

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
Weak capacity in MOTC, SCWE, MTA, and MOF to implement key budget cycle components may delay full adoption of results-based management in the transport and water supply sectors.	Medium	The program includes TA to build capacity and improve budgetary and management skills in these agencies.
Lack of consensus on reforms might delay program implementation.	Medium	Stakeholders, including road and water users and civil society organizations, were consulted during program design and will be kept informed during implementation. Public information plans adopted by MOTC, PSRC and SCWE will raise awareness about sector issues and the need for reforms.
The development partners are developing the water sector studies; the required coordination can result in delays in finalizing the water sector strategy.	Low	The TA will support SWCE in coordinating development of specific water sector studies.
<p>Public financial management</p> <p>Budget planning is weak and poorly linked to performance and asset information, which can lead to low value-for-money expenditure. MOF does not systematically seek better performance information.</p>	Medium	The program and TA will continue to support government efforts to improve performance information and budget linkages. ADB will help the government design appropriate performance indicators, upgrade asset registers for the water and transport sectors, and build capacity of these agencies through TA.
Weak internal audit functions and control environment may not be able to prevent fiduciary risks.	Medium	The program and TA will support capacity building of internal audit systems of the transport and water sectors. The European Commission has been strengthening the regulatory and institutional framework for public internal financial control, and is preparing a twinning project for MOF to support necessary structures and training in management and control systems.
Undercollection of taxes accrued to the budget reduces opportunities to adequately finance development expenditures, and increases debt sustainability risks.	Medium	The World Bank Tax Administration Modernization Project for Armenia, approved in 2012, is to increase voluntary tax compliance, reduce tax evasion, reduce compliance costs, and increase administrative efficiency.
<p>Procurement</p> <p>Despite the new legislative framework some public</p>	Medium	Through regional TA 8262, ADB will assess the government's procurement procedures at the central

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
procurement is still not adequately announced, and contract management remains weak, which can reduce value-for-money.		level and those in agencies such as MOTC, MTA, and SWCE and recommend measures for improving legal, institutional, and organizational frameworks to increase efficiency of the procurement processes. ^a Procurement capacity of water and transport ministries will be strengthened through training during program implementation through the regional TA. ADB will continue to advocate for the use of international good practice through policy dialogue. The TA attached to the program will provide training to SCWE on management of contracts with private sector operators. The regional TA will provide specific training to improve procurement practices in the implementing agencies.
Corruption The legal and regulatory framework for anticorruption is adequate, but actual implementation is very weak, which reduces incentives for government agencies to fight corruption.	High	The program will help increase budget information available to the general public, thus increasing accountability and transparency, and reducing opportunities for corruption. Public information plans using online and media resources, and grievance and redressal mechanisms for water and roads will be developed under the program to increase transparency and responsiveness to users. The World Bank has governance and anticorruption measures in public services as a cross-cutting focus in its new country partnership strategy with Armenia. The planned interventions will help improve the existing anticorruption framework.
Capacity of the judiciary to undertake technical cases, such as those related to tax and customs administration and anticompetitive practices is not adequate.	Medium	The European Commission is supporting justice reforms, including new training opportunities for key national institutions; providing expert advice; and setting up schools for lawyers, judges, and prosecutors. The overall goal is an independent, transparent and effective judiciary
Overall	Medium	

ADB = Asian Development Bank, MOF = Ministry of Finance, MOTC = Ministry of Transport and Communication, MTA = Ministry of Territorial Administration, PSRC = Public Services Regulatory Commission, SCWE = State Committee on Water Economy, TA = technical assistance.

Note: As part of Country Strategy Final Review: Armenia (2006-2011) preparations, a detailed public sector and public financial management assessment, i.e., The Armenia Governance, Institutional and Corruption Risk Assessment, was undertaken as per GACAP II guidelines in the second half of 2013. This assessment, as well as the program team's analyses and TA 8249 consultant reports, informed the program design.

^a ADB. 2012. *Technical Assistance for Developing Procurement Capacity for Improved Procurement Outcomes into Regional Cooperation*. Manila (TA 8262-REG); ADB. 2014. *Technical Assistance for Improving the Capacity and Integrity of Procurement Processes in Central and West Asia into Regional Cooperation*. Manila. (TA 8665-REG).

Sources: ADB. Armenia Governance, Institutional and Corruption Risk Assessment covering the National, Energy, Urban, Water and Transport Sectors. Unpublished; Policy Forum Armenia. 2013. *Corruption in Armenia*. Yerevan.