

GOVERNANCE RISK ASSESSMENT AND RISK MANAGEMENT PLAN

1. In all instances, the Loan Agreement shall be the overriding legal document. ADB's Procurement Guidelines (2013, as amended from time to time), and ADB's Guidelines on the Use of Consultants by the Asian Development Bank and its Borrowers (2013, as amended from time to time) shall be applied pursuant to the Loan Agreement as they may be modified by that Loan Agreement. The Government's policies and procedures shall be applicable to the extent there is no discrepancy with the Loan Agreement or ADB's Procurement Guidelines and Consulting Guidelines. In the event there is a discrepancy, then the Loan Agreement, the Procurement Guidelines and the Consulting Guidelines shall apply. The Governance Risk Assessment and Risk Management Plan (GRARMP) will be intensively monitored by the executing agency, implementing agencies, and by ADB. Rural Roads Improvement Project II's progress reports and review missions aide memoires or memorandum of understanding will record progress and challenges in implementing the GRARMP.

No.	Risks	Assessment without mitigation	Action to Mitigate Risk	Assessment with mitigation	Responsibility	Target/ Monitoring	Supporting Evidence
1. Procurement							
1a	Lack of familiarity with ADB procurement procedures	Medium	<p>The executing agency to establish national procurement committees under the Project, in accordance with the Government's Standard Operating Procedure/ Procurement Manual (SOP/PM), updated on 22 May 2012 and as amended from time to time, both of which are in line with ADB guidelines.</p> <p>The executing agency shall ensure that the Declarations of Fraud and Ethical Conduct for Procurement Review Committee members and bidders (contractors, suppliers and consultants) are signed for each transaction. A copy of the declarations of winning bidders shall be part of the awarded contracts.</p>	Low	The executing agency is MRD	Project Director to monitor throughout project duration.	Progress report and project review missions aide memoire
1b	Non-compliance with ADB and Government procurement procedures	Low	<p>The executing agency is to adhere strictly to the procedures and guidelines set forth in the Loan Agreement, ADB's Procurement Guidelines and SOP/PM.</p> <p>All contracts financed by ADB will include provision specifying the right of ADB to audit and examine the records and accounts of executing agencies, implementing agencies, the contractors, suppliers, consultants and</p>	Low	The executing agency and MEF to monitor for compliance with the Loan Agreement, ADB's Procurement Guidelines and the SOP/PM.	Throughout the project.	Minutes of CSC and PRC meetings, ADB no objection letters, Procurement Files, and project review missions' aide memoire.

No.	Risks	Assessment without mitigation	Action to Mitigate Risk	Assessment with mitigation	Responsibility	Target/ Monitoring	Supporting Evidence
			other service providers.				
1c	Following the wrong procedures and thresholds.	High	In the following order of precedence, the executing agency and/or implementing agency shall follow the procedures specified in: (i) the Project Financing Agreement; (ii) ADB's Procurement and Consultant Guidelines; (iii) the Government's SOP/PM ¹ ; (iv) governance risk assessment and risk management plan for project implementation.	Medium	The executing agency and MEF to monitor for compliance with these procedures.	Every procurement transaction, Project Director to monitor. ADB to verify during review missions, prior reviews and post reviews.	ADB no objection letters, Procurement Files, and project review missions aide memoire.
1d	Inadequate procurement capacity.	High	A procurement capacity assessment was undertaken as part of the project preparation technical assistance for preparation of the Project. The assessment found that the procurement capacity is adequate.	Medium	Executing agency	Throughout Project duration	
			The executing agency will receive continued hands-on training and technical assistance from consultants recruited under the Project. The Government SOP/PM will be used under the Project.		Executing agency	After effectiveness	

¹ In May 2012, the Government approved the revised manuals on SOP, financial management, and procurement for externally financed projects/programs in Cambodia. Rural Roads Improvement Project II's implementation will comply with the guidelines in these manuals. These include: (i) Manual on SOP for Externally Financed Project/Programs in Cambodia; (ii) Financial Management Manual for Externally Financed Project/Programs in Cambodia; and (iii) Procurement Manual for Externally Financed Project/Programs in Cambodia, Phnom Penh (in two volumes).

