

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Rating	Mitigation Measures	Responsibility
<p>Government ownership</p> <p>Political commitment to good governance, and/or prudent public financial management weakens.</p>	Low	Government commitment is strong and has been building since the PEFA was undertaken in 2012. In December 2015, following general elections, the cabinet endorsed the PFM Reform Roadmap. ^a A PFM Reform Steering Committee, chaired by the chief secretary, was established in March 2016 to provide high-level management. ADB will continue intensive policy dialogue with decision makers to maintain the reform momentum.	Government
<p>External shocks</p> <p>External shocks divert political and administrative attention and capacity away from reforms.</p>	Substantial	The Marshall Islands is exposed to external shocks and has limited capacity to respond to them, which results in vulnerability. The project supports the government in building the country's fiscal resilience. However, large external shocks can inevitably disrupt reform initiatives and outcomes. ADB will monitor national, regional, and global economic developments and respond in a timely manner and in coordination with other partners to possible government requests for assistance if unforeseen shocks occur.	Government, with support from ADB (and other development partners)
<p>Limited donor coordination</p> <p>Limited coordination leads to contradictory advice or overlapping initiatives.</p>	Moderate	Partners involved in reforms include ADB, the World Bank, the Pacific Financial and Technical Assistance Centre, Australia, the United States, and the European Union. The MOF will lead the coordination effort. The RCU will work very closely with the MOF in Majuro to improve coordination among development partners, by providing advice to the MOF and organizing periodic donor coordination discussions.	Government, with support from the RCU
<p>Quality of consultants</p> <p>Nonavailability of qualified consultants on a timely basis for the RCU undermines reform efforts.</p>	Substantial	The government has delegated consultant selection to ADB. It will also identify suitable candidates with appropriate experience and encourage them to apply for RCU positions. RCU remuneration under the project will be set to attract high-quality consultants.	Government, with support from ADB
<p>Institutional capacity</p> <p>High staff turnover aggravates existing capacity constraints, which delays reform implementation and coordination.</p>	Substantial	The MOF is susceptible to high staff turnover. The RCU consultants will be funded by the project for 3 years and are expected to provide stable support. TA from development partners will be mobilized through government-led efforts to bridge gaps through short- and medium-term capacity supplementation within the MOF.	Government, with support from the RCU

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<p>Procurement capacity</p> <p>The MOF lacks capacity and experience in recruiting consultants in conformity with ADB procedures.</p>	Substantial	Consultant recruitment will be delegated to ADB, while the government will make final decisions about consultant selection and engage consultants. The MOF will supervise and manage the consultants, in close consultation with ADB.	Government, with support from ADB
<p>Financial management capacity</p> <p>The MOF has low capacity to manage project finances.</p>	Substantial	International consultant payments will be made directly by ADB. The MOF advance account will be used to make small payments and remunerate local consultants. The RCU will include financial management specialists, who will assist the MOF in preparing invoices and making submissions. The specialists will also build capacity within the MOF.	Government, with support from ADB and RCU financial management specialists
<p>Anticorruption</p> <p>Nascent anticorruption systems pose risks.</p>	Moderate	The Marshall Islands has taken tangible steps to strengthen anticorruption measures, including through engagement with the United Nations Convention Against Corruption, and is committed to the agenda, although systems are nascent. ADB will undertake integrity due diligence of consultants to be recruited for the RCU, and anticorruption issues will be built into training programs conducted by the RCU as appropriate.	Government, with support from ADB and the RCU
<p>Technical assistance</p> <p>Lack of or delays in partner TA delivery impede reform implementation.</p>	Substantial	Timely TA is critical to support the government in Roadmap reform identification, design, and implementation, given weak local capacity. Regular TA coordination meetings will be organized through the RCU to identify gaps in support in a timely manner, and to mobilize and deploy resources.	Development partners (including ADB) and the RCU
<p>Sustainability</p> <p>Insufficient funding and expertise in government affect the sustainability of the reforms after the project ends.</p>	Substantial	The project design includes elements that will help sustainability: the institutional capacity of the MOF will be strengthened; two national consultants will be hired for the RCU, with the potential to remain engaged beyond the project duration; and the SOE monitoring unit will be institutionalized in government. Several development partners are engaged in PFM reforms in the Marshall Islands. If the project performs well, development partners could potentially provide support to continue the RCU. Additional financing by ADB (possibly on a lower scale) could also be considered.	Government, development partners (including ADB) and the RCU
Overall	Substantial		

ADB = Asian Development Bank, MOF = Ministry of Finance, PEFA = public expenditure and financial accountability, PFM = public financial management, RCU = reform coordination unit, SOE = state-owned enterprise, TA = technical assistance.

^a Government of the Marshall Islands. 2014. *Public Financial Management Reform Roadmap, 2014–2016*. Majuro. Source: Asian Development Bank.