

## RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Rating	Mitigation Measures	Responsibility
<p>1. <b>Procurement:</b> Lack of oversight and guidance on up-to-date technical guidelines and manuals on procurement</p>	M	<p>DOLIDAR staff will be trained on procurement procedures and ADB guidelines and standard bidding documents through the NRM and the Capacity Development Resource Center<sup>a</sup> established at the Nepal Administrative Staff College through ADB's technical assistance for Strengthening Public Management Program.<sup>b</sup> The procurement consultant at the PCU will support the procurement and bid evaluation process during the implementation period. ADB will increase overall procurement oversight.</p>	DOLIDAR, PCU
<p>2. <b>Procurement and anticorruption:</b> Collusion and intimidation</p>	M	<p>E-procurement system will be used to ensure transparency and good governance. DOLIDAR will also disclose on its website information concerning the project and business opportunities associated with the project. It will exert increased efforts to control collusion and intimidation. ADB will closely monitor procurement process.</p>	DOLIDAR, PCU
<p>3. <b>Governance and financial management:</b> Weak capacity of newly appointed staff in PCU and PIUs in ADB procedures and policies on disbursement and audits</p>	S	<p>PCU will develop internal control guidelines to strengthen internal audit. Training will be provided to project management staff. A financial expert will support the PCU and PIUs in ensuring proper financial management and audit during the project implementation period.</p>	DOLIDAR, PCU
<p>4. <b>Anticorruption:</b> Lack of awareness and deterrence</p>	M	<p>The National Vigilance Center was established in August 2002 to create awareness of corruption and activities related to preventing corruption. DOLIDAR will appoint certified auditors acceptable to the National Vigilance Center to conduct a technical audit of the project to examine how well the design criteria are met within the allocated timeframe and budget. Technical audits will be conducted at (i) the procurement stage, focusing on procurement of works in relation to transparency and requirements of funding agencies; and (ii) the implementation stage, focusing on accomplishment or construction in relation to the schedule and budget (timeline: to be determined during ADB project inception mission). ADB will monitor DOLIDAR's enforcement of the mandatory requirement to submit a formal declaration of any potential</p>	DOLIDAR, PCU

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		conflict of interest by those involved in the procurement.	
<b>Other Risks</b>			
5. Safeguard noncompliance	L	Before construction starts, a due diligence mission will be fielded to (i) confirm that rights-of-way to be handed over to contractors are free of encumbrances and ready for handover; and (ii) inform project authorities and those affected of remedial actions, if any.	ADB
6. Extreme weather conditions cause significant damage to the road network	L	To address climate change impacts, road embankment heights on flood-prone areas will be increased, side drains and new culverts will be provided, and bridges and gabion retaining walls will be constructed.	DOLIDAR, PCU
7. Unstable political environment could delay implementation	M	General risks associated with the internal security situation and political instability in certain parts of the country can hinder construction activities. During project preparation, some difficulties were experienced because of protest movements and local elections. The overall design was made with increased focus on people's participation in decision making using a community participation framework specially designed for the project, which helped garner support from the community.	DOLIDAR, PCU
8. Inability of the government to provide counterpart funds on time, including insufficient maintenance financing	L	A 32% increase in maintenance budget from 2015-2017 substantially reduced the gap in maintenance fund requirements. The project will introduce 3-year performance-based maintenance to ensure budgetary allocations for the project. DOLIDAR's capacity for maintenance, and fund and asset management to maximize the use of funds, is being improved.	MOF, DOLIDAR
9. Changes in DOLIDAR management	L	To minimize negative impact, DOLIDAR staff will be trained on contract management and quality assurance.	DOLIDAR, PCU
<b>Overall</b>	<b>Moderate</b>		

H = high, S = substantial, M = moderate, L = low.

ADB = Asian Development Bank, DOLIDAR = Department of Local Infrastructure Development and Agricultural Roads, MOF = Ministry of Finance, NRM = Nepal Resident Mission, PCU = project coordination unit, PIU = project implementation unit.

<sup>a</sup> The Capacity Development Resource Center was established to provide training to government staff, particularly in the areas of procurement, gender, and safeguards.

<sup>b</sup> ADB. 2012. *Report and Recommendation of the President to the Board of Directors: Proposed Policy-Based Grant, Administration of Grant, and Technical Assistance Grant to Nepal for Strengthening Public Management Program*. Manila.