

## UPDATED RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
<b>Financial Management</b>		
Wheeling charge rate does not increase adequately to meet the revenue requirements of PGCB	High	Enforcement of BERC Electricity Tariff Transmission Tariff Regulations is loan covenant of Tranche 1 and 2. Further, ADB will support PGCB to implement financial restructuring plan through newly approved SASEC Second Bangladesh India Electrical Grid Interconnection Project.
Long outstanding internal and external audit observations at PGCB	Medium	PGCB Board of Directors to commit to final resolution of outstanding audit issues by December 2016 including an actuarial valuation and fixed asset and inventory reconciliation and valuation exercise to be supported by capacity development component of Tranche 1 co-financed by EU grant.
Inadequate Internal audit capacity at APSCL and BREB	High	Capacity building of existing personnel and hiring additional adequately experienced auditors.
Low level of computerization of accounting and management system in APSCL, BREB and PGCB.	Medium	Enhancement of computerized accounting and management system to automate the financial reporting and fixed asset management processes at to be supported by capacity development component of Tranche 1 co-financed by EU grant.
No insurances cover operational fixed assets by APSCL and PGCB against natural calamities, accidents, etc. leading to a significant risk of arranging for funds to replace such damaged assets	High	APSCL and PGCB to insure their operational fixed assets by June 2016.
No recent experience with ADB project implementation in BREB.	Medium	Training of PMU of BREB on ADB project financial management processes and procedures through capacity development component of Tranche 1 co-financed by EU grant.
Possible delays in mobilizing counterpart funds	Low	GOB, APSCL, PGCB, and BREB have provided assurances on the timely provision of counterpart funding.
Delay in funding from IDB	Low-medium	Good performance of on-going Ashuganj 450 MW CCPP (North) jointly funded by ADB and IDB will facilitate early approval of Ashuganj 400 MW CCPP (East) by IDB

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
<b>Corruption</b>		
Financial irregularities and misuse of funds	Medium	Each EA to investigate outstanding audit observations and take relevant actions. Further, (i) strict financial management with full adherence to monitoring and reporting systems; (ii) strict compliance with local laws and procurement regulations and guidelines; (iii) financial audit by the Auditor General's Office of all subprojects; and (iv) random and independent spot checks of implementation by ADB, will be applied. Furthermore, each EA will maintain a project website that will be updated regularly and include (i) bidding procedures, bidders, and contract awards; (ii) use of the funds disbursed under the project; and (iii) physical progress
<b>Procurement</b>		
Delays in procurement and contract awards	Medium	ADB approved advance contracting for the project. Procurement activity has commenced. Further, procurement consultants are provided by Tranche 3 preparation consultants to support EAs to do the procurement
BREB may be unfamiliar with ADB procurements due to no implementation of ADB funded project in the recent past.	High	Standard bidding documents of procurement of goods are adopted which is simple for evaluation by BREB. Further, procurement consultants are provided by Tranche 3 preparation consultants to assist BREB to do the procurement.
<b>Others</b>		
Increase in principle equipment prices and raw material prices result in increase of project costs	Low-medium	The capital expenditure estimates are benchmarked to recent projects in Bangladesh.
Natural gas supply is curtailed and the generation component is not able to operate at full capacity	Medium	No additional gas is needed beyond current total gas allocation from Petrobangla, reconfirmation with Petrobangla on long term gas supply is needed.
<b>Overall</b>	<b>Medium</b>	

ADB = Asian Development Bank, APSCL = Ashuganj Power Station Company Limited, BERC = Bangladesh Energy Regulatory Commission, BREB = Bangladesh Rural Electrification Board, EA = executing agency, EU = European Union, GOB = Government of Bangladesh, IDB = Islamic Development Bank, MFF = multitranchise financing facility, MW = megawatt, PGCB = Power Grid Corporation of Bangladesh Limited, PMU = project management unit, SASEC = South Asia Subregional Economic Cooperation.

Source: Asian Development Bank.