

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Rating	Mitigation Measures	Responsibility
Financial Management and Sustainability			
Wheeling charges for transmission services do not increase adequately to meet the PGCB projects' revenue requirements	S	<p>PGCB had a tariff increase after nearly 10 years in 2015.</p> <p>The tariff regulations issued by BERC in June 2016 allows utilities to file periodically for tariff increases to cover costs. Covenants in the ongoing loans 3522 and 3523 require PGCB to regularly file tariff revisions and ADB to continuously monitor compliance.^a</p>	BERC, PGCB
PGCB is exposed to the exchange rate risk on foreign currency-denominated borrowings	S	<p>Using a provision in the Companies Act of 1994, PGCB currently converts foreign exchange losses to equity. PGCB should recognize the foreign exchange gain or loss in the income statement according to the Bangladesh Financial Reporting Standards. In addition, foreign exchange variations should be recovered through adjustment of the wheeling charge based on current BERC regulations.</p> <p>ADB will maintain regular dialogue with Ministry of Power, Energy and Mineral Resources and BERC to ensure timely tariff revisions following issuance of new tariff regulations; foreign exchange variation can be recovered through such regular adjustment of wheeling charges.</p>	MOF, PGCB, BERC
Limited financial management capacity of PGCB	S	Relevant covenants and conditions have been included in the draft loan agreements to ensure that the key positions in the finance department of PGCB are filled and sufficient qualified staff are recruited.	PGCB
Procurement and Implementation			
Procurement and implementation delays for Gopalganj substations	M	Acquisition of land for the Gopalganj (North) substation is at an advanced stage, following the applicable laws. A property	PGCB

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		valuation advisory committee will be appointed by District Commissioner to ensure the affected persons are adequately compensated.	
Dearth of knowledge and experience for implementation of 400 kV transmission projects	L	The project loan will finance implementation consultants to prepare bid documents, assist in bid evaluation, and review designs and construction supervision of the 400 kV assets, while PGCB has committed to appoint 44 full-time counterpart staff for the PMU to manage the implementation of the overall project.	PGCB
Coordination with Generation Companies			
Delay in government approval of power generation investments could limit the utilization of the transmission network	M	Government shall provide timely clearances required for generation and transmission projects, including environment clearance from the Department of Environment. A committee chaired by Secretary of Power Division, Ministry of Power, Energy and Mineral Resources will monitor execution of generation and transmission projects. Current scheduling of the proposed project and associated generation projects are well aligned. Should the completion of associated generation projects be delayed, PGCB's planning division will realign transmission line route to other generation facilities.	BPDB, PGCB
Sector Sustainability			
Poor governance, ineffective anticorruption, and weak financial management of Power Sector	M	ADB is supporting the government in implementing governance reforms, including supporting the Anti-Corruption Commission, separating the judiciary branch from the executive branch of the state, improving grievance redress mechanisms in the line ministries, enacting laws on money laundering and the right to information, and ratifying the United Nations Convention	PGCB, Power Division of MPEMR

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		<p>against Corruption. ADB is also working with the government to strengthen support for public financial management and to develop capacity for planning, policy making, and procurement.</p> <p>The project directors at the PMU will be responsible for addressing audit issues in a timely manner. Capacity for internal audit will also be enhanced in the executing agency.</p>	
Project Implementation			
Price increases of goods and services beyond contingency could cause delays and budget overruns	S	Adequate contingencies are budgeted in the project financing plan to account for any unforeseen factors.	PGCB

ADB = Asian Development Bank, BERC = Bangladesh Energy Regulatory Commission, BPDB = Bangladesh Power Development Board, kV = kilovolt, L = low, M = moderate, MOF = Ministry of Finance, MPEMR = Ministry of Power, Energy and Mineral Resources, PGCB = Power Grid Company of Bangladesh Limited, PMU = project management unit, S = substantial.

Source: ADB.

^a ADB. 2017. *Report and Recommendation of the President to the Board of Directors: Proposed Loans and Administration of Grant to the People's Republic of Bangladesh for the Bangladesh Power System Enhancement and Efficiency Improvement Project*. Manila