RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Rating	Mitigation Measures	Responsibility
Economic Macroeconomic conditions deteriorate, resulting in worsening fiscal deficit. Public debt stock was 68% of GDP in 2017, with a current account deficit of 14.1% of GDP in 2016.[a]	S	The government is committed to maintaining macroeconomic stability and reducing vulnerability through fiscal reforms, restructuring of weak public banks and equitization of some state-owned enterprises. The $30 million grant provided under subprogram 2 will improve the Lao PDR's overall fiscal position, and sustain both its commitment to health sector reforms and to allocating 9% of general government expenditure to the health sector, including sufficient funds to provide free health care for the poor, mothers and children through NHI.	Government, MOF
Revenue deficits may pose potential risks for budget allocation to the health sector. The budget deficit was about 6.2% of GDP in 2017, which may adversely affect future expenditures and resources available for the health sector. Recurrent expenditures increased slightly since FY2013 while revenue collection was stagnant.	S	The government has capped expenditure increases by freezing civil servants' salaries and limiting civil servant intake. It issued several administrative measures to improve working efficiency and reduce wastefulness. The government has attempted to improve revenue collection by enhancing the capacity of the tax and customs administration, using information technology, and cancelling fuel and vehicle exceptions. Successful implementation of these policy measures is expected to reduce the budget deficit to 3% of GDP by FY2021. Policy actions to be taken under subprogram 2 of the Health Sector Governance Program will contribute to improving efficiency of the health sector and maximize resources available to support affordable and quality health services. Public finance management reforms will further improve budgeting, management and proper resource tracking to reduce waste. Human resource reforms will contribute to increasing the skills of and better distributing the health workforce.	
Public Financial Management Inadequate budget allocations and slow disbursement of funds by MOF and provincial treasuries (including allocation readjustments) creates funding shortages in the health sector; problems are exacerbated by weak public financial management and insufficient linkages between the line item budgeting and program-based budgeting required by the health sector. This complicates prioritization and allocation of budgets and tracking of expenditures across health programs and according to sources of funds, including NHI.	M	The program supports improvement of overall sector financial management. MOH has adopted the MOF double entry accounting and reporting system. Training at provincial and district levels under the linked capacity development TA ensures proper utilization of the new system. The HSGP also helps in linking planning, budgeting and expenditure monitoring; and clarifying the fund flow mechanism (from MOF to MOH and NHI). This is expected to result in improved expenditure monitoring, which will trigger improved allocations and timely release of funds by MOF.	Government, MOF, MOH, ADB
Governance & institutional capacity The institutional and human resource capacity in MOH for planning, management, coordination, and problem solving based on	M	ADB's TA loan and capacity development TA mainly provides support to MOH in the areas of governance, human resources and public finance. The World Bank and other development partners are providing support for health service delivery and monitoring. TWGs have been established for each pillar to strengthen and	MOH, provinces, ADB, development partners

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performance monitoring at central and provincial levels is inadequate. In addition, the capacity of new institutions—such as NHIB, the Health Professional Council and the HSR coordination unit—is limited, while the financial and administrative capacity at the provincial and district levels to undertake additional tasks under the decentralization reforms remains limited.		coordinate reform efforts and enable cross-sector collaboration. Support for governance also includes providing advice on the design and roll out of HSRs and the decentralization reforms. The capacity development TA further supports training to strengthen financial and planning capacity in provinces and districts.	
Insufficient donor coordination undermines aligned sector planning, financing and strategic resource allocation, resulting in duplication, inefficiencies and unpredictable sector financing.	M	ADB is committed to continued policy dialogue with other development partners in alignment with the Vientiane Declaration on Aid Effectiveness, and to discussions of strategy and assistance based on the 8th Five-year Health Sector Development Plan and the HSR agenda. ADB regularly participates in coordination meetings led by MOH, including TWG meetings and workshops.	MOH, ADB, development partners
Risk of fraudulent practices Anecdotal evidence suggests patronage, credit schemes to overcome cashflow problems, procurement and storage fraud, and financial mismanagement may affect sector reform and performance.	M	Reforms supported by subprogram 2 will improve human resources and planning, budgeting, and expenditure monitoring and contribute to increased transparency of financial and human resource allocation in the health sector. Subprogram 2 also supports capacity building for health facility staff.	Government, MOH
Technical Risks associated with the introduction of NHI include: (i) weak capacity and insufficient knowledge of NHI among central (MOH, MOF, NHIB), provincial (PHO, PHIB), district (DHIB) and health facility staff; and (ii) uncertainties regarding NHI policies, provider payment modalities, operational issues and how to handle the smooth transition to NHI that may affect NHI implementation and lead to service disruptions.	M	Training on NHI has been started for NHI staff (especially PHIB and DHIB staff) and health facility staff, in conjunction with other development partners. In addition to initial training at facilities, refresher courses should be carried out to mitigate attrition, and follow-up visits by NHI staff need to be conducted to assess implementation progress and clarify queries. Mechanisms to ensure consistent training quality will be required.	MOH, NHIB, MOF, health facilities, development partners[c]
Introduction of NHI may delay reimbursements and lead to insufficient payment rates, resulting in funding gaps and debts at facilities, jeopardizing service delivery. The deficit is further exacerbated by the significant rise in utilization following introduction of NHI.	M	Mitigation to avoid excessive facility-level fiscal deficits include: (i) capacity development of NHI and facility staff to ensure clear understanding of the NHI payment structures; and (ii) enforcement of maximum turnaround times for payments as stated in the operational guidelines; and (iii) reviewing payment rates based on costing of services.[b]	MOH, NHIB, health facilities
Reforms intended to address the quality of care receive less attention than those addressing quantity of care, which may reduce demand and lead to underutilization even if the supply is sufficient.	M	HSGP supports quality reforms through human resource reforms (e.g., setting up a framework for licensing and registration of health personnel and a national exam system). Workforce development plans are being drafted to identify locations with inadequately qualified personnel, and recommend action points. The Health Professional Council oversees the work of key departments in MOH responsible for quality. However other initiatives to improve the quality of health care services are limited and progress is slow. MOH has started to address this	MOH

