

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Rating	Mitigation Measures	Responsibility
<p>1. The government's multilayer approval requirements, which may delay the recruitment of consultants and works and goods contracts. Current approval steps include (i) the MOEE; (ii) an interministerial committee involving the MOPFI, MOC, and UAGO; (iii) the DACU; (iv) the Economic Committee; (v) the Cabinet; (vi) the Parliament.</p>	H	<p>ADB and development partners are working with the government (DACU and FERD) to streamline approval procedures, which have been rolled out to line ministries. A new development assistance policy is about to be issued.</p> <p>Project preparatory consultants have prepared all draft bidding documents and taken advance procurement actions, as necessary.</p> <p>The contract packaging was optimized to mitigate the risks of procurement delay.</p>	<p>ADB, government, development partners</p> <p>ADB project team, MOEE</p>
<p>2. Uncertainty regarding timely mobilization of large capital investments for the expansion of the generating capacity and rural electrification</p>	S	<p>Development partners are working closely with the government to prioritize investment needs and help the government mobilize financing, including multilateral, bilateral, and private financing.</p> <p>ADB is supporting the MOEE in applying a framework for PPP in generation investments and in corporatizing distribution companies to make them more attractive to investors.</p>	<p>ADB, government, development partners</p> <p>ADB</p>
<p>3. Delay in implementing a mechanism for a full cost recovery electricity tariff</p>	S	<p>ADB and the World Bank support the MOEE in establishing and implementing tariffs based on cost recovery principles. The World Bank is providing TA to support the preparation of a financial sustainability study and methodology for electricity tariffs. The MOEE has requested parliamentary approval of a three-step plan for electricity tariff increases to be implemented starting in 2022 to return the ESE to profitability.</p>	<p>ADB, World Bank, MOEE</p>
<p>4. The ESE's weak financial management (no computerization of finance and accounting functions, limited internal audit function, limited financial reporting, and delays in the completion of external audits) and marginal financial sustainability (no control over</p>	S	<p>ADB and development partners are helping the MOEE implement a cost-reflective tariff mechanism and improve financial management and reporting. The cost-reflective tariff should allow a reasonable revenue margin (the difference between the ESE purchasing price and its selling price) to maintain the ESE's financial viability.</p>	<p>ADB, government, development partners</p>

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end-use tariffs and electricity purchase rates)		Measures to improve the financial viability of the ESE are included as a loan covenant.	
5. Delays in implementing other projects not financed by ADB, which are part of the country transmission and distribution network	M	Early consultations with the MOEE and the ESE during project design ensured that the MOEE is and will be receiving the necessary support from the government and other development partners for the timely comprehensive development of the national power grid.	MOEE, ADB project team
6. Cost overruns could occur.	L	Cost estimates are based on the latest available data from current projects that the ESE has implemented. Sufficient contingencies have been included in the project budget.	ADB project team, MOEE, ESE

ADB = Asian Development Bank; DACU = development assistance coordination unit; ESE = Electricity Supply Enterprise; FERD = Foreign Economic Relations Department under the Ministry of Investment and Foreign Economic Relations; H = high; L = low; M = moderate; MOC = Ministry of Commerce; MOEE = Ministry of Electricity and Energy; MOPFI = Ministry of Planning, Finance and Industry; PPP = public-private partnership; S = substantial; TA = technical assistance; UAGO = Union Attorney General Office.

Source: Asian Development Bank estimates.