

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Rating	Mitigation Measures	Responsibility
External Shocks			
More frequent or intense tropical cyclones or other natural hazards in the future may damage project infrastructure.	Medium	The project will ensure that infrastructure investments meet standards for cyclone and earthquake resilience.	Implementing agencies and turnkey contractors.
Governance			
Poor coordination between executing and implementing agencies and the agencies with oversight roles may inhibit effective implementation.	Low	The implementing agencies regularly update the executing agency and the relevant agencies with oversight roles through a rigorous monitoring, reporting, and evaluation framework.	Implementing agencies and project management unit
Financial Management			
Slow transfer of grant proceeds (from the government [Ministry of Finance and National Planning]) to the implementing agencies.	Low	A project accountant (consultant) has been recruited under the project management unit and will assist the executing agency in preparing withdrawal applications, monitoring use of project funds, and preparing project financial statements for ADB projects currently being implemented in the country.	Executing agency, implementing agencies, and project management unit
Foreign exchange risk.	High	ADB requires that 15% of the grant proceeds remain unallocated as reserve for foreign exchange risks. The grant agreements clearly indicate that the borrower and/or recipient shoulders the foreign exchange risk. The proposed additional financing will provide enough contingencies.	ADB
Procurement			
Implementation could be delayed, leading to cost overruns.	Low	This risk can be mitigated by benchmarking the cost estimates from the current project against the Cyclone Ian Recovery Project. ^a	Executing agency, implementing agencies, project management unit, and project management consultant
Delays in procurement and start-up may delay implementation.	Low	Project start-up activities will begin immediately following project approval to enable timely detailed design, preparation of bid documents, and the tendering and award of contracts. Advance contracting will be undertaken for goods and services that are expected to be procured through the national competitive	Executing agency, implementing agencies, project management unit, and project management consultant

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Implementation may be adversely affected by the significant difficulties in transport logistics and the unavailability of materials and skilled labor in Tonga, particularly on its outer islands.	Low	bidding method. Direct contracting will be used for the procurement of electric equipment to ensure standardization with existing equipment. The final technical and engineering designs and bidding process for upgrading the proposed power distribution network component will be conducted by TPL. TPL staff will carry out the design, supervision, and installation work. The additional financing will cover the incremental labor costs TPL incurs in carrying out the project's civil works (using force account or direct contracting) due to the scattered nature of these works.	Implementing agencies,
Corruption and/or Fraud Corruption and fraud are potential risks to the proper procurement of consultants and works contracts. Materials and work quality may not meet contract specifications.	Low	The executing agency will participate in, monitor, and audit quality control. ADB will also conduct review missions and provide safeguards and additional due diligence as required to monitor ongoing progress and take remedial action where necessary. Relevant provisions of ADB's Anticorruption Policy (1998, as amended to date) are included in the loan and grant regulations and all documents and contracts during the bidding for and implementation of the project. Procurement activities are reviewed by the project steering committee.	Executing agency and ADB
Overall	Low		

^a ADB. 2014. *Report and Recommendation of the President to the Board of Directors: Proposed Grant and Administration of Grant to the Kingdom of Tonga for the Cyclone Ian Recovery Project*. Manila.
ADB = Asian Development Bank, TPL = Tonga Power Limited.
Source: ADB.