

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
Public financial management	Medium	
Weak public financial management systems, particularly accounting, budget preparation and execution, cash planning, and performance measurement		A framework of procedural requirements is set out in the PAM for financial management, reporting, and auditing requirements. All will be monitored by review missions and during normal loan administration, and followed up regularly with concerned agencies and individuals, including the external auditor. The project design includes ADB and IFAD providing 100% of the financing to avoid the need for significant counterpart financing (the government will contribute in-kind by assigning staff to the project). The project will coordinate with ongoing ADB, World Bank, and other programs to strengthen public financial management.
Shortage of skills in financial management, including financial analysis, management, accounting, financial reporting, and audit		A long-term project accountant (consultant) will be recruited during project start-up to help set up the chart of accounts and reporting procedures, the imprest account, and subaccounts; and set down procedures for their operation together with the advances to be drawn from the subaccounts. The project accountant will build capacity in MAF and the provincial agriculture and forestry offices through on-the-job training with ADB support. Provision for an external auditor is included in the project costs.
Corruption	Medium	
The Lao PDR ranked 154 out of 178 countries in the Transparency International corruption perception index in 2010		The government's Anticorruption Law (2005) defines the principle rules and measures for preventing and countering corruption. The government has since passed a series of laws to strengthen public expenditure and financial management. The National Legislative Assembly has set up a hot line whereby ordinary citizens can call to report suspected cases of inappropriate behavior or corruption; it appears to be quite effective. ADB will build awareness of its Anticorruption Policy among MAF personnel and other project stakeholders.
Procurement	Medium-high	
Inadequate procurement knowledge and lack of experience in procurement of goods, works, and consulting services; record-keeping is poor		A long-term procurement specialist will be recruited during project start-up to assist the NPMO in (i) utilizing standard bidding procedures; (ii) developing job descriptions for all relevant personnel; (iii) engaging a full-time procurement officer, who will be supported and trained (on-the-job); (iv) developing a systematic filing and storage system for all procurement documents, together with a payment tracking system; and (v) establishing clear regulations setting out procedures to be followed for all procurement approvals to permit a clear auditable trail of procurement decisions, as well procedures for dealing with procurement complaints. In addition, ADB will require prior review for all contracts for procurement of goods and works under NCB and procurement of consulting services. The first three contracts procured under shopping for goods and works will require prior review.

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Institutional arrangements	Medium	
Unclear roles and responsibilities, no clear direction		The PAM clearly sets out the roles and responsibilities of MAF and the provincial agriculture and forestry offices, and provides detailed descriptions of the roles and responsibilities of senior staff. National and provincial steering committees will provide direction on policy, and on other matters. All implementation arrangements were discussed and agreed in detail with MAF during loan fact-finding.
Lack of experience of executing and implementing agencies		MAF and the provincial agriculture and forestry offices are very experienced with ADB projects. The geographic scope of the project is the same as the previous LDP project. Where weaknesses have been detected, such as with the Project Management Division, the project provides resources to strengthen them, such as the provision of loan implementation consultants and the mobilization of experts within MAF to provide direction to the provincial and forestry offices.
Shortage of qualified government staff to work in the districts		Project implementation will be phased to concentrate limited capacity on fewer activities and expand operations as capacity is developed. The government has committed to ensuring that the staff requirement for the project management structures is fulfilled. Project cost estimates include an allocation to recruit contractual staff if needed. The loan implementation consultants will provide the necessary support until local staff skills are adequately developed.
Safeguards	Medium	
Lack of awareness of safeguard issues among government staff		Safeguard frameworks were prepared to guide the preparation of initial environmental examinations, ethnic group development plans, and resettlement plans during project implementation. Safeguard specialists are included in the loan implementation consultants to support MAF and the provincial agriculture and forestry offices in ensuring satisfactory preparation of safeguard documentation and subsequent compliance through monitoring.
Sustainability	Medium	
Fluctuations in market prices or official interventions, such as price controls or other market distortions, suppress production		Demand for meat is forecast to be strong and increasing in the foreseeable future. Good business practices will improve the ability of smallholders to cope with temporary downturns. The Lao PDR has committed to joining the AEC in 2015, which requires participating countries to liberalize markets for trade throughout the region. ADB maintains close dialogue with all levels of government and other stakeholders to ensure commitment continues.
Slaughter slabs continue to use improper methods undercutting the viability of HACCP slaughterhouses		In accordance with the Law on Food (2013), the government now has the means to regulate the slaughtering of livestock. The project will provide support to MAF in the development of policy to effectively implement the law. The issue of public health is cross-cutting and concerns MAF, MOF, MOIC, and NTA (all are members of the project steering committee, a forum for coordination of public concerns). The project will provide training to inspectors on how to enforce standards.

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Current market traders and vested interests resist changes in trade practices		The project will improve the LVCs to meet domestic demand and to open opportunities for new markets. Improved value chains will lead to higher profits for all LVC stakeholders. Through the course of the project the private sector is expected to gradually respond to these market signals.
Market chain components do not sustain improved standards		The Law on Food and improvements that the project will implement and demonstrate will raise the expectations of consumers. Markets and vendors who maintain proper standards are expected to benefit from consumer preference. This is reinforced by regulatory measures being initiated by MAF, MOF, MOIC, and NTA.
GAP, OIE, and HACCP certification requirements are beyond LVC stakeholder capacity		To participate in and profit from the AEC market and to enter into other international markets, the certification standards must be met. The project will provide training to LVC stakeholders to move toward certification. Moreover, the Law on Food provides the legal basis to strengthen the movement to use the standards. The project will provide extensive extension support to attain the standards, already achieved in neighboring countries.
Operation and maintenance		To ensure adequate O&M of wet markets, identification of an operator and willingness to enter into a contract will be a condition of participation. O&M will be funded from market fees. O&M of slaughterhouses will be sustained through a fee for service mechanism. O&M of the meat processing facility will be partly funded through the sale of meat and partly from the NAFC budget.
Parallel collaborative financing	Low	
Delay of IFAD parallel collaborative cofinancing leads to delay of activities related to farmer extension and training, rural credit, value chain training, and policy studies		OCO has accepted IFAD's formal commitment to provide cofinancing for the project, which is expected to become available in the second quarter of 2016. OCO is preparing a draft cofinancing agreement. IFAD fully and integrally participated in the project design process and the government agreed to the terms of conditions of the IFAD loan. The ADB-funded start-up consultants and loan implementation consultants will be mobilized prior to IFAD funding and are expected to put in place project management systems and undertake preparatory activities so that the IFAD-funded activities may begin as soon as the funds are available. In the extremely unlikely event that the IFAD resources do not materialize, the project's geographic scope and activities would be narrowed to focus on expanding smallholder production through a major change of scope.
Overall	Medium	

ADB = Asian Development Bank, AEC = ASEAN Economic Community, ASEAN = Association of Southeast Asian Nations, GAP = good agricultural practice, HACCP = hazard analysis and critical control points, IFAD = International Fund for Agriculture Development, Lao PDR = Lao People's Democratic Republic, LDP = Livestock Development Project, LVC = livestock value chain, MAF = Ministry of Agriculture and Forestry, MOF = Ministry of Health, MOIC = Ministry of Industry and Commerce, NTA = National Tourism Authority, OCO = (ADB's) Office of Co-financing Operations, OIE = Office International des Epizooties, PAM = project administration manual.

Source: Asian Development Bank.