

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
Finance Management		
<p>Delay in providing counterpart funds. All of the counterpart funds will be provided from government fiscal revenue.</p>	Low	<p>(i) The government, the JMG, and the JIDC will ensure timely release of counterpart funds, as per the loan covenant, (ii) ADB will send annual supervision missions, (iii) the executing agency will file quarterly progress reports, and (iv) provisions will be made for additional financial sources to cover potential increases in the land acquisition and resettlement cost.</p>
<p>Inadequacy in financial management. The financial management staff of the implementing agency lack experience in foreign-financed projects.</p>	Medium	<p>The staff will obtain sufficient training in ADB financial management requirements. The implementing agency will recruit a consultant familiar with ADB procedures to assist in financial management, especially during the early stages of implementation.</p> <p>An external auditor acceptable to ADB will conduct and submit to ADB an annual audit of the project accounts in accordance with the International Standards of Auditing or National Auditing Standards acceptable to ADB.</p> <p>The project will provide consulting services to support and assist in establishing financial and management systems and controls, and help to ensure that ADB's reporting and monitoring requirements are met.</p>
<p>Depreciation of foreign currency and floating interest rate. Historically, foreign currency has depreciated against local currency, which may cause a shortage of project budget and require more counterpart funds. The floating interest rate for the loan may also increase financing charges.</p>	Medium	<p>The government and the implementing agency will pursue the early completion of project preparation, including the assessment of this risk and the implementation of measures to avoid or mitigate them. The local government has reasonable access to capital markets and domestic banks if additional resources are needed.</p>
<p>Low tariffs and government subsidy. The financial evaluation was based on a BRT tariff of CNY2.00 per passenger. If the fare were decreased to CNY1.00 per passenger, the BRT component would require additional subsidies.</p>	Low	<p>The government will allocate sufficient subsidy to the BRT operator to ensure a positive operating balance.</p>
<p>Project cost overrun. Escalating prices for construction materials may cause project costs to increase.</p>	Medium	<p>Changes in the prices of construction materials prior to implementation were monitored as part of technical assistance, and substantial price and physical contingencies provide cover for cost overruns. The Ji'an Municipal Government will be responsible for financing all cost overruns, including LAR.</p>

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Procurement		
Lack of coordination between relevant agencies. The proposed ADB loan would be a first for Ji'an.	Low	The capacity building and institutional strengthening component of the project will further reduce this risk. The risk will be mitigated through the project-leading group, led by the Vice Mayor in charge of the project, which will coordinate among various agencies and resolve issues.
Delay in project implementation. Some EA staff members lack sufficient knowledge and experience in bidding and procurement, resettlement procedures, and safeguard monitoring for ADB-financed projects.	Medium	(i) An external agency will be recruited to assist the whole process of packaging and procurement; (ii) domestic regulations and procedures (e.g., packaging, advertising, bid evaluation, and contracting) will be formulated to be consistent with those of ADB; (iii) the preparation and implementation of an effective monitoring mechanism will ensure timely implementation; (iv) capacity building and institutional strengthening for project implementation and safeguard monitoring will further reduce risk; and (v) a project manager with ADB project implementation experience will be recruited using advance contracting.
Limited ability to handle procurement. The executing agency has reasonable procurement capacity but no experience with ADB.	Medium	The executing agency will engage an external procurement agency experienced in procurement for ADB-financed projects to handle all bidding. Support from international and national consultants and on-the-job training in procurement will be provided to the executing and implementing agencies during project implementation.
Other – Safeguard Risks		
Inadequate dust and noise mitigation. Without active supervision, contractors tend to ignore environmental mitigation during construction.	Low	The supervision consultants and executing agency will instruct contractors to implement all measures to mitigate noise and protect air quality. Compliance will be monitored by the project management office and reported to ADB.
Significant pollution of Yudai River during construction.	Low	The supervision consultants and executing agency will instruct contractors to ensure that all construction waste disposal is immediately carried out in accordance with contract specifications and government regulations. Compliance will be monitored by the project management office and reported to ADB.
Limited ability to handle ADB requirements on environmental, resettlement, and social safeguards. The project is classified A for resettlement and environment, as well as having effective gender mainstreaming. The executing and implementing agencies have good capacity to manage safeguards but no prior experience with ADB.	Low	Clauses specifically on safeguard management will be included in the civil works and supervision contracts. The executing agency will hire independent monitors for resettlement and environmental safeguard compliance. Semiannual reporting to ADB and ADB supervision missions will involve safeguard specialists. The project includes consulting support for capacity building on environmental, resettlement, and gender monitoring.
Overall	Low	

ADB = Asian Development Bank, BRT = bus rapid transit, EA = Executing Agency.

Source: Asian Development Bank.

