

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Rating	Mitigation Measures	Responsibility
Government ownership. Political ownership of the reform process and ongoing commitment to fiscal discipline weakens.	Moderate	Structural reform has progressed during subprogram 3 with support from multiple development partners. Much remains to be done in the areas of public financial management (PFM), state-owned enterprise (SOE) reform, and policies to improve the business and investment climate. The Public Financial Management Improvement Programme, 2020–2023, is under development, and will guide future reforms.	Government, development partners, including the Asian Development Bank (ADB)
Broad support for reforms. Parliamentary and community support for reform implementation is insufficient.	Moderate	Interministerial coordination has been lacking and will be required to ensure reforms continue. ADB technical assistance will help provide cross-ministry coordination, and create better communication and an environment for reforms.	Government, development partners, including ADB
Public financial management. Weak government PFM systems and limited capacity undermine capacity for strong fiscal planning, budgeting and monitoring.	Moderate	Development partners are working closely with the Ministry of Economy to bring about transparent multiyear budgeting and to develop processes to improve the ability of the government to plan, estimate, and track expenditures, including the impacts of new policy changes. Progress is being made and regular development partner meetings, held with government officials, are enabling better communication and coordination.	Government, development partners, including ADB
COVID-19. The coronavirus disease (COVID-19) pandemic threatens to undermine economic growth and the fiscal position, while diverting political and administrative focus and capacity away from reforms.	Substantial	The COVID-19 pandemic has the potential to bring unprecedented adverse economic impacts through restrictions on trade and tourism flows, as well as on construction activity. The economy is projected to contract in 2020, with significant downside risks if restrictions are prolonged. Such large external shocks can inevitably disrupt reform initiatives and outcomes. ADB will monitor national and global economic developments and respond in a timely manner and in coordination with other partners to possible government requests for assistance if the economic downturn becomes more severe than anticipated.	Government, development partners, including ADB
SOE reform. Progress with respect to performance improvements is halted or reversed, ending reform commitment.	Moderate	Reforms to further commercialize SOEs will be supported by the government through the Public Enterprises Act 2019, and by new policies on government guarantees and monitoring of fiscal risks associated with SOEs. The merging of the Ministry of Public Enterprises with the Ministry of Economy in 2019 is likely to provide a better focus on reform.	Government, development partners, including ADB
Private sector development. Weak private sector response to business environment improvement.	Moderate	The program aims to provide new policies and legislation that will improve the business environment and create an economy that attracts investment. The privatization of some SOEs will provide an opportunity across different industries for private investment.	Government, private sector

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Institutional capacity. The government cannot implement policy reform actions because it lacks the capacity.	High	Low capacity has been worsened by high turnover in government departments, partly due to emigration. Capacity can vary between ministries and even in departments within a ministry. Civil service reforms are continuing, and retention is improving. Technical assistance from ADB and development partners will seek to build capacity in the ministries engaged in the proposed program.	Government, development partners, including ADB
Anticorruption. Weak internal controls and oversight capacity lead to management and accounting failures, and noncompliance with processes.	Moderate	Weak overall government capacity and ongoing problems with staff turnover affect the standard of controls and oversight. PFM reform activities prioritize support for efforts by the government and development partners to strengthen internal controls and external oversight. Reforms that encourage accountability and transparency in budgeting, updated and new legislation, and new guidelines and frameworks to guide decision making will ensure ongoing improvements in transparency.	Government, development partners, including ADB
Overall	Moderate		

Source: Asian Development Bank.