

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Rating	Mitigation Measures	Responsibility
<p>Government ownership. Political ownership of the reform process and ongoing commitment to fiscal discipline weakens.</p>	Moderate	<p>Based on an unpublished public expenditure and financial accountability report in 2013, the government created the Public Financial Management Improvement Programme (PFMIP), 2016–2019. While some improvements have been made, much remains to be done in public financial management (PFM), state-owned enterprise (SOE) reform, and policy to promote an improved investment climate. The PFMIP will continue to guide reform, and policy actions associated with the proposed program will draw on planned reforms around key areas.</p>	<p>Government, development partners (including the Asian Development Bank [ADB])</p>
<p>Broad support for reforms. Parliamentary and community support for reform implementation is insufficient.</p>	Moderate	<p>Interministerial coordination has been lacking and will be required to ensure reforms continue. ADB technical assistance will help provide cross-ministry coordination, and create better communication and an environment for reforms.</p>	<p>Government, development partners (including ADB)</p>
<p>Public financial management. Weak government PFM systems and limited capacity undermine capacity for strong fiscal planning, budgeting and monitoring.</p>	Moderate	<p>Development partners are working closely with the Ministry of Economy to bring about transparent multiyear budgeting and to develop processes to improve the ability of the government to plan, estimate, and track expenditure, including the impacts of new policy changes.</p>	<p>Government, development partners (including ADB)</p>
<p>External shocks. External shocks (from natural disasters, climate change, global economic conditions) impact the fiscal position and/or divert political focus from reforms.</p>	Low	<p>The impact of Cyclone Winston in 2016 showed the devastating effect a natural disaster can have on Fiji. Since then, the government has taken measures to plan for better disaster recovery and to create fiscal space to manage the associated costs.</p>	<p>Government, development partners (including ADB)</p>
<p>SOE reform. Progress and commitment to performance improvements are halted or reversed.</p>	Substantial	<p>Despite increases in public investment during 2010–2015, SOE investments only increased marginally. Reforms to privatize SOEs partly or fully will be strongly supported by the government through the introduction of the Public Enterprises Act, supported by frameworks and guidelines to improve privatization and create an environment conducive to attracting external investment.</p>	<p>Government, development partners (including ADB)</p>
<p>Private sector development. Weak private sector response to business environment improvement.</p>	Moderate	<p>The program aims to provide guidelines and frameworks, supported by legislation, which will improve the business environment and create an economy that attracts investment. The privatization of some SOEs will provide an opportunity across different industries for private investment.</p>	<p>Government, private sector</p>

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Institutional capacity. The government cannot implement policy reform actions because it lacks the capacity.	High	Low capacity has been made worse by high turnover in government departments. The FY2018 budget included a series of civil service reforms, such as an adjustment to civil service wages. This is expected to help retain staff, particularly after efforts are made to train and improve skills. ADB technical assistance will seek to build capacity in the ministries engaged in the proposed program.	Government, development partners (including ADB)
Anticorruption. Weak internal controls and oversight capacities lead to management and accounting failures, and noncompliance with processes.	Moderate	Weak overall government capacity and ongoing problems with staff turnover affect the standard of controls and oversight in place. The PFMIP prioritizes support efforts by the government and development partners to strengthen internal controls and external oversight. Reforms that encourage accountability and transparency around budgeting, updated and new legislation, and new guidelines and frameworks to guide decision making, will ensure ongoing improvement to transparency.	Government, development partners (including ADB)
Overall	Moderate		

Source: Asian Development Bank.