

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

The risk assessment for the Upscaling Renewable Energy Sector Project was conducted following the Asian Development Bank's governance and anticorruption policy to identify risks associated with project implementation. It defines the mitigation measures built into the project design and assesses the residual risk once the mitigation measures are in place.

Risk Description	Rating	Mitigation Measures	Responsibility
1. Delay in Project Completion Delay in procurement and disbursement	M	Project management consultants will support the project management unit and the implementing agencies in engineering design, procurement, disbursement, and project implementation supervision and monitoring to avoid possible delays in project completion.	MOE, WRES, AUES, and NREC
2. Financial Management Deteriorating financial performance of implementing agencies	H	Sustained tariff increases until 2030 are essential to meet the government's targets for financial sustainability: 0% net profit margin by 2023 and 5% by 2030. Adequate loan covenants requiring the government to oversee and support the implementing agencies in maintaining sound financial health are set forth in the draft loan agreement and project agreement. The government will regularly review electricity tariff adjustments to achieve full cost recovery by 2023 in accordance with the State Policy on Energy, 2015–2030. ^a	MOE, MOF, ERC, WRES, and AUES
3. Procurement Shortage of qualified staff to carry out procurement and financial management practices in accordance with ADB guidelines	M	The executing and implementing agencies received training on ADB-compliant procurement and financial management under the project preparatory technical assistance. The project management unit within MOE will support the implementing agencies throughout the procurement process, with the assistance of a project management consultant for financial management and procurement to be engaged under the project.	MOE, WRES, AUES, and NREC
4. Corruption Inadequacy of ethical and anticorruption measures in place during project implementation	M	The country's public financial management systems, specifically its information management, accounting and financial reporting, and external scrutiny and audit systems, are functioning well. The implementing agencies have solid internal control systems to reduce the likelihood of fraud and fund misuse.	MOE, WRES, AUES, and NREC
Overall	M		

ADB = Asian Development Bank, AUES = Altai–Uliastai Region Energy System State-Owned Joint Stock Company, H = high, M = moderate, MOE = Ministry of Energy, MOF = Ministry of Finance, NREC = National Renewable Energy Center, WRES = Western Region Energy System State-Owned Joint Stock Company.

^a Government of Mongolia, 2015. *State Policy on Energy, 2015-2030*. Ulaanbaatar.

Source: Asian Development Bank.