

## RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
<p><b>1. Governance</b> 1.1 Fiduciary arrangements for budget support and soundness of PFM.</p>	High	<p>This is a program loan with two tranches. Since the second tranche will not be released until the government carries out costly policy measures agreed under the program, the government will utilize its own budget for policy measures to be financed by ADB later.</p>
<p>There are risks in: (i) weak budget preparation capacity and the separation of the capital and non-development budgets, (ii) large off-budget fiscal activities of local governments and public sector corporations, (iii) little effort to mobilize revenues, and (iv) limited performance reporting</p>		<p>PFM reform has been undertaken to make resource allocation more effective, prioritize spending, and increase budget execution capability. The Public Expenditure and Financial Accountability Program supports integrated and harmonized approaches to assessment and reform of public expenditure, procurement, and financial accountability.<sup>a</sup> Implementation of several key reforms in budget and accounts classification is progressing under the Strengthening Public Expenditure Management Program.<sup>b</sup> A manual for implementation of the new budget classification was prepared in May 2014. As a result, information on fiscal and resource management will be more accurate and better presented. Auditing capacity has been strengthened and performance auditing has been introduced.</p>
<p>1.2 Weak governance in procurement.</p>	Medium	<p>This is a program loan and will not entail any direct procurement.</p> <p>Public procurement standards have improved since the introduction of the Public Procurement Regulations in 2003; the Public Procurement Act, 2006; and the Public Procurement Rules of 2008. Under Vision 2021, the government has promoted a transparent procurement system through an e-procurement culture or system of computerized tendering.<sup>c</sup></p>
<p>1.3 Corruption and weak government effectiveness reduce the development impact.</p>	Medium	<p>The government is committed to establishing good governance, which has been identified as a priority area in Vision 2021 and the Sixth Five-Year Plan, FY2011–FY2015.<sup>d</sup> Since 2003, the government implemented several key governance reforms, including establishing independent information and election commissions, enacting a public money and budget management law, enacting a uniform public procurement law and rules, and expanding e-governance in the public sector.</p> <p>The Right to Information Act, 2009 and the Whistleblower Protection Act, 2011 have resulted in more transparent and accountable government. The National Integrity Strategy, approved by the government and supported by ADB's Good Governance Program, is a comprehensive institutional approach to fighting corruption. To implement the National Integrity Strategy,</p>

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		<p>a National Integrity Advisory Council headed by the Prime Minister was formed in November 2012.</p> <p>ADB's capacity-building support on governance continues to focus on (i) reducing corruption; (ii) improving PFM, public management, and procurement; and (iii) developing institutional capacity.</p> <p>Together with other development partners, ADB will continue to engage the government to deepen its procurement and anticorruption reforms.</p>
<b>2. Political and/or organizational</b>		
2.1 Political instability.	Medium	ADB, along with other development partners and civil society representatives, will continue dialogue with the government.
2.2 Resistance to reforms from vested interests. Government commitment to capital market reforms and key legislation is not adopted in a timely manner.	Medium	<p>An interagency monitoring and tracking committee was established in March 2015 to assist in driving the reforms in preparation for the first tranche policy reform measures. The structuring of robust implementation arrangements will also be integral to ensuring the success of the Third Capital Market Development Program. These arrangements will entail commitment from the highest level of government and all stakeholders to ensure the successful implementation of the program. A steering committee to oversee and guide the process will be chaired by the secretary of the Bank and Financial Institutions Division of the Ministry of Finance.</p> <p>This committee will be an interagency group of government entities working with the private sector and assisted by a secretariat comprised of a staff with the requisite technical and management skills. These arrangements build on lessons learned from the Second Capital Market Development Program, which was successfully implemented.</p>
2.3 Weak implementation capacity of government agencies.	Medium	Technical assistance will be provided to facilitate the implementation of second tranche actions by government agencies.
2.4 Lack of coordination and strong commitment among stakeholders to see through the reforms in capital markets.	Medium	The chairperson of the steering committee will have the authority to set goals, assign tasks, monitor and enforce progress, as well as ensure strong commitment and coordination among stakeholders. The government and ADB agreed to implement the road map in the long-term national capital market master plan <sup>e</sup> that was formulated under the Second Capital Market Development Program.
<b>Overall</b>	<b>Medium</b>	

ADB = Asian Development Bank, PFM = public financial management.

- <sup>a</sup> The Public Expenditure and Financial Accountability Program is a partnership of the Department for International Development of the United Kingdom, the European Union, the Government of France, the International Monetary Fund, the Government of Norway, the Government of Switzerland, and the World Bank.
- <sup>b</sup> The Strengthening Public Expenditure Management Program is a \$95 million program administered by the World Bank, and financed by a multi-donor trust fund with contributions from the European Union, the Department for International Development of the United Kingdom, the Danish International Development Agency (DANIDA), and the Government of the Netherlands.
- <sup>c</sup> Government of Bangladesh, Ministry of Planning, Planning Commission. 2010. *Outline Perspective Plan of Bangladesh, 2010–2021: Making Vision 2021 a Reality*. Dhaka.
- <sup>d</sup> Government of Bangladesh, Ministry of Planning, Planning Commission. 2011. *Sixth Five-Year Plan, FY2011–FY2015*. Dhaka.
- <sup>e</sup> Government of Bangladesh, Securities and Exchange Commission. 2012. *Bangladesh Capital Market Development Master Plan, 2012–2022*. Dhaka.

Source: Asian Development Bank.