

Risk Assessment and Risk Management Plan

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People's Republic of Bangladesh: Secondary Education Sector Investment Program – Tranche 3

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RISK ASSESSMENT AND RISK MANAGEMENT PLAN

1. **Overall.** Overall program risks are considered substantial (same as Tranches 1 and 2) based on lessons learned from the Secondary Education Sector Investment Program Tranches 1 and 2 and new challenges, including introduction of a new initiative and a single budget system (please see para. 3). Major risks to the program are related to the capacity to coordinate, plan, manage, implement, and monitor sector reforms. These constraints are pervasive in the public administration system. The scale of the education system, centralized management, and existing fragmentation complicate the accountability inherent under the current management regime and make the regulatory environment extremely challenging. The approach of linking disbursements to key results may be subject to such capacity risks. Timely achievement of some disbursement-linked indicators (DLIs) requires close interministerial collaboration. Therefore, there are risks that achievement of DLIs may slip because of factors outside the control of the Ministry of Education (MOE). These risks are mitigating, acknowledging the gradual build-up of capacity, by including a combination of implementation steps and processes to policies and output level results in the DLIs. Regular fiduciary risk assessment and mitigation measures are an integral part of risk management of the program.

2. **Procurement.** Asian Development Bank (ADB) has supported, along with other development partners, improving procurement and financial management (PFM) through loans and technical assistance (TA) projects. Tranches 1 and 2 successfully introduced e-government procurement (e-GP)—an electronic bidding system for public-financed contracts that enhances and strengthens security, competition, transparency, accountability, and efficiency in the procurement process. As procurement risks mitigation measures under DLI 7 of Tranches 1 and 2, the government prepared and approved a procurement capacity development plan in 2015, which included the strategies and action for introduction of e-GP. Following the strategies as envisaged in the procurement capacity development plan and e-GP capacity enhancement matrix, co-implementing agencies of the Secondary Education Sector Investment Program regularly use the e-GP portal for processing of their tenders. Assessment shows that slow processing and limited capacity are the major risks.

3. **Financial management.** Strategy to mitigate the risk has been taken for the whole facility period to strengthen the national treasury system,¹ working closely with the Ministry of Finance (MOF), Finance Division. In line with the National PFM Reform Strategy (2016–2021) which aims at developing a single harmonized budget and improvement of credibility of the national annual budget, the government decided that Tranche 3 will be taken as a national pilot for introduction of a single budget system. The Secondary Education Sector Investment Program assists the government to take a major step towards improved budget management, allocation, execution, and reporting. Given this context, the program will continue assisting implementation of the Integrated Budget and Accounting System in secondary education as major risk mitigation measures. It will facilitate more accurate financial transactions and recording, enhanced transparency through detailed reporting, and compatibility of classification consistent with the international standard. It will have centralized internet and oracle base software which allow budget preparation, budget distribution in the field level offices, fund release, re-appropriations, and payment processing through automated reconciliations. Other risk mitigation measures for smooth implementation of single budget system was agreed with the government and documented in the PFM action plan.²

¹ As ADB funds flow into the MOF Treasury Accounts.

² The PFM action plan is available in the Project Administration Manual (Appendix 5).

4. The introduction of the single budget system is assessed to be feasible because the country's financial management system is improving through the implementation of the Integrated Budget and Accounting System. Measures have been identified to further mainstream good practices in financial management through adequate budget preparation, execution, and improved quality of financial reporting. Since the Secondary Education Development Program is a national pilot, the MOF plans to make a special arrangement to (i) ensure sufficient cash advancement for planned activities, and (ii) increase the procurement threshold on nondevelopment budget with enhanced delegation of financial authority at agency and field level.

5. One covenant on audit was not met in 2015 and 2016. The audit reports were not submitted on time and the qualified audit reports in 2015 and 2016 do not show the information on program budget heads on eligible expenditure. (The first year's audit reports (2014) were satisfactory.) The government has agreed to organize a quarterly high-level meeting on monitoring the preparation of financial statements and audit reports. This meeting is also to follow-up on audit observations.³ The TA to the MOE and Comptroller Audit General, including the strengthened internal audit in MOE, will improve capacity of the government.⁴

6. Major tools of the Secondary Education Sector Investment Program for risk mitigation measures are (i) risk mitigation DLI (DLI 8), (ii) annual fiduciary review,⁵ (iii) capacity building activities embedded in the project, (iv) capacity building TA, and (v) PFM action plan (footnote 2) to be updated every year. Capacity development TA will support the program implementation. Fiduciary reviews will identify key areas of needs for capacity development in fiduciary risk management and practices in PFM. Recommendations of the fiduciary reviews will focus on short-term and medium-term action plans for institutional capacity development. These will include national workshop in risk management in sector-specific areas for secondary education agencies, and training workshops of local level stakeholders in zones and districts that have weak internal control capacity or have large volume of transactions.

