

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risks	Assessment without Mitigation	Management Plan or Measures	Assessment with Mitigation
Resistance to procurement support or task outsourcing is aggravated by the lack of adequate implementation capacity in the public sector	Medium	While FERP will package contracts to capture existing capacity, procurement will be supported by deploying teams of experts to help with the paperwork. The first teams will be funded by ADB through TA. The latter teams will be funded under the loans and assigned to each of the agencies.	Low
A major upfront risk is the incorrect identification of needs, subprojects, and their packaging. If not well managed, this could affect all downstream action, including procurement quality and implementation.	Medium	The DNA provides a very good first reference for project identification. All agencies worked on the DNA and provided a robust database on emergency works. Simple and clear project-selection criteria and review procedures have been identified by consultants and ADB and are included in the project administration manual. Projects will then be reviewed by ADB. A dedicated TA procurement specialist for each implementing agency will review the packaging based on the list of approved subprojects and their scope, spread, and complexity. ADB will field missions every 3 months to oversee the work. An independent procurement advisor on the procurement committee will oversee procurement and contract award.	Low
Severe logistics constraints and price escalation impede the availability of goods and services for reconstruction	High	Options for single-source services are included to tap available capacity. An assessment of materials has been made, and there is adequate production capacity in the country to meet requirements. However, some temporary hikes are expected and will have to be managed by the government. An option is to establish a construction hub in collaboration with the private sector in the worst-affected areas, as was done in 2005 post-earthquake reconstruction.	Medium
Domestic capacity for large-scale construction is lacking.	Medium	Most reconstruction is of small works. Large works will be sourced from other countries by using international competitive bidding. The management capacity of companies will be enhanced through close collaboration with project management consultants and TA resources provided by ADB.	Low
Land acquisition and financing are delayed.	High	The Government of Pakistan has agreed to (i) establish a project-specific land-valuation committee, (ii) enhance land-acquisition staff to expedite land acquisition, and (iii) provide timely finance for land acquisition and resettlement, in all cases before the award of civil works contracts.	Medium
Security is of concern in several of the affected areas.	High	Consulting and civil works contracts need to have adequate premiums for additional security and compensation. National contractors will most likely be the preferred options in insecure areas.	Medium

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Social and community tensions can arise if public grievances are not fully addressed.	High	In FERP subprojects, implementing agencies will have regular community consultations and demonstrate benefits to all. For the overall reconstruction program, ADB will provide TA support. One input will be an effective communication strategy and active community interface. A redress mechanism will be put in place. There will be a gender action framework and full access will be granted to women to air their views and suggestions on reconstruction plans. A dedicated website will be set up under FERP. All project-related matters will be posted in a timely manner. ADB safeguards will be followed in all cases during reconstruction	Medium
Macroeconomic uncertainties are aggravated if reconstruction assistance is inadequate.	High	ADB will work closely with the International Monetary Fund and other development partners and stand ready to support the government if exceptional financial assistance is required. International Monetary Fund program discussions are ongoing. The main short-term impact on reconstruction will be budget allocations. Inflation also affects the welfare of poor people across the country.	High
Contractor performance is poor.	High	Contracts will include a scale of penalties for poor performance. Project management consultants will closely monitor performance and report accordingly to the government and ADB. There will be regular interaction between the parties to resolve problems in a practical and transparent manner. Discussions on contract variations or scope changes will involve ADB.	Medium
Fiduciary systems break down.	High	Contract bidding and awards will involve independent advisors on the bid approval and evaluation committees. During construction, FERP will benefit from independent audits conducted by expert external auditors. These audits will be carried out every 12 months. Financial advisors will be assigned to each implementing agency to ensure proper internal controls and to provide monthly internal audits reports to ADB. All project information, including contracts and their performance audits, will be published in a dedicated web site.	Low
Inadequate leadership and poor organization of the reconstruction work	High	Experienced agencies will be appointed for project management and supervision, including the deployment of international and local project management advisors.	Medium
Overall	High		Medium

ADB = Asian Development Bank, DNA = damage and needs assessment, FERP = Flood Emergency Reconstruction Project, TA = technical assistance.
Source: Asian Development Bank.