

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Rating	Mitigation Measures	Responsibility
<p>Global economy More severe COVID-19 pandemic causes widespread and prolonged disruptions to economic activity directly, through global trade and supply chain spillovers and via confidence effects on financial markets and investment.</p>	H	<p>Cooperate with other IFIs, specialized donors and UN-specialized agencies to support government's efforts to contain the spread of coronavirus (immediate- to short-term) and strengthen health care system and capacity (long-term).</p> <p>Mobilize analytical and well-targeted budget support to inject fiscal stimulus into the economy.</p>	<p>ADB and MOF IFIs UN-specialized agencies</p>
<p>Rising protectionism and retreat from multilateralism.</p>	M	<p>Continue with TA and project investments in support of diversifying trade and FDI.</p>	<p>ADB and MOE</p>
<p>Macroeconomic The fall in international oil prices will depress remittances to the Kyrgyz Republic through its impact on economic growth in Russia and Kazakhstan.</p>	H	<p>In the short-term, provide well-targeted budget support to inject fiscal stimulus to safeguard productive sectors and SMEs from economic downturn.</p> <p>In the medium-term, support the government's efforts under the NDS 2018–2040, to step up efforts to diversify the economy away from natural resource exploitation and remittance-led consumption.^a Close development partner coordination will help ensure consistency in reform advice and support through targeted interventions. ADB analytical, technical, and financial support is helping the government to implement critical reforms that aim to achieve inclusive, broad-based, economic growth.</p>	<p>ADB and MOF Development partners</p>
<p>Program implementation (PBL) Changing government priorities delays the implementation of government's COVID-19 Countercyclical and Health Response Plan.</p>	M	<p>Unless the circumstances warrant a reprioritization of effort, coordinate with other development partners to urge government to maintain its course.</p> <p>Provide TA or re-scope existing TA to support the implementation of the COVID-19 Countercyclical and Health Response Plan.</p>	<p>ADB and PMO</p>
<p>Critical FM and accounting reforms have not been implemented which will</p>	M	<p>Ongoing TA being provided by ADB, World Bank, EU and other development partners to support FM and accounting reforms.</p>	<p>ADB and MOF Development partners</p>

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lead to poor resource allocation, budget execution, and monitoring, reporting and accounting.			
Weak administrative capacity	M	The capacity of agencies to implement the COVID-19 Countercyclical and Health Response Plan may be constrained by lack of skilled staff, limited resources, and other competing priorities. The program reduces this risk by ensuring close coordination through ADB's resident mission, regular meetings with key government agencies, and provision of TA to support administrative and implementation efforts.	ADB and PMO
Coordination across government agencies and development partners is weak.	H	The government established a special pandemic task force under the Prime Minister's Office supported by MOH. A Disaster Response Coordination Unit was established under the leadership of a UN coordinator as a consultative-deliberative mechanism. The WHO and other development partners have worked with MOH to develop the National Contingency Action Plan for the Kyrgyz Republic.	ADB and MOF
Governance and oversight arrangements in the NBKR are weak.	M	ADB will engage in policy dialogue with the NBKR to review and to strengthen the governance and oversight arrangements in the NBKR, such as independence of its board.	ADB and NBKR, Development partners
Public finance management PFM systems are weak, affecting transparency and accountability in economic management and public service delivery.	H	Ongoing TA being provided by ADB and other development partners to support PFM reforms.	ADB and MOF Development partners
Lack of internal audit units and insufficient internal controls in line ministries weakens expenditure management and	H	ADB and other development partners to provide TA to help strengthen internal control capacity in line ministries.	ADB and MOF Development partners

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could lead to diversion and mismanagement of funds.		Quarterly financial reports on countercyclical expenditures.	
Procurement Weak internal rules and entrenched public procurement practices carry a significant risk of fraud and abuse of funds.	M	ADB and other development partners such as the World Bank consider the public procurement system in Kyrgyz Republic to function relatively well overall. The legislative and regulatory framework and the integrity of the system are particularly strong features of public procurement in the Kyrgyz Republic. In 2018, the Public Procurement Department developed a new Public Procurement Improvement Program for 2018–2022, building on previous reform plans, as well as an action plan. The action plan covers 43 specific activities covering the regulatory framework, e-procurement, human resources development, the regulatory body, capacity strengthening of procuring entities, and monitoring and audit. The Public Procurement Department has also developed a 2018 action plan for e-procurement.	ADB and MOF Development partners
Corruption Complex and fragmented institutional framework, combined with limited interagency coordination increases the likelihood of corruption.	M	ADB will engage in policy dialogue with the government to review the institutional setup for fighting corruption and assess different options for changes, including establishing a centralized anticorruption agency.	ADB and MOF

ADB = Asian Development Bank, EU = European Union, FDI = foreign direct investment, FM = financial management, H = high, IFI = international financial institution, L = low, M = moderate, MOE = Ministry of Economy, MOF = Ministry of Finance, NBKR = National Bank of the Kyrgyz Republic, NDS = National Development Strategy of the Kyrgyz Republic for 2018–2040, PBL = policy-based loan, PFM = public financial management, PMO = Prime Minister's Office, SME = small and medium-sized enterprise, TA = technical assistance, UN = United Nations.

^a Government of the Kyrgyz Republic. 2018. [National Development Strategy of the Kyrgyz Republic for 2018–2040](#). Bishkek.

Source: Asian Development Bank.