

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

| Risk Description | Risk Assessment | Mitigation Measures or Risk Management Plan |
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| A. Public Financial Management | | |
| 1. Weak financing arrangements on development and management of the road network | High | <p>The practice of providing loans to the NHA to finance its development program since the creation of the NHA in 1991 undermines the authority's financial standing. The ADB-administered capacity development technical assistance approved in November 2015 and funded by the Government of the United Kingdom will help build capacity and carry out analytical work on NHA balance sheet restructuring, underpinned by ongoing ADB policy dialogue to prepare and implement the sector reform agenda. The government also intends to expand the toll base, rationalize tolls, and allocate more revenue to the road maintenance account of the NHA.</p> <p>Tolls and other revenues fund 90% of the NHA's maintenance expenditure; the rest comes from the government annual maintenance grant.</p> |
| B. Project Management | | |
| 1. Lack of counterpart funds | Medium | The government will accord transport infrastructure a top priority in the country's resource allocation. The NHA will expand PPP-based road construction to reduce the government subsidy. |
| 2. Development partners' assistance to roads shrinks because of political instability and lack of strong will for reform | Low | A peaceful change of government lessens the concern of the international community regarding political instability. The government convinces development partners of its seriousness to reform the sector. |
| C. Project Implementation | | |
| 1. Delayed start of civil works | Low | The NHA has prepared a detailed design, and has conducted substantial public consultation to deal with the concerns of affected people living in the project area. Advance procurement of civil works using the single-stage; two-envelope international competitive bidding procedure is at the technical evaluation stage. Land acquisition and resettlement is near completion, and full access to project road sites will be ready before contractors' mobilization. The NHA will synchronize loan effectiveness with the start of civil works. |
| 2. Delayed land acquisition and resettlement, and inadequate safeguard arrangements | Medium | <p>The NHA has started consultation, land acquisition, and resettlement compensation for the people affected by the additional financing. Progress to date has been satisfactory, and verified by its social safeguard management consultant. An independent land valuation study has been carried out to identify any price differential and ensure compensation at full replacement cost in accordance with the approved land acquisition and resettlement plan.</p> <p>A qualified and experienced external monitoring agency will verify the executing agency's monitoring reports, monitor LARP implementation, identify issues, and recommend</p> |

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| | | corrective measures as needed. |
| 3. Cost overruns, e.g., because prices of commodities and raw materials rise more than budgeted. | Medium | <p>The NHA assisted by the construction supervision consultant will supervise the implementation of the environmental management plan, monitor the implementation process, and regularly submit to ADB their safeguard monitoring reports.</p> <p>Project cost estimates are based on completed detailed design and the most recent unit prices of similar civil works.</p> <p>Adequate contingencies are budgeted in the project investment to account for any unforeseen factors, and a technical auditor will be engaged to review design changes when necessary.</p> |
| D. Procurement | | |
| 1. Delay in procurement procedures | Low | The NHA is familiar with ADB's procurement guidelines and requirements. ADB will provide continuous capacity building support to the NHA during the procurement process. The new government assures there will be no political intervention in bidding for large-scale public works. |
| 2. Weak performance of consultants or contractors | Low | The NHA has learned that once poorly performing contractors and consultants are locked in, it is extremely costly to terminate a contract and bring a new contractor or consultant on board. The NHA will put strong emphasis on screening out incompetent contractors through rigorous technical evaluations. The consultants who have provided design review and construction supervision services for the completed M-4 Faisalabad–Gojra section and performed satisfactorily will continue their supervision services for this project. |
| E. Governance | | |
| 1. Noneconomic consideration of contractor or consultant selection | Low | The new government is strongly committed to eradicating corrupt practices. The National Accountability Bureau is fully empowered to enforce the National Anticorruption Ordinance to prevent, detect, investigate, and prosecute cases involving corruption, corrupt practices, misuse or abuse of power, misappropriation of property, kickbacks, and commissions. The National Accountability Bureau plays its role properly. |
| 2. Collusion between the NHA and contractors or consultants | Medium | The NHA maintains separate project records and accounts that are adequate to identify the works, goods, and services financed from the loan proceeds; financing resources received; expenditures incurred for the project; and use of local funds, including adequate internal controls and financial reporting arrangements. The project accounts and related financial statements will be audited annually in accordance with national and international auditing standards by the auditor general of Pakistan and by a chartered accountant. |
| Overall | Medium | |

ADB = Asian Development Bank, NHA = National Highway Authority, PPP = public–private partnership.
Source: Asian Development Bank.