

INTEGRATED RISK ASSESSMENT AND MITIGATING MEASURES

Risks	Rating Without the Mitigating Measures	Key Mitigating Measures
Results		
Quality—difficulties in recruiting qualified teaching staff, especially in emerging economic sectors	Substantial	Most implementing agencies can hire contractual teaching staff from industry with higher salary. MYASD will develop a comprehensive vocational teacher development policy and plan to revise recruitment requirement for industry experience, introduce performance-based allowance scheme, and improved in-service training. UNIVOTEC will have twinning arrangements with two internationally renowned polytechnic institutions to provide master trainers for training of trainers.
Quality—quality assurance system not improved, expanded, or consistently applied	Moderate	TVEC's role in quality assurance has been strengthened through a revised act, which specifies that all public institutions have to comply with a revised NVQ-QMS. Government funding to be progressively linked to compliance with NVQ-QMS is supported by the SSDP and program DLIs.
Relevance—training in low-relevance areas continued due to lack of information on market demand and lack of participation of private sector and employers in TVET policy, planning, and training delivery process	Moderate	MYASD will focus training activities in 2014 and 2015 on proven areas with large skills shortages, such as tourism and construction, where employment opportunities are high and industry associations are relatively well organized and committed to participating in TVET. Once the skills gap analysis becomes available, the SDD under MYASD should ensure that annual training plans are informed by the analysis results. These results are to be validated by industry working groups that MYASD will establish at TVEC to engage private sector employers and professional associations.
Sector program planning—the program will require a more integrated annual planning exercise to ensure coherence between (i) annual agency plans and the overall SSDP targets; and (ii) plan and budget estimation.	Substantial	The SDD will issue an annual planning guidance note to implementing agencies in the second quarter of the year, to help them develop their annual plan and budget submissions on time. The SDD will coordinate and adjust the agency plans to fit within the framework of the SSDP, ensuring strong focus on DLI areas. Over time, within the RBL program period, MYASD's and TVET agencies' 5-year strategic planning and the 3-year rolling expenditure framework will be fully in line with the SSDP.
Implementation capacity—the program is increasing MYASD's skills development budget and this will strain	Substantial	MYASD established the SDD with 35 cadre and professional staff led by an additional secretary to expedite and coordinate

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the ministry's and TVET agencies' implementation capacity.		implementation of SSDP. Most implementing agencies have flexibility in hiring contractual teaching and operation staff, and can quickly expand training capacity to meet labor market requirements if funding is available.
Implementation capacity in new areas and reform agenda—the program covers several new areas and a reform agenda where MYASD has little experience, and mechanisms should be detailed with clear implementation plans.	Substantial	MYASD already began detailing the mechanisms for a purchasing model and a business planning process for performance management. DLIs are constructed to set logical paths for achieving the reform results, with built-in review and improvement process. Development partners (World Bank and German development coordination through GIZ) will deploy technical experts and long-term advisors to MYASD to support implementation in complex reform agendas and new initiatives.
Expenditure and financing		
Inadequate budget allocation - Asian Development Bank financing will not be used to enhance the TVET sector outputs, and will partially or entirely replace existing government funding.	Substantial	Detailed analysis was performed of TVET budgetary requirements against historical and forecast budget allocations, and releases in prior years. Based on this, the required allocations and releases, as reflected in the DLI Matrix to ensure donor funds, represent adequate additionality to the government budget. Furthermore, accounting staff's capacity will be built in the areas of budget preparation.
Delay in budget release and low absorption capacity - The efficiency of the expenditure framework is affected by the evolving MTEF for the skills development sector, with limited commitment by the Ministry of Finance and Planning to allocate the required amounts and ensure timely release of funds, and low absorptive capacity of the implementing agencies.	High	The RBL program preparation process initiated an exercise to rationalize the MTEF for the skills sector, establishing a results chain of inputs, process, output, and outcome, with the provision of DLI as an incentive to follow the MTEF in budget allocation, release and spending.
Fiduciary		
Weak internal audit capacity - Noncompliance with policies and uneven implementation of key controls can lead to misuse of funds or assets, or low value for money.	Substantial	Internal audit department of each TVET agency involved to be strengthened through implementation of a recruitment and training plan. In addition, external periodic fiduciary reviews will be conducted.
Weak financial reporting - Use of funds will not be reported transparently in line with international best practice to allow for optimal decision making.	Substantial	Agreement struck with MYASD and the Auditor General's Department on detailed Statement of Audit Needs, incorporating the preparation of financial statements in line with international accounting standards and for timely submission. In addition, accounting

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		staff's capacity will be built in the areas of financial reporting.
Weak procurement capacity - Smaller TVET agencies have weak capacity to carry out procurement along procurement rules and regulation.	Substantial	Almost 75% of procurement (civil works and equipment) will be carried out by DTET, MYASD, UNIVOTEC, and Vocational Training Authority. Smaller agencies will be supported by the SDD, while the larger agencies will hire additional staff and conduct staff training to strengthen implementation capacity.
Weak procurement capacity - Existing procurement staff may be strained because the RBL program will double the procurement requirements.	Substantial	The SDD will provide technical support to implementing agencies to carry out procurement activities. Implementing agencies' capacity, especially on procurement, will be strengthened by recruiting additional staff and providing training.
Overall RBL program risk	Substantial	

DLI = disbursement-linked indicator, DTET = Department of Technical Education and Training, MTEF = medium-term expenditure framework, MYASD = Ministry of Youth Affairs and Skills Development, NVQ = national vocational qualification, QMS = quality management system, RBL = results-based lending, SDD = Sector Development Division, SSDP = Skills Sector Development Program, TVEC = Tertiary and Vocational Education Commission, TVET = technical and vocational education and training, UNIVOTEC = University of Vocational Technology.

Note: Risk factors are assessed against two dimensions: (i) the likelihood that the risk will occur, and (ii) the impact of the risk on the outcome. Rating scale: low = low likelihood and low impact; moderate = substantial-to-high likelihood but low-to-moderate impact; substantial = low-to-moderate likelihood but substantial-to-high impact; high = high likelihood and high impact.

Source: Asian Development Bank.