

## RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Rating	Mitigation Measures	Responsibility
<b>Corruption</b>  The BISP, acting as the executing agency and implementing agency, lacks sufficient systems to mitigate fraudulent practices	M	<p>At the country level, Pakistan's National Accountability Bureau is the highest anticorruption agency in the country. It has federal and regional authority, and takes on a variety of corruption cases, including those involving contracts greater than PRs15 million. Transparency International (an international anticorruption nongovernment organization), a vibrant domestic media industry, and an active civil society monitor corruption as well.</p> <p>At the project level, no integrity concerns have been raised. This risk assessment is borne out by various evaluations of fiduciary risk and financial management in the BISP, including the 2018 error, fraud, and corruption report. The report found that although some degree of error, corruption, and fraud will inevitably exist in UCT and CCT programs, the BISP has implemented a number of measures to safeguard against these risks, including (i) developing one of the largest databases of poor households (with the creation of the National Socio-Economic Registry), (ii) making payments to beneficiaries using personal identification number-controlled debit cards or a card-less biometric verification system, (iii) monitoring payments using independent spot checks, and (iv) using third-party evaluations of the overall program and its processes to assess its efficiency and improve the quality of services.</p>	BISP
<b>Public Financial Management</b>  Weak national accounting, development budget system financial controls, and auditing procedures could impede effective project financial management	L	Pakistan's national accounting, development budget system financial controls, and auditing procedures are adequate. No significant budgetary or financial management issues are evident regarding the allocation, release, and accounting of development budgets throughout the country.	Ministry of Finance
<b>Entity-Specific</b>  Limited beneficiary awareness of EFC risks and controls across cash transfer programs leads to underachievement of targets, high transaction costs, and unsatisfied beneficiaries	M	The BISP increases beneficiary awareness of cash transfers and beneficiaries' ability to navigate within it to minimize leakage of funds at the community level through BBCs and partner banks.	BISP
Ongoing delays in completion of	H	Audit of financial statements and	BISP

audited financial statements weakens monitoring of internal controls adequacy.		preparation of management letter to be completed within 6 months of the end of the financial year.	
Reconciliation process in preparing financial reports is not timely and may result in variances for the observed number of eligible beneficiaries.	H	Recruitment of full time Financial Management consultant for 2 year period within 6 months following loan effectiveness.	BISP
The internal audit function in BISP requires strengthening in order to address risks identified in management letters.	H	Director Internal Audit position filled, and certification and training programs provided within 3 months following loan effectiveness.	ADB
<b>Procurement</b>  Disruption in the procurement process because of the loss of key personnel  Delays in the procurement process because of lack of familiarity with ADB procurement regulations	M  M	Since the procurement wing of the BISP only assists in downstream transactional procurement activities (these are actually performed by the user units), this risk will be mitigated by hiring a consultant well versed in ADB procurement regulations. In the medium term, the best solution will be for the BISP to hire a permanent procurement staff member in its procurement wing. Regardless, relevant BISP staff will be trained on ADB procurement procedures.	BISP
Complex internal approval mechanisms cause procurement delays leading to inefficiency	M	The World Bank is conducting a review of the BISP procurement process, which will, among other things, identify the bottlenecks to timely approvals and recommend measures to address these. ADB will work with the BISP and the World Bank to help prioritize and implement key recommendations from this review.	BISP, World Bank, and ADB
<b>Implementation</b>  Weak capacity in the BISP and poor coordination with the poverty alleviation and social safety division of Government causes delays in implementation	M	ADB and other key development partners such as the World Bank will collaborate to ensure effectiveness and sustainability of capacity building and training programs.  Continuous engagement with the BISP and the poverty alleviation and social safety division to ensure strong coordination and regular consultations and monitoring.	BISP, World Bank, and ADB  BISP, ADB, and other development partners
<b>Overall</b>	<b>M</b>		

H = high, S = substantial, M = moderate, L = low.

ADB = Asian Development Bank; AGP = Auditor General of Pakistan; BBC = BISP beneficiaries committee; BISP = Benazir Income Support Program; CCT = conditional cash transfer; EFC = error, fraud, and corruption; UCT = unconditional cash transfer.

Source: Asian Development Bank.