

## RISK ASSESSMENT AND RISK MANAGEMENT PLAN

<b>Risk Description</b>	<b>Risk Assessment</b>	<b>Mitigation Measures or Risk Management Plan</b>
<b>Governance</b>		
Economic downturns in neighboring countries and creation of the customs union reducing Kyrgyz exports and inflow of remittances, undermining economic stability	Medium	The government has embarked on an adjustment program supported by the International Monetary Fund to rebuild its resilience to economic shocks through economic and banking sector reforms. Further, ADB operations will help to gradually diversify the Kyrgyz economy and, thereby, make it more resilient to external shocks.
Government failure to provide counterpart funds on time during project implementation	Medium	The government has provided assurance of the timely release of counterpart funds.
Collusion, corruption, and cartel conduct	Medium	The project team will provide extra due diligence to ensure ADB procurement guidelines and consulting services guidelines are met.
<b>Implementation Phase</b>		
Procurement delays	Medium	Advanced contracting action to be taken for detailed design consultant. Civil works bid preparation and evaluation will be assisted by the detailed design consultant. Extended advertising and bidding periods account for the extra time that may require.
Budget of some project elements are underestimated because of price escalation	Medium	Detailed design consultant will assist MOTC in finalizing design, preparing accurate cost estimate, and assisting in bid document preparation and evaluation. An independent road safety audit expert is to be recruited to confirm the design to ensure accurate cost estimate during detailed design so any cost overrun issue can be identified early and mitigation measures can be proposed.
Breakdown of the accounting system	Low	Frequent system back-ups.
Delays in submitting audit reports	Low	The audit will be carried out on terms of reference with submission schedule of audit reports agreed with ADB.
Weak vetting controls over payments to contractors and consultants	Low	Strict adherence to the guidelines and procedures outlined in the project administration manual and Operations Manual.

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Safeguard noncompliance	Medium	Safeguards support and training provided during project preparation. Additional resettlement monitoring specialist has been budgeted for to assist MOTC in monitoring resettlement plan finalization and implementation.
Safeguard complaint and delay in project implementation	Medium	Meaningful consultations with nongovernment organizations and local residents are being conducted during project preparation. Grievance redress mechanism has been set up to address any complaints.
<b>Sustainability</b> Absence of effective road maintenance mechanism undermining sustainability	Medium	The government plans to implement road sector reforms, restructure related agencies and institutions, and transfer road maintenance functions to the private sector. A pilot performance based maintenance contract is part of the project component to address long-term nationwide funding shortage.
<b>Overall</b>	<b>Medium</b>	

ADB = Asian Development Bank, MOTC = Ministry of Transport and Communications.

Source: Asian Development Bank.