

## RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Rating	Mitigation Measures	Responsibility
<b>A. Public Financial Management</b>			
Budget execution of MOH and UCMO is adversely affected due to lack of predictable financing, and reductions in the annual budget	S	<p>Continuous adherence to the IMF program will improve the macroeconomic situation and the fiscal position of the government thus reducing weaknesses of credibility and predictability of funds availability.</p> <p>Current donor support to the improvement of the PFM system should be continued (e.g., ADB support to develop cash management, public investment management, and e-taxation)</p>	MOF, ADB
Government does not allocate sufficient funds for operation and maintenance costs generated by overall project investments and activities for hospitals, drug laboratory and drug regulatory improvement measures.	S	<p>Overall project generated operation and maintenance costs will be estimated in advance of annual budget preparation. Inclusion in the MOH budget will be monitored by ADB and the PIU.</p> <p>A loan covenant makes provision for the government's inclusion of appropriate recurrent funds in yearly budgets submitted for MOF endorsement and Parliament approval.</p>	MOF, MOH, PIU, ADB
MOH's accounting and internal control functions have improved considerably since ADB started cooperating with MOH, but there remain weaknesses and risks. The internal audit function is still weak in MOH. MOH staff lacks capacity to adapt to new requirements and procedures, including ADB policies.	H	<p>Strengthening the internal audit in MOH as internal audit is part of the institutional capacity building implementation mentioned in the mitigation measures under the corruption section below.</p> <p>External audit activities will be conducted to identify financial weaknesses that could lead to irregularities in implementation.</p> <p>ADB financial procedures and books of accounts will be maintained separately by the PIU in parallel to the GFMIS.</p> <p>Trainings on ADB financial procedures will be conducted periodically to enhance capacity of MOH staff on accounting and internal control.</p>	ADB, MOH, PIU

Risk Description	Rating	Mitigation Measures	Responsibility
<b>B. Procurement</b>			
<p>The overall procurement capacity of the MOH is considered satisfactory. However, due to (i) the high turnover of staff, (ii) the complexity of procuring and monitoring the establishment of the SDH, (iii) the poor command of English, and (v) the new ADB procurement policies and guidelines, could lead to procurement delays.</p>	M	<p>The PIU procurement specialist will act as the secretary during preparation and meetings of the MOH bid evaluation committees. Project consultants and PIU will provide technical support to MOH in preparing technical specifications and bid evaluations.</p> <p>A Multitranchise Financing Facility: Improving Access to Health Services for Disadvantaged Groups<sup>a</sup> will develop and implement an institutional and capacity building program for procurement including on ADB policies and procedures for MOH personnel.</p>	ADB, MOH, PIU
Risk of fraud and corruption in the procurement process.	M	<p>The MOH and the PIU will ensure all contract awards are made public by posting on the MOH website and at <a href="http://www.eprocurement.mn">www.eprocurement.mn</a></p> <p>ADB will implement thorough prior review of procurement activities</p>	MOF, MOH, ADB
<b>C. Corruption</b>			
Corruption practices and risks in financial management and procurement	M	<p>ADB will implement spot reviews of procurement and financial procedures.</p> <p>Procurement awards will be made public.</p> <p>Multitranchise Financing Facility: Improving Access to Health Services for Disadvantaged Groups will develop and implement an institutional and capacity building program for procurement, financial and risk management procedures and internal audit for MOH personnel.</p>	MOH, ADB
<b>D. Technical risks</b>			
Lack of willingness to conform to the hospital capital planning system results in lack of investments coordination (e.g., regulations for medical technology)	H	The ongoing project supported regulatory framework for capital investment planning needs to be reinforced to become more stringent. The regulatory tools need to be better enforced. This will require (i) capacity building for MOH relevant staff and (ii) advocacy at government and parliament.	MOH, PIU, ADB

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		The ADB TA on the preparation of the Health Sector Master Plan <sup>b</sup> will address capital planning and plan for an investment framework for 2019-2027.	
Institutions involved in drug regulation resist changes	S	A law on amending the medicine law, which includes the establishment of the Drug Regulatory Agency is pending in the Parliament. The overall project continues to promote adoption of the draft law.	MOH, PIU
<b>Overall</b>	<b>M</b>		

ADB = Asian Development Bank, GFMS = Government Financial Management Information System, H = high, L = low, M = moderate, MOF = Ministry of Finance, MOH = Ministry of Health, PFM = public finance management, PIU = project implementation unit, S = substantial, SDH = Songinohairkhan District Hospital, TA = technical assistance, UCMO = Ulaanbaatar City Mayor's Office.

<sup>a</sup> ADB. 2019. *Report and Recommendation of the President to the Board of Directors: Proposed Multitranches Financing Facility to Mongolia for Improving Access to Health Services for Disadvantaged Groups*. Manila.

<sup>b</sup> ADB. 2017. *Technical Assistance to Mongolia for Development of the Health Sector Masterplan, 2019-2027*. Manila. Source: Asian Development Bank.