

## VII. RISKS

71. Four main issues are identified that could pose risks to the effective delivery of the regional assistance program. The issues, their direct implication for Bank strategy, and a discussion of actions that would mitigate the risk, as much as possible, are presented in Table 9. These issues represent a mix of exogenous country-specific factors, as well as the systemic risks that emerge from the scope of the Bank's engagement in the region.

**Table 9. Risks Faced in Implementing World Bank Strategy and Proposed Mitigation Measures**

<i>Issue</i>	<i>Risk for the regional strategy</i>	<i>Actions to mitigate risk</i>
<p><b>1. National ownership and client-led coordination</b></p> <p>National ownership of agendas for reform varies considerably across client countries. The small PIC governments are easily overwhelmed by the challenge of managing many donor programs. Yet there is limited support for using the aid coordination frameworks which have been adopted in many other countries (e.g., Poverty Reduction Strategy Papers).</p>	<p>The Bank's engagement and ability to make progress on key aspects of the strategy may vary across client countries, reflecting its ability to align its assistance with receptive counterparts.</p> <p>The assistance provided by the Bank may be poorly coordinated and thus less effective.</p>	<p>Bank will identify and support champions for reform using country commitment as a key factor in selecting its interventions. The Bank will seek to work in ways which minimize the burden of aid coordination, which it and other donors place on client governments.</p> <p>Bank will work with other donors to encourage, support, and build national ownership of reform programs. Where appropriate, it will follow the LICUS approach, as well as the principles set out by the Organization for Economic Cooperation and Development on alignment in fragile states.</p>
<p><b>2. Vulnerability</b></p> <p>Several countries in the region are vulnerable to natural disasters and volatility in commodity prices. Risk of political instability and social conflict is also high as many are considered fragile states.</p>	<p>Large shocks present a risk to the country program by necessitating an unpredictable change of course and immediate need to divert attention and resources from previously agreed priorities.</p>	<p>The framework is flexible enough to allow the Bank to tailor its response to special needs, but the priorities outlined in this document may need to be adjusted under these circumstances.</p> <p>Increased access to flexible trust funds will allow the Bank to deliver specialized assistance where necessary.</p>
<p><b>3. Importance of Partnerships</b></p> <p>Successful implementation of the strategy depends on partnerships and leveraging resources from other donors.</p>	<p>The Bank's ability to leverage partnerships effectively may be uneven across Australia, the EU, Japan, New Zealand, and the United States.</p>	<p>The Bank will launch steady and continuous efforts to deepen dialogue with major donors.</p> <p>The Bank will signal its</p>

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		institutional knowledge by proactively disseminating its analytical products with a view to forging strong working partnerships with donors.
<p><b>4. Cost</b> Country level needs (within the planned regional framework) vary considerably across the nine clients.</p>	<p>Bank assistance will be resource-intensive due to the isolated activities in each country. Limited ability to cluster raises costs relative to activities in other country programs that can benefit from economies of scale</p>	<p>The Bank will attempt to mitigate by identifying common issues pertaining to the creation of regional public goods, promoting a regional approach where possible, including widely disseminating cross-country learning within the region, as well as international lessons through the work of the Small States Task Force. The Bank will enhance its dialogue with regional organizations and seek to link country programs with regional initiatives</p> <p>The Bank will seek to leverage additional resources from key partners.</p>