

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

1. On 31 July 2006, the Asian Development Bank (ADB) approved its second Governance and Anticorruption Action Plan (GACAP II),¹ which aims to improve ADB's performance in implementing governance and anticorruption policies in sectors where ADB is active. GACAP II requires the preparation of governance risk assessment and management plans (GRAMP) as an integral part of country partnership strategies, programs, and projects. GRAMPs focus on specific thematic issues—public financial management, procurement, and anticorruption—at the country level in priority sectors where ADB is active, and for programs and projects.

2. In the case of the People's Republic of China, a country-level GRAMP was prepared in 2007 with a focus on two priority sectors: railways and wastewater management.² This document identifies the main governance-related risks confronting the Jilin Urban Development Project, with emphasis on the GACAP II themes of public financial management, procurement, and anticorruption.

3. For the proposed project in Baicheng and Baishan cities in Jilin Province, in addition to the risks commonly present at the country level, there are project-specific risks pertaining to urban development, project implementation, and project management. The risks and related mitigation are summarized in the following table.

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
		Responsible parties: BCFB, BCMG, BSFB, BSMG, JFD, JPG, PIUs, audit agencies, and consultants.
1. Public Financial Management		
1.1. Capacity building Weak capacity of implementing agencies to effectively withdraw ADB loan proceeds, resulting in disbursement and construction delays.	High	Provide training workshops to build capacity for PMO and implementing agency staff and relevant government agencies (before and during project implementation).
1.2. Internal controls Weak financial management and internal control mechanisms for implementing agencies.	Medium	Include a separate auditor's opinion on the use of the imprest account and statement of expenditure procedure as part of the audit reports. The implementing agencies' annual audited financial statements and audited project accounts will be submitted to ADB no later than 6 months after the end of the fiscal year throughout the implementation period (during project implementation).
1.3. Counterpart funding Disbursements to ADB projects are affected by late provision of counterpart funding.	Medium	Provide assurances from BCMG and BSMG that all required counterpart funding will be provided from the government budget (before, during, and after project implementation).
2. Procurement		
2.1. Procurement capacity The implementing agencies and PIUs lack sufficient capacity or recent experience with procurement under ADB-funded projects, resulting in poor preparation of the procurement plan	High	(i) Provide technical assistance for bidding document preparation, including regarding technical specifications and the bidding process, before mobilization of loan implementation consultants. (ii) Provide implementation consulting support for technical specifications in the bidding documents and

¹ ADB. 2006. *Second Governance and Anticorruption Action Plan (GACAP II)*. Manila; ADB. 2011. *Revised Guidelines for Implementing ADB's Second Governance and Anticorruption Action Plan (GACAP II)*. Manila.

² ADB. 2007. *People's Republic of China: Procurement, Financial Management, and Anti-Corruption in ADB Financed Projects*. Manila.

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
and bidding documents, poor management of the procurement process, and significant delay of the process.		assist with tender documentation preparation. (iii) Engage tendering agent with significant ADB experience in a timely manner to assist with contract, bid documentation, bidding and evaluation procedures; and appointment of contractors. (Before and during project implementation)
2.2. Contract variation Contract variations occur frequently because of poor quality of site survey and bidding documentation.	Medium	(i) Provide TA for bidding document preparation to ensure contract documents covering all major construction items avoid potential variation. (ii) Provide rigorous and frequent training for staff involved in procurement. (iii) PMOs to review and request revision of the preliminary and final designs to ensure the quality of design drawings and bill of quantities. (Before and during project implementation)
2.3. Cost escalation Cost estimates for construction unrealistic because of inadequate design; costs escalate because of contract variation and renegotiation after award of contract.	High	(i) Project team and project preparatory TA consultant to give significant attention to cost estimates during project preparation. (ii) Provide assistance for detailed design and technical specification review. (iii) Build capacity of contractors for professional bidding. (iv) Provide clear instructions on bidding procedures, compliance with instructions, and evaluation and selection criteria. (v) Prepare and provide high-quality bidding documents to cover all major construction items. (Before and during implementation)
2.4. Contract management Lack of management experience with ADB-funded projects and unfamiliarity with ADB project management policies and procedures lead to poor management, and management submission and project delays.	High	(i) Provide strong loan implementation consultants to assist executing and/or implementing agencies with project implementation. (ii) Provide extensive training and capacity development program to improve management capacity. (iii) Enhance monitoring and guidance program during project implementation. (Before and during implementation)
2.5. Construction supervision Lack of construction supervision to oversee and evaluate contractor performance, leading to substandard operation, administration, and service.	Medium	(i) Provide implementation consulting assistance to PMO and implementing agencies to develop construction management and supervision policies and procedures. (ii) Develop and implement monitoring mechanism to ensure timely supervision by relevant agencies. (iii) Provide assistance to PMOs and implementing agencies to build monitoring capacity. (During implementation)
3. Institutional Strengthening		
Changes in project management staff (in PMO, implementing agencies, and PIUs) results in discontinuous project management and implementation.	Medium	(i) Assurance that BCMG, BSMG, and JPG will implement institutional strengthening and maintain stability of management staff. (ii) Implementation of the capacity development program and training to improve the project management capacity of managing staff.
4. Approval of City Master Plan for Baicheng		
The draft Baicheng City master plan is under JPG review and approval. The final approved master plan may not be the same as the current draft version, which may affect the current proposed	Medium	Assurance from BCMG that the current submitted master plan will not change significantly and the current draft master plan can be used as the official guidance document for the proposed project.

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
project design.		
5. Delay in Land Acquisition and Resettlement Approval and Implementation		
Delay of land acquisition and resettlement due to the shortage of counterpart funding or unforeseen problems that arise during LAR negotiation.	High	<ul style="list-style-type: none"> (i) Assurance from BCMG and BSMG regarding the availability of counterpart funding, with a detailed financing plan. (ii) Updated resettlement plans based on the final design and survey. (iii) Institutional strengthening and training for carrying out LAR tasks.
3. Corruption		
<p>3.1. Corrupt practices Corrupt practices may affect project design, procurement, and implementation leading to poor-quality projects.</p>	Medium	<ul style="list-style-type: none"> (i) Assurance that JPG, BCMG, and BSMG will further undertake the following anticorruption actions: (a) involve full-time officials from the government discipline investigation bureau in the bidding process and award of contracts and in the approval of variation during construction; (b) execute both an anticorruption contract and civil works contract for the civil works; and (c) periodically inspect contractor fund withdrawals and settlements. (ii) Introduce a dual-signing system in which the civil works contract winner also signs an anticorruption contract with the employer. <p>(During implementation)</p>
<p>3.2. Anticorruption measures Limited enforcement of anticorruption measures.</p>	Medium	<ul style="list-style-type: none"> (i) Assist the PMOs and implementing agencies to ensure good governance, accountability, and transparency in project operations. (ii) In consultation with relevant central government ministries, update rules and regulations on local and corporate governance and anticorruption, and enhance the transparency of implementing agency operations. <p>(During project implementation)</p>
Overall	MEDIUM	

ADB = Asian Development Bank, BCFB = Baicheng Finance Bureau, BCMG = Baicheng City Municipal Government, BSFB = Baishan Financial Bureau, BSMG = Baishan City Municipal Government, JPG = Jilin Provincial Government, JFD = Jilin Provincial Financial Department, LAR = land acquisition and resettlement, PIU = project implementing unit, PMO = project management office.

Source: Asian Development Bank.