

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
Project Implementation		
The technical designs and specifications of infrastructure subprojects are not appropriate in terms of contracting capabilities, materials availability, and site conditions	Medium	Conventional engineering designs have been used. Detailed design will employ engineers familiar with works design, site conditions, quality standards, and construction supervision in Cambodia. The two civil works packages are large enough to attract qualified national and national contractors.
Improper construction methods and equipment supply will cause delays and increase costs	Medium	Bidding documents will require (i) evidence of satisfactory past performance in similar conditions, (ii) adequate physical plant, (iii) adequate financial capacity of contractors, and (iv) adequate contingencies for unforeseen items. ADB's standard bidding documents and ICB procedures will be followed.
Lack of private sector interest in operating international passenger ferry services will undermine the feasibility of Kampot pier	High	The executing agency undertook a market sounding during project preparation. Five firms have registered expressions of interest to operate the passenger ferry service. An investment brief will be prepared shortly after project inception and advertised widely. An international public-private partnership specialist will be engaged to provide the government with transaction advisory services.
Institutional Arrangements		
Ambiguities in the roles and responsibilities of the PCU and PIUs	Medium	The composition and responsibilities of the PCU and PIUs have been clearly defined and agreed in the PAM. The national and provincial steering committees will provide guidance on project implementation matters during semiannual planning and review meetings, and they will resolve any issues.
O&M of infrastructure assets is not implemented effectively	Medium	O&M plans with sustainable finance mechanisms will be prepared for all project facilities, with capacity building and training programs provided for entities and staff tasked with O&M.
The PIUs lack of experience with ADB and government financial management; procurement procedures will cause delays in project implementation	Medium	Training in financial management procedures acceptable to ADB and the government will be implemented shortly after loan effectiveness, with the participation of all PIU and PCU staff. Consultants will be embedded in the PCU and PIU offices to provide on-the-job training in financial management and procurement.
Government will not appoint full-time qualified men and women counterpart staff	Medium	Job descriptions with minimum qualifications have been prepared for each PCU and PIU position, with gender targets agreed in the project's gender action plan and loan covenants.
Inadequate coordination with other GMS countries leads to asynchronous implementation of subregional activities	Medium	The project's subregional steering committee and senior PCU and NTO staff from all GMS countries will meet twice annually in conjunction with the GMS Tourism Working Group to jointly plan and review subregional activities.

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Project Costs		
Project cost estimates may not be sufficient due to unforeseen circumstances such as inflation or additional works	Medium	The project (i) has used conservative cost estimates, (ii) will follow ADB procurement guidelines for civil works contracts, and (iii) has included price and physical contingencies to cover unforeseen events.
Weak public financial management systems, particularly accounting, budget preparation and execution, cash planning, and performance measurement	High	Consultants will assist the executing agency to develop suitable project-specific accounting systems, develop a chart of accounts, provide training in the use of accounting software to be procured by the project, and develop a financial management manual for the project. Compliance with financial management, reporting, and auditing requirements will be monitored by review missions and during normal program supervision, and will be followed up on regularly by all concerned, including the external auditor. The project will coordinate with ongoing ADB, World Bank, and other programs to strengthen public financial management.
In project provinces there is a shortage of financial management skills, including financial analysis, management accounting, financial reporting, and audit skills	Medium	Counterpart staff will be provided with financial management, accounting, and procurement training by the international and national financial management and procurement consultants. Counterparts will participate in periodic disbursement seminars conducted by ADB's Controller's Department.
Potential corruption from weak procurement oversight	Medium	Standard ADB bidding documents and procedures will be used. Grievance redress procedures, including misuse of funds, will be published on the project website, and mechanisms put in place to address any grievances received. A good governance framework has been endorsed by the executing agency.
Social and Environmental Safeguards		
Delays in updating and implementing Kep resettlement plan will delay award of the civil works contract	Low	Resettlement specialists will be recruited to assist the PCU and PIUs with timely updating of the plans and implementation and monitoring of resettlement activities. Expected resettlement impacts involve only temporary minor business losses and no physical dislocation.
Increased volumes of tourists will overwhelm infrastructure and services at project sites, causing negative environmental impacts	Medium	Project infrastructure has been designed to accommodate projected demand until at least 2030. The IEE and EMPs prepared for each subproject cover the construction and operations phases, and they will be updated during project implementation.
Business owners will not be willing to pay for improved wastewater treatment	Medium	Infrastructure design considers affordability and willingness to pay based on social surveys conducted during project preparation. The project design includes resources to provide (i) free connections for crab market vendors to the wastewater treatment system, and (ii) sanitation and tourism awareness campaigns to increase demand for environmental services.

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Potential negative externalities brought about by the influx of tourists, such as cultural degradation, child labor, or prostitution		The project will promote collaboration between private enterprises, nongovernment organizations, and law enforcement agencies to reduce vulnerability to social risks and support capacity building for entities responsible for heritage management.
Government and private sector do not plan for the impacts of climate change and do not put in place adequate measures to address the results of extreme climatic events	Medium	Provisions for the impact of climate change have been incorporated into infrastructure design. The IEE and EMP and climate resilience measures will be reviewed and updated during the detailed design of civil works.
Overall	Medium	

ADB = Asian Development Bank, EMP = environmental management plan, GMS = Greater Mekong Subregion, ICB = international competitive bidding, IEE = initial environmental examination, NTO = national tourism organization, O&M = operation and maintenance, PAM = project administration manual, PCU = project coordination unit, PIU = project implementation unit.
Source: Asian Development Bank.