

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risks	Assessment without Mitigation	Management Plan or Measures
<p>Procurement Limited procurement capacity in <i>pourashavas</i> (municipalities) will delay implementation.</p>	Medium	<p>ADB procurement clinics combined with project-specific training programs conducted by PMO and the consultants will build capacity of <i>pourashavas</i>. Qualified consultants will assist every step of procurement and contract management in PIUs. The LGED is an experienced executing agency with trained staff in project management, and will closely monitor procurement actions of PIUs. Post-procurement reviews will be conducted on all awarded contracts.</p>
<p>Corruption TIB report (21 July 2013) identified governance weaknesses of the LGED in its tender process and irregularities in contract management.</p>	Medium	<p>The LGED responded constructively to the TIB report's findings by issuing a report titled LGED: Problems of Good Governance and Way Forward. The LGED is engaged in dialogue with development partners as well as TIB. ADB and the LGED are jointly implementing the TA project, Road Map to Good Governance, to improve the governance capacity of the LGED by engaging TIB.</p> <p>Project-specific measures include the following:</p> <ol style="list-style-type: none"> 1. The LGED will establish a grievance redress mechanism for handling complaints received in relation to contracts and procurement, among others. 2. A project website will be established at the LGED to provide transparency on project details, including procurement. 3. At the local level, <i>pourashavas</i> will present procurement plans and updates regularly at TLCC meetings. 4. <i>Pourashavas</i> will disclose procurement-related information such as the list of participating bidders, name of the winning bidders, amount of contract award, and the list of goods and/or services procured through signboards, websites (if available), and other means. 5. Technical and financial audits will be conducted on a random basis, as deemed necessary. 6. Post-procurement reviews will be conducted on all awarded contracts. 7. E-procurement will be introduced as pilot schemes for <i>pourashavas</i>.
<p>Public Financial Management Limited financial management capacity in <i>pourashavas</i> will lead to improper financial management.</p>	High	<p>Capacity building in financial management, internal auditing, and ADB financial management requirements will be provided to staff of PMO and PIUs by financial management specialists on the consultant team to ensure robust and transparent project financial management. All PIU subaccounts will be audited every year.</p>
<p>The <i>pourashava</i> internal audit systems are not operational.</p>	Medium	<p>The <i>pourashava</i> standing committee on accounts and audit is a local institutional mechanism meant to be an extra layer of checks to the <i>pourashavas</i>' internal controls and external audits. Capacity building consultants under</p>

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Implementation		the loan will provide support to make operational and strengthen the standing committee. Making the standing committee functional is a criterion under the UGIAP.
Prolonged process for land acquisition will cause implementation delay	High	Advanced action will be taken by <i>pourashavas</i> to begin land acquisition immediately after DPP approval, to be closely monitored by the PMO and ADB. Subprojects that require land acquisition will not be selected in phase 1.
Alternative funding sources become available, undermining the incentive mechanism of performance-based fund allocation.	Medium	The government buys in to the approach of linking fund allocation to governance performance of <i>pourashavas</i> . Other major development partners, including the World Bank and JICA, are adopting a similar modality in their projects. Policy dialogue with the government and development partners will continue.
Losing momentum for improvement because of change in <i>pourashava</i> leadership	Medium	Project design, scope, and requirements including the UGIAP will be explained in detail in TLCC and WLCCs. Development plans including PDP, GAP, and PRAP will be developed through consultative and participatory processes to be “owned” by citizens. These will ensure citizens’ overall support to the project, even if leadership changes.
UGIAP requirements are not fulfilled by many towns, resulting in implementation delay and less utilization of loan.	Low	UGIAP criteria are carefully designed to be ambitious but achievable, based on the experience of earlier projects. Consultants will provide intensive support to each project <i>pourashava</i> so that many of them will meet the requirements. The project funds are rather limited with regard to resource requirements, so those that will meet the requirements will utilize the loan proceeds. As the per capita resource estimates are made conservatively, additional financing may be considered for resource augmentation if many towns meet the requirements.
Technical		
The project facilities, particularly the water, solid waste, and septage management facilities, will not be efficiently operated by <i>pourashavas</i> because of limited capacity.	Medium	An O&M plan will be prepared during subproject preparation, including O&M arrangement (e.g., outsourcing), cost-recovery measures for revenue-generating subprojects, and commitment for O&M budget provision. Capacity building support will be provided by consultants and the LGED and/or DPHE. The government will ensure that <i>pourashava</i> staff acquiring new skills through training will remain in their positions for a reasonable period of time (covenanted). Longer commissioning periods for water treatment plants will allow extended capacity transfer from operator to <i>pourashava</i> staff. Approval of a new <i>pourashava</i> organogram, which will enable <i>pourashavas</i> to strengthen human resources particularly for water supply and urban planning, is covenanted. LGD has agreed to prioritize recruitment of staff for project <i>pourashavas</i> in accordance with their demands.
Solid waste is not properly segregated, leading to less resource	High	Awareness-raising programs supported by consultants will aim at bringing attitudinal changes among citizens to start segregating waste. Collection, transportation, and

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recovery and shortened service life of final disposal sites.		management of solid waste is a criterion under the UGIAP, requiring <i>pourashavas</i> to improve performance.
Despite supply augmentation, water supply access and/or quantity cannot meet people's needs because of high wastage.	Medium	The current water consumption per capita for those covered by piped water supply systems is too high. <i>Pourashavas</i> are required to prepare and implement a tariff enhancement plan including introduction of a volumetric water tariff structure. Network rehabilitation will be implemented to reduce nonrevenue water. The DPHE will provide technical support and guidance to build capacity of <i>pourashavas</i> .
Buildings are built without necessary approvals, or not built in accordance with approved building plans.	Medium	Consultants will provide training to concerned <i>pourashava</i> staff as well as raise awareness of the public about the importance of complying with national building codes. The UGIAP requires <i>pourashavas</i> to enforce building control. A new <i>pourashava</i> organogram will help <i>pourashavas</i> strengthen human resources for urban planning.
Sustainability Budget allocation is insufficient to meet the increased demand for O&M of facilities built by the project.	High	The UGIAP requires each <i>pourashava</i> to (i) improve property tax collection efficiency to 70% and increase the collection of indirect taxes, fees, rentals, and lease charges by 5% per annum, under the intermediate criteria; and (ii) improve the same to 85% and increase by at least official inflation rate per annum, under the advanced criteria. It also requires each <i>pourashava</i> to prepare O&M plans including budget provision. Consultants will support <i>pourashavas</i> in achieving the above criteria, as well as raise awareness of the public regarding payment of taxes and other charges.
Overall	Medium	

ADB = Asian Development Bank, DPHE = Department of Public Health Engineering, DPP = development project proforma, GAP = gender action plan, JICA = Japan International Cooperation Agency, LGD = Local Government Division, LGED = Local Government Engineering Department, O&M = operations and maintenance, PDP = *pourashava* development plan, PIU = project implementation unit, PMO = project management office, PRAP = poverty reduction action plan, TIB = Transparency International Bangladesh, TLCC = town-level coordination committee, UGIAP = urban governance improvement action program, WLCC = ward-level coordination committee.
Source: Asian Development Bank.