

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

1. During the implementation of this project, the Ministry of Road and Transport Development (MRTD) may face risks that can be divided into three main categories: (i) country, (ii) organization and (iii) project. The country-specific risks include political and macroeconomic risks. The political cycles such as the national and city parliamentary elections (in 2020), may also affect MRTD as such organization is often reorganized and staffs are reshuffled. The country's macro-economic volatility is directly correlated with global commodity price trends and government budget revenues are dependent on these price fluctuations.

2. At the project level, the project may encounter procurement, technical, policy, and financial management risks. Although the MRTD has experience in implementing infrastructure projects financed by the ADB and other development partners, this project will be the first ADB project that will be implemented by newly appointed staff in the executing agency as well as the recruited project administration staff for the project implementation unit (PIU). These PIU staff will require training in procurement, financial management and auditing, construction supervision, and safeguards monitoring. In addition, all contracts are subject to Project Steering Committee's approval which can be time consuming and could potentially delay the project implementation.

Table 1: Risk Assessment and Risk Management Plan

Risk Description	Rating	Mitigation Measures	Responsibility
Economic and Financial			
Government faces political and financial pressures in the adoption of sustainable road maintenance and maintenance funding concepts	M	Continued policy dialogue and long-term engagement of all decision makers in policy reform including the ongoing discussions on the IMF Extended Fund Facility program. MRTD and MOF to provide assurance to increase the O&M budget provision and ensure that the counterpart funds are available and included in the state budget.	ADB, MRTD, and DCSC
Macroeconomic volatility affecting project's implementation and viability (e.g., MNT depreciation against the USD)	S	ADB will remain actively engaged in macroeconomic policy dialogue and advisory support	GOM and ADB
Governance (financial governance, procurement, anti-corruption, capacity and institutional)			
Historically, project steering committee (PSC) are not actively involved during implementation. Inadequate O&M of infrastructure due to lack of capacity or budget	L	Capacity development will be provided as well as institutional strengthening especially for procurement and O&M to manage project implementation. ADB will review the proposed PIU staff prior to engagement. DCSC procurement specialist recruited early to assist.	ADB and MRTD
Newly recruited staff of the PIU may perform below required level. Inexperienced staff selected with limited knowledge of ADB requirements which may cause delays during the project implementation.	M	Ensure to appoint or recruit suitable staff. Capacity development will be provided by ADB and DCSC team especially in financial management, safeguard,	ADB, MRTD, and DCSC

Risk Description	Rating	Mitigation Measures	Responsibility
		<p>procurement, disbursement and project monitoring and reporting requirements.</p> <p>Institutional development and capacity building team support for O&M related training on the RAM system and improved maintenance planning, prioritization and implementation.</p>	
<p>Lack of skills in appropriate accounting software and systems for contract management, contractor payments. On- and off-site data storage is inadequate.</p>	M	<p>The PIU to use computerized accounting software. It is recommended that MRTD and PIU to back up their project data through National Data Center.</p> <p>The DCSC will assist the PIU to strengthen the efficiency of existing information systems and reporting</p>	MRTD and PIU
Overall Risk Assessment	M		

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

ADB = Asian Development Bank, MNT = Mongolian togrog, MOF = Ministry of Finance, MRTD = Ministry of Road and Transport Development, O&M = operation and maintenance, PIU = project implementation unit, DCSC = design and construction supervision consultant, PSC = project steering committee, USD = United States dollar.

Source: Asian Development Bank.