

## RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
<b>Governance</b>		
<b>A. Public Financial Management</b>		
Government (counterpart) funds to finance recurrent costs generated by project investments and activities are not available on time.	Medium	<p>A loan covenant makes provision for adequate counterpart funding.</p> <p>The PIU is responsible for ensuring that government counterpart funds are included in the MPDSP budget appropriations.</p> <p>Separate accounting records are maintained for the project in parallel with the government accounting system.</p>
Internal control mechanisms are suboptimal	Medium	<p>The MPDSP established an Internal Auditing, Monitoring and Evaluation Department in 2011, which will provide internal control services to the executing and implementing agencies.</p> <p>The external auditor's opinion on the use of the imprest account and statement of expenditures will be part of the audit reports. The annual audited financial statements and audited project accounts will be submitted to ADB no later than 6 months after the end of the fiscal year during project implementation.</p> <p>ADB will provide training in ADB financial management procedures to key executing agency (i.e., MPDSP) and PIU staff.</p>
Irregularities in fund flow management	Medium	ADB funds will be preferably handled through direct payment, and secondarily through an imprest account.
High inflation and appreciating local currency (MNT) caused by the booming economy results in escalating project costs.	Medium	Plans account for sufficient contingency funding; a loan covenant provides the government will pay any shortfall.
<b>B. Procurement</b>		
Implementing agencies have insufficient procurement capacity and experience.	Medium	<p>The MPDSP will be responsible for all procurement and the PIU will be responsible for the day-to-day administration of the procurement process.<sup>a</sup> The PIU will include a procurement specialist hired for the full duration of the project. The recruitment of the procurement specialist needs to be based strictly on merit.</p> <p>ADB, through the Mongolia Resident Mission, will provide regular training on procurement processes, supervision, and monitoring for staff involved in</p>

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		procurement (1–2 per year).  The MPDSP has more than 10 years experience with procurement, following ADB policies and guidelines, but staff turnover is high.
Fraud and corruption in the procurement process	Medium	An MOF representative will participate in all procurement evaluation procedures; the MPDSP should attach any MOF reviews and/or comments for procurement contracts under the project (whenever such review is mandated under the Mongolian Procurement Law, 2011) to each submission to ADB.  Ensure all contract awards are made public by posting on the government website ( <a href="http://www.e-procurement.mn">www.e-procurement.mn</a> ); a printed screenshot of such postings will be attached to all copies of contracts forwarded to ADB.
<b>C. Corruption</b>		
Corrupt practices affect project design, procurement, and implementation, leading to poor quality projects.	Medium	Implement spot reviews of procurement and financial procedures
Failure to enforce anticorruption measures	Medium	Assist the MPDSP, the PIU, and implementing agencies to ensure good governance, accountability, and transparency in project operations.  Encourage the MOF to strengthen external audit systems.
<b>Operational</b>		
Resistance by the public and decision makers to rationalize the social welfare system	Medium	The rationalization process will be highly participatory, involving key stakeholder groups in multiple events between 2014 and 2017 (workshops, media coverage, focus group discussions, conferences), which will seek to reduce resistance to the rationalization process
SIGO and GOSWS oppose reorganization of their IT departments	High	In 2014–2015, dialogue will take place at technical and policy levels to demonstrate efficiency gains through the reorganizations of the IT departments. Resistance will be decreased by showing that IT staff numbers will increase under the restructured IT departments, and that the investment in IT opens new opportunities for current staff.
<b>Overall</b>	<b>Medium</b>	

ADB = Asian Development Bank, GOSWS = General Office for Social Welfare Services, IT = information technology, MOF = Ministry of Finance, MPDSP = Ministry of Population Development and Social Protection, PIU = project implementation unit, SIGO = Social insurance General Office.

<sup>a</sup> The MPDSP has advised that the procurement will be conducted by the Government Procurement Agency (GPA). Such arrangements and the respective roles of the GPA and the MPDSP will be confirmed during project implementation subject to ADB's assessment of the GPA's capacity and resources.

Source: Asian Development Bank.