

## RISK ASSESSMENT AND RISK MANAGEMENT PLAN

1. Efforts by the Government of Bangladesh with the support of development partners have improved overall public financial management in Bangladesh, but weaknesses and challenges remain at both the national and sector levels. However, the implementation of the additional financing for the Urban Primary Health Care Services Delivery Project will benefit from the systems and staff capacity built and tested during the Urban Primary Health Care Project (1998–2005), the Second Urban Primary Health Care Project (2005–2012), and the Urban Primary Health Care Service Delivery Project (2012–present).<sup>1</sup> The additional financing proposes to enhance and consolidate these systems and institutional capacity in financial management and procurement for increased efficiency, effectiveness, transparency, and accountability while (i) adding new partnership areas and new implementing agencies and (ii) building sustainable capacity in urban primary health care services at central and local government institutions. A project-focused governance risk assessment focusing on financial management, procurement, and anticorruption has been conducted in accordance with the *Guidelines for Implementing ADB's Second Governance and Anticorruption Action Plan* of the Asian Development Bank (ADB).<sup>2</sup> The overall risk is assessed *moderate* without mitigation and *low* with mitigation. This is detailed in the financial management assessment and the procurement capacity assessment.<sup>3</sup> The project level risks and mitigation plan are summarized in the table below.

Risk Description	Rating	Mitigation Measures	Responsibility
<b>Financial Management</b>			
1. The existing PMU's Finance Unit is insufficiently staffed.	M	Recruiting additional staff as well as a financial management consultant for the PMU's Finance Unit.	PMU and LGD
2. The financial management skills of the existing finance staff in the PMU and the PIUs have some gaps.	M	Conducting training in financial management as well as ADB procurement and disbursement procedures and requirements.	PMU, PIUs, and ADB
3. The financial management manual applied by the ongoing project is not fully applicable.	L	Updating the financial management manual.	PMU
4. The PMU does not carry out monthly bank reconciliations.	M	Ensuring that monthly bank reconciliation is undertaken for the project.	PMU and LGD
5. LGD's Internal Audit Department is not functional.	M	Carrying out biennial fiduciary reviews.	PMU and ADB
6. Several audit observations in the ongoing project are pending.	M	Settling audit observations of the ongoing project.	PMU and LGD

<sup>1</sup> ADB. 1997. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Asian Development Fund Grant to the People's Republic of Bangladesh for the Urban Primary Health Care Project*. Manila; ADB. 2005. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Asian Development Fund Grant to the People's Republic of Bangladesh for the Second Urban Primary Health Care Project*. Manila; and ADB. 2012. *Report and Recommendation of the President to the Board of Directors: Proposed Loan, Technical Assistance Grant, and Administration of Grant to the People's Republic of Bangladesh for the Urban Primary Health Care Services Delivery Project*. Manila.

<sup>2</sup> ADB. 2008. *Guidelines for Implementing ADB's Second Governance and Anticorruption Action Plan*. Manila.

<sup>3</sup> Financial Management Assessment and Procurement Capacity Assessment (accessible from the list of linked documents in Appendix 2 of the report and recommendation of the President).

<b>Risk Description</b>	<b>Rating</b>	<b>Mitigation Measures</b>	<b>Responsibility</b>
7. The PMU and PIUs face challenges in undertaking comprehensive monthly and quarterly financial reporting.	M	Providing training on financial reporting requirements and procedures to PMU and PIU finance staff.	PMU and LGD
<b>Procurement Management</b>			
1. Although the PMU/LGD and LGED have experienced staff to undertake the procurement required to implement the project, they will have to perform about 90% of the project procurement activities.	M	Risk monitoring recommended: (i) Annual procurement plan prepared and schedule of procurement timeline to be followed strictly. (ii) An experienced procurement expert to support throughout the bidding process. (iii) Provide frequent training to procurement staff on national and ADB guidelines on the procurement of goods, works, and services.	PMU, LGD and LGED
2. PMU/LGD and LGED use practices inconsistent with national procurement law, rules, and bidding documents suitable for ADB-funded procurement.	L	Risk documentation/identification:  The difference between timelines planned and required at different stages of procurement documented to draw attention to risks without needing to monitor them.	PMU, LGD and LGED
3. Record keeping is inadequate to enable internal or external audit of procurement processes.	M	Risk monitoring recommended:  Appropriate documentation is made for procurement activities to support dispute resolution and periodic audits.	PMU, LGD and LGED
4. PMU/LGD and LGED do not promote nondiscriminatory participation and transparent tender processes (including advertisement, tender documentation, tender evaluation, complaints mechanism).	M	Risk monitoring recommended: (i) Wide publicity of tenders for greater participation ensured. (ii) Activities at different stages of procurement, selling, and receipt of tender documents, tender evaluation, contract award, and receipt of goods properly recorded. (iii) Complaints mechanism to be functional.	PMU, LGD and LGED
5. PMU/LGD and LGED have inadequate ethics and anticorruption measures in place.	M	Risk monitoring recommended: (i) Strictly required to follow Public Procurement Rules, 2008 with code of ethics. (ii) Required to avoid any potential conflict of interest.	PMU, LGD and LGED

<b>Risk Description</b>	<b>Rating</b>	<b>Mitigation Measures</b>	<b>Responsibility</b>
<b>Capacity</b>			
1. Some city corporations and municipalities have insufficient funds, human resources, and leadership to implement programs and strategies for strengthening pro-poor urban primary health care delivery services.	M	The project will sensitize the importance of urban health and provide guidance and capacity building to enhance ownership by ULBs and their commitments to increase allocations for urban health.	PIUs and PMU
2. Competing needs and politically driven interests in allocating resources to the ULBs	M	Implementation of the National Urban Health Strategy Action Plan and the establishment of a dedicated revenue budget will create fiscal space for urban health.	LGD, PMU, and PIUs
3. High turnover of service providers' management, clinical, and counterpart staff	M	The PMU will have additional labor and technical specialists to improve staff capacity. A web-based financial management system will be launched for real-time monitoring of cash flow and to avoid payment delays. Authority to make quarterly payments for contracts of service providers will be delegated to well-performing implementing agencies, with post-audit done by the PMU.	PMU and PIUs

ADB = Asian Development Bank, L = low, LGD = Local Government Division, LGED = Local Government Engineering Department, M = moderate, PIU = project implementation unit, PMU = project management unit, ULB = urban local body.

Source: Asian Development Bank.