

**RISK ASSESSMENT AND RISK MANAGEMENT PLAN**

<b>Risk Description</b>	<b>Rating</b>	<b>Mitigation Measures</b>	<b>Responsibility</b>
Delay in approval or rejection of contract by the Audit Court of Timor-Leste after NPC issues letter of acceptance to the lowest evaluated bidder	S	Although likelihood of occurrence of this risk is low, it has the potential to seriously impact project implementation because issuance of the letter of acceptance by NPC legally binds the government to the contract. However, country procedures require approval of the signed contract by the Audit Court of Timor-Leste. Rejection by the Audit Court may result in misprocurement (which may lead to cancellation of the loan, or require rebidding) since such rejection would be contrary to ADB's no-objection procedure. Assurances and disbursement conditions were included in the loan agreement to mitigate against the risk.	MOF, NPC, MPWTC PMU, ADB
Implementation delays due to government not providing adequate counterpart resources for qualified project management staff and consultants	S	The loan agreement includes covenants for the government to ensure (i) sufficient budget allocation and timely payment of required counterpart funds to project management staff and consultants, (ii) that the structure of the project management office is retained and staffed with experts with similar qualifications and experience to those financed under previous road projects, and (iii) that external experts engaged transfer skills and provide capacity building to national counterpart staff seconded to the PMU.	MOF, MPWTC DRBFC
Lack of ownership and support to develop a comprehensive road maintenance program. Completed sections of project roads are inadequately maintained, deteriorate, and do not deliver anticipated project benefits	H	The loan agreement includes a covenant for the government to submit the road maintenance strategy and plan to the Council of Ministers for approval by 2020; the strategy and plan will be prepared under the attached transaction technical assistance. The loan agreement also includes support to establish a road asset management system and funding arrangements in coordination with the Japan International Cooperation Agency.	MPWTC, DRBFC maintenance unit
Delay and non-compliance by the contractor to submit construction EMP and rectify environmental management non-compliances	H	The loan agreement includes a covenant to require the government not to allow contractors to commence works until a satisfactory construction EMP has been submitted. In addition, particular conditions of contract in the bidding documents (i) require a portion of the advance payment to the contractor to be paid upon approval of the construction EMP by the engineer (as defined in the civil works contract), and (ii) enable the engineer to suspend part of the works until the contractor rectifies the non-	MPWTC PMU, supervision consultants

		compliance.	
Adverse permanent impacts due to unforeseen works or contractor's activities outside the established project ROW	M	The loan agreement includes a provision that the government will not allow any permanent works to be built outside the established ROW except when it is agreed with ADB and an updated resettlement plan for such permanent works are approved by ADB and implemented accordingly. Also, particular conditions of contract in the bidding documents include a provision that the contractor shall under no circumstances be permitted to construct permanent works outside the ROW except when the employer (as defined in civil works contracts) (i) requires it, and (ii) has secured approval of the updated resettlement plan and implemented it. To compensate for all impacts due to the contractor's activities within and outside the ROW, contract provisions include third-party liability insurance with \$100,000 per occurrence.	MPWTC PMU, supervision consultants
Climate change impacts contribute to accelerated deterioration of the road assets	M	The project includes climate-proofing features such as slope protection, bioengineering, soil stabilization, and moisture resistance of asphaltic layers	MPWTC PMU
Slow project start-up due to government procedures preventing advance action for procurement of civil works and selection of construction supervision consultants	M	Advance action on procurement activities will commence after completion of loan negotiations. Draft bidding documents for civil works have been submitted to ADB, and a request for proposals for consulting services is expected prior to loan negotiations.	NPC
Corruption during project implementation	M	Implementation of the project shall conform to all applicable ADB policies, including those concerning anticorruption measures, as described in detail in the project administration manual and loan documents. In addition to maintaining close oversight of financial management and procurement activities using resources of the Timor-Leste Resident Mission, ADB will field formal review missions at intervals of not more than 6 months.	MPWTC PMU, ADB

ADB = Asian Development Bank; DRBFC = Directorate of Roads, Bridges and Flood Control; EMP = environmental management plan; H = high; M = moderate; MOF = Ministry of Finance; MPWTC = Ministry of Public Works, Transport and Communications; NPC = National Procurement Commission; PMU = project management unit; ROW = right-of-way; S = substantial.

Source: ADB.