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		issue, as evidenced by the pilot of a quality improvement scheme.	
Lack of sufficient resources and capacity for continuing education and professional development (including scholarships for training specialists and upgrading staff) may impede efforts to improve performance of existing staff.	M	MOH has recognized the need for continuing education as a foundation of licensing and upgrading the quality of health personnel and is preparing an inventory for continuing education. Some donors are supporting continuing education and ADB is committed to coordinating with development partners and MOH to develop integrated training modules across key health facility functions to address needs.	MOH, develop-ment partners
Human resource reforms to improve the quality of the health workforce could be undermined by unfair, non-transparent licensing and registration and national examination systems.	M	The Health Professional Council is aware of these issues and taking measures to ensure the integrity of licensing and examination practices. Medical and nursing boards also provide oversight.	MOH
Poverty, social, gender The poor and ethnic groups do not benefit equally from health services because they lack information on entitlements (health services in general, and NHI in particular), and because of language, cultural and geographic barriers.	L	NHIB ensures facilities are sufficiently informed about NHI and outreach activities are conducted to reach poor and ethnic minority communities. The complementary TA loan supports the development of communication material targeting illiterate and non-Lao speaking groups, which will be disseminated at information sessions.	MOH, NHIB, health facilities
Members of ethnic groups tend to have less education and face language barriers; this results in fewer suitable candidates from ethnic groups for training and recruitment and hinders initiatives to increase their representation (and especially that of ethnic groups, women) in the health workforce. The situation may be exacerbated by policies to improve graduate quality through competitive selection based only on academic performance.	M	The Health Personnel Development Strategy includes specific measures to promote equity in recruitment and training to upgrade knowledge and skills, and increase the proportion of students from ethnic groups for recruitment at all levels of the health system, including medical and public health schools. This commitment is shared by the University of Health Sciences (a major medical education institution)	MOH, MOE, educa-tional institu-tions
There is inadequate focus, priority and funding in support of actionable gender-related policies and actions in the health sector.	L	The Gender Action Plan supports the Health SubCAW in drafting a roadmap to prepare a gender strategy for the health sector (none currently exists), which will enhance understanding of gender issues in the health sector and elevate the importance of the topic.	MOH SubCAW NCAW

H = high, S = substantial, M = moderate, L = low.
ADB = Asian Development Bank; DHIB = District Health Insurance Bureau; FY = fiscal year; GDP = gross domestic product; HSGP = Health Sector Governance Program; HSR = health sector reform; MOE = Ministry of Education; MOF = Ministry of Finance; MOH = Ministry of Health; NCAW = National Committee for the Advancement of Women; NHI = National Health Insurance; NHIB = National Health Insurance Bureau; PHIB = Provincial Health Insurance Bureau; PHO = Provincial Health Office; SubCAW = Sub Committee on the Advancement of Women; TA = technical assistance; TWG = technical working group.

[a] All figures from Country Economic Indicators (accessible from the list of linked documents in Appendix 2 of the RRP). https://www.imf.org/en/News/Articles/2017/02/15/PR1750-Lao-IMF-Executive-Board-Concludes-2016-Article-IV-Consultation.

[b] These and other recommendations are made in the financial management assessment for NHI, a policy trigger under subprogram 2.

[c] Including the European Union, Luxembourg Development Agency, Swiss Red Cross, The World Bank, and Japan International Cooperation Agency.

Source: Asian Development Bank.