

**RISK ASSESSMENT AND RISK MANAGEMENT PLAN**

<b>Risk Description</b>	<b>Rating</b>	<b>Mitigation Measures</b>	<b>Responsibility</b>
Proposed policy and institutional arrangements not adopted and/or implemented.	Moderate	<p>The project will include conditions precedent to loan effectiveness, including (i) the VGF guidelines (in a form acceptable to ADB) are finalized and incorporated into the RMU's standard operating procedures; (ii) VGF guidelines adopted for PPPs in Punjab; (iii) RMU adequately staffed to assess and monitor fiscal risks and contingent liabilities emanating from VGF-supported PPP projects; (iv) ESMS adopted for VGF-supported PPPs in Punjab, with the PPP Cell as the ESMS focal point; (v) dedicated VGF and PDF accounts established in the Planning and Development Department, which are isolated from the ADP account; and (vi) selected line departments adequately staffed for implementation and monitoring of the ESMS for PPP projects.</p> <p>In addition, periodic reviews, with the assistance of the ADB Pakistan Resident Mission, will be conducted to track the performance of the project and address any project implementation issues.</p>	EA and IA
Deteriorating local security situation results in a decline in private sector confidence and appetite for PPP projects.	High	<p>The government has made a strong effort to address local security issues. This is outside the scope of the project, and appears to have not influenced investment decisions by some local and international investors. Continued support from and investments by multilateral agencies such as ADB, and other large initiatives such as the China–Pakistan Economic Corridor, have increased the</p>	Others

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		interests of other investors in Pakistan.	
Slow development of PPP projects due to limited capacity to identify and structure PPP projects.	Moderate	The project will increase PDF resources, which will support selected line departments to engage capable and experienced consultants and transaction advisors to prepare and execute PPP projects. Improvements in the guidelines will assist line departments to develop PPP projects that offer VFM.	EA and IA
Political influence over approval of PPP projects that may not offer VFM.	Substantial	The steering committee acts as the approving authority in Punjab for PPP projects, and will be guided by recommendations based on a thorough assessment by an improved RMU (which will benefit from the addition of a project finance expert and a project finance lawyer) and PPP Cell. A decision by the steering committee to proceed with a project that has been deemed and classified by the RMU as not offering VFM will disqualify that project from receiving ADB-funded VGF resources.	EA and IA
Limited commercial banking appetite for PPP projects.	Moderate	<p>Increasing the appetite of commercial banks for infrastructure and PPP projects is outside the scope of the project, but the project can improve the commercial attractiveness of PPP projects through PDF and VGF support.</p> <p>PDF support to engage experienced transaction advisors will assist in the development of a pipeline of commercially viable PPP projects.</p>	IA

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		The VGF resources will improve the commercial viability of projects and help leverage government resources to attract private and commercial capital to the project.	
Weak system for corruption control.	Low	<p>The Punjab Public Private Partnership Act 2014 and the various PPP guidelines have established a system that promotes transparency and accountability in approving and implementing PPP projects in Punjab. The project will further enhance the system and institutions employed by Punjab in approving and delivering PPP projects.</p> <p>Nonetheless, ADB will reserve the right to investigate, directly or through its agents, any violations of ADB's Anticorruption Policy (1998, as amended to date) relating to the project.</p> <p>The ADB loan agreement will include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency, contractors, suppliers and other service providers.</p>	EA
Overall	Moderate		

ADB = Asian Development Bank, ADP = Punjab Annual Development Programme, EA = executing agency, ESMS = Environmental and Social Management System, IA = implementing agency, PDF = Project Development Facility, PPP = public-private partnership, RMU = Risk Management Unit, VFM = value-for-money, and VGF = Viability Gap Fund.

Source: Asian Development Bank.