

INTEGRATED RISK ASSESSMENT AND MITIGATING MEASURES

Risk	Rating without the Mitigating Measures^a	Updated Mitigation Measures
Results		
Quality—difficulties in recruiting qualified teaching staff, especially in emerging economic sectors	Moderate	Continuous follow-up on HRD policy implementation, monitoring of vacancy ratio, and industry exposure training for instructors (DLI 3).
Quality—quality assurance system not improved, expanded, or consistently applied	Moderate	TVEC will roll out a quality improvement system (DLI 2) and strengthen the capacity of the quality assurance division with additional staff (PAP 1.2)
Relevance—training in low-relevance areas continues because information on market demand and participation of private employers in TVET policy, planning, and training delivery are lacking.	Substantial	Provide dedicated support to ISSCs to build capacity in HRD services, and promote the importance of a skilled workforce among industry members (DLI 4 and grant support). Such support will be provided by ADB and other development partners (e.g., the Government of Australia for the tourism ISSC). MSDVT will continue engaging ISSCs in TVET planning and provision (DLI 4).
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.	Moderate	SSDD will issue an annual planning guidance note to IAs in the second quarter of the year, to help them develop their annual plan and budget submissions on time. SSDD will coordinate and adjust the agency plans to fit within the SSDP's framework, ensuring strong focus on DLI areas. Over time, within the RBL program period, MSDVT's and IAs' 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 the MSDVT's skills development budget and this will strain the ministry's and TVET agencies' implementation capacity.	Moderate	SSDD is staffed with better-qualified and experienced people hired from the market on a contractual basis, which will accelerate implementation pace.
Implementation capacity in new areas and reform agenda—the program covers several new areas and a reform agenda where MSDVT has little experience, and mechanisms should be detailed with clear implementation plans.	Substantial	Stronger capacity at the leadership level is required to use the new mechanisms strategically to resolve existing and emerging issues, and create synergies across different aspects of the program to achieve higher value addition from ADB's Skills Sector Enhancement Program. Steering committee to focus on strategic issues and bottlenecks in reform agenda and create synergies with other initiatives.
Expenditure and financing		
Inadequate budget allocation—ADB financing will not be used to enhance the TVET system outputs, and will partially or entirely replace existing government funding.	Moderate	Detailed analysis was performed on TVET budgetary requirements against historical and forecast budget allocations, and funds released in prior years. Based on this, the required allocations and releases, as reflected in the DLI matrix to ensure donor funds, represent adequate support 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 Mass Media to allocate the	Substantial	MSDVT should further improve its and the IAs' absorption capacity so that the Ministry of Finance and Mass Media can allocate and release funds aligned with MTEF.

Risk	Rating without the Mitigating Measures ^a	Updated Mitigation Measures
required amounts and ensure timely release of funds, and low absorptive capacity of the implementing agencies.		
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	Related PAP action will be followed up further to ensure that this risk does not adversely affect the program performance.
Weak financial reporting—use of funds will not be reported transparently in line with international best practice to allow for optimal decision making.	Moderate	Agreement struck with MSDVT 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 staff's capacity will be built in the areas of financial reporting. In addition, preparing financial statements at least to comply with Sri Lanka Public Sector Accounting Standards will be prioritized.
Weak procurement capacity—smaller TVET agencies have weak capacity to carry out procurement along procurement rules and regulation.	Moderate	SSDD, which is adequately staffed with significant past performance, should extend support to respective IAs through expert staff, technical inputs, resources, and direct involvement in procurement processes. This measure would be appropriate, particularly where the planned procurement volumes are limited and far between, and would not warrant permanent augmentation of procurement capacity. AFR will be carried out to measure capacity improvement.
Weak procurement capacity—existing procurement staff may be strained because the RBL program will double the procurement requirements.	Moderate	AFR will include post-procurement review to inform the areas for further improvement in procurement capacity.
Overall RBL program risk	Substantial	

ADB = Asian Development Bank, AFR = annual fiduciary review, DLI = disbursement-linked indicator, DTET = Department of Technical Education and Training, ETA = employment training agreement, GIZ = Deutsche Gesellschaft für Internationale Zusammenarbeit, HRD = human resource development, IA = implementing agency, ISSC = industry sector skills council, MIS = management information system, MTEF = medium-term expenditure framework, MSDVT = Ministry of Skills Development and Technical Training, NVQ = national vocational qualification, PAP = program action plan, PBA = performance-based allowance, PBF = performance-based financing, QIS = quality improvement system, QMS = quality management system, RBL = results-based lending, SSDD = Skills 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, VTA = Vocational Training Authority.

^a Risk factors are assessed against the (i) likelihood that the risk will occur and (ii) 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.