

RISK ASSESSMENT AND RISK MANAGEMENT PLAN
(Republic of the Marshall Islands: Public Sector Program)

Risks	Assessment without Mitigation	Management Plan	Assessment with Mitigation
Public Financial Management			
The government has limited capacity to undertake additional borrowing.	Medium	The debt-restructuring portion of the program will reduce the net present value of public debt and actually lower the RMI's debt burden. See Report and Recommendation of the President to the Board of Directors (RRP) and linked document, Marshalls Energy Company (MEC) Analysis.	Low
Lack of capacity at major implementing partners like the Ministry of Finance (MOF) and the Marshalls Energy Company (MEC) may frustrate reforms.	High	Accompanied technical assistance (TA) to support program implementation Capacity building in major implementing partners in 2010–2013	Low
The government's capacity to effectively implement reforms may prove insufficient, especially its inability to carry through civil service rationalization.	High	Ongoing policy dialogue, close monitoring, and empowering the Public Service Commission (PSC) in 2010–2011 TA will provide the necessary technical support	Low
The government's commitment to the current pace of reform may not be sustained due to the loss of political support.	Medium	A public consultation program will invite key stakeholders (government, nongovernment organizations, academia, and others) to discuss and update the progress of the reform on a regular basis. This will help RMI sustain the reform.	Low
The government may be reluctant to contain expenditures.	High	Accompanied TA and advisors placed in the Ministry of Finance (MOF) and the Marshalls Energy Company (MEC) will support the process in 2010–2014 Major development partners jointly support the reform which is driven by key pro-reform government officials and civil society. Ongoing policy dialogue, close monitoring, and empowering the PSC in 2010–2011	Low
The government may be unable to enhance revenue in 2010–2014.	Medium	Accompanied TA and experts placed in the PSC will support the process in 2010–2014 Accompanied TA and tax advisors placed	Low

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		in MOF will support the process in 2010–2013 Subprogram 2 is processed upon meeting the next tranche conditions and this will give strong incentive to MOF to continuously improve the fiscal management	
Unsustainable subsidies and transfers to state-owned enterprises (SOEs)	High	Engagement with MOF, development partners, and the MEC in 2010–2012 Accompanied TA and advisors placed in MOF will support the process in 2010–2012 A joint support to MEC with other development partners to ensure that all partners unanimously support RMI to cut subsidies	Medium
Weak coordination and reporting within and between agencies	Medium	Consultation with implementation partners in 2010–2013	Low
Commodity price fluctuations may put pressure on the operations of MEC and, with it, on the government budget	Medium	Monitoring of international prices and building up of reserves in the MEC to meet emergencies in 2010–2013	Low
Lack of transparency in the management of the Compact Trust Fund may threaten long-term fiscal and economic sustainability	High	Close monitoring by the United States government and ADB in 2010–2013 This is to be included as part of the agenda during the development partner coordination meeting.	Low
Lack of flexibility in budget allotment due to earmarking of compact grant money	High	Improved tax revenue collection to provide MOF with fiscal space to pursue national priorities in 2010–2013	Low
Corruption and Fiduciary Risks			
Fiduciary risk that MEC will not maintain the monthly payments into the RMI sinking fund bank account	High	The government will establish a debt-servicing sinking fund that will be linked with the MEC's revenue account for the automatic transfer of MEC revenue to the sinking fund.	Low
Cultural practices of gift giving and not questioning superiors	High	Policy dialogue on the establishment of an anticorruption commission in 2010–2011	Low
Lack of oversight agency such as an anticorruption	High	Establishment and operationalization of MOF internal audit unit in 2011–2012	Medium

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commission frustrating attempts to restrain corrupt practices			
Limited reach of United States Audit Office may miss abuse of compact fund	Medium	Establishment and operationalization of MOF internal audit unit in 2011–2012	Medium
Capacity constraints in the Public Service Commission may hinder the processing of cases of abuse of power.	High	TA support to assist PSC in 2010–2014	Medium
Lack of capacity in agencies may leave corruption undetected or ignored	High	Policy dialogue on establishing and strengthening internal audit units in all agencies in 2010–2011	Low
Overall	High		Low

Source: Asian Development Bank.