

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risks	Assessment without Mitigation	Management Plan or Measures
Procurement		
Limited procurement capacity in <i>pourashavas</i> (secondary towns) will delay implementation.	Medium	ADB procurement clinics combined with procurement and consultant support for procurement and contract management will build capacity, including for e-procurement. LGED is an experienced executing agency with trained staff in project management and e-procurement and will transfer capacity to PIUs. Post-procurement reviews will be conducted on all awarded contracts.
Limited interest of bidders due to remote locations of coastal towns	Medium	Positive findings from market survey show national firms are interested in larger contracts in coastal towns. LGED is required (per loan covenant) to conduct business fairs prior to tendering to promote business opportunities in the project.
Corruption		
Transparency International report (21 July 2013) identified governance weaknesses of LGED in their tender process and irregularities in contract management.	Substantial	<p>LGED hosted a roundtable discussion with development partners on regarding the TIB report on 22 August 2013 at LGED entitled "LGED: Problems of Good Governance and Way Forward". The event was attended by ADB, World Bank, USAID, EU, GIZ, JICA, and KfW. TIB stressed that throughout the report preparation LGED cooperated well with TIB and responded constructively to the report's findings. The secretary of LGD and the chief engineer of LGED attended the roundtable and took criticism in a positive way, and requested that specific measures be proposed (e.g., that as of 2014 all procurement be done as e-procurement, as suggested by TIB).</p> <p>Project specific measures:</p> <ul style="list-style-type: none"> (i) E-procurement to be used for all NCB contracts. (ii) LGED will establish a grievance redress mechanism for handling complaints received in relation to contracts and procurement, among others. (iii) A project website will be established at LGED to provide transparency on project details, including procurement. (iv) LGED will organize business fairs for potential contractors to publicize business opportunities. (v) At the local level, <i>pourashavas</i> will present procurement plans and updates at each public town-level coordination committee quarterly meeting. (vi) Technical and financial audits will be conducted on a random basis, as deemed necessary. (vii) Internal annual project audits outsourced to an A-listed chartered accounting firm. (viii) External audits will be carried out to international standards with clear statements of audit needs. (ix) Post-procurement reviews will be conducted on all awarded contracts.
Public Financial Management		
Poor internal control	Substantial	Capacity building in financial management, internal

practices in LGED and low capacity of accounting staff to adequately manage internal controls.		auditing, and ADB financial management requirements will be provided to PMU staff by financial specialists on the consultant team to ensure robust and transparent project financial management.
Limited financial management capacity in <i>pourashavas</i> will delay implementation.	Substantial	PIUs will receive financial management capacity-building support from financial management specialists on the consultant team. LGED has experienced staff in project financial management who will support capacity building of PIUs. All PIU subaccounts are subject to third-party internal auditing by the A-listed chartered accountant firm to be hired under the project.
The internal <i>pourashava</i> audit committees are not fully operational.	Medium	<i>Pourashava</i> audit committees are local institutional mechanisms that will provide an additional check of <i>pourashava</i> internal controls and external audits. Capacity-building consultants under the loan will provide support to establish and/or strengthen these committees. Internal annual audits of PIUs are supported.
Implementation		
Prolonged process for land acquisition will cause implementation delays	Medium	Advanced action will be taken by <i>pourashavas</i> to begin land acquisition immediately after DPP approval; this will be closely monitored by PMU and ADB.
Technical		
The project facilities, particularly the water and septage treatment plants, will not be efficiently operated by the <i>pourashavas</i> due to limited capacity.	Medium	O&M capacity support will be provided by consultants for water and septage schemes. Longer commissioning periods for water treatment plants will allow extended capacity transfer from operators to <i>pourashavas</i> staff. DPHE will supplement technical capacity support from their district offices. A consultant septage management expert will explore the potential to outsource private sector participation in O&M.
Flood control systems under BWDB embankments are not improved, reducing the effectiveness of project drainage investments.	Medium	A loan covenant requires that no civil works contracts be awarded until all participating <i>pourashavas</i> fix sluice gates and regulators that are not functioning. BWDB has assigned a focal point to the project and is a member of the project steering committee.
Sustainability		
Insufficient funds are generated to meet the increased demand for O&M created by the new infrastructure in the short term	Medium	The performance criteria under the project requires each <i>pourashava</i> to prepare O&M plans, with tariff plans to be adopted by local councils, and to improve property tax collection efficiency to 80%. Consultant support under the project will help strengthen financial management capacity and own-source revenue generation, and raise public awareness regarding payment of taxes.
Overall	Medium	

ADB = Asian Development Bank, BWDB = Bangladesh Water Development Board, DPHE = Department of Public Health Engineering, GIZ = German Agency for International Cooperation, JICA = Japan International Cooperation Agency, KfW = Kreditanstalt für Wiederaufbau, LGD = Local Government Department, LGED = Local Government Engineering Department, O&M = operations and maintenance, PIU = project implementation unit, PMU = project management unit, TIB = Transparency International Bangladesh.

Source: Asian Development Bank.