused by unfamiliarity with the ADB Procurement Policy (2017, as amended from time to time) and Procurement Regulations for ADB Borrowers (2017, as amended from time to time).	M	ADB's Uzbekistan Resident Mission provided training to PIU-ET procurement staff on the Procurement Regulations for ADB Borrowers (2017, as amended from time to time) and Procurement Regulations for ADB Borrowers (2017, as amended from time to time). The transaction TA is providing on-the-job training and assisting the PIU-ET in managing procurement during project preparation. ^b After the project becomes effective, assistance will be provided by the engineering and works supervision consultant. All procurement-related decisions will be subject to prior review by ADB.	UTY, PIU-ET
5. Safety and operational risks if the train management system at the CTC center in Tashkent is procured separately from the system financed under the ongoing project. ^a	M	The scope of the train management system at the CTC center in Tashkent, under implementation by the contractor for signaling and telecommunications under the current project, will be extended through a direct contract to cover the whole Fergana Valley railway system.	UTY, PIU-ET
6. Multiple layers of review and approval authorities cause procurement and implementation delays.	M	ADB has supported the government in streamlining project preparation and implementation procedures. In 2018, the government passed a resolution to simplify the process. ADB will continue its dialogue with the government to simplify the approval procedure.	MOF, MIFT
C. Corruption			
7. Limited capacity and accountability in implementation and oversight institutions.	M	Provisions of ADB's Anticorruption Policy (1998, as amended to date) will be included in the loan and project agreements and the bidding documents—allowing ADB to audit and examine the records and accounts of the PIU-ET, and all activities related to the project. The MIFT will monitor the project. Regulatory bodies will closely monitor technical aspects.	UTY, PIU-ET, MIFT, ADB

Risk Description	Rating	Mitigation Measures	Responsibility
8. Corruption in the public sector.	M	ADB will maintain a high level of vigilance, and will attach procurement consultants to support the PIU in the preparation of bidding documents, procurement evaluation processes, and corruption awareness and prevention.	UTY, PIU-ET, ADB
9. National regulations and local or market practices related to corporate governance do not promote public transparency, especially for state-owned companies.	M	The UTY website will be used as a platform to widen access to information about project activities and to improve transparency. Project quarterly bulletins will be prepared and posted on the UTY website.	UTY
D. Implementation			
10. Escalation of COVID-19 globally and across Uzbekistan reduces the pace of project implementation.	S	The government established the Anti-Crisis Fund of SUM10 trillion with development partners' support to finance anti-crisis measures, while maintaining a sound fiscal position. The government has taken proactive and appropriately sequenced measures to (i) control the spread of COVID-19 by putting in place travel restrictions and strict lockdowns, and increasing testing to rapidly detect infections; (ii) provide fiscal and monetary support to businesses and regional economic activity; and (iii) expand social safety nets for low-income households. The project has designed mitigation measures as described in the RRP.	MOT, MIFT, and UTY, with monitoring and support from ADB and international financial institutions
E. Other risks			
11. Competition from road transport reduces the uptake of railway services.	S	UTY will accelerate the preparation and implementation of its transformation strategy to guide its long-term development, with the support of ADB.	MOF, MIFT, UTY, ADB
12. Limited coordination of infrastructure development activities in the region.	M	CAREC will be used as a platform to coordinate the sound development of railway corridors across CAREC countries. The implementation of the CAREC Railway Strategy, developed by all CAREC members in 2016, will be supported to this effect. Dialogue between Uzbekistan and neighboring countries will be facilitated on railway infrastructure and system development.	CAREC countries, ADB
13. Increased danger to the public along the railway lines from increased train speeds and frequencies.	M	Ongoing support will be provided to improve the safety of railway operations through the current project.	UTY/PIU-ET

ADB = Asian Development Bank, CAREC = Central Asia Regional Economic Cooperation, COVID-19 = coronavirus disease, CTC = central train control, IFRS = International Financial Reporting Standards, M = moderate, MIFT = Ministry of Investments and Foreign Trade, MOF = Ministry of Finance, MOT = Ministry of Transport, PIU-ET = project implementation unit for electrification and renewal of rolling stock, RRP = report and recommendation of the President, S = substantial, TA = technical assistance, UTY = O'zbekiston Temir Yo'llari.

^a ADB. 2017. [Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Republic of Uzbekistan for the Central Asia Regional Economic Cooperation Corridor 2 \(Pap-Namangan-Andijan\) Railway Electrification Project](#). Manila.

^b ADB. 2019. [Technical Assistance to the Republic of Uzbekistan for Preparing Railway Modernization Projects](#). Manila (TA 9795-UZB).

Source: Asian Development Bank.