

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
Vested interests and legal obstacles may disrupt the PSE reform agenda	High	The project will support the design and implementation of a public communications plan to ensure transparency, understanding, and public support for PSE reforms by all stakeholders, as well as to manage user expectations regarding the accessibility and services provided by PSEs. The mitigation framework for labor issues will also aim to reduce the potential for resistance to reforms. The project will provide legal advice to the Privatisation Commission to help ensure that all legal requirements are met. The Economic Coordination Committee—the highest economic policy making body formed by the Cabinet to take decisions pertaining to various economic issues and transactions involving government interests—will oversee project implementation.
The political and security situation may worsen and affect investor confidence	High	While the project cannot mitigate the political and security situation, the public communications plan will target international and local investors to maximize the number of investors interested in and informed about the privatization program.
Bringing too many PSEs to the market at the same time may reduce the investor pool and offer arbitrage opportunities, potentially resulting in reduced privatization proceeds	Medium	The project will support the development of a privatization strategy for 2015–2019, including the enhancement of guidelines for implementation of the Privatization Program and for the sequencing, structuring, and execution of individual privatization transactions.
The PSE reform and privatization program may focus only on the less challenging and profitable PSEs, thus reducing the potential for efficiency gains	Medium	ADB is preparing a policy-based programmatic approach loan to provide incentives for the government to restructure fiscally costly PSEs. This proposed program will complement budget support provided by the IMF and other development partners to finance the adjustment costs of PSE reforms.
Public Financial Management	Medium	<p>The project management unit responsible for financial management of the project will have a full-time qualified accountant. The project financial statements will be audited by the Auditor General of Pakistan.</p> <p>The Privatisation Commission will implement, by the end of the first year of the project (i) a financial management manual in line with the APRs, (ii) updated APRs to incorporate requirements on internal financial controls, (iii) an audit committee at the board level, and (iv) payroll</p>

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The Finance Division of the MOF has a weak cash management and forecasting system		and cash management accounting modules. ADB will work with the Finance Division to provide updated disbursement projections during review missions, and help the division to plan cash requirements more effectively.
The Finance Division of the MOF and the Privatisation Commission have a limited number of staff with the required financial management skills		The project management unit responsible for financial management of the project will have a full-time qualified accountant.
Procurement	Medium	The project management unit to be housed in the Finance Division of the MOF responsible for financial management of the project will recruit a qualified procurement specialist. Procurement of goods and recruitment of consultants will be done based on ADB guidelines. The Privatisation Commission possesses adequate skills, experience, and capacity to procure consulting services in accordance with ADB guidelines. Basic concepts of procurement and practices being followed in the commission are largely consistent with ADB guidelines.
Corruption	Medium	The project will support the design and implementation of a public communications plan to ensure transparency of and increase investors' interest in the government's Privatization Program. ADB will reserve the right to investigate, directly or through its agents, any violations of the Anticorruption Policy (1998, as amended to date) relating to the project. The legal agreement will include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency and all project contractors, suppliers, consultants, and other service providers.
Overall	Medium	

ADB = Asian Development Bank, APR = accounting procedure rule, IMF = International Monetary Fund, MOF = Ministry of Finance, PSE = public sector enterprise.

^a For example, in the Finance Division there have been instances of control breaches and many documents are maintained on paper; in the Privatisation Commission, the APRs do not include any reference to internal controls and audit, and there is no financial and accounting manual for implementation of the APRs.

Sources: Asian Development Bank; Government of Pakistan. Auditor General of Pakistan. 2012. *Report for 2011-2012; Public Financial Management and Accountability Assessment* (June 2012).