

## RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
<b>Public Financial Management</b>		
Weak national accounting, development budget system financial controls, and auditing procedures could impede effective project financial management.	<b>Low</b>	The National Accounting, development budget system financial controls, and auditing procedures are adequate in the country. In Punjab Province, and Haveli, Kotli and Poonch districts, no significant budgetary or financial management issues are evident vis-à-vis allocations, releases and accounting of development budgets.
The project locations requiring rehabilitation works are geographically scattered and could make payments difficult.	<b>Low</b>	Payments will be made from by the PIUs and there will be no second generation imprest accounts to ensure better control and monitoring.
The internal audit process is not fully developed at EA and IA levels.	<b>Medium</b>	The internal audit function will be fully operationalized, and engagement by all PIUs and PCUs of essential accounting and finance staff should be completed before loan disbursements begin. ADB will work with the various parties to ensure timely provision of the requisite staff.
Project financial statements prepared by the Auditor General of Pakistan do not fully meet ADB standards.	<b>Medium</b>	ADB is working with all executing and implementing agencies to improve the quality of project financial statements so that all essential financial information is suitably disclosed.
The PCUs and PIUs lack adequately qualified finance and accounting staff to ensure good project financial management.	<b>Medium</b>	The federal government and the Punjab provincial government have assured ADB that the required staff will be posted immediately after the PCUs and PIUs are set up. ADB will work with the respective governments to ensure that the PCU and PIU are staffed with the requisite expertise on time.
The PCUs and PIUs lack access to computerized accounting systems to ensure quality and timeliness of preparation of project financial statements and other management accounting and information reports.	<b>Low</b>	Punjab Province and Haveli, Kotli and Poonch districts have access to the on-line accounting terminals of the respective Auditor General's offices. The Government has provided assurance to arrange access to all PCUs and PIUs. Alternately, the PCUs and PIUs could procure their own standalone computerized accounting packages
<b>Corruption</b>		
The EAs and IAs lack sufficient systems to mitigate fraudulent practices.	<b>Medium</b>	The National Accountability Bureau of Pakistan is the apex anti-corruption agency in the country. It is established at the provincial level and in the special areas, including the project districts of Haveli, Kotli, and Poonch. It takes on a variety of corruption cases,

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		<p>including those involving contracts greater than PRs15 million (\$0.15 million equivalent). The National Accountability Bureau offices have already established their websites. A proactive judicial system exists. Transparency International, vibrant media, and active civil society act as watchdogs. Punjab's Anticorruption Establishment Department receives complaints on and investigates corruption-related allegations under the anticorruption ordinance 1961 and the Prevention of Corruption Act, 1947. The department is established at the district level.</p> <p>At the project level, the two project steering committees will periodically monitor implementation and will issue minutes of steering committee meetings. ADB's prior review of consultancy and works contracts and direct payment and post-review for shopping contracts will reduce the related risks.</p>
<p><b>Procurement</b></p> <p>The C&amp;W departments lack sufficient knowledge of ADB guidelines for engaging consulting services.</p>	<p><b>Medium</b></p>	<p>Dedicated staff with knowledge of ADB procurement guidelines and with procurement capacity hired under the proposed TA will be placed in the C&amp;W PIUs to oversee the recruitment of consultants.</p> <p>C&amp;W could engage existing consulting firms already selected under ADB procurement guidelines through SSS.</p> <p>ADB will hold procurement clinics for IAs to provide hands-on support and guidance.</p>
<p>The Punjab Disaster Management Authority lacks familiarity with the ADB guidelines for the procurement of goods, works and services.</p>	<p><b>High</b></p>	<p>Dedicated staff with knowledge of ADB procurement guidelines and with procurement capacity will be hired under the proposed TA and will be placed in the PIU. They will be responsible for the preparation of documents for procurement of goods, works, and services.</p> <p>ADB will provide increased oversight, including prior review of all contracts for goods, civil works, and services before award.</p> <p>ADB will hold procurement clinics for the EAs and IAs to provide hands-on support and guidance.</p>
<p><b>Project Management and Implementation</b></p> <p>The security situation in the project area delays project implementation.</p>	<p><b>Low</b></p>	<p>Where security risks are identified, the EAs and IAs may arrange for the provision of security to project personnel and contractors.</p>

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Rules restricting access to GIS data are re-invoked, restricting access to information.	<b>Low</b>	The Planning and Development Departments will be the data clearinghouses for GIS information and have applied for licenses that should exempt them from these restrictions.
Competing priorities continue to minimize investment in DRM in terms of budget allocation.	<b>Low</b>	Parallel policy dialogue is ongoing on establishing a sustainable DRM financing through establishing a dedicated DRM fund.
Logistics constraints, including availability of construction materials, could delay project activities.	<b>Low</b>	Potential contractors may factor these constraints into their bids and include options to mitigate this situation.

**Overall****Medium**

ADB = Asian Development Bank, C&W = Communication and Works Department, DRM = disaster risk management, EA = executing agency, GIS = geographic information system, IA = implementing agency, PCU = project coordination unit, PIU = project implementation unit, SSS = single source selection, TA = technical assistance.

Sources: Asian Development Bank.