

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Rating	Mitigation Measures	Responsibility
A. Public Financial Management			
The MECSS accounting staff does not have experience in managing donor funds.	S	A PIU will be established and staffed by a financial management specialist and/or accountant with the skills and experience to manage donor funds, in consultation with ADB. Training on ADB disbursement procedures will be conducted for the MECSS and PIU staff. The PIU will develop detailed accounting procedures to ensure effective management and control of the project funds and assets.	MECSS, ADB, PIU
The government financial management information system cannot accommodate donor-funded projects.	L	Accounting software will be installed at the PIU to manage project funds, generate financial reports, and track project assets.	PIU
Asset management procedures and internal controls have some weaknesses.	S	The PIU will develop procedures to control receipt of assets and manage them. Project assets will be tracked in the accounting software.	PIU
Contract compliance procedures and internal controls are inadequate.	S	The PIU will develop procedures to administer, monitor, and control contracts. The PIU will be supported by international and national consultants to ensure that civil works contractors comply with contractual terms and specifications.	Consultants, PIU
The internal audit function at MECSS is not yet fully operational.	L	The Internal Audit Committee of MECSS will be trained and an internal audit charter will be developed. The PIU will develop procedures to comply with government regulations and ADB requirements. MECSS and PIU staff will be trained in ADB's guidelines and procedures.	PIU, ADB
B. Procurement			
MECSS has no permanent procurement staff, and investment officers manage procurements.	S	A procurement specialist will be recruited for the PIU to assist MECSS in managing procurement processes. Training in ADB guidelines and procedures will be conducted for the MECSS and PIU staff.	ADB, MECSS ADB

Risk Description	Rating	Mitigation Measures	Responsibility
The MECSS staff responsible for civil works procurements have limited expertise and technical knowledge to develop detailed specifications and evaluate bids.	S	The PIU procurement specialist and civil engineer will support the civil works bid evaluation committees. Engineers with experience in school and kindergarten construction from UMED will be part of the civil works bid evaluation committees.	PIU, UMED
The capacity, experience, and technical expertise of MECSS are insufficient to develop detailed technical specifications of goods and terms of references for consultants.	M	Technical specialists will be recruited as part of the PIU to develop technical specifications and terms of reference. International and national technical consultants will support MECSS and the PIU.	Consultants, PIU
The procedures of MECSS for receiving goods are managed by only one staff, which is inadequate.	S	The PIU will develop procedures for receiving goods managed by at least one technical staff and another with procurement experience with similar goods against technical specifications, invoices, and delivery notes.	PIU
C. Civil Works			
MECSS lacks enough qualified staff to monitor all phases of school and kindergarten construction, expansion, and rehabilitation.	H	MECSS, UMED, and the PIU will be supported by national construction supervision specialists, and an international construction supervision training specialist, as well as engineering firms, which will prepare designs, drawings, specifications, and bills of quantities to oversee civil works on a daily basis.	Consultants, MECSS, PIU, UMED
Delays in procurement and late application for construction permits reduce the time available for construction because of the short construction period in Mongolia.	H	The PIU will develop a detailed plan for school and kindergarten construction and expansion to be reviewed and approved by the project steering committee, which will coordinate procurement processes as well as the application and awarding of permits between different government agencies.	PIU, project steering committee
D. Corruption			
Conflicts of interest sometimes exist in the performance of procurement tasks.	M	Through prior and post reviews of procurement transactions, ADB will supervise and ensure the compliance of MECSS with ADB guidelines and policies.	ADB
Overall	Substantial		

ADB = Asian Development Bank; H = high; L = low; M = moderate; MECSS = Ministry of Education, Culture, Science and Sports; PIU = project implementation unit; S = substantial; UMED = Ulaanbaatar Metropolitan Education Department.

Source: ADB.