

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

1. This summary risk assessment follows the requirements of the Second Governance and Anticorruption Action Plan and related guidelines of the Asian Development Bank (ADB).¹ The assessment highlights the reforms that the Government of the Philippines has successfully started with the Good Governance and Anti-Corruption Cabinet Cluster, notably in public financial management, results-based budgeting, and improved leadership in accountability.

2. Despite the progress made in governance reforms since 2010, some governance risks remain. ADB-supported risk mitigation measures have focused on results-based budgeting, particularly on the design and implementation of results-monitoring systems for all national government agencies and the establishment of data management systems to monitor the indicators. A results-based monitoring and evaluation system is being introduced in phases, with the aim to fully integrate it into the public financial management system.

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
Public Financial Management		
Uncertainty in the continued provision of budgetary support for right-of-way and resettlement costs of PPP projects, and for access roads to airports and roll-on, roll-off facilities	Medium	In line with the medium-term expenditure management process, implementing agencies are now required to develop rolling pipeline investment programs, such as the three-year rolling infrastructure program or the pipeline of PPP projects. Inclusion of a PPP project in the program or the pipeline can help ensure continued budgetary support.
Uncertainty in the continued provision of budgetary support for project preparation and transaction advisory services through the PDMF	Medium	The draft bill to amend the BOT law has a provision to create the PDMF as a special fund to be used for the procurement of advisory and support services related to the preparation, structuring, procurement, financial close, and monitoring of implementation of PPP projects: "The PDMF may be funded through any such amount as may be needed and included in the General Appropriations Act, official development assistance, or other sources." Once the PDMF is created by law, ADB will seriously consider contributing to it.
Uncertainty in the continued and assured provision of budgetary support for payment of contingent liabilities	Medium	The draft bill to amend the BOT law has a provision to create a contingent liabilities fund to be financed through dedicated budgetary appropriations and contributions from the budgets of implementing agencies and project proponents: "The fund will provide a reliable pool from which disbursements on government obligations on liabilities that have materialized can be drawn. As such, any appropriations and contributions to the fund are permanently appropriated and will not revert to the general fund if not disbursed during the life of the project. The fund shall be administered by DOF following fiduciary standards for fund management. The operations of the said fund can be enhanced through official development assistance." Once the contingent liabilities fund is created by law, ADB will seriously consider contributing to it.

¹ ADB. 2006. *Second Governance and Anticorruption Action Plan (GACAP II)*. Manila; ADB. 2011. *Revised Guidelines for Implementing ADB's Second Governance and Anticorruption Action Plan (GACAP II)*. Manila.

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
PPP Project Procurement		
Members of the BAC, Technical Working Group, and the BAC Secretariat in implementing agencies and LGUs lack working knowledge of the PPP procurement per BOT law and its IRRs.	Medium	The PPP Center has developed and regularly conducts training programs tailored to different target groups at implementing agencies—board members and policymakers, senior and middle management, technical staff, PPP unit staff—to familiarize them with the BOT law and its IRRs, and to prepare them for their procurement-related responsibilities. The PPP Center has developed and disclosed comprehensive manuals for national government agencies and LGUs on managing PPPs throughout the project cycle. Also, the PPP Governing Board has issued several policy circulars to guide implementing agencies in PPP project management and procurement. The second phase of the PPP TA processed in parallel to the proposed program will further strengthen the ability of the PPP Center in building implementing agencies' capacity for PPP project procurement.
Untimely or baseless complaints from losing bidders can delay the awarding of contracts and notices to proceed to winning bidders.	High	Some procurement-related aspects of the BOT law's IRRs need to be reviewed and revised to avoid untimely complaints from losing bidders. In the meantime, implementing agencies and LGUs can be advised to include in their bidding rules provisions that encourage bidders to file any complaints they may have in a timely manner and that penalize bidders who file baseless complaints or cases. The PPP Center can offer training on PPP project procurement to private companies interested in bidding for PPPs. Apart from this, the government adopted a policy on probity advisory services in PPP project procurement to enhance third-party oversight of the bidding process. The second phase of the PPP TA will help pilot this approach and build the capacity of the government in this area.
Corruption		
Weakening of political will in the next administration to stamp out corruption in the bidding process and implementation of PPP projects	Medium	The Good Governance and Anti-Corruption Cabinet Cluster of the Philippines is developing a comprehensive and results-based anticorruption action plan, drawing on a review of the National Anti-Corruption Plan of Action. Initiatives are under way by various development partners (e.g., the United States Agency for International Development) to strengthen the capacity of the Office of the Ombudsman and the justice sector to perform their investigative and prosecutorial functions.
Political Economy		
Weakening of political support in the next administration for infrastructure improvement reforms, particularly those promoting PPPs	Medium	Rollout of more PPP projects and smooth implementation of ongoing PPPs will create momentum and build up the case for PPPs as an efficient and effective means of increasing investments in infrastructure. Good momentum in BOT law amendments also suggests that the PPP program is unlikely to be reversed or halted by a possible change in administration in June 2016.
The program includes several innovative reforms. Capacity of agencies to study, introduce, and implement reforms may be constrained by heavy workload, limited exposure to innovative financing	Medium	The program reduces this risk by focusing on the policy triggers that constitute high-priority policy reforms supported by substantial capacity development assistance to infrastructure PPPs. In addition, the monitoring and evaluation framework and the impact evaluation reports will provide lessons for strengthening the programs before scaling them up.

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mechanisms, and bureaucratic inertia.		
Staff turnover at national and local oversight and implementing agencies	Medium	Institutionalize reforms through operations manuals, information technology systems, and training programs.
Weak coordination between national agencies and stakeholders such as LGUs. This may undermine effective implementation of pilot programs.	Medium	In promoting PPPs to LGUs, the PPP Center can partner with government agencies and private companies that have been working with LGUs in the preparation, financing, and implementation of their priority projects, including infrastructure projects—e.g., the Department of the Interior and Local Government, DOF's Bureau of Local Government Finance, and LGU Guarantee Corporation.
Overall	Medium	Medium-risk environment. The government, with the support of development partners, is taking credible measures to manage the risks.

ADB = Asian Development Bank, BAC = Bids and Awards Committee, BOT = build–operate–transfer, DOF = Department of Finance, IRRs = implementing rules and regulations, LGU = local government unit, PDMF = project development and monitoring facility, PPP = public–private partnership, TA = technical assistance.

This assessment draws on World Bank. 2010. *Public Expenditure and Financial Accountability (PEFA)*. Report No. 54584-PH, Manila; Australian Aid. 2012. *Assessment of National Systems, Philippines: Analysis of Strengths, Weaknesses and Risks Associated with using the Public Financial Management Systems of the Government of the Philippines*. Manila. Government of the Philippines, the World Bank, the Asian Development Bank, Japan International Cooperation Agency. 2013. *Philippines. Country Procurement Assessment Report*. Manila.
Source: Asian Development Bank.