

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Rating	Mitigation Measures	Responsibility
Technical			
Separate Dushanbe AMI subproject (75,000 meters and a control center) does not proceed.	L	ADB-financed contract includes sufficient contingency to cover the cost of this subproject.	EDN
Government's own Dushanbe AMI project proceeds but is unsuccessful in meeting completion date or project specification.	S	ADB-financed PIC will monitor quality and progress of works for the subproject. In the event of quality or program issues, EDN will stop the execution of its own work, and an ADB contractor will step in.	EDN
AMI and grid enhancement contractor proposes inadequate network upgrade design.	M	Given the rate-based contract, it is not in the interest of the contractor to propose a less-than-optimal design. Proposals by contractor will be reviewed and approved by PIC and EDN.	EDN and PIC
Economic and Financial			
Cost overrun	L	Project costs will be closely monitored by PIC and EDN. The project also has sufficient contingencies in case of unforeseen circumstances.	EDN and PIC
Governance (financial management, procurement, anticorruption, integrity due diligence, capacity, and institutional governance)			
The government's priorities change because of economic shocks, and power subsector reforms slow down.	S	The agreed sector reform program is a multiyear joint effort of ADB, the EBRD, the World Bank and the government. It is backed by strong leadership of the First Deputy Prime Minister and Minister of Energy as champions of the reform. The program is also interlinked with other current and planned critical investments financed by major development partners, and acts as incentives to continue with the reform efforts. Suspension of the reform program will prevent these critical investments from proceeding, and the likelihood is low.	Government
Economic shocks continue and limit the management contractor's chances of improving EDN's performance.	S	The first year of the management contractor's 5-year operational period will be used for a thorough assessment of the existing infrastructure, sector governance, and economic conditions in different regions. The performance indicators will be determined based on this assessment, which incorporates the necessary adjustments for the economic shock in 2020. EDN's management contract includes an incentive remuneration mechanism for performance improvements. The	Government, EDN supervisory board, and management contractor

Risk Description	Rating	Mitigation Measures	Responsibility
		contractor's performance will be monitored by the supervisory board, which will include ADB, the EBRD, and the World Bank as observers, and by independent technical advisors financed by the program.	
Disagreements between the shareholder and management contractor	M	Some disagreements on issues such as performance achievements are expected during implementation, so the contract includes a dispute resolution mechanism and the presence of independent technical, commercial, and finance advisors (financed by ADB) for the supervisory board, and a reputable firm with expertise in relevant fields such as management and finance to act as the panel of experts for the entire term of the contract.	EDN supervisory board and management contractor
EDN capacity deteriorates.	L	Management contractor and PIC will be mobilized for the program and provide additional resources for capacity development.	PIC and EDN
EDN inherits the technical capacity of Barqi Tojik, but the financial management capacity development lags, especially with regard to staffing, internal audit function, and information systems.	H	A management contractor with international experience in utility operation will be placed to operate EDN and develop EDN's financial management capacity. The program's sector reform support may also supplement the efforts as further needs for capacity development arise, as described in more detail in the financial management assessment. ^a	EDN and management contractor
EDN has insufficient capacity to operate AMI.	M	Training of EDN staff is in AMI contractor's scope. Development of EDN organization is in management contractor's scope. Monitoring of compliance will be performed by EDN Supervisory Board.	EDN supervisory board, management contractor, AMI contractor
Overall	S		

ADB = Asian Development Bank, AMI = advanced metering infrastructure, EBRD = European Bank for Reconstruction and Development, EDN = Joint Stock Company Electricity Distribution Network, H = high, IFI = international financial institutions, L = low, M = moderate, PIC = project implementation consultant, S = substantial.

^a Financial Management Assessment (accessible from the list of linked documents in Appendix 2 of the report and recommendation of the President).