

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

| Risk Description | Risk Assessment | Mitigation Measures or Risk Management Plan |
|---|------------------------|---|
| Financial | | |
| Counterpart financing is not provided sufficiently and/or not provided on time. | Low | <p>The financial positions of the executing agencies are improving.</p> <p>The Asian Development Bank (ADB) is collaborating with the World Bank in its technical assistance on Strategic Options for the Financial Recovery of Vietnam Electricity which assesses options to improve the financial positions of the state-owned power enterprises.^a</p> |
| Procurement | | |
| Contracts are numerous and small. | Medium | The executing agencies agreed to consolidate contracts into fewer but larger packages for the core subprojects. Some contracts were consolidated across subprojects, while others were packaged as supply-and-install contracts. The executing agencies agreed to take a similar approach to the noncore subprojects. The project implementation consultant will also advise on how to align the timing of preparations for noncore subprojects that require similar works and equipment. |
| Preparation of bidding documents and submission of bid evaluation reports are delayed. | Medium | <p>The executing agencies have experience with procurement guidelines of various development partners. However, guidance may be necessary for understanding ADB's guidelines.</p> <p>The procurement expert under the project preparatory technical assistance is assisting the executing agencies in procurement of contracts for the core subprojects, and a project implementation consultant on procurement will be recruited using the loan proceeds.</p> |
| Safeguards | | |
| Implementation of the environmental management plan and social safeguard measures is inadequate. | Low | <p>Core projects classified as category B for environment and involuntary resettlement, and category C for indigenous peoples.</p> <p>Noncore subproject selection criteria stipulate that any subproject classified as category A will be ineligible.</p> <p>Project implementation consultants on environmental safeguards and social safeguards will be recruited using the loan proceeds.</p> |
| Implementation | | |
| Implementation is delayed due to, for example, delays in noncore subproject preparation, land acquisition, or procurement, or because | Low | <p>Project implementation consultants will support preparation of noncore subprojects.</p> <p>Project assurance includes an assessment of the use of loan proceeds and will, to the extent feasible, revise initial loan allocation based on, but not limited to, the following</p> |

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| of poor-quality contractors. | | performance-related criteria: each executing agency's loan utilization rate, and quality and timeliness of subproject preparation. |
| Governance | | |
| Irregularities in procurement and financial management | Low | <p>Financial management assessment and procurement capacity assessment have concluded that appropriate control mechanisms are in place.</p> <p>Procurement of works and goods financed by the loan proceeds will be in accordance with ADB's Procurement Guidelines (2013, as amended from time to time).</p> <p>ADB's Anticorruption Policy (1998, as amended to date) was discussed with the government and the executing agencies.</p> <p>The Financial Action Task Force has recently confirmed that Viet Nam has made significant progress in combating money laundering and the financing of terrorism.^b</p> |
| Sector | | |
| Transfer tariffs (bulk supply tariffs) for the executing agencies and the retail tariff are not set at adequate levels. | Low | <p>Project assurance requires the government to continue to reform its tariff-setting mechanism, so that retail and transfer tariffs (to the executing agencies) are transparent and in line with international best practice, and are set at a level that ensures long-term financial sustainability of the executing agencies.</p> <p>The latest decision on tariff increases (Decision 69/2013/AD-TTg, dated 19 November 2013) allows Vietnam Electricity to propose, for approval by the Ministry of Industry and Trade, increases of up to 10% every 6 months, while increases above 10% will be considered by the Prime Minister.^c</p> <p>ADB will continue its policy dialogue with the government in close coordination with development partners.</p> |
| Overall | Low | |

^a World Bank. 2013. Technical Assistance on Strategic Options for the Financial Recovery of EVN and its Subsidiaries. Ha Noi.

^b Financial Action Task Force. 2013. *Public statement–18 October 2013*. Paris.

^c Previous Decision 24/2011/QD-TTg (1 June 2011) allowed the Ministry of Industry and Trade to approve tariff increases up to 5% every quarter. The tariff was increased by 5% each time on 1 July 2012, 22 December 2012, and 1 August 2013.

Source: Asian Development Bank.