

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
Financial Management		
Changes in taxes and tariffs regimes could negatively affect contract execution.	Low	Appropriate clauses have been included in the FIDIC and/or consulting service contracts.
Counterpart funds could be inadequate and/or delayed.	Medium	The government has assured that all funds and resources required for implementation of the project are allocated and provided on a timely basis in accordance with the financing plan agreed for the project. The financing agreement includes covenants to ensure availability of counterpart funds as well as tax and duty exemptions or the equivalent for contractors and consultants.
Implementation Phase		
Procurement may be delayed and bid prices may be high.	Low	An experienced procurement specialist helped the MOTC prepare bid documents, prequalify contractors, and evaluate bids. World Bank provided adequate training to MOTC procurement staff. Sufficient bid advertising period were provided for bidders to prepare and submit their bids. The risk did not materialize. No significant procurement delays were encountered, and the winning bid price was lower than engineer’s estimates.
Unforeseen contract variations may occur due to complex site conditions	Low	The project used a tailored design-build delivery method to share the cost and risk of design changes between MOTC and the contractor, and allow the latter to bring technology and construction methods more economical and relevant to the site. The government has assured that it would provide the counterpart funds on time for necessary additional work to ensure that the completed road meets the quality requirements for maintainability, safety, and comfort.
Construction may be delayed, resulting in cost overruns.	Low	MOTC included in the works contract provision of contingencies to cover price fluctuations associated with construction delay. The engineering and financial management staffs in the project implementation unit, with the assistance of construction supervision consultant, have been closely following contract conditions and monitoring the construction progress. Construction progress is on track and the risk is being effectively managed.

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Construction may damage the ecosystem.	Low	<p>The contractor is required under the works contract to construct special roadside structures to minimize dispersion of possible spill material.</p> <p>MOTC has assigned increased responsibility and allocated adequate budget to the construction supervision consultant for monitoring and supervising ecosystem enhancement.</p> <p>ADB and MOTC have developed a two-track environmental management plan under the project for pollutant source control and receptor (biodiversity) protection. This plan is being strictly followed during the project implementation.</p>
Other Risks		
Completed project road asset may be degraded by poor and unsustainable operation and maintenance.	Medium	<p>The MOTC and State Customs Committee will deploy weight measuring equipment and impose Strict control of vehicle weight and dimensions limits after road opening to traffic.</p> <p>MOTC will prioritize on a timely basis the allocation of sufficient funds for the operation and maintenance of the road section reconstructed or rehabilitated under the project.</p> <p>World Bank provided technical assistance to MOTC for improving road maintenance practices and local contractor development, and European Bank for Reconstruction and Development provided technical assistance for optimizing revenues from road users through licenses, fees, etc. Development partners including ADB will continue the policy dialogue with the government in this regard.</p> <p>The project is providing technical and financial support to MOTC and other related agencies on their staff learning and development.</p>
Road safety is not given adequate attention.	Low	<p>ADB and other development partners are working closely with the government and MOTC to expand their current program of safety awareness among children and youth.</p> <p>The government and MOTC are planning mandatory vehicle insurance program to reduce the number of high-risk drivers on the road.</p>
Overall	Low	

ADB = Asian Development Bank, MOTC = Ministry of Transport and Communications.

Source: Asian Development Bank.