

## RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risks	Risk Assessment	Mitigation Measures or Risk Management Plan
<b>A. Public Financial Management</b>		
<b>1. Inherent Risks</b>		
Country-specific risks including inadequate financial management and skills capacity	High	MOF and MES have successfully implemented projects in the past. Efforts to improve training and the regulatory framework are ongoing with EU support. Training to be given to the PIU and other key staff to familiarize them with ADB requirements.
Implementation delays resulting from understaffing in line ministries	Medium	Minimal risk with MOF, which has an office dedicated to processing funding from development partners. Understaffing in MES is mitigated by the establishment of the joint PIU responsible for the World Bank and ADB-financed education projects and programs. The program will benefit from the accumulated implementation capacity under the World Bank's education projects.
Severe public budget constraints may undermine sustainability of investment outputs if the education budget is cut	High	Legal assurances obtained that (i) adequate budgetary funding will be provided for program initiatives, and (ii) overall education spending will be maintained at no less than the 2014 levels. The program, via TRS and other activities, will enhance fiscal sustainability; EU and the World Bank also have program measures to improve efficiency of education spending. The financial due diligence found that incremental recurrent financing needs will be no more than 1.3% of existing education budgets assuming TRS is implemented as planned. The grant includes a policy condition to introduce a financially sustainable mechanism for textbook provision.
<b>Overall Inherent Risk</b>	<b>High</b>	
<b>2. Control Risks</b>		
Budget planning: failure to link planned expenditure with outcomes	High	The PIU will plan system-wide undertakings such as curricula development, teacher training, and policy studies. Financial management training of school staff under the World Bank project includes training in program-based budgeting.
Budget execution: MES has limited capacity to execute expenditure commitments in a timely manner	High	The PIU is responsible for planning and executing major procurement activities. Contractors and suppliers are prequalified based on demonstrated capacity to complete assignments.
Accounting, financial reporting, and internal controls in MES	Medium	The PIU will use a dedicated project accounting system and procedures independent of MES accounting systems to mitigate this risk. The ongoing EU program support will improve overall internal control and financial management throughout MES.
Weakness in MES internal audit capacity	High	Ongoing EU support will strengthen staff capacity. MES audit staff training requirements relating to the program were identified, and training to be provided. Resources of the internal audit department augmented using a private sector audit service. Annual review and follow-up by ADB of the quality of project audits.
External audit: External auditors do not perform their functions adequately	Medium	The MOF will appoint independent external auditors acceptable to ADB to audit the annual project accounts and compliance with financial covenants.
<b>Overall Control Risk Assessment</b>	<b>High</b>	

<b>Risks</b>	<b>Risk Assessment</b>	<b>Mitigation Measures or Risk Management Plan</b>
<b>B. Procurement</b>		
National environment for procurement.	High	Special procurement arrangements set up for the Program will ensure strict adherence to ADB procurement guidelines will apply.
Procurement capacity of MES is low, leading to mis-procurement.	High	MES has a specialist unit of 2 staff available to advise, but they have limited experience in the procurement of consulting services. The PIU will therefore need support from MOF and ADB for initial consulting appointments, which include a procurement specialist to support the PIU.
Lack of experience in applying ADB procurement guidelines	High	A specialist procurement consultant to advise the PIU. Training to be provided to PIU and MES procurement staff. MOF has a good record for procurement under past ADB and World Bank projects, and will be available to advise the PIU staff. The PIU will benefit from the accumulated capacity under the World Bank's education projects through the joint PIU arrangements.
Delays in the procurement process	High	Training in project management and procurement planning. Use of standard bidding documents and ADB advance contracting facility. Advice and support of specialist staff and consultants.
Poor functioning of the procurement market and operations	High	Use of international competitive bidding contracts to broaden the market. The program will provide capacity building to reform procedures for the evaluation and publishing of textbooks, which has been a problem area in the past.
<b>Overall Procurement Risk Assessment</b>	<b>High</b>	
<b>3. General Project Implementation Risks</b>		
MES has inadequate capacity and incentive to implement the program	Medium	The program will front-load capacity building and training activities for curriculum revision, textbook development, and sector management. The reforms proposed under the program should create an impetus and incentive for better sector performance.
Political, economic, and social conditions could become unstable	High	Mitigation of this risk is largely outside ADB control. However, the program's goal of creating quality education services will help mitigate the risk.
Delay in grant effectiveness because of potential delays in ratification by Parliament	Medium	MOF and MES agree to expedite the ratification to the extent possible by preparing in advance the documentation required for internal government processes.
Reduced pace and momentum for policy reforms, especially during pre-election period	High	Two-tranche policy-based grant design and continued policy dialogue with the government helps maintain momentum for policy actions.
Delays in implementation of the investment component	High	Advance recruitment of PIU staff, TRS management expert, and the consulting firm required to support the implementation.
Adverse public reaction to paying rental fees for textbooks under the TRS	High	Advocacy and communication strategy will help communicate the benefits of TRS to the public, and pro-poor measures ensure the poorest will continue to have free textbooks.
<b>Overall General Implementation Risks Assessment</b>	<b>High</b>	

<b>Risks</b>	<b>Risk Assessment</b>	<b>Mitigation Measures or Risk Management Plan</b>
<b>4. Governance and Corruption Risks</b>		
Lack of adequate MIS in MES raises concerns about sector performance management and the quality of decision making	High	The program will develop a well-designed monitoring and evaluation framework with implementation support from consultants. Lessons will be learned from SEP to make this initiative sustainable. UNESCO is supporting MES in developing the MIS.
Corruption may undermine project and program implementation	Medium	ADB procurement guidelines to be strictly applied. Dedicated procedures to be set up for project procurement with consulting and MOF oversight. Increased transparency in the procurement process to be applied, including the piloting of e-procurement for textbooks.
Lack of clarity in responsibility for anticorruption measures	Medium	The government requires all ministers to draw up anticorruption plans. The project administration manual includes anticorruption responsibilities, measures, and procedures. Anticorruption training is identified as a capacity building need under the program.
Failure to enforce anticorruption measures	Medium	The government has introduced an integrity program that targets prevention and punishment.
Constrained capacity to conduct effective audit of ADB-financed projects and programs	Low	Scope of project audit and audit certification to include compliance with grant conditions. ADB to receive and review annual audit reports and management letter, and has right to undertake any appropriate follow-up.
Conflicts of interest	High	Reported conflicts of interest exist in the arrangements for textbook authorship, approval, and procurement. The planned TRS, and review of textbook evaluation procedures, will attempt to reduce conflicts of interests but may be blocked by vested interests.
Lack of transparency	High	Grant assurances to promote greater transparency and public availability of information, including the project procurement plan and contracts awards. The program will include (i) an initiative to introduce e-procurement as offering greater transparency and fairness, and (ii) support for MES in strengthening the role of the school boards of trustees in school management.
<b>Overall Corruption and Governance Risk Assessment</b>	<b>Medium</b>	
<b>Overall Implementation Risk</b>	<b>High</b>	

ADB = Asian Development Bank; EU = European Union; MES = Ministry of Education and Science; MIS = management information system; MOF = Ministry of Finance; PIU = project implementation unit; SEP = Second Education Project; TRS = textbook rental scheme; UNESCO = United Nations Educational, Scientific and Cultural Organization.

Source: Asian Development Bank.