

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risks	Assessment	Management Plan or Measures
Governance		
Public financial management may be poor and adversely affect the project	Low	An assessment of financial management has been undertaken. The project uses country systems for financial management that both the DOR and the PT are familiar with. An annual audit of project financial statements will be conducted by the RAA, based on the TOR agreed with ADB.
Procurement process may not be sufficiently transparent	Medium	All procurement for ADB financing will follow ADB procurement guidelines and procedures. The DOR has become familiar with the ADB requirements by implementing completed and ongoing ADB-financed projects as the executing agency. The PT has experience in implementing ADB-financed urban projects as an implementing agency. The DOR will share its experience with the PT through steering committee meetings to enhance the PT's capacity. A design and supervision consultant will support the PT during the procurement process.
Coordination between the ministries concerned and the project executing agencies may be inadequate.	Medium	A steering committee with representation from all concerned government institutions will be formed for project implementation. Meetings will be held regularly at least twice each year and when needed between the regular meetings.
The checking and monitoring of construction quality may be inadequate.	Medium	International construction supervision consultants will be engaged by the DOR and the PT for quality checks. ADB will undertake frequent review missions to ensure timely and quality fulfilment of contracts. ADB expects that the use of a design-build contract for the Phuentsholing mini dry port will increase the contractor's accountability for good design and construction quality.
Other Risks		
The project may suffer implementation delays.	Medium	Detailed designs for the South East-West Highway project section and the Pasakha access road subproject have been completed, and advance contracting is being conducted. Recruitment of design, procurement assistance, and supervision consultants is being conducted for the other subprojects.
Safeguard compliance could be poor.	Medium	Adverse impacts of land acquisition, social, and environmental impacts have been minimized during the preliminary and detailed engineering design stages, and no serious adverse impacts are expected. Consultants will be engaged for implementation support on safeguard aspects.
Project assets may not be maintained sustainably after completion.	Medium	A supervision and capacity development consultant to be recruited by the DOR will provide continuous training to DOR staff on important aspects of road safety and road asset management. The consultant team will also include a climate change specialist who can provide on-the-job training on key aspects of proper maintenance of climate-resilience

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		structures. These training sessions will include staff of the PT and other concerned government agencies, thereby enhancing the overall knowledge base of government officials.
Disbursements may be delayed.	Medium	Two imprest accounts under the RMA and four project accounts in total, will be opened for the use of each executing agency. The project administration manual specifies the fund flows to be used for these accounts to avoid confusion during project implementation ^a . The heads of PIUs will be responsible for accounting for the use of funds. ADB will provide technical support for fund management through its Bhutan Resident Mission.
Construction firms may show limited interest in bidding on the project works.	Medium	International competitive bidding will be adopted for the project's larger civil work packages of \$2.4 million–\$19.0 million. The executing agencies have ensured that the necessary visa arrangements will be facilitated for all eligible international bidders to prepare their bids. A detailed site condition survey will be conducted before finalizing bidding documents for the Phuentsholing dry port subproject, which will reduce the risk to the contractor under a design–build contract.
Overall	Medium	

ADB = Asian Development Bank, DOR = Department of Roads, PT = Phuentsholing Thromde (Phuentsholing municipal government), RAA = Royal Audit Authority, RMA = Royal Monetary Authority, TOR = Terms of Reference
^a Project Administration Manual (accessible from the list of linked documents in Appendix 2).

Source: Asian Development Bank.