

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Flood Damage Emergency Reconstruction Project – Additional Financing

30 January 2014

No.	Risk/Issue	Assessment without Mitigation	Action to Mitigate Risk
Element 1: Procurement			
1.a	Following the wrong procedures and thresholds	Medium	EA/IAs shall strictly follow the threshold and procurement method as agreed in the procurement plan.
1.b	Irregularities relating to leaking prior or post-procurement information before the contract award and collusion during the bidding process	High	Executing and/or implementing agencies shall ensure that Statement on Ethical Conduct and Fraud and Corruption is signed by Procurement Review Committee members and bidders (contractors, suppliers, and consultants) for each transaction. A copy of the declarations of winning bidders shall be part of the awarded contracts.
1.c	Inadequate procurement capacity	High	Executing and implementing agencies will designate a qualified and experienced procurement staff member as the procurement officer for the project and will recruit additional procurement consultants if required.
1.d	Further procurement training recommended in procurement capacity assessment at appraisal	Medium	A procurement workshop will be conducted by ADB during the inception mission to train staff on ADB's procurement requirements and the procedures in the RGC's SOP/PM.
1.e	Incomplete or delayed procurement plans	Medium	Annual procurement plans will be prepared, tied to the annual work plan of the project. The implementing consultants will assist the EA and IAs on this activity.
1.f	Failure to track procurement transactions	Medium	The procurement officer will maintain procurement tracking forms as defined in the SOP/PM and submit them to the executing and/or implementing agency, MEF, and ADB at the intervals required in the SOP/PM.
1.g	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 the executing agency, implementing agencies, and ADB. An engineer hired by ADB will join ADB review missions to review construction if concerns about quality are raised.
Element 2: Financial Management			
2.a	Weak internal controls	High	Executing and implementing agencies shall follow the financial management procedures specified in (i) the project financing agreement, and (ii) the government's SOPs and Financial Management Manual.
2.b	Limited financial management capacity	High	Train executing and implementing agency staff in the Financial Management Manual. The training will be jointly organized by ADB and Ministry of Economy and Finance.
2.c	Delayed or nonexistent reconciliation of advances for operating costs or training expenses	High	Advances to project staff at the center or in field offices for operating or training expenses to be reconciled within 2 weeks after the end of each month. Finance officer is responsible to reconcile and keeping record.
Element 3 : Disclosure			
3.a	Possible conflicts of interest among implementation staff	Extremely High	All advertisements shall specify the invitation to civil society, NGOs, and interested persons to attend the bid opening.
3.b	Insufficient public disclosure of information	High	Executing and/or implementing agencies to disclose the project information on the respective websites.

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Element 4: Civil Society Organization Role			
4	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.
Element 5: Complaints and Remedies Mechanism			
5	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/Procurement Manual, the executing and implementing agencies shall establish complaints and remedies mechanisms for all aspects of the project.
Element 6: Code of Ethical Conduct			
6	Lack of a code of conduct for project staff	Medium	Design code of conduct for all project staff including contractual staff. Distribute to all staff and obtain acknowledgement of staff receipt. Project director and manager will enforce this.
Element 7: Sanctions			
7	Need to apply sanctions for breaches of the code by Ministry of Economy and Finance, Ministry of Public Works and Transport, Ministry of Rural Development, Ministry of Water Resources and Meteorology staff, contractors, suppliers, and consultants engaged on project-funded activities	High	<p>Prepare and attach to the Code of Ethical Conduct a list of sanctions that may be applied to staff that breach the code. This is in addition to legal penalties that may be applied under the laws of Cambodia.</p> <p>ADB may apply sanctions available in its general and project-specific legal agreements, including those pertaining to its Anticorruption Policy (1998, as amended to date).</p>
Element 8: Project Specific Elements			
8.a	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/Procurement manual.</p> <p>Strict monitoring and enforcement of procurement process and implementation of contracts will be done.</p> <p>Joint investigation of irregularities will be undertaken by the National Audit Authority and the ADB Office of Anticorruption and Integrity.</p> <p>Sanctions will be applied when called for.</p>
8.b	Collusion during bidding	High	There will be in-depth scrutiny by procuring entities and prior and/or post reviews by ADB of bid evaluations and recommendations for contract awards.

PM = Procurement Manual, RGC = Royal Government of Cambodia, SOP = Standard Operating Procedures