

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Rating	Mitigation Measures	Responsibility
1. Project commencement is delayed because of the COVID-19 pandemic.	S	The project uses mostly national consultants for project implementation and optimizes opportunities for local contractors.	ADB and MOIA
Technical			
2. Limited capacity of local contractors results in construction work delays or poor quality of construction.	M	ADB and MOIA have prepared a strategic procurement plan for the project. Through this plan, the project is exploring the possibility of using national Ni-Vanuatu firms or international firms with local offices in Vanuatu. The project will avoid using unduly complex technologies for multipurpose shelters, sanitation blocks, and other items.	ADB, MFEM, and MOIA
Economic and Financial			
3. O&M funds are diverted to other higher-priority uses.	S	The project will focus on improving PVMC's financial and operational capacity as an urban services provider. Following the capacity development plan and the Asset Management Strategy, which address the requirements for O&M of the project assets, the project will strengthen PVMC's capacity to operate and maintain the completed shelters.	MFEM, MOIA, and PVMC
4. PVMC's financial capacity constrains its ability to resource and finance O&M of project assets.	M	The financial analysis demonstrated that PVMC has a surplus for O&M. In addition, the project will assist PVMC to update the property valuation roll and make recommendations for maintaining the updated roll. These activities complement capacity-building efforts by the Local Government of New Zealand.	MFEM, Ministry of Lands and Natural Resources, MOIA, and PVMC
5. PVMC has no internal audit function and is audited by an external company, which affects its financial management capacity.	M	MOIA staff assist PVMC in audit functions. An external company audits PVMC's account. The last audit was completed in 2016. The audit for 2017 is ongoing. The project-financed auditor to the OAG will audit PVMC's major maintenance reserve account.	MOIA
Governance (Financial management, procurement, anticorruption, integrity due diligence, capacity and institutional)			
6. The MOIA has limited experience implementing large projects and is unable to comply with ADB requirements.	S	The MOIA has experience implementing externally funded infrastructure projects, including the Luganville Urban Water Supply and Sanitation Project Readiness Financing Facility, approved in 2019. The project includes adequate consulting services to support the PCU staff in all aspects of project implementation and contract management.	ADB, MFEM, and MOIA
7. The MOIA and PVMC have limited experience	S	The project allocates resources for financial and procurement training and	ADB, MFEM, and MOIA

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and familiarity with ADB financial and procurement processes.		contract management. ADB will conduct regular missions to review implementation progress, address implementation challenges, ensure submission of financial reports, and oversee procurement of goods, works, and services. The MOIA also has access to the MFEM's central financial management information system used for project accounting and financial reporting (as does the VPMU); and has adopted financial management procedures and policies consistent with the MFEM's established procedures and policies for meeting the requirements of Vanuatu's Financial Management Act. The project includes financial and accounting specialists among the PIAC. The MOIA will recruit consultants to assist in contract management, design, and supervision. ADB has also recruited a start-up consultant to support the PCU and PIU in ADB procedures and initial training activities. The government has agreed to delegate consultant recruitment to ADB.	
8. Coordination with the MOCC is limited and affects the degree to which risk informs urban planning, development, and management.	M	The project will strengthen partnership between the ward secretaries and the community disaster and climate change committees. The Disaster Risk Management Act No.23 2019 also defines the roles and responsibilities of the municipal disaster and climate change committees, which are chaired by the municipal town clerk.	MOCC, MOIA, and PVMC
9. The MOIA's limited experience in implementing ADB-financed projects, and the MOIA and PVMC's limited familiarity with ADB financial and procurement processes lead to fraud and corruption.	M	MFEM (the executing agency) and the Vanuatu Project Management Unit Steering Committee (the project steering committee) have experience with previous and ongoing ADB projects and are aware of ADB's Anticorruption Policy. They will provide oversight and guidance to the MOIA and PVMC. The MOIA and PVMC will receive training in ADB's Anticorruption Policy at project start.	ADB, MFEM, MOIA, PIAC, PVMC, and VPMU Steering Committee
10. Contract management challenges compromise the timely addressal of grievances.	M	MOIA will recruit a separate contract manager to support the PCU and assist in overseeing contract implementation. MOIA will establish a grievance redress mechanism for safeguards (and the project overall) and inform all parties.	MOIA
11. The MOIA's internal unit does not have sufficient human resources to cover PCU operations.	M	The MOIA has filled the two audit positions and will carry out the internal audit functions.	MOIA

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12. Constraints in staffing and expertise in the OAG delay the submission of external audits.	M	The project includes funds to recruit an external auditor or use the existing external auditor to the OAG for the project to ensure timely submission of external audits (i.e., through the OAG).	OAG, MFEM, and MOIA
13. Limited experienced staff assigned to the PIU in PVMC will affect completion of project activities.	M	A PIAC will support PIU staff in PVMC, deliver trainings, and will work with the MOIA, ward secretaries, and communities.	MOIA, PIAC, and PVMC
14. Accounting policies and procedures are not established from the outset.	M	ADB has recruited a start-up consultant to support the PCU and PIU in ADB procedures and initial training activities.	ADB, MFEM, and MOIA
15. New legislation is required to define the roles and responsibilities of the ward secretaries and ward councils.	L	The project administration manual defines the roles and responsibilities of the ward secretaries. The government will rely on the project experience to revise the necessary legislation on ward secretaries and ward councils, as needed.	MOIA
16. The working relationship between the wards and the community disaster and climate change committees breaks down.	L	The MOIA and MOCC recognize the role community disaster and climate change committees play. The roles and responsibilities have been outlined in the project administration manual.	MOCC and MOIA
Poverty, social, and gender			
17. Social and cultural norms continue to restrict women from speaking out about urban planning and development issues.	L	The project includes mechanisms to ensure consultation with and participation of women, including female-only meetings, deliberate consultation with women, and monitoring feedback and participation by women, as well as gender awareness-raising in the key institutions. MOIA will monitor the gender action plan during implementation and provide specialist gender resources.	MOIA and PVMC
Safeguards			
18. The project damages the environment because environmental management is weak.	L	The initial environmental examination sets out environmental management arrangements for the two multipurpose emergency shelters.	MOCC (DEPC), MOIA, PVMC
19. Unresolved land and access issues limit access to shelters.	L	The two multipurpose emergency shelters are on government land. A resettlement plan has been prepared.	MLNR (DOL), MOIA, PVMC

H = high, S = substantial, M = moderate, L = low.

ADB = Asian Development Bank, COVID-19 = coronavirus disease, DEPC = Department of Environmental Protection and Conservation, DOL = Department of Lands, MFEM = Ministry of Finance and Economic Management, MLNR = Ministry of Lands and Natural Resources, MOCC = Ministry of Climate Change Adaptation, Meteorology, Geo-Hazards, Environment, Energy and Disaster Management, MOIA = Ministry of Internal Affairs. OAG = Office of the Auditor General, O&M = operation and maintenance, PCU = project coordination unit, PIAC = project implementation assistance consultant, PIU = project implementation unit, PVMC = Port Vila Municipal Council, VPMU = Vanuatu Project Management Unit.

Source: Asian Development Bank.