

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
A. Public Financial Management		
ZCG and ZIFC are not familiar with ADB's financial management requirements and procedures. ZIFC is a relatively new entity with no internal audit unit.	Low	<p>The project will provide training to financial management staff of ZCG and ZIFC.</p> <p>Close monitoring will be carried out during project implementation. In addition, a separate auditor's opinion on the use of the imprest account and statement of expenditure will be part of the audit report to be submitted to ADB not later than 6 months after the end of the fiscal year throughout project implementation.</p>
B. Procurement		
ZCG and ZIFC are not familiar with ADB procurement procedures.	Low	<p>ZCG and ZIFC will recruit an experienced and qualified procurement agent through competitive bidding to assist with procurement planning and management.</p> <p>The project will also provide implementation consulting support for procurement management and contract administration.</p>
C. Corruption		
Corrupt practices may affect project design, procurement, and implementation.	Low	<p>The project will assist ZCG, ZIFC, and the project management office to ensure good governance, accountability, and transparency in project operations.</p> <p>ZIFC will introduce a dual-signing system in which the civil works contract winner also signs an anticorruption contract with the employer.</p>
D. Others		
The local government fails to adopt an integrated and coordinated approach to the environmental protection of Dongjiang Lake.	Medium	<p>The project will help strengthen and empower the local governments and relevant agencies to carry out environmental monitoring and protection in a coordinated and holistic manner. The project will support the establishment of an environmental monitoring center.</p>
Infrastructure assets are poorly operated and maintained because of lack of capacity and/or budget.	Medium	<p>ZCG, ZIFC, and the project implementation units will ensure adequate staff resources and annual operation and maintenance budget in accordance with loan covenants; and the project will support capacity development and training for the operation and maintenance of water supply, wastewater system monitoring and management, solid waste transfer facilities, and maintenance of river courses and wetlands.</p>
Rural village communities failed to connect to wastewater treatment facilities, and incentives for solid waste collection are lacking.	Medium	<p>The project will support awareness building for environmental protection of Dongjiang Lake. Various project interventions have been consulted with the rural communities during project preparation. A social development action plan and gender action plan have been prepared to engage rural communities during project implementation and operation. The project will cover the cost of the connection to the wastewater treatment facilities.</p>

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Delays in land acquisition and resettlement	Medium	ZCG and ZIFC will make available and release in a timely manner funds for compensation under its fiscal budget in accordance with the resettlement plan. The project will support (i) initial project implementation by engaging a resettlement expert to assist in detailed measurement surveys and resettlement plan finalization, and (ii) independent resettlement monitoring to ensure compliance.
Overall	Medium	

ADB = Asian Development Bank, ZCG = Zixing City Government, ZIFC = Zixing City Urban and Rural Environmental Protection Investment and Financing Center.
Source: ADB.