No.	Risks	Assessment without mitigation	Action to Mitigate Risk	Assessment with mitigation	Responsibility	Target/ Monitoring	Supporting Evidence
			Project to closely monitor and review procurement conduct (both prior & post review), and where necessary, take measures to improve procurement procedures based on lessons learnt from each successive procurement activity.		Executing agency, MEF and ADB	Throughout Project duration	
1e	Delayed execution of schedules in the Procurement Plans and failure to track procurement transactions.	High	Annual procurement plans will be prepared and tied to the program's annual work plan. PMU will maintain Procurement Tracking Forms as defined in the SOP and PM (page 150), and take actions to recover delays through additional consultant inputs if necessary.	Low	The executing agency to prepare updated procurement plans and procurement tracking form.	Update procurement plan and procurement tracking every review mission or more frequently if required to reflect project implementation needs.	Last updated procurement plan approved on (date) uploaded in ADB website.
1f	Poor quality of design standards or poor execution of design set in project implementation manual.	High	The executing agency to ensure appropriate and high quality design standards	Low	Executing agency and ADB	Project Director and PTL to monitor throughout project duration.	
1g	Inadequate monitoring of contractors' works after awards of contracts	High	Regular due diligence of on-site monitoring of procurement processes and implementation of contracts by executing agency and ADB. Project engineer will join ADB review missions to review construction if concerns about quality are raised.	Medium	Executing agency and ADB	Executing agency and ADB will monitor throughout project duration.	

No.	Risks	Assessment without mitigation	Action to Mitigate Risk	Assessment with mitigation	Responsibility	Target/ Monitoring	Supporting Evidence
2. Financial Management							
2a	Inadequate internal controls.	High	Strengthen financial management system and internal controls function by ensuring that the Project uses SOP including procedures in the FMM, which cover: <ul style="list-style-type: none"> • financial policies and standards; • elements of internal control; • financial accounting system, ledgers, journals; • bank accounts and credit/grant withdrawals; • Project expenditure, payroll, petty cash, advances; and • FM reports, audit, counterpart funds withdrawals. 	Low	The executing agency and MEF to monitor for compliance with SOP/FMM, as well as Loan Agreement and ADB's Anticorruption Policy	Throughout Project duration	Evidence seen on financial files.
2b	Financial management capacity/ financial management training	High	The executing agency to receive continued hands-on training and technical assistance from consultants recruited under the Project. The Government's FMM and SOP that updated on 22 May 2012 will be used under the Project as well as relevant provisions of the Loan Agreement and ADB's Procurement Guidelines and Consulting Guidelines.	Low	Executing agency and MEF to monitor for compliance with SOP/FMM, as well as Loan Agreement.	Training to take place at the start of the Project Implementation.	Evidence seen on financial files. Loan disbursement training and other financial management training

No.	Risks	Assessment without mitigation	Action to Mitigate Risk	Assessment with mitigation	Responsibility	Target/ Monitoring	Supporting Evidence
			Project to closely monitor and review financial management conduct and make necessary improvements as required.				
2c	Minimize cash transactions	Medium	Where petty cash procedures stated in PAM shall not be allowed, Project to make all progress payments to contractors, suppliers and consultants – firms, individuals, national and international – by check or transfer to bank accounts, and retain evidence for audit and donor supervision missions.	Low	Executing agency	Throughout Project duration	Evidence seen on financial files and disbursement vouchers
2d	Inconsistency in allowances paid to Government staff attending training, workshops and study tours	Medium	Project to follow MEF's Instruction Letter No. 2000, dated 23 April 2007 on standard daily subsistence allowances.	Low	Executing agency to incorporate into Annual Training and Workshop Plan	Throughout Project duration	Evidence seen on financial files.
			Project to establish Annual Training and Workshop Plan with estimated budget.		Approved by executing agency with ADB NOL	4th Quarter annually	
			Each training or workshop to have a detailed budget and expenses approved by the executing agency.		Executing agency	Throughout Project duration	
2e		High	Project to ensure that training, workshops, study tours and other similar activities: <ul style="list-style-type: none"> • are in line with Project aims and objectives • meet identified needs within the subproject plans, and 	Medium	Executing agency	At time of annual work plan preparation, and again before each training, workshop or study tour	Evidence seen on financial files. Training proposals and training payments

