

## Annex III: Risk Matrix

Risk Category	Risk Description	Risk assessment			Measures for Managing Risk Areas
		Probability of Occurrence	Magnitude of negative impact	Risk level	
GIROA related risks					
Cooperation and support of the line ministries and their buy-in for the implementation of reforms	Counterpart ministries and provincial directorates will not be willing or able to take up this increased responsibility	Medium	High	Medium (high)	The ownership of the reforms implemented will be further strengthen by building strong relationship with the Ministry of Finance and strong rapport between Project teams embedded in the Ministry of Finance and in the line ministries.
Commitment of Government counterparts	Commitment diminishes over time; ministries lose interest in improving budget execution as priorities change over time	Low	Medium	Low (medium)	This risk will be addressed by ensuring that the Project activities present genuine value for the counterparts, supporting them in implementing steps of the budget process, prescribed by the Ministry of Finance, strengthening budget planning and execution and through this ensuring greater budget allocation in the future.
Senior management support	Involvement and support of the senior management in the Line Ministries for the implementation of necessary improvements in the way ministries manage their budgets.	Medium	Medium	Medium (low)	Support of the senior management will be gained by using Internal Budget Committees as a vehicle of implementation of the reforms.
					The Internal Budget Committees are to be established in the ministries based on the instructions of the Ministry of Finance and a decree signed by the Cabinet.
					Involvement and oversight by Cabinet and Ministry of Finance will create strong incentive for the line ministries’ senior management to improve efficiency and effectiveness of the ministry’s operations.
Integration of budget functions in the line ministries	Some Ministries are further advanced in the restructuring required for integration of budgeting and financial management functions within their Finance Directorates.	High	Medium	Medium (high)	The TA terms of reference may need to be revised to reflect the different organisational mandates within the ministries and to reflect what is possible within each ministry
Donor/Other TA related risks					
Coordination with the efforts of other TA in the PFM area	Other TA providers fail to co-operate with AusAID’s bilateral assistance programme reducing the impact of Project inputs on budget execution	Low	High	Low (high)	Establishment of the TA Coordination Cell within the Office of the Deputy Minister Finance is expected to contribute significantly toward this goal.
					AusAID will ensure its representative (i.e. the Program Manager) participates regularly in the meetings organized by the Office of Deputy Minister Finance in the future to ensure full integration and coordination of its assistance with the efforts of GIROA and other donors.
Coordination with MBAW provided TA in the line ministries	MBAW’s proposed program of support to line ministries creates overlap with the Project inputs in line ministries	Low	Low	Low	If mobilized, TA provided through MBAW Project will be embedded in the office of the Minister/Deputy Minister, ensuring smooth communication with Ministry of Finance and internal reporting to the senior management. However, TA will not be in a position to provide capacity building or on-the-job support required in the technical departments. Hence, there will be no overlap between the role of UNDP and AusAID provided advisers, but strong coordination of activities will be required
Procurement Controllers	Procurement controllers have been seen in the past as an obstacle to the procurement process, adding to delays	Medium	High	Medium (high)	In the next phase of the project, although “procurement controllers” would continue to ensure that due process is followed, additional staff, “procurement officers” would also be deployed to line ministries to build capacity and facilitate procurement process
Engagement with World Bank on PFRMP	AusAID is not able to credibly engage with World Bank to influence the PFRMP’s focus, particularly to monitor and analyze the impact of procurement facilitators	Medium	High	Medium (high)	To attempt to decrease this risk, close monitoring mechanism will need to be implemented, allowing active involvement in the PSC and close collaboration and support of the project activities by AusAID staff in Kabul.
Capacity development risks					
Availability of counterparts (civil servants) in the supported line ministries and provincial directorates	There are too few civil servants available, willing and able to absorb knowledge transfer	High	High	High (high)	Embedding national experts in the relevant departments and unitss who will be able to provide training and on-the-job support to civil servants in local language and taking into account their absorptive capacity, using tailor made approach and methodology
Responsiveness of the provincial directorates to PFM on-the-job support provided through GIZ Program	TA provided through this program risks lacking required credibility to facilitate budget processes in the line directorates.	High	High	High (high)	Official endorsement for GIZ TA by Ministry of Finance, Provincial Budget Unit. Providing additional staff in Provincial Budget Unit, Kandahar regional office would ensure this endorsement. PBU regional officer will provide official Government’s training on PFM rules and procedures, delivered directly in Uruzghan.

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Ineffectiveness of formal capacity building program	Formal classroom type training proves inefficient solution for sustainable capacity building.	Medium	Medium	Medium (low)	To ensure its effectiveness formal training will be underpinned by on-the-job support provided by a national adviser rotating among key service delivery Line Directorates. The national adviser will undertake 2-month training in the Ministry of Finance prior to his/her deployment in Uruzgan. In addition, capacity building program will be discussed and agreed with the Line Directors during the Inception phase.
Availability of highly skilled national TA	Availability of pool of skilled national TA that would carry implementation of the project, especially availability of qualified TA willing to work in Kandahar and Uruzghan	Medium	High	Medium (high)	Offering competitive salary range to the national advisers, as well as proper logistical and security arrangements
<b>Program risks</b>					
AusAID political engagement	Ability of AusAID to maintain continuous dialogue with the client and regularly monitor and support implementation of the project is lacking	Medium	Medium	Medium (low)	Additional resources dedicated to the AusAID office in Kabul to engage and closely monitor Project's implementation
The operating environment suffers from extreme insecurity	The major risk to the effectiveness of the Project relates to the operating environment of extreme insecurity. Both within Kabul and the Provinces there remain considerable threats to GIRoA's leadership and to internationals working to support GIRoA. The program has been designed on the basis that it is possible to deploy international technical assistance and coordinate between international agencies through the means of an international program manager. The ability of local advisers to perform these functions without international expertise is limited though the Managing Contractor could be asked to provide an Afghan-staffed alternative that can be mobilized in the event of significant and sustained violent unrest in the country. It should also be noted that in such a circumstance the ability of the Government to deliver services and programs will be affected, as a result of escalating insurgency-related violence. It is very difficult to mitigate against this effect.	Low	High	Low (high)	Maintain a constant oversight of security conditions affecting the country and Uruzgan province in particular