

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risks	Assessment without Mitigation	Management Plan or Measures	Assessment with Mitigation
Weak governance within the electricity sector	High	The government undertakes to reconstitute the Electricity Tariff Fixation Commission and to maintain it throughout the project, to continue its new practice of appointing a managing director of NEA through a competitive and transparent selection process, and to maintain the practice of appointing a civil service professional as chairman of NEA rather than a serving politician.	Medium
Financial sustainability of NEA	High	Approval and adoption of the Financial Restructuring Plan and announcement of an initial tariff increase is a condition for disbursement of proceeds. The government shall exempt NEA from all taxes and duties on project-related procurement, except for the 1% customs levy on imported equipment and 13% value-added tax on construction.	Medium
Weak implementation capacity in large-scale projects	Medium	Implementation consultants will be provided for major components. Projects are implemented through EPC contracts.	Low
Lack of political will to increase tariffs sufficiently to place NEA on a solid financial footing	High	Taking into account the complex political situation, fixed increments of tariff increases will not be mandated, but ADB will reserve the right to suspend disbursements if substantial progress toward the goal of achieving a 30% tariff rate increase by 30 June 2013 is not being made.	Low
NEA loses government support because of weak internal governance	Medium	NEA will implement system loss reduction plans and arrears collection programs as ongoing covenants.	Low
Overall	High–Medium		Medium–Low

ADB = Asian Development Bank, EPC = engineering procurement and construction, NEA = Nepal Electricity Authority.
Source: Asian Development Bank