

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
1. Sustainability		
Inappropriate designs, poor quality construction, and deficient operation and maintenance (O&M) practices lead to premature asset deterioration and reduced benefits.	Medium	The existing loan implementation consultant will continue to provide guidance on the design, especially for dams and reservoirs, and oversight during construction. One of the requirements for the approval of subproject funding is an O&M plan. Training is being provided under the project for stakeholders involved in post-project O&M. Monitoring of O&M implementation is being undertaken for the completed subprojects. Subproject completion audit will ensure quality and sustainability.
2. Climate		
Catastrophic climatic events interrupt implementation or damage infrastructure.	High	Careful attention will be paid to the planning and sequencing of implementation activities to match seasonal conditions. Robust design with bioengineering measures will be used to stabilize local conditions.
3. Technical Capacity		
Not all provincial governments have adequate skills for identifying high-priority and strategic subproject investments	Medium	The executing agency, central project management unit (CPMU), and provincial project management units (PPMUs) have adequate experience from the original project. The loan implementation consultants (LICs) will assist the CPMU in properly assessing subproject proposals. The subprojects to be financed under the project will be screened and selected in accordance with the criteria agreed between the government and the Asian Development Bank (ADB).
The quality of the subproject technical designs prepared by provincial consultants does not meet standards	Medium	The executing agency, CPMU, and PPMUs have adequate experience from the original project. The LICs will assist the CPMU in reviewing the subprojects' technical designs.
Not all provincial government staff are fully familiar with environmental or social impact issues (other than land acquisition matters)	Low	The existing project design incorporates environmental and social safeguards. Safeguard training, provided under the original project, increased staff knowledge. However, additional training will be provided to ensure that the PPMUs implement and monitor the safeguard measures as per the agreed plan and framework.
Appropriate beneficiary consultation not undertaken	Medium	Due to their experience with the original project, the CPMU and PPMUs understand the importance of adequate consultation. Training will be provided to the commune supervision boards to strengthen their supervision capacity.
4. Governance		
Delays in selecting consultants	High	Consultant recruitment, to be conducted by the PPMUs, for feasibility studies, detailed design, and construction supervision, will be funded by government counterpart funds following national procedures. Given the large number of packages and the PPMUs' limited knowledge of ADB procedures and the English language, such use of counterpart

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Significant usage of direct contracting	High	<p>funding will help minimize recruitment delays.</p> <p>Four sets of consultants will be recruited for (i) loan implementation, (ii) baseline and end-line surveys, (iii) financial audit, and (iv) subproject completion audit.</p> <p>To avoid start-up delay, the CPMU will use the loan savings from the original project to process a contract variation for the current LIC contract to mobilize existing safeguard and investment report consultants for the additional financing. They will help the PPMUs and the subproject design consultants to prepare the subproject investment reports. Under the additional financing, the LICs will be recruited through single source selection.</p>
Limited price competition	Medium	<p>All civil works packages under the additional financing should be tendered competitively and all requests for direct contracting during implementation will be strictly scrutinized.</p> <p>The single-stage, one-envelope bidding procedure will be applied. To expand competition, the CPMU will organize business outreach events in Da Nang, Lam Dong, and Quang Tri by (i) notifying the construction industry about contracts under the additional financing, (ii) providing advice to prospective bidders on preparing compliant bids, and (iii) reassuring prospective bidders of mechanisms in place to ensure procurement is conducted by six selected PPMUs in a fair and transparent manner.</p>
Elevated risk of collusion	High	<p>Prior review of procurement documents will be extended to the first three civil works packages for Ha Tinh and Thua Thien Hue provinces.</p>
Defective bid evaluation reports	High	<p>A tailored capacity-building program will be undertaken to help the CPMU and six selected PPMUs understand sound bid evaluation techniques. Prior review of procurement documents will be extended to the first three civil works packages for Ha Tinh and Thua Thien Hue provinces.</p>
Proliferation of small packages	High	<p>Increase contract size given available contractor capacity data to reduce the administrative burden and risk of collusion, and improve quality of implementation.</p>
Delayed or nonexistent reconciliation of (i) advances and payable to contractors, and (ii) cash between accountant and cashier	Medium	<p>The executing agency, CPMU, and PPMUs have adequate experience. Periodic review will ensure proper reconciliation of advances and payables to contractors, and cash between accountant and cashier.</p>
Need to strengthen internal control system in terms of provincial capacity	High	<p>The executing agency, CPMU, and PPMUs have adequate internal control capacity from implementing the original project. Internal control will be further strengthened by allocating the additional financial management staff.</p>
Overall	Medium	

Source: Asian Development Bank estimates.