

## RISK ASSESSMENT AND RISK MANAGEMENT PLAN

1. In Afghanistan, project risks arise from three sources: (i) inherent project risks based on the assumptions and risks of the design and monitoring framework, (ii) governance risks faced by the government's financial management processes, and (iii) procurement-specific risks.

<b>Risk Description</b>	<b>Risk Assessment</b>	<b>Mitigation Measures or Risk Management Plan</b>
<b>Project-specific risks</b>		
Security problems delay implementation	High	Security is a significant issue in much of rural Afghanistan. While most villagers are keen to see their infrastructure reinstated and will contribute to a secure environment for engineers and contractors, some areas will require strong security. If security is a major issue in some villages or districts, the subproject will have to be dropped before or even during construction with villages in the latter case required to complete the works themselves. The cost of security for village works is estimated at 3%–5% of the contract cost and is included in subproject budgets.
Flooding sufficient to damage repaired structures occurs	Medium	<p>The project adopts a build-back-better approach to ensure that assets are less likely to experience flood. However, during construction, many types of assets are prone to flood damage. In some valleys, 2014 was a 1 in a 100-year event, and the likelihood of flooding of that magnitude recurring within 2 years is unlikely. Floods are often localized and while a few valleys may experience damage, widespread and protracted flooding is unlikely to be experienced again.</p> <p>The project design is simple and comprises straightforward engineering works. Key works that are likely to be impacted by floods and/or high river flows will be planned during low-flow periods. The contractor will be required to present appropriate construction methodology that minimizes risks.</p>
Slow construction delays completion	Medium	The MEW component is not expected to experience delays. MRRD however has widespread and numerous subprojects and completing them in 2 years will be demanding. The risk is addressed by (i) recruiting a large number of engineers to design and supervise subprojects, (ii) using community groups to construct 98% of subprojects, and (iii) moving engineers between provinces to support programs that are experiencing time delays.
Village and district institutions unable to undertake contracts	Low	If village institutions are unable to contract for or undertake subprojects, district development assemblies will be invited to assist, or the works may be contracted to private sector contractors. In general, the design team has been impressed with the capacity and motivation of CDCs and based on the experience in community contracts under the Community-Based Irrigation Rehabilitation and Development project, almost all CDCs will prove to be up to the task.
<b>Governance risks</b>		
Financial malfeasance and/or corruption	Substantial	Collusion of contractors is possible, among other problems, and will be closely monitored through the use of third party monitoring and supervision consultants and frequent review missions.
Project management	Low	The MRRD and MEW PMOs have sound project management capacity. This capacity and that of newly recruited staff will be enhanced through in-house training.

Implementing entities	Moderate	The MRRD PMUs and MEW PMO are already implementing ADB- and World Bank-financed projects. MRRD implementation capacity will be augmented by establishing project-specific PIUs and providing additional staff as required. MEW will increase staffing in its PIO. Training will be provided through available TA resources to new staff as needed.
Staffing	Low	Qualified technical staff currently work for the PMO and PMUs. Existing staffing will be augmented, and training provided to new staff as needed from available resources in the implementing agencies and under the Supporting Natural Resources Operations TA.
Reporting and monitoring	Moderate	The PMOs are experienced in submitting the necessary reports in accordance with ADB requirements. The same procedures will be followed for project reporting and control mechanisms.
Entity-specific inherent risks	Low	The implementing agencies have experience in implementing ADB and World Bank-financed projects. The existing PMO and PMUs are implementing ADB-financed projects and will be responsible for project implementation with recruitment under the project for additional technically qualified staff through the PMO and PMU.
Contractors fail to pay their subcontractors on time	Low	Although major contracts in the transport sector have experienced issues relating to the timely payment of subcontractors, the relatively small contracts under each of the three implementing agencies are not expected to cause similar problems. Villagers will be recruited to work on subprojects where feasible.
<b>Procurement Risk Assessment and Risk Management Plan</b>		
Security problems delay project implementation	High	The community-based methodology of the project is least likely to be affected by security challenges. A budget for security measures above the community level is included in the budget.
Procurement integrity	High	Involvement of international procurement specialists to be provided under TA projects will help ensure the integrity of procurement processes. The MEW packages will be sized according to local market conditions to attract qualified contractors.
Insufficient number of local procurement professionals results in delayed and flawed procurement and contract administration processes	High	MRRD has good experience in implementing projects that involve procurement of community participation contracts. ADB is providing an international procurement consultant under regional TA for Improving the Capacity and Integrity of Procurement Processes in Central and West Asia who will work with executing and implementing agencies in Afghanistan to strengthen local capacity and skills. Additional international and national procurement consultants are anticipated under the AITF TA, currently under design. A third party supervisory consulting firm will assess the reasonableness of the cost estimates, quality of the works executed and cost effectiveness and efficiency.
The number and nature of disbursements (through communities) may exceed monitoring capacity and expose the project to financial loss.	Medium	The implementing agency has experience with community participation contracting that is 100 times greater than the size of the proposed emergency assistance grant. For the implementing agency, this is a small project and well within their capability.

