

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Rating	Mitigation Measures	Responsibility
A. Public Financial Management			
1. The government's continuously insufficient budget for the road subsector and unbalanced public investments in favor of road construction rather than road maintenance result in the unsustainability of road maintenance.	H	ADB will continue its policy dialogue with the provincial government about increasing the annual budget for road maintenance. The target will be linked with the outcomes of RAMS which will be improved and upgraded under the existing project. Tolling is considered for some road sections of the overall project to increase the revenue of the PKHA. A PBM pilot under the current project will explore ensuring ways to commit maintenance fund on contractual term.	Government of KP and PKHA
B. Project Management			
1. Lack of counterpart funds	M	The provincial government will accord transport infrastructure a top priority in the province's resource allocation. The PKHA will expand its current PPP initiative in the road subsector to reduce reliance on the provincial government subsidy and create more fiscal resources available for counterpart funding. The provincial government commits to allocate the annual counterpart fund in a single first-quarter installment.	Government of KP, PKHA
2. Development partners' assistance to roads shrinks because of political instability and lack of strong will for reform.	L	The current performance of the national and provincial governments lessens the concern of the international community regarding political instability. The provincial government convinces development partners of its seriousness to reform the transport sector, including the road subsector. The improvement of security conditions in KP will restore the confidence of development partners.	Government of Pakistan and KP
C. Project Implementation			
1. Delayed start of civil works	L	PKHA prepared a detailed design for the additional financing project and conducted substantial public consultations to deal with the concerns of people living in the	PIU

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		project area. Advance procurement of civil works and consultant recruitment have already started for the additional financing project. The project readiness is high.	
2. Inadequate safeguard arrangement	L	The additional financing project will not involve significant impacts on the natural and social environments along the project area. During civil works, the PKHA and the construction supervision consultant will implement the environmental management plan, monitor the implementation process, and submit to ADB the safeguard monitoring reports regularly.	PIU
3. Cost overruns, and time overrun during implementation	L	Additional financing project cost estimates are based on the detailed design and the latest unit prices of similar civil works, including adequate physical and price contingencies.	PKHA/PIU
4. KP road network master plan preparation may not be approved by the provincial government because of budget constraints.	H	The steering committee approved to finance the development of the Khyber Pakhtunkhwa road network master plan with the provincial budget. It was agreed that any future ADB funded projects will be based on the master plan to give incentive to the provincial government	PKHA
D. Procurement			
1. Delay in procurement procedures	L	The PKHA is familiar with ADB's procurement guidelines and requirements. ADB will provide continuous capacity building support to the PKHA during the procurement process. The managing director of the PKHA was fully authorized to make all decisions of procurement to streamline the approval process.	PKHA
2. Weak performance of consultants or contractors	L	Civil works are packaged into various sizes to encourage both national and international bidders. ADB will provide technical support	ADB

Risk Description	Rating	Mitigation Measures	Responsibility
		on contract management during implementation.	
E. Governance			
1. The PKHA lacks sufficient systems to mitigate fraudulent practices.	M	The project steering committee will periodically monitor implementation and make all key decisions. ADB's prior review of consultancy and works contracts and close monitoring will reduce the related risks.	PKHA
2. Collusion between the PKHA and contractors or consultants	L	The PKHA maintains separate project records and accounts, adequate to identify the goods and services financed from the loan proceeds, financing resources received, expenditures incurred for the project, and use of local funds, including 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 KP.	PKHA
Overall	M		

ADB = Asian Development Bank, H = high, KP = Khyber Pakhtunkhwa, L = low, M = moderate, PBM = performance-based maintenance, PIU = project implementation unit, PKHA = Pakhtunkhwa Highway Authority, PPP = public-private partnership, RAMS = road asset management system, S = substantial.

Source: Asian Development Bank.