

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan	Responsibility
<p>Project implementation capacity. The government has a limited number of staff with limited experience in implementing large investment projects.</p>	Moderate	<p>The MCT and the PMU are gaining implementation experience from executing the current project and through assistance from the PMCSC, including on-the-job training. The PMU will be extended to a Joint ADB–World Bank PMU in order to accommodate the additional workload of the World Bank’s maritime project and ADB’s proposed additional financing. It will be supplemented by consulting services to be engaged under the additional financing.</p>	MCT PMU PMCSC
<p>Climate risk. Preliminary climate risk screening shows a high climate change risk for the project.</p>	High	<p>ADB undertook a climate risk vulnerability assessment, and climate risks were factored into the preliminary design, and also inform the detailed design of the harbor and related facilities, construction standards, and the harbor operation and maintenance arrangements.</p>	PMU
<p>Procurement. Insufficient procurement capacity in the government to manage ADB procurement procedures.</p>	Moderate	<p>From 2012 to date, ADB supported the adoption of the 2012 national procurement policy, the Public Procurement Act 2013, and the Public Procurement Regulations 2014, which are collectively intended to regulate and improve public procurement in Tuvalu. The CPU, set up in 2015 in the Ministry of Finance and Economic Development, is now responsible for carrying out all government procurement and ensuring compliance with the Public Procurement Act 2013. It also helped reduce the procurement risks for the current project. ADB staff will keep overseeing procurement activities under the additional financing to ensure good governance, and the MCT and PMU agreed to continue the joint recruiting of consultants with ADB. ADB’s consultant management system (CMS) will again be used. The PMCSC will continue its support to the MCT and PMU under the additional financing. ADB will oversee these activities.</p>	CPU PMU PMCSC
<p>Procurement. All bids on the works contract are substantially higher than the cost estimate.</p>	Moderate	<p>ADB prepared a procurement strategy that includes identification of prospective bidders and various measures to achieve competitiveness in the bidding process so as to maximize the chances of receiving reasonably priced bids. While full e-procurement may not be used because of Tuvalu’s limited internet connectivity, electronic media will be used in various stages. Bidding documents will be made available electronically so that prospective bidders can obtain them remotely. A pre-bid meeting will be held in Funafuti, and bidders will then have an opportunity to visit the respective outer island on a ship arranged by the MCT, so they understand the site and local conditions. The use of a drone to film the project site will be explored to provide better information and attract more potential bidders. Geotechnical information will be as accurate as possible to reduce construction uncertainties and bidding prices.</p>	PMU CPU PMCSC

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Fraud and corruption risks. Potential mismanagement of public funds, abuse of power by government officials, and conflict of interest.	Moderate	The project officer in charge has strengthened and will continue strengthening the oversight of overall project activities through teleconferences every two weeks, three review missions a year, and on-the-job training financed by regional TA for Building Project Implementation Capacities in the Pacific. ^a	ADB PMU PMCSC
Financial management. Insufficient financial management capacity of the government.	Moderate	According to the financial management assessment, the risk associated with financial management is moderate. The MCT will be supported by the Joint ADB–World Bank PMU and the PMCSC on financial management. ADB regional TA (footnote b) will provide timely assistance as needed. ADB prepared a financial management action plan, and financial management has been satisfactory during the implementation of the current project.	MCT PMU PMCSC
Operation and maintenance (sustainability). Among the project facilities, the dredged channel will require regular maintenance dredging, which may require specialized machinery that cannot be found in the country.	Moderate	The channel will require dredging after major cyclones, which seem to occur once in 10 years. Plans setting out suitable arrangements for dredging the channel are being drawn up under the current project. They specify location and availability of dredgers (machinery that is unavailable in Tuvalu), and mechanisms for their deployment. The asset management plan for the maritime operations on the outer islands is an output of the current project, under an institutional strengthening component. This will be supported by the ongoing reform efforts of the government with the assistance of development partners. The deferred maintenance fund will also mitigate this risk.	MCT PMCSC ADB World Bank
Overall	Moderate		

ADB = Asian Development Bank, CPU = Central Procurement Unit, MCT = Ministry of Communication and Transport, PMU = project management unit, PMCSC = project management and construction supervision consultant, TA = technical assistance.

^a ADB. 2016. *Regional Technical Assistance Building Project Implementation Capacities in the Pacific*. Manila
 Source: Asian Development Bank.