

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Rating	Mitigation Measures	Responsibility
Economic and financial			
The COVID-19 pandemic impacts on the local economy, public fiscal management, and government priorities	Moderate	The implementation schedule has been adjusted. The XMG will closely communicate with ADB on the government discussions on priority measures relating to COVID-19 impacts on people's livelihoods and potential impacts on program implementation.	XMG and ADB
The XMG's public financial management issues may impact project results	Moderate	The XMG will closely coordinate with the HPG's DOF to reduce the burden on the annual budget and its associated negative impact on economic growth.	XMG
Changes in administrative processes delaying the provision of counterpart funding	Low	The XMG will include counterpart funding requirements in the annual budget. The XMG will closely communicate with the HPG's DOF and get early advice, and plan for mitigation actions.	XMG
Governance (financial management, procurement, anticorruption, capacity, and institutional)			
Management change in the XMG and reorganization	Moderate	The XMG went through government restructuring induced by restructuring of Government of the PRC's National Development and Reform Commission, and it experienced changes in mayor and high-level management. The XMG will closely communicate with the HPG and ADB on any change in governance, and it will develop a mitigation action plan.	XMG
PMO staff are adequately qualified civil servants but most lack experience implementing ADB-financed projects (especially in financial management and procurement) and they are not yet familiar with ADB policies and procedures	Moderate	ADB has provided trainings on financial management for ADB-funded projects during program preparation and will provide similar trainings upon request. The XMG will engage highly qualified and experienced program management consulting firm with key experts in financial management, procurement, and safeguards, as well as experts needed for technical capacity enhancement and program management. In addition, the XMG will closely communicate and consult with the HPG and ADB to get additional support and guidance.	ADB and XMG
PMO staff who are the representatives from different XMG bureaus and agencies do not have sufficient time allocated for program implementation	Moderate	The XMG will give sufficient time and resource allocations for the designated PMO staff from different bureaus and ensure PMO-related tasks are embedded into their official work plans.	XMG
The XMG has a lack of experience in undertaking procurement and consultant	Moderate	ADB provided training on ADB procurement policy during program processing and will continue providing regular training during implementation. The XMG will engage highly	ADB and XMG

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recruitment using ADB guidelines and policies		qualified personnel with experience in procurement policies and procedures of ADB or other multilateral development banks prior to program effectiveness.	
The leadership change in XMG may weaken the accountability and enforcement of the policy actions under the program	Moderate	The XMG is committed to further strengthening the regulator's capacity as part of the policy actions. Providing additional transparency measures, improving access to sector data, enhancing public awareness, and conducting media training will allow stakeholders to understand and monitor local and sector reforms and developments. The XMG (led by the Xiangtan DRC) has prepared a plan with implementation timelines for monitoring program activities.	XMG
Poor governance and corruption may distort the development and have a disproportionate impact on the poor	Low	ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the XMG during program processing. The XMG will improve financial management, strengthen procurement systems, and combat corruption through preventive enforcement and investigative measures throughout program implementation. Assurances for governance and anticorruption measures are included in the project agreement. ADB will review the XMG's performance during regular review missions.	ADB and XMG
Technical			
Inadequate capacity to sustain ICT systems and others	Moderate	ADB supported resource allocation under the loan for capacity building activities, including ICT system development. XMG will engage highly qualified program management consulting firms with an ICT expert and other technical experts so that XMG could also obtain more hands-on technical training and knowledge gaining not only for program implementation but also long-term low-carbon transformation.	ADB and XMG
Inadequate technical knowledge to operate clean energy and BEMS at the Xiangtan First Traditional Chinese Medicine Hospital	Moderate	The XMG will outsource the operation maintenance of clean energy systems—such as trigeneration (combined cooling, heating, and power) systems, solar PV systems, and BEMS—to an experienced energy service contractor.	XMG
Overall Risk Assessment	Moderate		

ADB = Asian Development Bank, BEMS = building and utility energy management systems, COVID-19 = coronavirus disease, DOF = Department of Finance, DRC = Development and Reform Commission, HPG = Hunan Provincial Government, ICT = information and communication technology, PMO = project management office, PRC = People's Republic of China, PV = photovoltaic, XMG = Xiangtan Municipal Government.

Source: ADB.