

INTEGRATED RISK ASSESSMENT AND MITIGATING MEASURES

1. The table below summarizes the risks identified in the program technical and system assessments in the following broad areas of risks:

- (i) **Results.** Risks in this area can impede the achievement of the program’s intended results and development outcome. They relate to the program’s rationale, design, government commitment, definition and selection of results and disbursement-linked indicators, results measurement and verification mechanisms, monitoring and evaluation, implementation capacity, and sustainability.
- (ii) **Expenditure and financing.** Risks in this area are associated with the efficiency and effectiveness of the program expenditure framework, and the adequacy and sustainability of the program financing.
- (iii) **Fiduciary.** Risks in this area relate to financial management, procurement, and anticorruption systems, which increase the possibility that program finances are not used for the intended purposes.
- (iv) **Safeguards.** Risks in this area are associated with the safeguard systems’ ability in managing potential adverse environmental and social impacts of the program.
- (v) **Operating environment.** Risks in this area relate to factors such as macroeconomic conditions, political factors, fiscal conditions, and stakeholder related risks that might affect the program implementation.

Risks	Rating Without the Mitigating Measures	Key Mitigating Measures
<p>Results Selected TVET institutions cannot complete self-improvement projects or meet provincial standards for model TVET institutions within 3 years, negatively affecting the achievement of the program outcomes.</p>	Substantial	GED and its expert group will develop and issue provincial standards for model TVET institutions, including sound selection criteria and procedures, standards for self-improvement projects, progress monitoring and reporting requirements, and completion evaluation criteria, which provide clear guidance for the selection of TVET institutions, as well as the development, planning, and implementation of self-improvement projects by selected TVET institutions (program action). They will also regularly monitor the implementation status of self-improvement projects so that additional support required is identified and provided on time (program action). A margin of 1 year (2021) has been built into the program design to enable selected TVET institutions to complete their projects.
<p>Functions and tasks of industry steering committees are too broadly defined to provide effective research, recommendations, and guidance for TVET to align with human resources needs of industries.</p>	Moderate	Industry steering committees will develop terms of reference that specify key functions and deliverables in detail, following a template for terms of reference developed by GED and agreed with ADB (DLI 2 in 2017).
<p>Delays in selecting courses of study and host TVET institutions to pilot test new methods of engaging industries in developing curriculum, training materials and methods, and assessment, negatively impacting on the successful and timely completion of the pilot tests.</p>	Moderate	GED will prepare terms of reference for consulting services in 2017 that support the implementation of the pilot tests. In the process, courses of study and host TVET institutions need to be selected. The terms of reference will be agreed with ADB (DLI 5 in 2017).

Risks	Rating Without the Mitigating Measures	Key Mitigating Measures
<p>Expenditure and financing Financing sources to close the funding gap may not be found on time, which slows down the program implementation.</p>	Moderate	The GZAR government has been implementing measures to strengthen financial control and increase efficiency in the use of available funds. The PRC and GZAR governments plan to increase budgets for TVET relative to general education, given that the share of TVET budget in the total education budget is small, despite the importance of TVET as a driver of economic growth.
<p>Fiduciary Generally lower financial management capacity of county TVET institutions indicates weaknesses in control over locally generated revenues.</p> <p>Staff capacity for internal audit at GED and TVET institutions is inadequate to ensure the efficiency and effectiveness of fund use.</p> <p>Financial control is predominantly geared toward transactions, and insufficient attention is given to the efficiency and effectiveness of fund use.</p> <p>Lack of qualified procurement staff and training, leading to noncompliance with relevant laws and regulations in procurement activities.</p> <p>Procurement systems prove inadequate to prevent corrupt activities and other abuse.</p> <p>Lack of technical skills at TVET institutions, especially at county level, to prepare technical specifications and cost estimates, resulting in delays, inefficiency, and ineffectiveness in procurement activities.</p>	<p>Moderate</p> <p>Moderate</p> <p>Moderate</p> <p>Moderate</p> <p>Moderate</p> <p>Moderate</p>	<p>A financial management specialist will be engaged under the attached TA to provide training for managers and financial management staff at TVET institutions, especially at county level. An action plan to transition to accrual accounting will be developed and implemented (program action).</p> <p>The financial management specialist engaged under the attached TA will provide training for audit staff on modern risk-based approaches to internal control. An action plan to strengthen internal audit will be developed and implemented (program action).</p> <p>The financial management specialist engaged under the attached TA will provide training on management accounting and financial planning for managers and financial management staff at GED and TVET institutions (program action).</p> <p>GED will ensure that procurement staff at TVET institutions are trained in technical, procedural, regulatory, and ethical aspects of procurement (program action).</p> <p>Provincial supervision departments will be involved for inspection in the program. Procurement notices for all procurement under the program will be posted online. Standard bidding documents and procurement best practices will be adopted for procurement under the program (program action).</p> <p>GED will ensure that, in addition to training of procurement staff at TVET institutions, experienced design institutes are used to prepare technical documents.</p>
<p>Safeguards Procedural compliance with regulations, and environmental management practices are sometimes found inadequate to achieve ADB's SPS objectives.</p>	Moderate	Adequate staff at the PMO will be assigned to act as an environment safeguard coordinator to strengthen system coordination and oversight. TVET institutions will assign qualified staff to coordinate EMP implementation. An environment specialist will be engaged under the attached TA to establish a system for monitoring and reporting, public involvement, and grievance redress (program action).

Risks	Rating Without the Mitigating Measures	Key Mitigating Measures
Safeguards screening, planning, and monitoring are inadequate to comply with involuntary resettlement safeguard requirements.	Moderate	Adequate staff at the PMO will be assigned to act as an involuntary resettlement safeguard coordinator. A resettlement framework has been adopted. A resettlement external monitor will be engaged by the PMO or TVET institutions, if any resettlement activities are to be conducted or any legacy issues are found during due diligence. A resettlement and social development specialist will be engaged under the attached TA to provide guidance to the PMO and TVET institutions. The PMO will seek ADB's review and guidance if land to be acquired will trigger significant impacts before preparing the improved 1-Book-4-Plan and compensation and relocation plan (program action). ^a
<p>Operating environment Overall labor market conditions inadvertently affect employment opportunities for TVET graduates.</p> <p>Broader economic and political contexts discourage exchanges and cooperation activities between TVET institutions and enterprises in GZAR and ASEAN countries.</p>	<p>Substantial</p> <p>Moderate</p>	<p>Industry steering committees will be strengthened to implement industry advisory plans which are designed to align TVET provision with human resources needs in industries based on regular surveys (DLI 2).</p> <p>GED will guide TVET institutions to establish partnership agreements for long-term cooperation between TVET institutions and enterprises in GZAR and ASEAN countries, which could withstand changes in broader economic and political contexts (DLI 7 in 2018).</p>
Overall RBL program risk	Moderate	

^a The existing resettlement planning documents under the PRC's country system.

ADB = Asian Development Bank, ASEAN = Association of Southeast Asian Nations, DLI = disbursement-linked indicator, EMP = environmental management plan, GED = Guangxi Education Department, GZAR = Guangxi Zhuang Autonomous Region, PMO = program management office, PRC = People's Republic of China, RBL = results-based lending, SPS = Safeguard Policy Statement, TA = technical assistance, TVET = technical and vocational education and training.

Note: Risk factors are assessed against two dimensions: (i) the likelihood that the risk will occur, and (ii) the 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: ADB.