

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Rating	Mitigation Measures	Responsibility
A. Technical			
Gaps in technical capacity limit the ability of relevant government agencies to implement the COVID-19 pandemic response effectively.	S	ADB has existing engagement in key areas of health sector reform, social protection, and financial inclusion that allows for regular dialogue and support to the government. ADB will provide technical assistance to support the implementation of the government's COVID-19 response strategy. See Summary of Emergency Subsidy Program and Social Amelioration Guidelines on implementation and monitoring arrangements.	DA, DOF, DOH, DSWD
B. Economic and Financial			
Financial Confidence in the formal finance sector weakens	S	Nonbank capital markets in the Philippines have halted (a key source of government revenue), stocks have declined, and nonperforming loans are expected to escalate. However, early in the crisis, the BSP announced a series of regulatory relief measures for supervised financial institutions, designed to maintain the flow of credit to the finance and real sectors. Before the crisis, ADB programs helped strengthen confidence in the formal finance sector, particularly the Encouraging Investment through Capital Market Reforms Program, approved in 2015, which deepened the capital market and increased investor confidence. ^a The Inclusive Finance Development Program, approved in 2018, will continue to strengthen overall confidence in the sector by addressing key barriers to financial inclusion. ^b	BSP, DOF, SEC
PFM The PFM framework has weaknesses that may constrain the government's ability to implement its response effectively.	M	Reforms to strengthen PFM are ongoing. The budget review process was strengthened, the number and size of special purpose funds were reduced, and the government institutionalized transparency as a precondition to accessing public funds. ADB has active engagements with the government to support improvements to PFM both nationally and locally.	DBM, DOF
Social and Gender Poverty incidence is expected to increase dramatically for the poor and near poor. Both men and women will be affected by the pandemic, but women may be more severely affected as they are likely to be the primary caregivers of those who are ill and have higher	S	The government's response package, totaling ₱24 billion, includes (i) immediate steps to reduce the infection rate, (ii) expanded medical services to step up testing and care for affected populations, and (iii) social protection and livelihood support to help mitigate the immediate impacts on livelihoods and employment. In addition, ADB's support under the Expanded Social Assistance Project ^c will help the government's <i>Pantawid Pamilyang Pilipino</i> Program by financing a portion of the education and health conditional cash transfers provided to poor households; strengthening the	DILG, DOLE, DSWD

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exposure to the virus, and a higher possibility of increased gender-based violence caused by stresses from lost wages and confinement.		DSWD's compliance verification, payroll, and grievance redress systems; building linkages with complementary social programs; and improving project management, monitoring, and impact evaluation. A Gender Monitoring Matrix has been prepared to support gender targeting.	
Corruption Corruption at the national and LGU level may affect implementation.	S	To address these risks and ensure effective monitoring of the support, the government, through the DOF, will submit a consolidated report to ADB covering the activities and expenditures made from the state budget to support the countercyclical measures. The reports will include expenditures on medical response activities, social protection, and industry support. The government expressed its commitment to work with ADB to establish a monitoring framework involving various stakeholders for the government's response program. Additional detail on the proposed monitoring framework is accessible from the list of linked documents.	DOF
Overall	S		

ADB = Asian Development Bank, BSP = Bangko Sentral ng Pilipinas (Central Bank of the Philippines), COVID-19 = coronavirus disease, DA = Department of Agriculture, DBM = Department of Budget and Management, DILG = Department of the Interior and Local Government, DOF = Department of Finance, DOH = Department of Health, DOLE = Department of Labor and Employment, DSWD = Department of Social Welfare and Development, LGU = local government unit, M = moderate, PFM = public financial management, S = substantial, SEC = Securities and Exchange Commission.

^a ADB. 2015. *Report and Recommendation of the President to the Board of Directors: Proposed Programmatic Approach and Policy-Based Loan for Subprogram 1 to the Republic of the Philippines for the Encouraging Investment through Capital Market Reforms Program*. Manila.

^b ADB. 2018. *Report and Recommendation of the President to the Board of Directors: Proposed Programmatic Approach and Policy-Based Loan for Subprogram 1 to the Republic of the Philippines for the Inclusive Finance Development Program*. Manila.

^c ADB. Philippines: Expanded Social Assistance Project and the Social Protection Support Project – Second Additional Financing Program (forthcoming).

Source: Asian Development Bank.