

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
Governance		
Project effectiveness could suffer due to the lack of sufficient human resources for project management and implementation.	Medium	The project includes project implementation assistance (PIA) consultant services that will provide the design and supervision works and on-the-job training for project management unit (PMU) and project implementation unit (PIU) staff. The executing agency will recruit additional staff when needed to support the project and post-project activities.
Limited absorptive capacity of the PIU could delay project implementation	Medium	The project follows standard international designs and standards, allows adequate implementation periods for construction, and builds on previous project designs. Additional staff for the Stung Treng public waterworks (PWW) will be recruited and trained and other PWWs will be strengthened as needed.
Public Financial Management		
Financial sustainability of the project's water supply investments could be adversely affected by the lack of financial management skills and irregular tariff adjustments.	Low	The PIA consultants will provide training and capacity development in financial management for PWW financial staff and for nonfinancial managers. The project will support the Department of Potable Water Supply in making the tariff adjustments necessary to keep pace with cost escalation and cost recovery. All PWWs are to become autonomous state-owned enterprises by 2018, in line with the government's national strategic development plan for 2014–2018.
Procurement		
Lengthy government procurement processes, combined with those of ADB, could cause delays in the recruitment of consultants and the procurement of goods, equipment, and services.	Low	The Ministry of Industry and Handicraft (MIH) is a new ministry established in 2014 and so has no track record. However, its Department of Potable Water Supply has been carried over from the previous Ministry of Industry, Mines, and Energy. This department has previous experience and will be the PMU. Under Output 4 of the project ¹ , the PMU staff will receive updated training on ADB's processes for procurement and recruitment of consultants to ensure full understanding. Support in the preparation of documents will be provided by the PIA consultants under Output 4, and the procurement officer at the resident mission will provide assistance before and during the procurement process.
Corruption		
Political interference could adversely affect bidding and the project's operational phase, and corruption could impair procurement and implementation.	Medium	The MIH is a new ministry established in 2014 and so has no track record. However, new leadership at the MIH is focused on sector reform, transparency, sustainability, and increased autonomy. Project design with review before and after procurement of bidding documents, bid evaluation, contract award, project management, procurement compliance, and financial audits will help to mitigate the risk.

¹ Project implementation supported and operation and maintenance developed.

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		Cambodia's anticorruption law adopted in April 2010 provides sanctions against conflicts of interest. An anticorruption institution unit headed by a senior minister was established in the Prime Minister's Office.
Other The project could damage the environment through water source pollution or poor management of water treatment plant waste chemicals.	Low	Environment safeguards measures will be integrated into the project design and planning stages and monitored during the implementation.
The potential presence of unexploded ordnance (UXO) could cause safety issues and/or delay project implementation.	Medium	Geophysical surveys to identify UXO contamination and any necessary clearance and decontamination will be undertaken by a specialized contractor, managed by the PMU and PIUs. A clearance certificate and appropriate supporting documentation must be submitted to the government and ADB before any works start in areas where UXO is suspected. This requirement is included as a loan covenant specific to Stung Treng, where the potential for the presence of UXO has already been identified.
Potential archaeological finds could result in delays to project implementation and possibly changes in design.	Medium	Appropriate measures and recommendations are identified in the relevant initial environmental examinations and due diligence reports to minimize any potential impact on the progress of construction work. This is of specific relevance to Siem Reap.
Inadequate availability of suitable sources of water could affect the project design and the ability to expand coverage.	Low	The availability of adequate water sources is to be confirmed at all locations. At Siem Reap, water for the new distribution system will come from a new water treatment plant to be completed by 2017 under financing from the Agence Française de Développement (AFD) and augmented in 2019 with a new water treatment plant, serving all of Siem Reap, under financing from the Japan International Cooperation Agency (JICA). Close coordination is being maintained with the MIH, AFD, JICA, and Siem Reap Water Supply Authority. This will continue throughout project implementation to ensure that the timing of the two projects is compatible.
Overall	Medium	Source: Asian Development Bank