

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
Public Financial Management		
Inhibited productivity and reduced efficiency in the power sector because of circular debt.	Medium	The Government of Pakistan is taking steps to reduce circular debt by increasing the consumer tariff, paying subsidy on time, and pay debt owed by the power sector that accrued due to delays in tariff notification and subsidy payments.
Lack of accountability because of weak corporate governance at the energy sector PSEs.	High	Government's commitment to further strengthen the regulator's capacity and to continue monitoring the performance of the PSEs will increase accountability in the sector and improve overall governance.
Others		
An economic downturn prompts less investment, limits fiscal revenue growth and thereby risks breaching the ratio of public debt to gross domestic product.	Medium	The government has developed a macroeconomic reform plan, agreed with the International Monetary Fund under the extended fund facility program, which will remove economic constraints and, along with other reforms (including the proposed program), is expected to strengthen the fiscal position.
Lack of coordination in policy formulation and implementation by government ministries and agencies.	High	The ECC oversees the reforms. It is chaired by the Finance Minister and has the economic ministers as members. Decisions made by the ECC on economic issues nationwide are aimed to assist the Prime Minister in implementing various policies relating to economic growth. In addition, for program implementation, the Ministry of Finance will act as the coordinator of the various government entities.
Weak interagency coordination and lack of regular reporting on the implementation status of the policy actions agreed in the program.	Low	A monitoring and reporting framework has been developed and agreed between the cofinanciers and the government. Monitoring units will be established in the Ministry of Petroleum and Natural Resources and the Ministry of Water and Power. A program management unit will be set up in the Ministry of Finance. These units will report to the ECC quarterly on the progress of the reforms.
Legislative process may be slow and face resistance by vested interests, and legislations may not be promulgated.	High	The program is based on the government's own policy and reform initiative and is backed by strong political will and commitment. Monitoring units will be in place to report on the progress of the reforms to the ECC. As the program is strongly supported by the donor community, technical assistance will be provided to assist the government. An action plan concerning promulgation of legislation as agreed with the government is included in the IMF-EFF letter of intent.

Potential political interference due to absence of transparent procedures for the appointment of NEPRA members.	Low	Proposed procedural changes in the appointment of NEPRA members will require the issuance of a policy, amendment to the NEPRA Act, consultation with provinces, and agreement by the CCI. This is not considered achievable within the program period. However, the monitoring units established for oversight of the reforms will also be responsible for monitoring the performance of the regulator.
Reforms stall because of reluctance of stakeholders.	Medium	Transparency measures and information and education campaigns will increase stakeholders' understanding of how the reforms will benefit them.
Overall	Medium	These risks will be mitigated if the IMF–EFF program remains on track and if there is adequate government commitment and continuous support from the donors for the reforms.

CCI = Council of Common Interests, ECC = Economic Coordination Committee, EFF = extended fund facility, IMF = International Monetary Fund, NEPRA = National Electric Power Regulatory Authority, PSE = public sector enterprise.

Source: Asian Development Bank.