

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Rating	Mitigation Measures	Responsibility
Technical			
1. Unsustainable O&M of project facilities, including rural WWTPs, WTPs, associated pipelines, SWTS, and solid waste treatment center	M	The process design specifies low-energy and low-skilled treatment processes for rural WWTPs. The GMG will ensure an adequate subsidy toward the O&M costs of WWTPs, WTPs, associated pipelines, SWTS, and the solid waste treatment center.	EA, IAs
2. Inadequate maintenance of the planted species (such as trees, shrubs, and grasses) leads to a high rate of plant deaths	M	Annual inspection of the planted trees will be carried out either by the IAs or a qualified third party. The inspection results will be reported to local forest bureaus for remedial action if a high rate of plant deaths is found.	IAs, PIC
3. The afforestation components described in the feasibility study are not properly designed and implemented	M	An afforestation specialist and an ecology specialist will work together to review the detailed design of the afforestation subprojects to ensure the proper use of tree species and distribution.	PMO, IAs, PIC
4. A potentially long list of subprojects provided by the EA may not be considered financially viable, and ABC may be unwilling to lend	M	ABC will conduct thorough due diligence of the subprojects to ensure their economic and financial viability. The GMG and ABC will update the list of proposed subprojects each year. Restrictions on maximum subloan size and average subloan size will be included in the relending agreement. Remedial measures to address any nonperformance of ABC will be included in the relending agreement.	GMG, ABC
Project Management			
5. The PMO and IAs do not have experience in administering ADB-funded projects, and are not familiar with ADB loan management policies and procedures	M	During project preparation, ADB, and TA consultants provided training on procurement, financial management, resettlement, and social and environmental safeguards. The project will engage consulting services to support the PIC. The recruited PIC will provide training and guidance to the PMO and IAs on ADB project management, financial management, procurement, disbursement and repayment, environmental and social safeguards, and monitoring. The PMO will engage project startup specialists for initial project management activities. During project implementation, the GMG's and IAs' capacity will be strengthened with the assistance of the PIC's team. Procedures and training on ADB loan	PMO, IAs, PIC

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		management policies and procedures, including procurement, disbursement, repayment, and financial management, will be provided periodically to enhance the professional capacity of the staff involved.	
6. Frequent turnover of trained EA and IA staff	L	Training to be provided at regular intervals.	PMO
7. Weak financial management and governance of SMEs financed by the FIL component	L–M	ABC will conduct due diligence of each loan application following its own internal credit review process and the implementation arrangements for eligible projects and subborrowers as outlined in the PAM.	PMO, ABC
Procurement			
8. The PMO and IAs do not have experience in managing procurement for projects funded by international financial institutions, and are not familiar with ADB procedures and requirements for procurement	M	During project preparation, the TA team briefed the PMO on ADB procurement procedures. The PMO will engage an independent procurement agent, and ADB will review key documents at various stages of procurement to ensure compliance. The PIC team will also include a procurement specialist to ensure proper procurement of works, goods, and services.	PMO
Financial			
<p>9. The EA's and IAs' provision of counterpart funding is not yet clearly allocated to specific organizational or budget units.</p> <p>Roles and responsibilities, authorization levels, and reporting lines are not clearly defined to ensure accountability.</p> <p>The PMO lacks experience in financially managing internationally funded projects</p>	H	<p>Provide intermittent, periodic training to all staff involved, covering financial management and compliance, project planning and budgeting, budget execution and tracking, financial reporting, asset management, and financial evaluation and performance review.</p> <p>Clearly define, in written form, the financial management roles and responsibilities, authorization levels, repayment and counterpart contribution duties, and reporting lines of all government agencies involved.</p> <p>Provide training on ADB's financial management requirements (e.g., budgeting, accounting, and reporting; project audits, loan disbursement, and foreign exchange risk management).</p>	GMG, PMO, IAs, and consultants
10. Lack of clarity about roles and responsibilities across and within government agencies	H	<p>Roles and responsibilities of the government agencies and individuals involved in the project should be clearly defined and documented. This includes:</p> <p>a. Define the reporting structure and job descriptions for ADB project management, and ensure that key positions are occupied—e.g., director, deputy director, accounting manager, procurement manager, and administrative manager for the ADB project.</p>	GMG; municipal, district, and county PMO units; and ABC (Ganzhou branch)

