

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Rating	Mitigation Measures	Responsibility
Program Specific			
The pandemic spreads and quarantine measures are extended, with more severe economic impacts than anticipated.	M	Budget kept within 5.1% structural deficit target as set by Law on Fiscal Stability. This provides some room for a further policy response later in the year.	MOF
The newly elected government deprioritizes social assistance despite evidence of its role as a driver of poverty reduction.	L	Strong public support for social protection even before COVID-19. ADB has strong evidence on effectiveness of social protection measures which will be shared with new government.	MLSP
Social protection measures not successful at reaching vulnerable groups.	L	Proposed programs are well-established and effective instruments. ADB has long-standing engagement with these instruments.	MLSP
Social protection programs are subject to fiduciary risk and leakage.	L	Proposed programs are well-established and effective instruments. ADB has long-standing engagement with these instruments.	MLSP
Public Financial Management (National)			
Lax fiscal policies may lead to continued high budget deficits and a build-up of excessive public debt.	M	The risk has been reduced as a result of reforms under the IMF extended fund facility. ^a	MOF
A high level of budget proposals based on overestimated revenue forecasts may compromise budget credibility.	H	ADB is assisting the government to strengthen its budget planning, execution, and monitoring, as well as the sound forecasting of revenue sources. ^a Reforms under the IMF extended fund facility and ADB support have reduced the risk. ^b	MOF
High fiscal deficits stemming from supplementary budgets may lead to rising debt and increase the vulnerability of Mongolia's economy.	M	The risk was reduced by reforms under the IMF's extended fund facility and ADB TA.	MOF
Mongolia's debt level remains high and the country's buffers have not yet been built up.	H	Debt has been reduced by 30 percentage points between end 2016 and end 2019. Debt remains high and buffers are still inadequate. Mechanism needed	MOF

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		to provide technical and financial support from development partners once newly elected government assumes office.	
Low capital–output ratios may result from inefficiencies in public expenditure management.	H	ADB will address this in a proposed public financial management TA project through a component to help improve expenditure management. ^b	ADB
Poor coordination between MNAO and internal audit units in ministries may limit the effectiveness of audits of state-owned companies.	M	This risk will be mitigated through ongoing ADB support for the audit sector. ^c	MNAO
Inadequate staff numbers at the MNAO may undermine its ability to guarantee comprehensive audits.	M	This risk is mitigated by outsourcing audits to the private sector and through the ongoing ADB support for the audit sector.	MNAO
Unpredictability in budget execution leading to irregularities in fund flows e.g., potential risk of funds not being used for program objectives.	L	Existing program mechanism and fund flows will be used to ensure end-to-end flows within banking channels, with controls (coding) introduced to identify current program funds.	MLSP and MOF
Elevated nonperforming loans and inadequate capital adequacy in the banking sector result in insufficient buffers in banking sector.	M	Bank of Mongolia has submitted a medium-term reform plan to parliament to address these issues. Development partners are ready to support these plans.	Bank of Mongolia
Vulnerability to Corruption			
Vulnerability to corruption could undermine accountability throughout the economic and political sphere.	H	ADB supports the strengthening of institutions vital to improving Mongolia's integrity system. These include the MNAO and the practice of participation by citizens in monitoring budget-financed activities. ADB also facilitates an active role of Mongolia in international anti-corruption initiatives. ^d	ADB, MNAO

ADB = Asian Development Bank, COVID-19 = coronavirus disease, GPA = Government Procurement Agency, H = high, IMF = International Monetary Fund, L = low, M = moderate, MLSP = Ministry of Labor and Social Protection, MNAO = Mongolian National Audit Office, MOF = Ministry of Finance, S = substantial, TA = technical assistance.

^a IMF. [IMF Continues Discussions on the Sixth Review of Mongolia's Extended Fund Facility](#).

^b ADB. [Mongolia: Strengthening Information and Communication Technology Systems for Efficient and Transparent Public Investment and Tax Administration Project](#).

^c ADB. [Mongolia: Strengthening the Supreme Audit Function](#).

^d ADB. [Mongolia: Transparency and Efficiency in Public Financial Management](#). Mongolia is also an active member of the ADB and Organisation for Economic Co-operation and Development [Anti-Corruption Initiative for Asia-Pacific](#).

Source: ADB.