

## RISK ASSESSMENT AND RISK MANAGEMENT PLAN

1. This Risk Assessment and Risk Management Plan (RAMP) for the proposed program summarizes the risks and key mitigation measures identified during program due diligence. The program was considered low risk during concept development, having met all low-risk categorization criteria.<sup>1</sup> The program conforms with low-risk category requirements: (i) a loan amount not exceeding \$200 million; (ii) a sound record of previous experience with Asian Development Bank (ADB)-funded projects in the sector; (iii) reasonable executing agency capacity; and (iv) safeguards categorization other than A.

2. **Country governance risks.** Two major assessments have been conducted of government project implementation capacity, and in particular of financial management and fiduciary risks: (i) the ADB governance risk assessment associated with the country partnership strategy, 2013–2017;<sup>2</sup> and (ii) the Public Expenditure and Financial Accountability Assessment (PEFA) Report for the Kyrgyz Republic financed by the World Bank’s technical assistance program in 2015.<sup>3</sup> These reports covered transparency; control of budget execution; accounting, recording and reporting; external scrutiny and audit; and public procurement. The assessments observed that systemic risks remained and recommended that the government (i) improve capacity in effective public financial management (PFM) by introducing a comprehensive approach to PFM and retraining government officials, (ii) promote sound and strategic budget planning and implementation, (iii) improve implementation of public procurement laws and regulations, and (iv) continuously strengthen anti-corruption mechanisms and awareness.

3. **Program risks.** Program risks comprise (i) technical risks; (ii) economic and financial risks;<sup>4</sup> (iii) governance risks, including financial management, procurement, anticorruption, capacity, and institutional; (iv) poverty, social, and gender risks;<sup>5</sup> and (v) safeguards risks, and have been identified based on the risk analysis matrix.<sup>6</sup> The proposed mitigation measures have been discussed and agreed with the government, and are included in the program design. Some actions agreed during the 2017 Country Portfolio Review Mission for the Kyrgyz Republic will be taken for the program. The risks, rating, mitigation measures, and responsible agencies are summarized in the table.

### Risks and Mitigation Measures

Risk Description	Rating	Mitigation Measures	Responsibility
<b>1. Technical</b>			
<b>1.1 Agreed policy action not fulfilled.</b> Unforeseen circumstances may change the government’s priorities and cause difficulties in completing the agreed policy actions.	Low	The national development strategy endorsed by the President of the Kyrgyz Republic guides government policies. Skills development are integral to the economic development strategy, and economic is thus likely to remain a government priority. An independent TVET policy	MOES

<sup>1</sup> ADB. 2016. *Concept Paper Project Number: 50024-001 Proposed Grant and Technical Assistance. Kyrgyz Republic: Skills for Inclusive Growth Sector Development Program*. Manila.

<sup>2</sup> ADB. 2013. *Governance Risk Assessment (Summary)*, Linked Document 20 of ADB. 2013. *Country Partnership Strategy Kyrgyz Republic 2013-2017*. Manila

<sup>3</sup> World Bank-managed Capacity Building for Public Finance Management Project. *Kyrgyz Republic Public Expenditure and Financial Accountability Assessment Report*. <https://pefa.org/sites/default/files/assessments/comments/KG-Mar15-PFMPR-Public.pdf>.

<sup>4</sup> Detailed analysis is included in the program’s Economic Analysis (Linked Document 8) and Financial Analysis (Linked Document 7).

<sup>5</sup> Detailed analysis is included in the program’s Summary Poverty Reduction and Social Strategy (Linked Document 11) and Gender Action Plan (Linked Document 12).

<sup>6</sup> ADB. 2016. *Guidelines for Preparing a Design and Monitoring Framework*. Manila.

