

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Rating	Mitigation Measures	Responsibility
A. Technical			
<p>The outcome targets of employment or self-employment for trainees are not met.</p> <p>The training offered is of inadequate quality and not relevant to market needs and hence does not address skills shortages.</p> <p>The demand for school TVE is lacking among secondary school students, making it difficult to enroll students in the TVET courses in grades 9 through 12.</p>	S	<p>The project will enable extensive consultations with the private sector to strengthen delivery of market-relevant courses in TVET institutions, which will improve employability of graduates. The project provides for revamped and longer on-the-job training to supplement institutional training, which will enhance workplace experience and the potential for job placements.</p> <p>The project will introduce six new middle and advanced courses in TTIs that are in sectors that have been identified as having high employment potential. The courses to be offered through private sector training providers cover tourism, hospitality, and other services sectors that are of direct relevance to the economy.</p> <p>The project will provide prevocational orientation and vocational club activities in schools to enhance the interest of secondary students to enroll in TVET. The PMU will undertake media campaigns and an advocacy strategy to improve the image of TVET offerings in school. The MOE will undertake advance consultations for planning the enrollment of students in adequate numbers in each of the 13 TVET programs to be offered in schools.</p>	MOLHR, TTIs, ADB
Delays in the appointment of qualified additional trainers in the TTIs and junior instructors to deliver vocational training in schools due to lack of timely availability of capable personnel.	S	The PMUs will recruit suitable trainers and junior instructors, including temporary staff, if required. The PMUs will implement training and capacity building for the newly recruited trainers and junior instructors to ensure timely introduction of new courses in the TTIs and in schools.	MOLHR and MOE
Inadequate staff and technical capacities for timely development of new course modules, learning materials, and course accreditation in the MOLHR and the MOE.	M	The MOLHR will form a task force and/or working groups with the participation of external experts to develop course modules and materials. The MOE, together with the Royal Education Council, will also set up working groups with external experts and collaborate with the MOLHR to develop curriculum and course materials. International	MOLHR and/or MOE

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		technical assistance will also provide needed support.	
Continued recurrent budget required for running the TVET program in schools, providing consumables in the TVET labs, and potentially replacing equipment is not provided.	L	The MOE has factored in the TVET premier schools in the Twelfth Five-Year Plan, 2018–2023 budget proposals.	MOE
B. Financial Management			
<p>Inadequate financial management capacity in the executing agencies may impede timely implementation of the project.</p> <p>Weak internal controls.</p>	S	<p>PMUs are being set up at both the MOE and MOLHR, along with a clear organizational structure and specific terms of reference for PMU staff and experts. The executing agencies will assign dedicated financial management and procurement staff to the two PMUs. Procurement and financial management consultants will support timely procurement processes and financial reporting. An international design and supervision consulting firm will further support the PMU at MOLHR for effective procurement of civil works.</p> <p>Financial management training will be provided to PMU and PIU staff on disbursement, financial reporting, and audit requirements.</p> <p>Internal audits of the MOE and MOLHR will present half-yearly internal audit reports to the steering committee. The role of the internal audits is to provide independent assurance that risk management, governance, and internal control processes in financial management and procurement areas in the respective ministries are operating effectively. An annual statutory external audit report will be submitted within 6 months of the end of Bhutan's financial year on 30 June, together with action taken report on audit observations.</p> <p>Finance and procurement officials and project managers in both PMUs will receive training from ADB on online disbursement procedures and procurement procedures.</p>	MOLHR, MOE, ADB
Budget allocations for recurrent costs arising from project investments are not adequate or are not timely,	M	ADB and the Government of Bhutan will ensure that requisite provisions in the Twelfth Five-Year Plan for recurrent costs arising from project investments are confirmed by the first quarter of	MOLHR, MOE, MOF

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thereby hampering sustainability.		2019 (currently in the proposal stage until the new government is in place in November 2018). The project's recurrent cost implications will become important from year 3 and 4 of the project. Through the PMUs, ADB will monitor annual budget allocations and due release of funds to the MOE and MOLHR to meet the recurrent expenditures each year.	
Asset management procedures and internal controls have some weaknesses.	M	A fixed asset register for project assets will be maintained by the PMUs, including assets provided during project preparatory technical assistance. There will be periodic physical verification plans along with provision for periodic counts including reconciliations of all equipment provided to the PMUs as well as to all the TTIs. A detailed inventory of all physical assets will be maintained at the place where they are located. The fiduciary reviews at midterm and final evaluation will take stock of the physical location and usage of the assets. The Department of National Properties in the Ministry of Finance has introduced a web-based assets inventory management system and fixed asset registers. The MOLHR and MOE will use the web-based assets inventory management system and will maintain records appropriately. Regular monitoring will be undertaken by the PMUs and further corroborated with external monitoring provided in the project.	MOLHR, MOE
C. Procurement			
Weak capacity for procurement of civil works, goods, and services in the MOLHR, affecting timely preparation of bid documents, management of procurement stages, timely award of procurement contracts, and monitoring of contract compliance.	S	The PMUs will develop procedures to administer, monitor, and control contract awards and implementation. The PMUs will each be supported by a dedicated project engineer and a dedicated project procurement officer. An international design and supervision company will supervise the quality and timeliness of all civil works in the project. The MOLHR will streamline bid evaluation and contract award committees to support speedy and transparent processes.	MOLHR, MOE, ADB

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		An external procurement consultant will provide support to the MOLHR and MOE in preparing standard bidding documents. It is proposed to schedule training in ADB procurement procedures for relevant staff in the two PMUs.	
D. Environmental Safeguards			
Lack of capacity for monitoring and reporting on environmental safeguard compliance during the construction phase at the TTIs and at the TVET labs in the schools (the project's environment category is B).	L	An external consultant will be tasked with undertaking regular monitoring and reporting on safeguard compliance during the entire construction phase. Environment focal persons will also be identified in the PMU to allow for regular follow-up. The PMUs will each set up a grievance redress mechanism at different levels, including in the locations where construction is ongoing, to deal with any complaints.	MOLHR, MOE
E. Operational Aspects			
Having two executing agencies may dilute project management control and potentially delay timely reconciliation of financial statements and submission of withdrawal application.	L	The MOLHR PMU will perform the role of a coordinating PMU and will act as a single window for compiling progress reports and annual project financial reports, and submitting withdrawal applications to ADB. An interministerial project steering committee will monitor progress and take action to prevent delays.	MOLHR, MOE
F. Results Orientation			
Adequate mechanisms are not operational to ensure tracking of the achievement of key goals and targets of the project.	M	The project includes early action on undertaking baseline surveys on key indicators. The PMU at MOLHR will hire a firm to undertake studies during the course of the project. The TVET MIS will be upgraded to a web-based system in the early part of the project and will provide gender-disaggregated data on the TVET system. The education MIS will incorporate data on the school TVET program prior to its start in 2020.	MOLHR, MOE

H = high, S = substantial, M = moderate, L = low.

ADB = Asian Development Bank, MIS = management information system, MOE = Ministry of Education, MOF = Ministry of Finance, MOLHR = Ministry of Labor and Human Resources, PIU = project implementation unit, PMU = project management unit, TTI = technical training institute, TVET = technical and vocational education and training.

Source: ADB.