

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
A. Political		
The security situation delays project implementation.	High	<p>The FATA secretariat (the executing agency) will arrange for the provision of security to project personnel and contractors by the political agents of the project agencies.</p> <p>Each works contract will be required to include a security plan to ensure smooth implementation of the applicable subproject(s). The cost of implementing the security plan will be included in the financial bids for each contract.</p>
B. Institutional		
The executing agency has limited experience implementing projects financed by external donors.	Low	The executing agency has successfully implemented an ADB-financed project, the FATA Rural Development Project, and is implementing several World Bank projects under the Multi-Donor Trust Fund for Balochistan, FATA, and Khyber Pakhtunkhwa, as well as several projects financed by bilateral donors.
C. Environmental and Social		
Disputes occur among communities over the selection of subprojects.	Medium	No subproject will be selected for project support where disputes exist.
Communities lack project ownership.	Low	<p>Subprojects are selected in consultation with communities.</p> <p>The communities will enter into terms of partnership with the executing agency, approved by the political administration, in which they agree to meet operation and maintenance needs.</p>
D. Procurement		
The executing agency is not fully familiar with the ADB procurement guidelines for procurement of goods, works, and consulting services.	Medium	<p>The FATA secretariat has implemented an ADB loan-financed project and is implementing a World Bank project, and therefore it has some familiarity with ADB procurement guidelines. However, the FATA secretariat does not have a separate procurement unit. Thus, the following mitigation and/or management actions will be followed:</p> <ul style="list-style-type: none"> • the FATA secretariat will establish a PMU fully staffed with specialists headed by a project director; • ADB will ensure increased oversight by the sector division and will maintain close liaison with the PMU when established; • ADB will provide continuous capacity building

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The executing agency does not have a permanent cadre of procurement practitioners.	Medium	<p>support from the resident mission to the FATA secretariat during the procurement process;</p> <ul style="list-style-type: none"> • ADB will coordinate with the PPRA and arrange a series of training programs for the procurement practitioners, including PMU staff; and • staff trained by the PPRA would attend procurement workshops arranged by ADB. <p>ADB will encourage the FATA secretariat to place qualified staff in a permanent procurement cell and to develop a retention policy for the staff.</p> <p>ADB will coordinate with the PPRA and arrange a series of training programs for the procurement cell staff.</p> <p>Procurement cell staff trained by the PPRA would attend procurement workshops arranged by ADB.</p>
E. Project Management		
There is a lack of qualified, experienced project management staff.	Medium	The executing agency will hire a project director and other key PMU and project implementation unit staff with experience implementing projects financed by external donors.
There is a lack of qualified contractors to undertake project works.	Medium	The 40 subprojects have been packaged into 15 contracts of higher value to attract larger, more qualified contractors.
Procurement is delayed due to lack of familiarity with ADB procurement procedures.	Medium	The PMU will be staffed with requisite expertise. In addition, PMU staff will receive training in ADB procurement procedures to ensure efficient procurement and contract management.
The subprojects sites are dispersed and could pose a risk in terms of ensuring quality of works.	Medium	The supervision consultants will ensure quality works are undertaken. The project management and project steering committee will ensure that corrective actions are taken to ensure quality as identified by the Irrigation Department and communities.
F. Public Financial Management		
Counterpart funding is not provided in a timely manner and in requisite amounts.	Low	<p>The project completion report for the FATA Rural Development Project noted that the borrower and the executing agency provided counterpart funds in a timely manner. This was cited as one of the reasons for the timely and successful implementation of the FATA Rural Development Project.</p> <p>The new project includes a covenant requiring the government to ensure that counterpart funds</p>

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Internal controls procedures and mechanisms in the executing agency are inadequate.	High	<p>are provided on a timely basis. ADB will closely monitor compliance.</p> <p>The FATA secretariat has set up a pilot internal audit unit, which should be made fully operational and staffed to strengthen the project's internal controls. The project will include a time-bound covenant accordingly.</p> <p>The project includes funding for the procurement and installation of accounting software, and the training of project staff.</p>
Financial reporting is inadequate.	Medium	<p>ADB is working with all executing agencies in Pakistan to improve the quality of project financial statements so that all essential financial information is suitably disclosed.</p>
Overall	Medium	

ADB = Asian Development Bank, FATA = Federally Administered Tribal Areas, PMU = project management unit, PPRA = Public Procurement Regulatory Authority of Pakistan.
 Source: Asian Development Bank.