

## RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
<p><b>Financial Management</b> KAJUR's financial record management and financial reporting does not improve and KAJUR's financial planning capability remains low.</p>	High	A financial management advisor will be recruited under the project to help KAJUR strengthen its financial management systems and prepare financial documentation relating to the project.
Customer relations and customer service are poor and lead to perception of poor service delivery and reluctance to pay tariffs.	Substantial	KAJUR has developed and is implementing a customer relations plan.
<p><b>Institutional Capacity</b> KAJUR does not retain its senior management and finance personnel, and is unable to recruit suitable qualified and experienced managers and finance personnel.</p>	High	<p>KAJUR has a staff recruitment and development plan to develop managerial and financial management skills and reduce key personnel risks.</p> <p>A financial management advisor will be recruited under the project to help KAJUR strengthen its financial management.</p>
The skills base required to effectively manage and operate KAJUR electricity, water supply, and sewerage systems is limited.	Substantial	<p>KAJUR has a staff recruitment and development plan to develop key technical skills and reduce key personnel risks.</p> <p>To help KAJUR build capacity in the operation of the new SWRO plant and sewage treatment facility, the plant and the facility will be procured through design-and-install contracts that will include a plant management component for up to 5 years to enable KAJUR SWRO and sewage treatment facility operators to develop the skill sets required to manage and operate the plants effectively.</p>
KAJUR experience in the use of MDB procurement systems may result in delayed procurement or misprocurement.	Substantial	Project implementation assistance consultants with knowledge of and experience with MDB procurement systems will be engaged (with the assistance of ADB) to build procurement capacity within KAJUR.
<p><b>Institutional Management</b> Selection of obsolete technology, particularly in relation to the SWRO plant, shortens asset life because of spare parts being unavailable.</p>	Moderate	<p>Consultants with thorough knowledge of technological developments and appropriate technologies will be provided under the project to ensure selection of appropriate selection of technology.</p> <p>Suppliers of complex equipment will be required to guarantee availability of spare parts for at least 15 years as a condition of the supply contract.</p>

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Maintenance of the water supply and sewerage systems is deferred and systems operations and maintenance remains reactive.	Substantial	<p>Asset management plans to guide corporate planning, capital investments and planned maintenance have been developed and are being implemented.</p> <p>The SWRO plant and sewage treatment facility will be procured through design-and-install contracts that will include a plant management component for up to 5 years.</p> <p>Budgetary provisions for maintenance will be increased through the tariff structure.</p>
<b>Other risks</b>		
The commitment of the Ebeye community and RMI leadership to improving water supply and sewerage services wanes.	Low	The project will deliver awareness and education programs throughout the duration of the project on the need for improved water supply and sewerage systems.
The hygiene awareness and promotion program does not provide sustained improved hygiene behaviors.	Low	The hygiene awareness programs will be designed and implemented in consultation with stakeholders to foster ownership, and will be implemented by Ebeye residents.
Screenings from the sewage treatment plant are not adequately disposed of.	High	KAJUR and the sewage treatment plant contractor, in collaboration with the Kwajalein local government, will establish and implement procedures to safely dispose of sewage treatment plant screenings.
<b>Overall</b>	<b>High</b>	

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KAJUR = Kwajalein Atoll Joint Utility Resource, Inc; RMI = Republic of Marshall Islands; SWRO = saltwater reverse osmosis