

## RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Rating	Mitigation Measures	Responsibility
<b>A. Public Financial Management</b>			
1. Weak financing arrangements on development and management of the road network	S	The practice of providing loans to NHA to finance its development program since the creation of NHA in 1991 undermines the authority's financial standing. The ADB-administered capacity development technical assistance approved in November 2015, which was funded by the Government of the United Kingdom, will help build capacity and carry out analytical work on NHA balance sheet restructuring, underpinned by ongoing ADB policy dialogue to prepare and implement the sector reform agenda. The government also intends to expand the toll base, rationalize tolls, and allocate more revenue to the road maintenance account of NHA.	NHA
<b>B. Project Management</b>			
2. Lack of counterpart funds	M	The government will accord transport infrastructure as top priority in the country's resource allocation. NHA will expand PPP-based road construction to reduce the need for government subsidy and make more fiscal resources available for counterpart funding.	MOF and NHA
3. Development assistance to roads shrinks because of political instability and lack of strong will for reform	L	A peaceful change of government lessens the concern of the international community regarding political instability. The government convinces development partners of its serious intent to reform the sector.	GOP
<b>C. Project Implementation</b>			
4. Delayed start of civil works	L	NHA prepared a detailed design and conducted substantial public consultation to deal with the concerns of affected people living in the project area. Advance procurement of civil works using international competitive bidding procedure has started. Land acquisition and resettlement will be expedited; nonetheless, sectional handover of project sites will be considered to avoid undue delay in contractors' access to project road. Sites will be ready before contractors' mobilization.	NHA

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5. Delayed land acquisition and resettlement, and inadequate safeguard arrangements	M	<p>NHA has started consultation, land acquisition, and resettlement compensation for affected people. A qualified and experienced external monitoring agency will verify the executing agency's monitoring reports, monitor land acquisition and resettlement plan implementation, identify issues, and recommend corrective measures as needed.</p> <p>NHA, assisted by the construction supervision consultant, will supervise the implementation of the environmental management plan, monitor the implementation process, and regularly submit safeguard monitoring reports to ADB.</p>	NHA
6. Cost overruns, e.g., because prices of commodities and raw materials rise more than budgeted.	L	<p>Project cost estimates are based on the most recent unit prices of similar civil works.</p> <p>Adequate contingencies are budgeted in the project investment to account for any unforeseen factors, and a technical auditor will be engaged to review design changes when necessary.</p>	NHA
<b>D. Procurement</b>			
7. Delay in procurement procedures	L	<p>NHA is familiar with ADB's procurement guidelines and requirements. ADB will provide continuous capacity building support to NHA during the procurement process. The new government assures there will be no political intervention in bidding for large-scale public works.</p>	NHA
8. Weak performance of consultants or contractors	L	<p>NHA has learned that once poorly performing contractors and consultants are locked in, it is extremely costly to terminate a contract and bring a new contractor or consultant on board. NHA will put strong emphasis on screening out incompetent contractors through rigorous technical evaluations.</p>	NHA
<b>E. Governance</b>			
9. Noneconomic consideration of contractor or consultant selection	M	<p>The new government is strongly committed to eradicating corrupt practices. The National Accountability Bureau is fully empowered to enforce the National Anticorruption Ordinance to prevent, detect, investigate, and</p>	GOP

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		prosecute cases involving corruption, corrupt practices, misuse or abuse of power, misappropriation of property, kickbacks, and commissions. The National Accountability Bureau plays its role properly.	
10. Collusion between NHA and contractors or consultants	L	NHA maintains separate project records and accounts that are adequate to identify the works, goods, and services financed from loan proceeds, financing resources received, expenditures incurred for the project, and use of local funds, as well as adequate internal controls and financial reporting arrangements. The project accounts and related financial statements will be audited annually in accordance with national and international auditing standards by the auditor general of Pakistan and by a chartered accountant.	NHA

H = high, S = substantial, M = moderate, L = low.

ADB = Asian Development Bank, GOP = government of Pakistan, MOF = Ministry of Finance, NHA = National Highway Authority, PPP = public-private partnership.

Source: Asian Development Bank.