RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Rating	Mitigation Measures	Responsibility
National risks[a]			
1. Procyclical fiscal policy does not create enough fiscal resources	L	The Government of the Philippines has doubled outlays on infrastructure since 2006 to 5% of GDP in 2016. Additional increases are expected to boost public expenditure on infrastructure to 7.4% of GDP by 2022. The government plans to scale up infrastructure while keeping a broadly neutral fiscal space. The increase in priority spending will be financed through additional revenue mobilization, including by widening the tax base, so that the fiscal stance remains broadly neutral.	All economic agencies
2. Political economy: New infrastructure development agenda	M	The new administration launched a comprehensive infrastructure development program called Build, Build, Build (BBB) that calls for an increase in public spending on infrastructure. The government's approach to the much larger pipeline under the BBB program is to ensure an investment program based on an optimal mix of government financing, official development assistance, and private capital. The demand for private sector participation remains substantial, and the PPP program continued to make progress, supported by improvements in the enabling environment.	NEDA, DOF
3. PFM weakens	S	PFM is exposed to several significant risks, including: (i) the dispersion of responsibilities among oversight agencies; (ii) weak budget execution, including the excessive use of in-year budget reallocations; and (iii) a lack of transparency that makes it difficult for civil society to hold government accountable. However, these risks are being mitigated steadily over time. The 2016 PEFA noted improvements in transparency, policy-based budgeting, and accounting and	DBM, DOF

Risk Description	Rating	Mitigation Measures	Responsibility
		record keeping. The government has also strengthened the budget review process, reduced the number and size of special purpose funds, and institutionalized transparency as a precondition to accessing public funds. ADB is providing direct support to strengthen PFM through the Philippine Development Forum subworking group on PFM.	
4. Changes in business environment affecting private sector investment in infrastructure	L	The government has acted to encourage investment by passing the Competition Law, amending the Cabotage Law, and relaxing foreign ownership limits in the banking industry, all in 2015. The proposed program supports investment, in infrastructure and capital-intensive projects, by undertaking reforms to facilitate and stimulate the PPP market.	Other actors
5. Corruption may affect implementation	S	Past efforts to reduce and eliminate corruption have been constrained by political interference, inefficient coordination mechanisms, and a lack of enforcement capacity. To address these risks, the Good Governance and Anti-Corruption Cabinet Cluster of the Philippines implemented a comprehensive and results-based anticorruption action plan, drawing on a review of the National Anti-Corruption Plan of Action. Initiatives are being supported by various development partners (e.g., the United States Agency for International Development) to strengthen the capacity of the Office of the Ombudsman and the justice subsector. ADB has supported and will continue to support the government as it works to ensure the fiscal autonomy of constitutional bodies, and supports the enhancement of legislative oversight over anticorruption bodies.	All agencies

Risk Description	Rating	Mitigation Measures	Responsibility
Contextual risks			
6. PPP procurement delays	S	Procurement in the Philippines poses several challenges that require sequenced corrective actions over time to address. Some procurement-related aspects of the BOT Law's IRRs will be addressed in the amendments to the BOT Law (PPP Act) being legislated in Congress. In addition, the government has introduced the appointment of probity advisors in PPP project procurement to enhance third-party oversight of the bidding process and ensure that the tender process is impartial and fair to all bidders.	NEDA, implementing agencies (LGUs, line agencies)
7. Implementing agencies' technical capacity is insufficient to support PPP preparation and implementation	M	The PPP Center has developed and regularly conducts training programs tailored to different target groups at implementing agencies—board members and policy makers, senior and middle management, technical staff, PPP unit staff—to familiarize them with the BOT Law and its IRRs, and to prepare them for their procurement-related responsibilities. The PPP Center has developed and disclosed comprehensive manuals for national government agencies and LGUs on managing PPPs throughout the project cycle. Also, the PPP Governing Board has issued several policy circulars to guide implementing agencies in PPP project management and procurement.	NEDA, implementing agencies (LGUs, line agencies)

H = high, S = substantial, M = moderate, L = low.
ADB = Asian Development Bank, BOT = Build–Operate–Transfer, DBM = Department of Budget and Management, GDP = gross domestic product, IRRs = implementing rules and regulations, LGU = local government unit, NEDA = National Economic and Development Authority, PEFA = Public Expenditure and Financial Accountability, PFM = public financial management, PPP = public–private partnership,
PPP Center = Public–Private Partnership Center.
Source: ADB staff.
[a] ADB. 2011. *Country Partnership Strategy: Philippines, 2011–2016*. Manila.
[b] Public Expenditure and Financial Accountability Report. 2016. https://pefa.org/assessments/philippines-2016.