

## RISK ASSESSMENT AND RISK MANAGEMENT PLAN

<b>Risk Description</b>	<b>Rating</b>	<b>Mitigation Measures</b>	<b>Responsibility</b>
<b>Technical</b>			
1. Design and project preparation is inadequate.	M	The project preparatory technical assistance prepared a preliminary design carried out substantial topographical and geotechnical surveys. On the basis of these, international consultants under the Greater Mekong Subregion Highway Modernization Project will prepare detailed designs before procuring the civil works.	PMU, project consultants
2. Initial project start-up delays (such as consultant selection and contract awards) occur in project implementation.	S	The recruitment of CSIS consultant has been initiated under advance action before loan negotiations.	PMU, project consultants
3. Weak government capacity in procurement, contract management, financial management, and safeguards compliance affects project implementation progress	S	The proposed project will minimize the number of contracts, set up project FM system, and strengthen PMU capacity through training and day-to-day assistance by CSIS consultant and ADB.	
4. Extreme weather events delay civil works or require an increase in the scope of works and COVID-19 impacts adversely on the contractor's workforce, subcontractors, suppliers, consultants, government and ADB staff, and general public (particularly vulnerable people)	S	For weather events, status will be closely monitored and the CSIS consultants may be required to design additional works. For COVID-19 impacts, the contractor will maintain vigilance in the management of health risks in all siteworks for a safe working environment, including adjacent areas for the general public. Health and safety protocols will be enforced for working in trenches and other confined spaces.	PMU, MOC, ADB
5. New uncontrolled settlements along corridors reduce safety.	S	Access control measures will be implemented with no loopholes for entry.	Project consultants, PMU, MOC
6. The military unexpectedly occupies private land along the alignment.	S	Based on the alignment finalized in August 2019, the MOC has initiated and engaged in the lengthy process to freeze affected land (ongoing).	PMU, MOC
7. The government fails to execute an expressway management scheme for the Bago–Kyaikto expressway, and the government's budget for operation and maintenance falls below minimum requirements.	S	The proposed project will support the DOH in developing and implementing a new expressway operation (including revising and updating toll fees) and a maintenance management scheme.	PMU, MOC

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<b>Economic and Financial</b>			
8. Government's commitment to allow trucks on the expressway is not sustained, lowering the economic benefits of the project	M	MOC will prepare an operational plan and review initial operations	MOC, project consultants
9. The government's budget for operation and maintenance falls below minimum requirements	S	This project will support DOH in developing and implementing the new expressway operations (including revision and update of toll fees) and maintenance management scheme.	MOC
10. Insufficient PMU staffing and capacity in FM: responsibilities of PMU are not clearly outlined and understood.	M	The PMU will prepare job descriptions to define roles, responsibilities, lines of supervision, and limits of authority, as well as required qualifications of PMU FM staff.  Two full-time finance and administration staff will be allocated to the PMU.  Training on ADB FM procedures will be provided.  A capacity development concept for the Accounting and Finance Section on the FM of externally funded projects will be prepared and implemented.	PMU, DOH, ADB
11. Financial reports become not reliable. Financial management performance rating becomes low because of delays in annual accounts submission and acceptance.	S	The DOH will prepare and implement an information technology improvement strategy for finance units. It will also use a simple application for project reporting (to be verified by internal audit annually) at the initial stage.	PMU, DOH
12. Weak government PFM system leads to inadequate and delayed counterpart financing. Project financial reporting and audit performed according to standards are not acceptable to ADB.	S	ADB will continue providing technical support and undertaking policy initiatives to address systemic financial management issues to strengthen the government's PFM system and procedures.	PMU, MOC
13. Planning and budgeting: counterpart financing is delayed because of complex and different approval processes; delay in project implementation.	M	Counterpart financing for land acquisition will be included in the 2020–2021 state budget for Bago region and Mon state. Government financing approval process will be initiated early as part of project readiness activities.	MOC, DOH
14. Absence of internal control function in the DOH and weak accounting and reporting procedures lead to risk of erroneous and fraudulent financial data and	H	The CSIS consultants will develop project-specific financial management manual for the PMU, covering internal audit, internal control, reporting requirements, and information systems (Microsoft Excel models); assignment of	PMU, DOH, reviewed and agreed upon by ADB

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misuse of project funds and assets; delay in project financial reporting (quarterly progress reports and annual audited project financial statements submissions); and delay in management information on project performance (cost overruns, disbursement and/or payment requirements, etc.)		qualified finance staff (from existing Accounting and Finance Section unit of the DOH) to perform regular internal audit activities.	
15. External auditor's opinions provided on project financial statements are not in line with ADB requirements. There is no independent assurance on the use of loan proceeds.	S	Develop (i) comprehensive requirements for external auditor and (ii) tools for monitoring the implementation of audit recommendations to be reviewed and agreed by ADB	PMU, DOH, ADB
<b>Governance and Institutional</b>			
16. A comprehensive legislative framework for procurement has not been established and procurement is currently undertaken in accordance with directives that do not provide a comprehensive approach to the function.	M	ADB procurement rules will apply to all procurement under the project, with open competition and international advertising being the default procurement option. All packages will be subject to prior approval and the borrower will be provided with external procurement-related support during key stages.	MOC, project consultants, ADB
17. Weak capacity of the government in procurement and contract management leads to less qualified contractors and construction delays.	S	The MOC will select the appropriate number of civil works contracts, taking into account engineering considerations, contractor's financial capability, and maximizing the competitiveness of procurement. Standard types of contracts and specifications will be used. Comprehensive procurement assistance and training on management on FIDIC principles will be provided to MOC staff.	MOC, ADB
18. Weak capacity of the government in financial management	S	MOC will set up project financial management system and strengthen PMU capacity through training and day-to-day assistance	MOC, ADB
19. MOC unable to appoint enough full-time skilled staff to manage the project, and frequent turnover of trained staff	M	CSIS consultant will provide project management support and train new staff, with training repeated at regular intervals	PMU, project consultants
20. Weak institutional capacity slows down important operational decisions	M	ADB will conduct frequent missions, and strengthen resident mission with specialist staff	ADB

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<b>Safeguards</b>			
21. Weak capacity of the government and inconsistencies between ADB and government social safeguard policies leads to noncompliance with approved resettlement plans.	S	The PMU will hire external monitor, and the CSIS consultant will include resettlement specialists. ADB will provide frequent monitoring and assistance.	PMU, project consultants, ADB
22. Poor traffic management by contractors leads to road user dissatisfaction	M	CSIS consultant will prepare and monitor traffic management plan	PMU, project consultants

ADB = Asian Development Bank, CSIS = Construction Supervision and Implementation Support, DOH = Department of Highways, FIDIC = Fédération Internationale des Ingénieurs Conseils (International Federation of Consulting Engineers), FM = financial management, H = high, km = kilometer, L = low, M = moderate, MOC = Ministry of Construction, PFM = Public Financial Management, PMU = project management unit, S = substantial.

Source: ADB.