### Risks and Mitigation Measures

Risk Description	Rating	Mitigation Measures	Responsibility
<p><b>1.2 Delays in implementing policy reform-related activities.</b> Altered government spending priorities because of changes in senior management create difficulties and delay implementation of policy-reform activities .</p> <p><b>1.3 Limited collaboration between government and industry.</b> Weak collaboration between the government and industry undermines COEs, in both concept and the approach to their development.</p> <p><b>1.4 Limited monitoring and evaluation (M&amp;E) capacity.</b> Lack of M&amp;E capacity within MOES and/or the PIU and beneficiary TVET institutions may limit effectiveness of program impact measuring, especially capturing qualitative impacts on girls and boys.</p>	Low	<p>reform coordinator will be hired under the program to closely monitor progress in policy actions.</p> <p>The policy-based grant will be released in two tranches, subject to achievement of policy reform actions. Implementation of the reform actions for the second tranche have been committed to by the government and will be carefully monitored by ADB.</p>	MOES
	Moderate	The program will support to develop the COEs in close consultation with industry, and help stakeholders fully understand the added value gained through the COE approach.	MOES, PIU and beneficiary schools
	Low	MOES will engage an M&E specialist to develop a program monitoring system. The gender specialist will assist with the development of questionnaires and train national staff in gender-sensitive interview techniques. Most results data will come from MOES data systems and the program will support development of an EMIS, which will further verify the program achievement.	MOES and/or PIU
<b>2. Economic and Financial</b>			
<p><b>2.1 Slow job creation in the country.</b> Economic stagnation or downturn may result in limited new opportunities with industry for skilled workers and technicians.</p> <p><b>2.2 Insufficient education budget.</b> Severe public budget constraints may undermine the sustainability of investment outputs if the education budget is cut.</p>	Low	The program is aligned with economic policy to support job creation for skilled workers and technicians. The entrepreneurship education component will further increase the employability of graduates, including through self-employment.	MOES and/or PIU
	Moderate	Financial due diligence found that incremental recurrent financing needs will not exceed 0.5% of the existing education budget, assuming the COE approach is implemented as planned. The grant includes a policy action to introduce a financially sustainable mechanism for deeper COE financial and managerial autonomy.	MOF, MOES and/ or PIU
<b>3. Governance (Financial management, Procurement, Anti-corruption, Capacity and Institutional)</b>			
<p><b>3.1 Weak Financial Management.</b> FMA systems are weak. Non-competitive salaries makes it difficult to attract qualified financial management experts and/or accountants for the executing and/or implementing agencies.</p> <p><b>3.2 Limited Procurement Capacity.</b> Weak internal</p>	Substantial	The national financial management system has been improved. With development partner support, several mitigation actions (including introduction of electric funds transfer and streamlining of tax operations) have been taken. MOES will recruit qualified PIU financial management experts with ADB or World Bank experience. A detailed, user-friendly financial management manual will be prepared, and training conducted for PIU and/or MOES staff.	MOF, MOES and/or PIU
		The government has introduced an e-procurement system. Based on prior experience	MOES and/or PIU

### Risks and Mitigation Measures

Risk Description	Rating	Mitigation Measures	Responsibility
regulations and practice in public procurement. Capacity of executing and implementing agency procurement staff is limited.	Substantial	with education and TVET projects in the country, the number of procurement packages has been substantially reduced. ADB will serve as an observer during selection of PIU staff to help the executing agency recruit English-speaking qualified procurement experts. The program includes a budget for project implementation capacity training.	
<b>3.3 Delays in program startup</b>	Moderate	Major procurement packages will use advance contracting, including for PIU staff consultants, the implementation firm, and PIU equipment. To avoid project startup delays the transaction TA prepared draft QCBS documents and (with ADB) a draft RFP. An international procurement consultant, recruited separately from the QCBS package for grant implementation, and fielded at program startup, will provide hands-on training to executing and implementing agencies.	MOES and/or PIU
<b>3.4 Lack of transparency in the appointment of the BEC and CSC members.</b> Lack of criteria and procedures for the selection of committee members may lead to potential governance issues.	Low	MOES has managed several ADB projects and there has been no issue on transparency in composition of the BEC or CSC.	MOES and/or PIU
<b>Poverty, Social and Gender</b>			
<b>4.1 Lack of an information-sharing mechanism regarding the improved TVET program.</b> Poor and disadvantaged groups in remote areas have limited access to information on upgraded TVET program offerings.	Moderate	The program will help outreach the disadvantaged groups in rural and remote areas who have limited access to information. An awareness raising and communications campaign is included in the program and a most effective communication strategy will be developed.	MOES, PIU and/or beneficiary schools
<b>4.2 Limited participation of women and girls in TVET programs.</b> Lack of gender-sensitive vocational orientation and guidance may depress the female attendance rate in TVET institutions.	Moderate	The program will help appoint the gender focal points in TVET institutions, who will play a key role in gender-mainstreaming in the field. Implementation and achievement of Gender Action Plan (GAP) will be regularly monitored. Female teachers will be priority in training funded by the program and will be role models for female students. PIU will collect gender-disaggregated data on project activities.	MOES and/or PIU
<b>4.3 Female students disadvantaged by labor market gender stereotypes.</b> Limited awareness on the part of (especially rural) families and schools, may limit access by female students to decent job opportunities in industry.	Moderate	The program will support gender awareness activities to reduce gender stereotyping that often leads female students to low-paid, non-professional occupations. The program will develop gender-sensitive TVET programs. Time-bound gender actions discussed and agreed with the government are summarized in the GAP.	MOES and/or PIU

### Risks and Mitigation Measures

Risk Description	Rating	Mitigation Measures	Responsibility
<b>4. Safeguards</b>			
Civil works under the program may cause unforeseen negative impacts, including noise and dust.	Low	Scope of civil works is small and the risk is considered low. To ensure civil works are properly implemented, the program will provide a long-term national civil works supervision consultants knowledgeable and experienced in management of noise and dust pollution. The environmental screening and management checklist (attached to the PAM) will be completed by the consultant.	MOES and/or PIU

**Overall****Moderate**

ADB = Asian Development Bank, BEC = bid evaluation committee, COE = center of excellence, CPS = country partnership strategy, CSC = consultant selection committee, EMIS = education management information system, GAP = gender action plan, MOES = Ministry of Education and Science, MOF = Ministry of Finance, M&E = monitoring and evaluation, PFM = public financial management, PIU = project implementation unit, RAMP = risk assessment and risk management plan, TA = technical assistance, TVET = technical and vocational education and training.  
Source: Asian Development Bank.