

## RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risks Description	Rating	Mitigation Measures	Responsibility
<b>General</b>			
Project cities are adversely affected by international economic developments.	M	The project was designed to support priorities of KSG and MSG, and the union government is committed to supporting the development of corridor towns as economic nodes along the GMS economic corridor.	DUHD, KSG, MSG, ADB
Approval of parallel financing from NEDA and TICA is delayed.	L	Components financed by NEDA and TICA have been designed to be implemented independently from the components financed by ADB.	NEDA, TICA, DUHD, KSG, MSG
<b>Technical</b>			
Implementation of the JICA-supported water projects in Mawlamyine and Hpa-An are delayed.	L	Designs of the water supply components in Mawlamyine and Hpa-An have been adjusted to function even without the JICA projects.	JICA, KSG, MSG
Poor households do not connect to the centralized water networks.	S	Targeted aid for low-income households will be introduced: flexible payment options for water connection or waiver of water connection fees.	PMOs, PIU
<b>Financial</b>			
PMO and PIU staff do not have sufficient knowledge and experience in the implementation of externally funded projects, thus risks to financial management are rated <i>high</i> .	H	DUHD will engage a consultant to support project implementation, and ADB will train PMO and PIU staff on ADB's requirements and procedures for funds disbursement and financial management.  Direct payment procedure will be applied for all payments.	DUHD, ADB  PMOs, ADB
Counterpart funds are insufficient or not provided in a timely manner.	M	Land acquisition and resettlement has been minimized during project preparation to reduce counterpart funds.	KSG, MSG, ADB
Revenues of KSG and MSG are insufficient to cover the operation and maintenance of project facilities.	H	KSG and MSG will ensure that they secure in a timely manner a subsidy, fiscal transfer, or any other financial support from the central government to cover the shortfall.	KSG, MSG
<b>Procurement</b>			
PMO and PIU staff do not have sufficient knowledge and experience in the implementation of externally funded projects, thus risks to procurement are rated <i>high</i> .	H	The number of procurement packages was minimized.  Most procurement packages will be procured using international competitive bidding.  DUHD will engage a consultant to support project implementation, and ADB will train PMO and PIU staff on ADB's requirements and procedures for procurement.	PMOs, ADB  PMOs, ADB  DUHD, PMOs, ADB
Project implementation is delayed because of slow start-up in recruiting the project implementation support consultant.	S	Advance actions will be implemented. ADB will assist DUHD in selecting the project implementation support consultant, provided that DUHD negotiates and signs the consulting service contract.	DUHD, ADB

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<b>Governance</b>			
Irregularities in procurement and financial management	M	Financial management assessment and procurement capacity assessment have concluded that appropriate control mechanisms are in place. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government and the executing agencies. The project implementation consultant will assist with procurement and financial management.	DUHD, KSG, MSG, ADB
<b>Environmental and Social Safeguards</b>			
Major environmental impacts occur particularly during construction, potentially affecting health conditions for laborers.	L	Reinforcement of EMP follow-up with inclusion of consultants and external monitoring as part of project management. In PMOs, a person acting as a focal point for EMP implementation will be appointed.	PMOs
Land acquisition and resettlement is insufficiently resourced and implemented.	L	External monitoring and training are included in project management. In PMOs, a person acting as a focal point for resettlement plan implementation will be appointed.	PMOs

ADB = Asian Development Bank, DUHD = Department of Urban and Housing Development of the Ministry of Construction, EMP = environmental management plan, GMS = Greater Mekong Subregion, H = high, JICA = Japan International Cooperation Agency, KSG = Kayin State Government, L = low, M = moderate, MSG = Mon State Government, NEDA = Neighbouring Countries Economic Development Cooperation Agency, PIU = project implementation unit, PMO = project management office, S = substantial, TICA = Thailand International Cooperation Agency.

Source: Asian Development Bank.