

## RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
1. Governance (procurement). Government procurement agency arrangement is inefficient and subject to inappropriate outside influence.	Medium	All grant-funded procurements will be managed by design and supervision consultants (DSC).
2. Governance (public financial management). Executing and implementing agencies accounting for in-kind government contributions deficient, inaccurate.	Medium	<p>Mitigation of implementing agency deficiencies requires: (i) support through DSC for development of adequate financial management policies and procedures, and (ii) enforcement through covenanted grant conditions requiring rapid implementation of these policies and procedures.</p> <p>DSC will support accounting for government in-kind contributions.</p> <p>Implementing agency has competent in-house financial management experts who are developing finance department's capacity. However, grant covenants are required to ensure that the implementing agency implements adequate financial management policies and procedures as a matter of urgency, and undertakes commensurate capacity development of its staff. In addition, the DSC will be tasked to assist in the development of these financial management policies and procedures, and also to provide related capacity development.</p>
3. Tariff and subsidy policy do not align to allow the NUC to generate sufficient revenues from customer base to cover costs. If these policies are not properly aligned, the financial performance of the project could be at risk.	Medium	Government of Nauru has acknowledged the urgency of revising tariff and subsidy policy. The attached technical assistance will support revision of these policies to ensure that the NUC is able to meet its revenue requirement through tariffs (and explicit budget transfers, as appropriate.)
4. Preparation of site for roof repair and generator installation not completed in timely fashion	Low	DSC will monitor and advise on scheduling and implementation of preparatory work to be completed by implementing agency, and alert implementing agency and ADB on any corrective action necessary to support project schedule.
5. Government cofinancing for post-project environmental monitoring and post-commissioning operations and maintenance support from diesel supplier not budgeted in implementing agency's annual budget	Low	Funding requirement (\$147,450) is relatively modest. Commitment by government (implementing agency) to budget for 2016 and 2017 to cover these costs will be included as a covenant of the grant agreement. Future Asian Development Bank grants to Nauru (including proposed program loans) will incorporate these covenants as conditions for disbursement.

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6. Poor technical input at specification preparation phase leads to technical failure	Low	PMU will be adequately supported by DSC.
7. Staffing of the project management unit is not sufficient to manage project implementation adequately	Low	PMU will be adequately supported by DSC.
<b>Overall</b>	Medium	

DSC = design and supervision consultants, NUC = Nauru Utilities Corporation, PMU = project management unit  
Source: Asian Development Bank estimates.