Risk Description	Rating	Mitigation Measures	Responsibility
1. Support for policy issues critical for SESIP implementation	M	SESIP policy reforms reflect the priorities included in the National Education Policy.	MOE and MOF
2. Weak coordination to implement the sector program with results-based approach	H	Strengthened SESIP implementation arrangements include mechanisms for coordinating functions within MOE, DSHE, and other co-implementing agencies, and between MOE and other ministries.	MOE
3. Slippage in meeting DLIs	L	Regular monitoring by MOE and DSHE and regular follow-up from ADB and the World Bank helps achieving all DLIs. Budget and Finance Committee chaired by MOF will monitor the status of preparation of DLI achievement reports quarterly.	MOE, MOF, DSHE
4. Risks arise from weak budget preparation capacity	L	Through SESIP institutional strengthening DLI, required budget allocation for secondary education budget is ensured.	MOE and all co-implementing agencies

³ More than 40 audit observations are being settled. The assessment shows that that the executing agency has been following them up. However, due to the complexity of sector management, it takes time to settle some key observations. Commitment of high-level officials are needed.

⁴ ADB. 2015. *Technical Assistance to the People's Republic of Bangladesh for the Capacity Building of Management in Education and Skills Programs*. Manila.

⁵ The terms of reference of the annual fiduciary review is available in the Project Administration Manual (Appendix 5).

5. Limited performance reporting	M	MOF's national pilot initiatives including IBAS++ will assist MOE and DSHE's capacity building. It will be institutionalized in MOE and DSHE. DSHE's FMIS will be strengthened to improve performance reporting.	MOF, MOE, DSHE and all co-implementing agencies
6. Weak capacity in internal audit	M	TA supporting SESIP Tranche 3 aims at capacity building of internal audit. PFM action plan monitors the progress.	MOE
7. Limited capacity of preparation of satisfactory audited and unaudited financial statements	H	TA provides rigorous capacity building support to MOE and CAG to prepare quarterly interim unaudited financial reports and audit reports in compliance with agreed statement of audit needs. In addition, MOE will organize a quarterly high-level meeting on monitoring on the preparation of the reports. Internal-audit will also be strengthened to monitor preparation of the reports as well as the follow-up of audit observations.	MOE, DSHE, CAG
8. Slow progress on PFM	M	Close monitoring of status implementation helps strengthening PFM. e-GP monitoring will be regularly done through CPTU's web page (ADB also has accounts). Financial management monitoring will be regularly done through IBAS++ and DSHE's FMIS. Training of procurement officers in the procurement capacity development plan is conducted.	MOE, MOF
9. Ensuring needs-based financing of schools and institutions	M	Annual planning process ensures allocation of funds based on needs of schools and other institutes.	MOE, DSHE, and all co-implementing agencies
10. Advance arrangement	M	Every quarter, SESIP will identify requirements of advance for implementation of activities for 64 DEOs and other cost centers of DSHE. MOF will approve the advance in the name of each DEOs and cost centers separately, instead of one advance allocation for full program. MOF agreed to have a follow-up meeting with MOE, DSHE, and CAO-MOE in June 2017 to establish the advance arrangement mechanism for smooth implementation of SESIP. DLI 8 will ensure timely allocation of cash advance.	MOF, MOE, DSHE and all co-implementing agencies
11. Slow disbursement and implementation due to novelty of using Bangladesh's financial management system to implement development programs	M	Regular monitoring of activities by MOE and DSHE to ensure timely achievement of results as well as DLI expedite fund flow as well as implementation. Arrangement of advance management will also expedite the program implementation	MOE, MOF, and CGA
12. Continued early marriage especially among female students, and increased	M	Community awareness campaign on importance on girls' education will be	MOF, MOE and MOH

opportunity costs for schooling		<p>developed targeting for parents and community members.</p> <p>New stipend rate will be set on harmonized stipend program to cover the opportunity cost.</p> <p>Adolescent girl's program on water and sanitation will target in disadvantaged areas to increase retention of girls in schooling.</p> <p>Incentive mechanism for female teachers will be implemented with aim of retention of girls in schooling.</p>	
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H = high, S = substantial, M = moderate, L = low.

ADB = Asian Development Bank, CAO = chief accounts officer, CPTU = Central Procurement Technical Unit, DEO = district education office, e-GP = electronic government procurement, FMIS = financial management information system, IBAS = Integrated Budget and Accounting System, DLI = disbursement-linked indicator, DSHE = Directorate of Secondary and Higher Education, MOE = Ministry of Education, MOF = Ministry of Finance, MOH = Ministry of Health, PFM = procurement and financial management, SESIP = Secondary Education Sector Investment Program, SOAN = statement of audit needs, TA = technical assistance.

Source: Asian Development Bank.