

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Rating	Mitigation Measures	Responsibility
Public financial management (national)			
Loose fiscal policies may lead to continued high budget deficits and a buildup of excessive public debt.	M	The risk has been reduced as a result of reforms under the extended fund facility of the IMF. ^a	MOF
High level of budget proposals based on overestimated revenue forecasts, leading to deterioration of 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. ^b	ADB and MOF
High fiscal deficits stemming from supplementary budgets may lead to rising debt and increase the vulnerability of Mongolia's economy.	M	Reforms under the IMF's extended fund facility and ADB's support to the Future Heritage Fund. ^c	MOF
Low capital-output ratios because of inefficiencies in public expenditure management.	H	ADB is addressing this in a public finance-focused TA project with a dedicated component to support improvements in expenditure management. ^d	ADB
Poor coordination between the MNAO and internal audit units in ministries may limit the effectiveness of audits of state-owned enterprises.	M	This risk will be mitigated through an ongoing ADB support for the audit sector. ^e	MNAO
Inadequate staff numbers at the MNAO may undermine its ability to guarantee comprehensive audits.	M	Audits are being outsourced to the private sector through ongoing ADB support for the audit sector. ^e	ADB and MNAO
Unpredictable budget execution leading to irregularities in fund flows, e.g., potential risk of funds not being used for program objectives.	M	Budget execution reports will be obtained to ensure program funds are used as per program objectives. On a national level, the Public Financial Management Reform Strategy has strengthened predictability and availability of funds.	MOF
Procurement			
Limited use of the GPA and fragmentation of procurement functions across administration may lead to misprocurement and distract ministries from focusing on their core policy functions.	H	ADB provides TA to central procurement entities such as the GPA and to local procurement units, uses these entities for procurement under ADB-funded projects to the maximum extent	ADB and GPA

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Inadequate budgets for training of procurement professionals may constrain proper execution of procurement processes. Lack of sector expertise in the GPA may slow down procurement.		possible, and advocates the use of the GPA in suitable forums. ^f	
Complicated and slow approval processes for public procurement may slow down development projects.	M	ADB provides TA to central procurement entities such as the GPA and to local procurement units, uses these entities for procurement under ADB-funded projects to the maximum extent possible, and advocates the use of the GPA in suitable forums. ^f	GPA
Poor oversight of contract execution and a lack of effective sanctions for bad performers may lead to inadequate project results.	M	The ADB TA for the central procurement entities, including the GPA, and local procurement units will mitigate this risk. ^f	ADB and GPA
Vulnerability to corruption			
Vulnerability to corruption can undermine accountability throughout the economic and political sphere.	H	ADB supports the strengthening of institutions that are vital for Mongolia's integrity system (such as the MNAO) and citizens' participation in monitoring budget-financed activities. ADB also facilitates an active role for Mongolia in international anticorruption initiatives. ⁹	ADB and MNAO
Implementation risks			
Unforeseen exogenous shocks derail economy.	M	ADB supports increased fiscal and macroeconomic resilience to exogenous shocks through various TA and lending operations.	ADB and MOF
Reduced political commitment to health sector reforms.	M	Constant policy dialogue with the government.	ADB, MOF, and MOH
Coordination of crisis response undermined by lack of clarity over institutional mandates.	M	The proposed Strengthening Health Security Program includes support for this measure. In particular under reform area 1, which is largely focused on rationalizing (i) the currently fragmented organizational mandates related to crisis response; and (ii)	MOF, MOH, National Emergency Management Agency, and State Emergency Commission

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		improving information management arrangements related to crisis response.	
Support for policy actions identified under the program declines as urgency of COVID-19 response subsides.	L	The proposed Strengthening Health Security Program includes measures that are focused on improving the government's immediate response capacity to the COVID-19 crisis, as well as measures that support improvements in health sector operations over the medium term (3–5 years). The latter include measures relating to the strengthening of governance and financing arrangements, efficiency improvements in procurement, and the establishment of a national pharmaceutical regulatory authority.	ADB and MOH

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

^a IMF. 2019. [IMF Continues Discussions on the Sixth Review of Mongolia's Extended Fund Facility](#). 31 January.

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

^c ADB. [Mongolia: Establishing Sovereign Wealth Fund Management Institution](#).

^d ADB. [Mongolia: Support for Effective Public Sector Management](#).

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

^f ADB. [Mongolia: Strengthening of Public Procurement for Improved Project Implementation](#).

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

Source: ADB.