

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
1. Public Financial Management		
1.1 Counterpart funding		
Late appropriation of a domestic bank loan may delay project implementation.	Medium	<p>The BMG caused the JCG and LMC to agree with their banks to issue commitment letters of the domestic bank loan for counterpart funds.</p> <p>The domestic bank loan will not be allocated for resettlement and land acquisition costs so as to avoid any start-up delay of the project.</p> <p>The PMC will conduct public financial management training and workshops to strengthen the creditworthiness of the BMG and JCG to enable them to find alternative financing options.</p>
1.2 Monitoring		
Public financial management needs to be improved because all four implementing agencies are inexperienced in handling loans from an international financial institution, including ADB.	Low	The PMC includes 10 person-months (2 person-months per year) of financial specialist services to provide detailed guidance on financial management to establish a project account for each implementing agency.
1.3 Audit		
The risk of public financial management is increased because of a lack of an internal auditing system in the LMC.	Medium	The PMC includes 10 person-months (2 person-months per year) of financial specialist and will provide capacity building support to develop and implement an internal auditing system for the LMC.
2. Procurement		
2.1 Capacity		
Four implementing agencies lack experience in civil works and in goods procurement in ADB-funded projects.	Medium	<p>A project management and procurement specialist, the start-up consultant, and the PMC will provide continuous assistance to the four implementing agencies.</p> <p>The BMG will engage an experienced tendering company as early as July 2014 to provide hands-on training to staff of the four implementing agencies.</p> <p>The BMG and four implementing agencies will engage experienced engineering design institutes to prepare technical specification of bidding documents.</p> <p>The PMC will provide training on ADB procurement procedures through the loan capacity building component.</p> <p>The BMG and four implementing agencies will attend training organized by ADB.</p>

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
<p>2.2 Procurement Procurement could be delayed by poor preparation of bidding documents and/or an overly long approval process.</p>	Medium	<p>The BMG will ensure that the four implementing agencies use standard PRC and ADB bidding documents.</p> <p>The BMG and the four implementing agencies will engage experienced engineering design institutes.</p> <p>The PMC will provide training on ADB procurement procedures through the loan capacity building component.</p>
<p>2.3 Bidding document Contract variations could occur frequently during project implementation if detailed designs and bills of quantities have been poorly prepared.</p>	Low	<p>Four implementing agencies will engage experienced design institutes for preliminary and detailed engineering designs of subprojects.</p> <p>The BMG will engage subproject-specific consultant teams (e.g., TVET consultant team, EMS consultant team) to draft quality bidding documents.</p> <p>The BMG will engage (i) a project management and procurement specialist as a start-up consultant for 6 person-months, and (ii) a contract management and procurement engineer as a deputy team leader of the PMC for a total of 40 person-months for bid document review.</p>
<p>3. Governance and Corruption Risks Political interference, conflicts of interest, and nepotism could affect project design, procurement, and implementation, leading to poor-quality subprojects.</p>	Low	<p>The BMG provided assurances to undertake anticorruption actions: (i) involve full-time officials from the government discipline investigation bureau in the bidding process and awarding of contracts, (ii) include anticorruption clauses in the bidding documents and contracts, and (iii) remind implementing agencies during day-to-day operations and communications of loan covenants against corruption.</p>
<p>4. Others 4.1 Official and staff continuity Changes in key personnel within the BMG and the four implementing agencies could affect progress and continuity in project implementation.</p>	Low	<p>ADB will hold regular consultations and dialogue with officials from the Government of the PRC, the BMG, the four implementing agencies, and the local beneficiaries to ensure their continuous support to the project.</p> <p>The BMG and the four implementing agencies will keep detailed project records to maintain good institutional documentation.</p>

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
<p>4.2 Project cost overrun Inadequate detailed engineering design and yuan appreciation against the dollar may result in project cost overrun.</p>	Medium	<p>The BMG will monitor the quality of bidding documents and project cost through the PMC.</p> <p>The BMG will provide clear instructions on bidding procedures, compliance with instructions, and evaluation and selection criteria.</p> <p>Detailed project cost review and assessment will be conducted during a loan midterm review.</p>
<p>4.3 Land acquisition and resettlement Delays in approval and implementation of land acquisition in the project cities could put implementation behind schedule.</p>	Medium	<p>ADB and the BMG will monitor the LMC to ensure that compensation funds are provided to the affected people and that land is made available to contractors at an early stage of project implementation.</p> <p>The BMG will appropriate counterpart funds on time to pay for the land acquisition and resettlement costs.</p>
<p>4.4 Domestically funded project Delays in completion of the project funded by the JCG and LMC could affect project implementation progress.</p>	Low	<p>The BMG will cause the JCG and LMC to coordinate with appropriate government agencies to implement and complete the domestically funded project on time.</p>
<p>4.5 Operation and maintenance of project facilities Operation and maintenance of infrastructure created by the project is not sustainable because of lack of capacity or budget.</p>	Medium	<p>A separate consultant team and ADB experts provide support to engage a private operator for project-financed water and wastewater facilities.</p> <p>The BMG will ensure sustainability of project facilities by organizing training and study tours under the PMC's support.</p> <p>The BMG, LMC, BPT, and JCG assured adequate human and financial resources for operation and maintenance of project facilities.</p>
Overall	Medium	

ADB = Asian Development Bank, BMG = Baiyin municipal government, BPT = Baiyin Public Transportation Company, EMS = environmental management system, JCG = Jingyuan county government, LMC = Liuchuan Industrial Park Management Committee, PMC = project management consulting service, PRC = People's Republic of China, TVET = technical and vocational education and training.

Source: Asian Development Bank.