No.	Risks	Assessment without mitigation	Action to Mitigate Risk	Assessment with mitigation	Responsibility	Target/ Monitoring	Supporting Evidence
			<ul style="list-style-type: none"> have budget in line with planned expenditure approved by the executing agency. Project to seek executing agency prior approval for any significant plan changes or departures. 				
2f		High	<p>Project to set cost guidelines for selected training/workshop activities, including:</p> <ul style="list-style-type: none"> venue rental with refreshments/meals sound and projection equipment hire stationery/hand-outs <p>Project-specific training and workshop materials, simultaneous translators, and photocopying, reproduction, translation.</p>	Medium	Executing agency	Before first training, workshop or study tour	<p>Evidence seen on financial files</p> <p>Training proposals and training payments.</p>
2g		Medium	<p>Project to define evidence to be submitted by attendees for reimbursement of expenses which may include:</p> <ul style="list-style-type: none"> proof of attendance for period claimed with signed statement by the workshop, training or study tour organizer or host proof of travel by air – ticket stubs, travel agent’s receipt, airline boarding passes 	Low	Executing agency	Each occasion	<p>Evidence seen on financial files.</p> <p>Training proposals and payment documents</p>

No.	Risks	Assessment without mitigation	Action to Mitigate Risk	Assessment with mitigation	Responsibility	Target/ Monitoring	Supporting Evidence
			<ul style="list-style-type: none"> received hotel bills (for proof of stay) receipts for incidental travelling expenses receipted invoices for venue rental, food and beverage, sound/projection equipment, hire of simultaneous translator, stationery and handouts, use of photocopying facilities 				
2h		Medium	Project to reimburse against receipts except where covered by fixed allowances in MEF's Letter No. 2000	Low	Executing agency	Each occasion	Evidence seen on financial files.DSA payment document.
2i		Medium	Project to retain evidence of attendance and payment of attendees' per diem and allowances	Low	Executing agency	Each occasion	Evidence seen on financial files.DSA payment document.
3. Governance and Corruption							
3.1 Disclosure							
3.1.a	Possible conflicts of interest among implementation staff.	High	All staff to disclose private and public affiliations or personal interest before becoming involved in any Project-related transaction, such as contract award. Executing agency to prepare a declaration statement for staff's signature.	Medium	Executing agency to ensure all PRC staff sign the disclosures	Each occasion.	Internal audit report

No.	Risks	Assessment without mitigation	Action to Mitigate Risk	Assessment with mitigation	Responsibility	Target/ Monitoring	Supporting Evidence
3.1.b	Insufficient public disclosure of information.	High	<p>For all contracts subject to prior review, within two weeks of receiving ADB's no-objection letter to the recommendation of contract award, executing agency will publish on its website the results of the bid evaluation, identifying the bid and lot numbers, and providing information on:</p> <ul style="list-style-type: none"> (i) name of each bidder who submitted a bid; (ii) bid prices as read out at bid opening; (iii) name and evaluated prices of each bid that was evaluated; (iv) name of bidders whose bids were rejected and the reasons for their rejection; (v) name of the winning bidder, and the price it offered, as well as the duration and summary scope of the contract awarded 	Medium	Executing agency to arrange disclosure	Website updating should not be more than three months behind project activities.	Website visited on (date) and the following was found: www.mrd.gov.kh
			For contracts subject to post review, MRD will publish the bid evaluation results no later than the date of contract award.		Executing agency to arrange disclosure		
			At a minimum, the Project will disclose the information required by the Loan Agreement.		Executing agency to arrange disclosure		

No.	Risks	Assessment without mitigation	Action to Mitigate Risk	Assessment with mitigation	Responsibility	Target/ Monitoring	Supporting Evidence
3.2 Civil Society Role							
3.2.a	Lack of involvement of CSOs to increase transparency.	Medium	Each advertisement shall mention that any civil society representatives or interested persons may attend the bid opening.	Low	Executing agency	Throughout project duration	Website
3.3 Complaints and Remedies Mechanism							
3.3.a	Lack of a formal complaints and remedies mechanism covering all aspects of project-financed activities.	High	In addition to complaints procedures for procurement, which follow processes set out in the SOP/PM, the executing agency shall establish complaints and remedies mechanisms for all aspects of the Project.	Low	Executing agency to prepare an overall complaints and remedies mechanism with full details of procedures.	At effectiveness and throughout project duration	Implementation progress report.
3.4 Code of Ethical Conduct							
3.4.a	Lack of a code of conduct for project staff.	Medium	Design code of conduct for all project implementation staff (including contract staff). Distribute to all staff and obtain acknowledgement of staff receipt.	Low	Executing agency	Design and furnish copy to ADB within three months after the Project's effectiveness.	Implementation progress report.
3.5 Anti-Corruption							
3.5.a.	Potential for bribery on works contracts	High	Use mass media for bidding announcement.	Medium	Executing oversight and ADB follow-up and monitor.	Throughout the project duration and project review missions.	
			Avoid to limit bidding and/or to restrict on number of tender documents for sale.				
			Monitor process of bidding evaluation and selection by bringing industry associations into the progress of tender evaluation and selection.				

