

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Rating	Mitigation Measures	Responsibility
Public Financial Management			
Country's overall public financial management issues prevent effective use of this policy loan	H	The budget framework for the current fiscal year has undergone close consultation with the IMF, and the IMF program was successfully completed in this fiscal year (October 2016)	Government
Increase of electricity subsector payables discourages private sector investments in the energy sector.	S	Amendments to the Regulation of Generation, Transmission and Distribution of Electricity Act, known as NEPRA Act, allow the Government of Pakistan to take additional policy actions, including introduction of surcharges to reduce the flow and stock of the electricity subsector's payables.	Government
Corruption			
Lack of accountability because of weak corporate governance at energy sector PSEs.	M	The government's commitment to further strengthening the regulator's capacity and continued monitoring of PSE performance will increase sector accountability and improve overall governance. Additional transparency measures, data disclosure, and media training will increase stakeholder understanding of the benefits they will realize from the reforms.	Government
Others			
Reforms stall because of change of the government due to the outcome of general elections in 2018.	S	ADB will continue the policy dialogue and lead coordination of development partners' activities in energy sector reforms to ensure timely implementation of the medium-term development policy agenda.	Government
Economic downturn prompts less fiscal revenues.	M	A macroeconomic reform plan focusing on removing growth constraints has been developed by the government and agreed with the IMF under the EFF program. The implementation of the plan continues beyond EFF completion, and the IMF closely monitors achievement of the set targets.	Government
Litigation in electricity subsector delays elimination of the remaining gap between cost-recovery and end-user	M	A new mechanism involving an appellate tribunal, as stipulated under the NEPRA Act amendments, will have time-bound procedures to clear any future litigation related to the electricity subsector's market regulations and tariff setting. The setup of the appellate tribunal will be supported by technical assistance from development partners.	Government

tariffs.			
Legislative process may be slow and face resistance by vested interests.	H	The program is based on the government's own policy and reform initiative and is backed by strong political will and commitment. The program is strongly supported by the donor community, and technical assistance will be provided to assist the government.	Government
Potential political interference in the absence of transparent procedures for the appointment of NEPRA members	L	Following the proposed changes to the NEPRA Act, the performance of the regulator will be monitored by the appellate tribunal. The appointment of NEPRA and appellate tribunal members will be done in consultation with provincial governments and with agreement of the Council of Common Interests.	Government
Overall	M		

H = high, S = substantial, M = moderate, L = low.

EFF = extended fund facility, IMF = International Monetary Fund, NEPRA = National Electric Power Regulatory Authority, PSE = public sector enterprise.

Source: Asian Development Bank.