Delayed payment to communities may affect timely completion of subprojects.	Medium	This has not been a problem for the ongoing JFPR project. The project management unit will advance up to 90% up front for the works to the CDC with the balance upon full completion of the works. Release from the CDC bank account requires three signatures from the implementing agency. Payments are through the imprest account.
The many contracts and geographic spread of activities may exceed the capacity of implementing agencies to monitor contract implementation.	Medium	Building on existing projects, the implementing agencies will recruit the required additional staff to supervise and monitor subproject implementation. Quality assurance engineers will to be recruited as many suitably qualified persons have lost their jobs in the past 12 months with the drawdown of development partner project funding to Afghanistan.
Lack of technical skills within communities affects the quality of rehabilitation works	Low	Community capacity is assessed during the detailed damage assessment phase to ensure capacity is satisfactory. This is a long-established procedure with the implementing agency.
Difficulty engaging sufficient quality and quantity of engineers to design subprojects and supervise construction in multiple locations	Medium	MRRD and MEW will recruit about 73 engineers. MEW will undertake its design and supervision in-house. The implementing agencies are not expect to have much difficulty in recruiting competent engineers due to unemployment resulting from the reductions in the International Security Assistance Force.
The relatively short implementation period and impossibility to carry out civil works during winter may affect timely completion of the project.	Medium	Community participation in procurement is a much quicker procurement modality than national competitive bidding. It will allow small-scale civil works to be undertaken at many locations faster than the national competitive bidding process will allow.
Corruption undermines integrity, transparency, and competitiveness of procurement processes.	Medium	Contracting conducted at the community level has had very few problems with corruption. Involvement of an independent supervisory firm under the grant and international procurement specialists to be provided under TA projects will help ensure the integrity of procurement processes. Contracts with community groups offer reduced scope for corruption, and will be minimized by the transparent processes to be adopted.
Some village and district institutions may be unable to undertake contracts	Low	In general, the design team has been impressed with the capacity and motivation of CDCs and based on the experience in community contracts under the Community-Based Irrigation Rehabilitation and Development project, almost all CDCs are expected to be up to the task. If a CDC is assessed as not able to undertake a task, another CDC may be invited to assist, or the works may be contracted to private sector contractors.
The legal framework does not allow for sovereign immunity to agencies with claims against them	Medium	Procurement consultants provided under TA projects will help ensure that contracts are managed well so that disputes do not arise.

**Overall risk****Substantial**

ADB = Asian Development Bank, AFRM = Afghanistan Resident Mission, AITF = Afghanistan Infrastructure Trust Fund, CDC = community development council, JFPR = Japan Fund for Poverty Reduction, MEW = Ministry of Energy and Water, MRRD = Ministry of Rural Rehabilitation and Development, PIO = project implementation office, PIU = project implementation unit, PMO = project management office, PMU = project management unit, TA = technical assistance.

Source: Asian Development Bank.