No.	Risks	Assessment without mitigation	Action to Mitigate Risk	Assessment with mitigation	Responsibility	Target/ Monitoring	Supporting Evidence
			Provide independent technical specialists to review claims under works contracts.				
3.5.b	Informal payments by contractors, suppliers, and consultants	High	<p>All contractors/bidders, suppliers and consultants (firms or individual/national or international consultants) shall sign the declaration on ethical conduct and fraud and corruption as stated in the SOP/PM.</p> <p>Strict monitoring and enforcement of procurement process and implementation of contracts will be done.</p> <p>Joint investigation by the National Audit Authority and the ADB's Office of Anticorruption and Integrity on irregularities.</p> <p>Application of sanctions when called for.</p>	Medium	Executing agency oversight and ADB follow-up and monitor.	Throughout the project duration and project review missions.	
3.5 c	Collusion during bidding	High	<p>In-depth scrutiny by procuring entities and prior/post reviews by ADB of Bid Evaluations and Recommendations for contract awards.</p> <p>PMO may need to conduct training of contractors on the requirements of ADB in preparing their bids given the limited familiarity with ADB procedures. Such training will highlight the need for a competitive environment and the consequences from collusion.</p>	Medium	Executing agency oversight and ADB follow-up and monitor.	During the bidding process for each contract.	BER; Internal Audit Report

No.	Risks	Assessment without mitigation	Action to Mitigate Risk	Assessment with mitigation	Responsibility	Target/ Monitoring	Supporting Evidence
			<p>Select experienced and impartial persons for participation in the tender evaluation committees.</p> <p>Transparency in selection criteria and selection process.</p> <p>Monitor closely during evaluation and selection.</p> <p>ADB reserves the right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive and/or coercive practices related to the program.</p> <p>Posting collusion tenders on the project website and public and bring the case to court if needed.</p>				
4. Project Specific							
4a	Poor enforcement of contract terms and needing to conduct contractors performance evaluation	High	Executing agency to ensure that contract terms are strictly enforced and the loan consultant will be a party to ensuring quality control of contract outputs, include acceptance of completion of works and services. The executing agency to conduct performance evaluation of all contractors providing all types of services under the Project.	Medium	Executing agency and MEF to oversight and monitor the progress and constraints	Throughout the project duration and project review missions.	Review mission reports; performance evaluation report conducted by executing agency
4b	Poor quality of design and works construction	High	Executing agency ensure that approved infrastructure's design standards and specification developed by the respective agencies are utilized for the design of	Medium	Executing agency	Throughout the project duration and project review missions.	Project design report; Review mission reports

No.	Risks	Assessment without mitigation	Action to Mitigate Risk	Assessment with mitigation	Responsibility	Target/ Monitoring	Supporting Evidence
			structures under the Project. Project to recruit experienced design consultant on a timely basis to assist the Project. Site supervision by project engineering consultants shall be conducted regularly.		Executing agency and with ADB NOL		
4c	Risk of low quality construction and supervision	High	Project to recruit experienced site supervision consultants to assist executing agency Regular technical audit is to be undertaken with any adverse findings to be acted upon immediately. Project to evaluate contractors' performance with poor performing contractors declared ineligible to bid for at least one year.	Medium	Executing agency and with ADB NOL Executing agency Executing agency and with ADB NOL	Throughout the project duration and project review missions.	Consultant recruitment documents
	Overall	Medium		Low			

ADB = Asian Development Bank, CSO = Civil Society Organizations, FMM = Financial Management Manual, MEF = Ministry of Economy and Finance, MRD = Ministry of Rural Development, NOL = no objection letter, PAM = project administration manual, PMU = project management unit, PTL = project team leader, SOP = standard operating procedures.