

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

1. The Asian Development Bank (ADB) conducted a country-level risk assessment for Pakistan in 2014 as part of the country partnership strategy, 2015–2019.¹ The assessment pointed out potential risks from macroeconomic deterioration and weak governance at the central and provincial levels, and recommended improving financial management and strengthening accountability and governance to stabilize the economy and avoid corruption.

2. The provincial government of Sindh conducted assessments of financial management and procurement capacity as part of project preparation. Country-level and project-level risks and their management plans are summarized in the table.

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
A. Public Financial Management		
1. The government's continually insufficient road sector budget and unbalanced public investments in favor of road construction rather than road maintenance will result in unsustainability of road maintenance.	High	ADB will continue to encourage the Sindh government to increase the road sector budget annually and to invest more on road maintenance. ADB is supporting Sindh with a technical assistance on public-private partnership to reduce the fund gap, including in the road transport.
B. Project Management		
1. The government fails to approve the Sindh road master plan	High	The project team will consult closely with the government during implementation, and brief stakeholders for each major milestone. The chief minister has appointed a working group to review and monitor master plan preparation. The project team will work closely with this working group to ensure the plan is acceptable to the government.
2. Lack of counterpart funds	Medium	The government of Sindh will prioritize transport infrastructure in the province's resource allocation. The WSD will expand PPP-based road construction to reduce the government subsidy. The government of Sindh commits to allocate the annual counterpart fund in two installments for each fiscal year.
3. Development partners assistance for road transport shrinks because of political instability and lack of strong will for reform	Medium	The government of Sindh is encouraged to conduct more coordination among donors. ADB will explore more co-financing opportunities for investment projects and capacity building. The government will convince development partners of its seriousness to reform the sector.
C. Project Implementation		
1. Delay in start of civil works	Medium	Since the project is to rehabilitate existing roads, no safeguard issues will be involved. WSD has prepared detailed design and procurement documents, and will synchronize loan effectiveness with the start of civil works. Public consultation has been widely conducted to address the concerns of affected people living in

¹ ADB. 2015. *Pakistan: Country Partnership Strategy: Pakistan, 2015–2019*. Manila.

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		the project area. Advanced contracting and retroactive financing will support project readiness.
2. Inadequate safeguard arrangements	Low	The project will not have significant impacts on the natural and social environment in the project area. During civil works, the WSD and the construction supervision consultant will implement the environmental management plan, monitor the implementation process, and submit to ADB the safeguard monitoring reports regularly.
D. Procurement		
1. Delay in procurement procedures	Medium	The WSD was sufficiently familiar with ADB's procurement guidelines and requirements to implement the Flood Emergency Reconstruction Project recently. One staff consultant will be engaged to provide technical support during procurement.
2. Deteriorating security situation will delay project implementation	High	Most of the roads are located in safe areas. The local government will assign security forces to project sites, personnel, and contractors, especially for international consultants and contractors.
3. Weak performance of consultants and/or contractors	Low	The WSD has learned from previous projects that the performance of contractors and consultant needs to be closely monitored. Bonus and penalty clauses will be included in the contracts, as in the Flood Emergency Reconstruction Project. The WSD will strongly emphasize screening incompetent contractors through rigorous technical evaluations.
E. Governance		
1. The executing and implementing agencies lack sufficient systems to mitigate fraudulent practices.	Medium	The project steering committee will periodically monitor implementation and will issue minutes of steering committee meetings. ADB's prior review of consulting and works contracts, combined with close monitoring, will reduce the related risks.
2. Collusion between WSD and contractors or consultants	Medium	The WSD maintains separate project records and accounts adequate to identify the 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 auditor general of Sindh will audit the project accounts and related financial statements annually in accordance with national and international auditing standards. An ADB staff consultant will report any red flags.
Overall	Medium	

ADB = Asian Development Bank, PPP = private-public partnership, WSD = Works & Services Department.

Source: Asian Development Bank.