

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Rating	Mitigation Measures	Responsibility
Unanticipated resistance by stakeholders with vested interests impedes implementation	High	The program is based on the government's own policy and reform initiative and is backed by strong political will and commitment. The program is strongly supported by the development partner community.	Government
Lack of government commitment attributed to difficult fiscal position and political instability delays ADB program	Substantial	While no direct mitigation mechanism exists for political developments, ADB will continue the policy dialogue and lead coordination of development partners' activities in energy sector reforms to ensure timely implementation of the medium-term development policy agenda.	ADB and government
A macroeconomic management plan is not properly implemented as in the IMF's program	Moderate	ADB in collaboration with the IMF and development partners will ensure alignment of the program's reforms and provide adequate capacity development support.	ADB
Country's overall public financial management issues prevent effective use of this policy loan	Moderate	The program shall be conceived in close coordination with key development partners and the IMF's extended fund facility to reduce the sector's burden on the annual budget, quasi-fiscal losses, and associated negative impact on economic growth.	Government
Lack of coordination between the federal government agencies and institutions or inadequate government reallocation for program implementation	Moderate	ADB will provide technical assistance to help the government. Continuous and sustained engagement by ADB with government for regular consultations. There will be regular monitoring to ensure alignment of the reforms measures with the policy initiatives taken by the government.	ADB
Lack of accountability because of weak corporate governance and lack of transparency in the operation and payment mechanism in energy sector	Moderate	The government is committed to further strengthening the regulator's capacity. Additional transparency measures, better access to sector data, enhancing public awareness, and media training will allow stakeholders to understand and monitor sector reforms and developments. The Economic Coordination Committee of the Cabinet has approved establishment of a plan with implementation timelines for monitoring program activities.	Government
Increased energy sector payables and slow recovery of energy sector entities discourage private sector investments.	Substantial	The Renewable Energy Policy 2019 and hydrocarbons exploration and production plan provides competitive incentives for foreign direct investment and private sector participation. The circular debt reduction plan provides the basis for improved efficiency and multiple structural measures to improve sector governance	Government
Budget unpredictability for committed expenditures	Moderate	Utilization of new accounting model, effective performance measures, and improvement in public accessibility to fiscal information will allow predictability of funds availability.	Government

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Challenges pertaining to the predictability, transparency, and equitability of intergovernment fiscal relations significantly impact on public financial management practices including at provincial level	Moderate	<p>ADB will continue to support improved public financial management and effective monitoring of program objectives.</p> <p>The government has a commitment to strengthen its public financial management system through (i) functional devolution to local bodies for greater self-governance; (ii) awareness raising to transform the state machinery to become more participatory, responsive, accountable, inclusive, and transparent; (iii) a purification process from the leadership to eradicate corruption, unfair norms, favoritism, partisanship, delays, and misappropriation; and (iv) targeted programs for poor areas and communities to make service delivery more equitable and accessible.</p>	Government and ADB
Ineffective audit monitoring and legislative scrutiny	Moderate	The government's commitment and action to improve legislative oversight through public accounts committees, auditor general of Pakistan, and implementation of actions related to financial actions task force.	Government
Overall	Moderate	The overall risk profile is substantial, but the government, with the support of ADB and other development partners in the country, is taking credible measures to minimize risks. ¹	

ADB = Asian Development Bank, IMF = International Monetary Fund.

Source: ADB.

¹ For the program to succeed, regular monitoring of the program and regular engagement with the federal government officials must be ensured.