

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Rating ^a	Mitigation Measures	Responsibility
<p>1. Inadequate maintenance of road assets</p>	<p align="center">S</p>	<p>The following mitigation measures will be implemented through the investment program:</p> <ul style="list-style-type: none"> (i) a revised asphalt pavement standard that exceeds the typical standard, which will reduce maintenance requirements and increase long-term economic efficiency; (ii) climate change adaptation measures, which have been considered in road designs and cost estimates (i.e., culverts, drainage, retaining walls, and concrete pavement); (iii) 3-year (5-year for national roads) performance-based maintenance contracts; (iv) expansion of the road asset management system to include rural access roads for effective road maintenance planning and budgeting; (v) a technical maintenance capacity development program for local road agencies; and (vi) policy measures (to be undertaken by the government over the MFF implementation period) to ensure financial sustainability, based on proposals for feasible policy alternatives for the improvement of sustainability. 	<p>RDA, MOHEH, ERD</p>
<p>2. Insufficient budget allocation under the fiscal consolidation</p>	<p align="center">S</p>	<p>The government is implementing fiscal consolidation under the ongoing IMF program. Externally funded projects are included in budget allocations, which means a sufficient budget allocation is required to implement the proposed investment program.</p> <p>To ensure implementation, the cabinet approved the investment program and related disbursement projection in January 2017. The ERD also confirmed the investment program budget requirement. Based on the cabinet approval and confirmation, the RDA will give priority in the annual budget request to the investment program (over other RDA projects).</p> <p>A phased procurement approach—starting with Uva Province, and followed by the other provinces at 3–4 month intervals—will help in meeting budget requirements.</p>	<p>MOHEH, RDA, ERD</p>

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		Under the proposed investment program, ADB will finance 100% of civil works expenditures, and the government will only finance taxes and duties (and part of contingencies, if any). This arrangement will contribute to easing the government's financial burden to provide counterpart funding.	
3. Implementation delayed by extreme weather conditions	M	Negative impacts of extreme weather on implementation and potential countermeasures have been identified in the initial environmental examination. More detailed site-specific risks and countermeasures will be duly considered in the environmental management plan.	RDA, contractors
4. Delay in reaching consensus with other government agencies	M	The RDA signed a memorandum of understanding with local road agencies regarding the implementation of the proposed investment program. A National Steering Committee—comprising MOHEH, RDA, and ERD—will be established to oversee and monitor project implementation. Provincial steering committees—comprising the RDA and local road agencies—will be established to coordinate and facilitate project implementation.	MOHEH, RDA, ERD, and local road agencies
5. Sufficiently qualified contractors may not participate in the project	L	ADB is closely monitoring the procurement process. Procurement of civil works is open to foreign firms, although rural access road civil works can be constructed by domestic firms. Procurement for the civil works is scheduled to be conducted in a phased manner with due consideration given to (i) the capacity of the construction industry and firms, and (ii) the implementation of the first investment program. ^b	RDA
Overall	Moderate (Low with the mitigation)		

ADB = Asian Development Bank, ERD = External Resources Department, IMF= International Monetary Fund, MFF = multitranchise financing facility, MOHEH = Ministry of Higher Education and Highways, RDA = Road Development Authority.

^a Rating: H = high, S = substantial, M = moderate, L = low.

^b Integrated Road Investment Program. Asian Development Bank. 2014. *Report and Recommendation of the President to the Board of Directors: Proposed Multitranchise Financing Facility to the Democratic Socialist Republic of Sri Lanka for the Integrated Road Investment Program*. Manila.

Source: Asian Development Bank.