

## RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
<b>Technical Design Risk</b>		
1. The SPCR document for guiding project design was complex, involving a number of sectors and wide geographic coverage as requested by the client. To deviate from the approved SPCR would receive resistance from the client.	High	During design, apart from climate vulnerability, criteria used in selecting participating islands included relative access and isolation. Furthermore the number of islands selected to test approaches was kept to a minimum. There are 6 common islands for Output 1 and Output 2 activities. CCDA will be responsible for implementation but supported by the respective technical line agencies.
2. The design requires coordination among multiple line agencies that has the potential to slow implementation. Inclusion of facilitating NGOs adds another tier to the implementation structure confounding coordination issues.	High	Quarterly meetings of the Project Steering Committee have been included - at least until implementation is running smoothly. Provincial advisory committees are proposed to enhance cooperation at the lower levels of government and to coordinate agency inputs from the provincial and district authorities. NGOs are to be represented on the provincial management committees.
3. Politicized investment decisions (in relation to subprojects) that do not align with approved sector and local administration priorities.	High	At a project level, ADB will apply: (i) international supervision consultants to monitor construction and operational activities; (ii) ADB and other involved development partners will monitor and review construction and operational activities; (iii) contracts financed from ADB funds will include provisions specifying the right of ADB to audit and examine the records and accounts of all contractors, suppliers, consultants, and other service; (iv) there will be independent external auditing of contracts, project accounts, and financial statements; and (v) forensic audits will be conducted of suspected corruption cases.
<b>Project Management Capability</b>		
4. The technical and management skills of staff from CCDA and other implementing agencies may prove inadequate, which would adversely affect implementation performance.	Medium	Consultants will be recruited to support CCDA in its management of the project particularly in areas concerning procurement and financial management.
5. Government agencies, provincial/district governments, and PPCL may not assign suitably qualified counterpart staff to benefit from capacity building.	Medium	Participation in project training should confirm technical capacity prior to the event. Full-time counterpart public servants should be appointed in participating provinces as set out in the Grant Agreement.

**Governance  
(Procurement)**

6. Potential implementation delays due to slow engagement of consultants.	Medium	Request ADB Management approval for advance for the recruitment of PISC consultants and implementation start-up support.
7. Multiple packaging in procurement may result in delays.	Medium	ABD public sector management technical assistance will include support for improved infrastructure design and project readiness. Procurement specialist to be recruited in PISC contract to provide training to PMU appointees.
8. General lack of procurement capacity in CCDA.	High	Staff the CCDA with capable staff supported by international and national consultants, particularly in procurement. Officers will also undergo formal training in procurement.
9. Weaknesses in procurement controls that threaten probity, transparency, and effectiveness.	Medium	At the project level, ADB will ensure appropriate mechanisms are put in place to address weaknesses in procurement controls, for example (i) executing agency website will be developed to disclose, update and provide information on project implementation; (ii) disclosure of information on selection of consultants and contractors will be provided in a timely manner through local newspapers and the website; (iii) the quantity, quality and cost of any works will be independently verified; and (iv) information as to the expected service levels from performance-based contracts will be provided when calling for bids.

**Governance (Financial  
Management)**

10. Weak financial management capacities and experience within executing agency.	High	Financial management specialist to be recruited under PISC contract to establish systems and procedures and provide training. The on-the-job training component of local PMU staff will be an integral part of the project. The Financial Management Information System to be established within CCDA. External and independent financial manager will be appointed to administer SGF disbursements.
11. Extensive delays with submission of audited project financial statements to ADB	Medium	The PMU to produce APFS strictly in line with ADB project financial reporting and auditing requirements. The requirements to be part of grant covenant. Sufficient funding to be allocated for recruitment of independent audit firm.
12. Poor project preparation and weak alignment between budget submissions and allocations, leading to under spending of capital budget and accumulation of project funds in poorly managed trust accounts.	High	Future PSM support to focus on implementation capacity development programs in areas of (i) planning framework, prioritization, and project selection, (ii) investment programming, (iii) maintenance programming, (iv) due diligence in project preparation, (v) expenditure controls, (vi) financial reporting, and (vii) trust account management, controls, accounting and reporting.

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<b>Governance (Corruption)</b>		
13. Compliance with anti-corruption rules.	Medium	PMU will put in place mechanisms to mitigate the risk of manipulation of processes for personal gain. Those performing evaluation services will be different from those approving project investments (e.g. SGF climate change adaptation subprojects).
14. Given cultural issues, bribes and corruption could be accepted as standard practice, particularly among members of the same island group.	Medium	CCDA will support anticorruption efforts and transparency through wide consultation and public disclosure on major project decisions regarding prioritizing subprojects to attract project financing. Criteria developed to minimize the opportunity for collusive behavior between contractors, stakeholders and beneficiaries.

**Overall Medium**

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ADB = Asian Development Bank; CCDA = Climate Change Development Authority; NGO = non-government organization; PCCL = PNG Ports Corporation Limited; PISC = project implementation support consultants; PMU = Project Management Unit; PNG = Papua New Guinea; PSM = Public Sector Management; OCCD = Office of Climate Change and Development; SPCR = Strategic Program for Climate Resilience.