

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description ^a	Rating	Mitigating Measures	Responsibility
The crisis continues beyond projected time frames, resulting in increased hardship, employment and income losses, and poverty.	High	The government has set up a dedicated institutional framework for monitoring and responding to the crisis with appropriate countermeasures as it evolves. ADB's M&E is embedded in the government's institutional coordination mechanism. ADB and the government will be jointly monitoring the program and its impact. ADB will also work with the IMF and other development partners to support the government as the situation evolves.	Government, ADB, and other development partners
Restrictions on exports of wheat and other essential commodities by the key exporting countries may affect food security in Pakistan.	Medium	The government is negotiating with major exporting countries to ensure adequate supply. Price liberalization of wheat and cotton is expected to incentivize farmers to increase domestic production in the medium term.	Government
Trade routes may get further restricted if the crisis resulting from Russian Federation's invasion of Ukraine prolongs or escalates.	Medium	ADB will work with other development partners to support the government's countermeasures as the situation evolves.	Government, ADB, and other development partners
Aggressive monetary tightening by the US Federal Reserve could further increase financial market volatility and aggravate the risk of currency depreciation.	Medium	The SBP is monitoring the situation and is taking appropriate monetary measures to contain volatility and inflation.	SBP and government
Compounded crises, including the recent floods, strain government capacity for timely implementation of its programs.	High	ADB will coordinate closely with the government and other development partners to support the implementation of the CDEP. Where necessary, ADB will repurpose ongoing TA and mobilize new TA resources to strengthen (i) the MOF's capacity for program execution, M&E,	Government, ADB, and other development partners

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		improved data collection and reporting; and (ii) the availability of sex-disaggregated data.	
Prolonged economic slowdown and political tensions shift the government's focus away from implementing key structural reforms related to macroeconomic management, gender equality and women's empowerment, domestic resource mobilization, PFM, state-owned enterprise governance, and public-private partnerships.	High	Coordinated efforts by ADB and other development partners will promote continuity of structural reforms through (i) policy dialogue, (ii) the provision of targeted support to new programs and/or projects and monitoring of existing ones, and (iii) capacity building TA.	Government, ADB, and other development partners
Inadequate PFM leads to diversion of funds and insufficient mobilization of resources to finance the program.	Medium	ADB has ongoing TA support to improve the financial management capacity of the MOF. In addition, the agreed M&E framework requires (i) submission and publication on the MOF website of quarterly progress reports, (ii) the audit of these reports by the Auditor General of Pakistan, and (iii) an independent survey to assess the effectiveness and efficiency of the government's countercyclical expenditure measures.	Government, ADB, and other development partners
Ineffective coordination across government agencies impedes the implementation of relief measures.	Low	To improve the coordination among different agencies, ADB agreed with the government on an effective implementation arrangement. The MOF will be the executing agency and will house the M&E unit. The secretary for finance will chair the government's steering committee to oversee the development and execution of countercyclical expenditure measures. Other members of the task force include the secretary for economic affairs and senior	Government, ADB, and other development partners

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		officials of the MOF and the Ministry of Economic Affairs. This M&E framework builds on the lessons learned and good practices from the government's response to the COVID-19 pandemic.	
Overall	Medium		

ADB = Asian Development Bank, CDEP = countercyclical development expenditure program, COVID-19 = coronavirus disease, IMF = International Monetary Fund, M&E = monitoring and evaluation, MOF = Ministry of Finance, PFM = public financial management, SBP = State Bank of Pakistan, TA = technical assistance, US = United States.

^a The risk assessment considers (i) risks in relation to ADB operations, (ii) risks related to PFM, (iii) risks that directly impinge on the effects and reform areas of the program, and (iv) risks that are outside the program's control.

Source: ADB.