

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
A. Public Financial Management		
Donor funds have been managed outside the government system and the MECS has limited experience in directly managing donor funds	Medium	The PIU will be established by the MECS to carry out day-to-day project management activities, including financial management. The PIU will be staffed by qualified and experienced professionals including: a project manager responsible for the overall project management; an accountant and/or financial management specialist; a procurement specialist; and three local project coordinators to be based at the education departments of Govi-Altai, Uvs, and Zavkhan <i>aimags</i> (provinces). The MECS, the education departments, and the PIU will be guided and coached by an international project management specialist.
Policies and procedures to safeguard fixed assets are not in place, and there is a risk of loss of project assets	Medium	Project assets will be appropriately labeled, recorded, and reported in project quarterly and annual reports.
Internal audit functions of the MECS are understaffed and oriented towards compliance rather than control of the efficient and effective use of funds	Medium	Annual budgets and plans, and quarterly and annual reports will be reviewed and discussed by the project steering committee established by the MECS and the project steering subcommittees established at the <i>aimag</i> level. During review missions, ADB will review transactions and financial reports to complement the MECS's weak internal audit functions.
Account and/or financial management specialist has yet to be recruited to the PIU by the MECS	Medium	Terms of reference for the accountant and/or financial management specialist will be reviewed and approved by ADB, as well as the selection and recruitment processes.
B. Procurement		
Number and qualifications of the staff at the procurement unit of the MECS are insufficient	Low	A qualified and experienced procurement specialist will be recruited to the PIU and will be trained, guided, and coached by the international project management specialist.
Procurement specialist has yet to be recruited to the PIU by the MECS	Medium	The terms of reference for the procurement specialist and the selection and recruitment processes will be reviewed and approved by ADB.
The MECS has limited capacity to procure goods, works, and consulting services in accordance with ADB guidelines and procedures	Medium	The Government Procurement Agency will assist the MECS in evaluating bids for civil works to be procured following national competitive bidding. Designs, drawings, and bills of quantities will be prepared by an engineering firm to be engaged under the project. A specialist will also be engaged for the preparation of technical specifications of school dormitory equipment and furniture. Detailed terms of reference for consulting services have been prepared and included in the project administration manual. The MECS and PIU staff will be trained, guided, and coached on ADB guidelines and procedures by the international project management specialist.

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Qualifications and composition of bid evaluators specified in the government regulations are not always observed	Medium	The MECS and PIU staff will be trained, guided, and coached by the international project management specialist.
The procurement unit of the MECS does not always track warranty and latent defects liability periods	Medium	The MECS, the <i>aimag</i> education departments, and the PIU will be assisted by four architectural engineers in supervising civil works contractors, and the engineering firm preparing designs, drawings, and bills of quantities. During review missions, ADB will review the performance of contractors and suppliers.
C. Corruption Conflicts of interest sometimes exist in the performance of procurement tasks	Medium	Through prior and post reviews of procurement transactions, ADB will supervise and ensure compliance by the MECS with ADB guidelines and policies.
Overall	Medium	

ADB = Asian Development Bank, MECS = Ministry of Education, Culture, and Science, PIU = project implementation unit.

Source: Asian Development Bank.