

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

| Risk Description | Rating | Mitigation Measures | Responsibility |
|--|---------------|---|--|
| Technical | | | |
| 1. Population in the Sayu River Basin exceeds forecasts and exerts heavier pollution load on the Sayu River. | S | Conduct additional water pollution management, such as increasing the wastewater treatment capacity of the wastewater treatment plant (the wastewater treatment plant has adequate land for additional capacity of 2,000 cubic meters per day). | ZCG, ZDG, and LCG |
| Economic and Financial | | | |
| 2. Changes in administrative procedure or budgetary process delays the provision of counterpart funds. | S | The project agreement includes an assurance regarding the timely provision of funds. However, fund provision could still be delayed (e.g., by a rapid rise in prices). | ZDG and LCG |
| 3. Fiscal resources of the ZDG and/or the LCG become insufficient to continue support for counterpart funding and/or debt servicing. | S | The project agreement includes an assurance regarding adequate fiscal resources for counterpart funding and debt servicing. ADB will closely monitor counterpart funding and fiscal resources during project implementation. | ADB, ZDG, and LCG |
| Governance (financial management, procurement, anticorruption, capacity, and institutional) | | | |
| 4. The ZCG fails to coordinate the different agencies of the ZCG, the ZDG, and the LCG to adopt an integrated approach. | M | The project leading group and local project leading groups will coordinate the different agencies of the ZCG, the ZDG, and the LCG to adopt an integrated approach. | Project leading group and local project leading groups |
| 5. The PMO and local PMOs are less experienced in administering the ADB-funded projects. | M | The transaction technical assistance consultants conducted capacity development for the PMO and local PMO staff to administer the project. The project will provide the PMO and local PMOs with consulting services for project management, procurement and contract management, financial management, environmental management, and the LAR. | ADB, PMO, and local PMOs |
| 6. Poor governance and corruption may distort the process of development and have a disproportionate impact on the poor. | L | ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government and the ZCG. Following ADB's governance and anticorruption policies and the Second Governance and Anticorruption Action Plan, ^a the ZCG, the ZDG, and the LCG will mitigate the governance and corruption risk by improving financial management, strengthening procurement systems, and combating corruption through preventive enforcement and investigative measures throughout project implementation. Through project | ADB, ZCG, ZDG, and LCG |

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| | | administration, including review missions, ADB will review the performance of the ZCG, the ZDG, and the LCG with respect to governance. The project agreement includes assurances for governance and anticorruption. | |
| 7. Frequent turnover of trained staff | M | Conduct training at regular intervals. | ZCG, ZDG, LCG, and consultants |
| Safeguards | | | |
| 8. Project implementation is delayed because of the LAR issues. | M | This risk will be mitigated through the implementation of measures laid out in the resettlement plans. A full-time resettlement officer has been assigned to each of the PMO and two local PMOs to ensure smooth implementation of the LAR. The PMO will conduct internal monitoring of the resettlement plan implementation, and report to ADB through the quarterly project progress reports. An independent agency acceptable to ADB will conduct the external monitoring and evaluation of the resettlement plan implementation; and report to ADB semiannually during the implementation of the LAR, and annually for 2 years after the completion of the LAR. ADB, particularly the social development specialist, will closely supervise the implementation of the LAR; and conduct missions in a timely manner. | ADB, PMO, local PMOs, ZDG, and LCG |

ADB = Asian Development Bank, L = low, LAR = land acquisition and resettlement, LCG = Ludian County Government, M = moderate, PMO = project management office, S = substantial, ZCG = Zhaotong City Government, ZDG = Zhaoyang District Government.

^a ADB. 2006. [Second Governance and Anticorruption Action Plan \(GACAP II\)](#). Manila.

Source: Asian Development Bank.