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		<ul style="list-style-type: none"> b. Define approval matrices with authorization limits for financial transactions, as well as procurement and other project approval requirements. c. Identify the members of the project leading group and the divisions they represent. d. Formally communicate the finalized roles and responsibilities to staff in good time, so they can familiarize themselves. 	
11. Weak financial management systems to administer public and ADB funds	H	<p>Implement strategies to strengthen financial management as follows:</p> <ul style="list-style-type: none"> a. Conduct training sessions that shall include, but not be limited to, project activity planning, budget preparation and monitoring, procurement management, contract management, payment tracking, recording of project revenue and expenses, record maintenance, and project monitoring and evaluation. b. Develop a financial management system and related manuals and train the staff on their proper use. 	EA; ABC; ADB; and key staff of city, district, and county PMO units
12. Inadequate chart of accounts makes it difficult to classify project and subproject costs to the respective categories and activities	M	Develop or improve the chart of accounts of the city, district, and county PMO units to meet ADB project needs and ensure compliance with accounting standards, and conduct corresponding training for EA, IA, and PMO staff.	Financial management staff of PMO units for the investment loan component, and consultants
13. Foreign exchange rate and interest rate risks, to be borne by the municipality, district, and counties, and the financial intermediary	M	Consult with related government offices, external professionals, and financial service providers on interest rate and foreign exchange risk management.	City and county PMO units, ADB
14. Lack of experience with ADB project implementation and awareness of ADB guidelines, including disbursement procedures and use of loan proceeds	H	Conduct training for all EA and IA staff involved in the project on ADB's requirements for project implementation, financial management, accounting, reporting, record maintenance, APFS preparation and submission, project monitoring, loan disbursement, foreign exchange risk management, and work ethics.	City and county PMO units, ADB, and consultants
Governance			
15. Poor governance and corruption may distort the process of development and have a disproportionate impact on the poor	M	ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the central government and the GMG. Following ADB's governance and anticorruption policies and the Second Governance and Anticorruption Action Plan, the GMG and IAs will mitigate governance and corruption risk by improving financial management; strengthening procurement	GMG, PMO, and IAs

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		<p>systems; and combating corruption through preventive enforcement and investigative measures throughout project implementation.^a Specifically, the fraud and corruption risks will be mitigated by (i) explaining ADB's Anticorruption Policy and whistleblowing mechanisms to staff of the EA and IAs, PMO, and project implementation organizations engaged under the project to ensure that they are equipped with sufficient knowledge and aware of the policy from a very early stage of project implementation; (ii) strengthening the capacity of the EA and IAs, PMO, and project implementation organizations with continuous training on ADB's procurement, financial management, and disbursement procedures and systems; (iii) ensuring efficient coordination on the flow of information between the different entities involved in project implementation; and (iv) generating periodic financial and physical progress reports to ensure bottlenecks and inefficiencies are identified in a timely fashion.</p> <p>Through project administration and review missions, ADB will review the EA's and IAs' performance with respect to governance. Assurances for governance and anticorruption efforts are included in the project and loan agreements.</p>	
16. The GMG changes its priorities regarding ecological improvement and green development	L– M	During project implementation, the GMG's and IAs' capacity on government priorities and plans for ecological and green development will be strengthened.	GMG, IAs

ABC = Agricultural Bank of China, ADB = Asian Development Bank, APFS = audited project financial statement, EA = executing agency, FIL = financial intermediation loan, GMG = Ganzhou Municipal Government, H = high, IA = implementing agency, L = low, M = moderate, O&M = operation and maintenance, PAM = project administration manual, PIC = project implementation consultant, PMO = project management office, SMEs = small and medium-sized enterprises, SWTS = solid waste transfer station, TA = technical assistance, WWTP = wastewater treatment plant, WTP = water treatment plant.

^a ADB. 2006. *Second Governance and Anticorruption Action Plan (GACAP II)*. Manila.

Source: Asian Development Bank.