

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risks Description	Rating	Mitigation Measures	Responsibility
Procurement			
Limited procurement capacity in <i>pourashavas</i> (municipalities) will delay implementation.	Moderate	ADB procurement clinics combined with project-specific training programs conducted by the PMU and relevant consultants will build the capacity of <i>pourashavas</i> concerning all stages of procurement and contract management in the PIUs. The LGED is an experienced executing agency with trained staff in project management, and will closely monitor procurement actions of PIUs. Procurement reviews will be conducted on awarded contracts. The PMU has conducted training on procurement including e-procurement to all project <i>pourashavas</i> .	PMU, ADB
Corruption			
TIB report (21 July 2013) identified governance weaknesses of the LGED in its tender process and irregularities in contract management.	Moderate	<p>The LGED responded constructively to the TIB report's findings by issuing a report titled <i>LGED: Problems of Good Governance and Way Forward</i>. The LGED is engaged in dialogue with development partners as well as TIB. ADB and the LGED are jointly implementing a 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> <ul style="list-style-type: none"> (i) The PMU has established a grievance redress mechanism for handling complaints received in relation to contracts and procurement, among others. (ii) A project website has been established at the LGED to provide transparency on project details, including procurement. (iii) <i>Pourashavas</i> will present procurement plans and updates regularly at town coordination committee meetings. (iv) <i>Pourashavas</i> will disclose procurement-related information such as the list of participating 	LGED, PMU, PIU

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		<p>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.</p> <p>(v) Technical and financial audits will be conducted randomly, as deemed necessary;</p> <p>(vi) Procurement reviews will be conducted on awarded contracts.</p> <p>(vii) E-procurement has been introduced in all window A project <i>pourashavas</i> under the current project.</p>	
Public Financial Management			
<p>Limited financial management capacity in <i>pourashavas</i> will lead to improper financial management.</p>	Moderate	<p>Financial management specialists on the consulting team will provide capacity building in financial management, internal auditing, and ADB financial management requirements to staff of the PMU and PIUs to support robust and transparent project financial management. All PIU subaccounts will be audited every year. Throughout the current project, the project consultants have supported the PMU for robust and transparent project financial management. The audit for FY2015^a is completed with no pending audit observation reported.</p>	PMU, GICD consultants
<p>The <i>pourashava</i> internal audit systems are not operational.</p>	Moderate	<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. Governance improvement and capacity development consultants will provide support to make operational and strengthen the standing committee. Making the standing committee functional is a criterion under the UGIAP.</p>	PMU, PIU, GICD consultants
Implementation			
<p>Prolonged process for land acquisition will delay implementation.</p>	Substantial	<p>For subprojects requiring land acquisition, the <i>pourashavas</i> have taken advance action, which will be closely monitored by the PMU and ADB. Land acquisition for solid waste</p>	PMU

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Alternative funding sources become available, undermining the incentive mechanism of performance-based fund allocation.	Moderate	management subprojects has started and is at an advanced stage for most of the <i>pourashavas</i> . The government buys in to the approach of linking fund allocations to governance performance of the <i>pourashavas</i> . Other major development partners, including the World Bank and the Japan International Cooperation Agency, are adopting a similar modality in their projects. Policy dialogue with the government and development partners will continue.	LGED and ADB
Momentum is lost for improvement because of changes in <i>pourashava</i> leadership.	Moderate	Project design, scope, and implementation requirements will be developed through consultative and participatory processes to encourage a sense of ownership by citizens. These will promote citizens' overall support for the project even if leadership changes.	PIU
UGIAP requirements are not fulfilled by many towns, resulting in implementation delays and less loan utilization.	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 <i>pourashava</i> to enable many of them to meet the requirements. As project funds are limited regarding resource requirements, those that will meet the requirements will use the loan proceeds. As the per capita resource estimates were made conservatively, additional financing is proposed for resource augmentation in the current project <i>pourashavas</i> . All 30 window A <i>pourashavas</i> met the intermediate UGIAP criteria and became eligible for phase 2 investments support.	PMU, PIU GICD consultants
Technical The project facilities, particularly the water, solid waste, and septic tank sludge management facilities, will not be	Moderate	An O&M plan will be prepared during subproject preparation, including O&M arrangements (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	LGD, LGED, DPHE

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efficiently operated by pourashavas because of limited capacity and funds.		LGED and/or DPHE. Longer commissioning periods for water treatment plants will allow extended capacity transfer from the operator to the pourashava staff. Approval of a new pourashava organogram will enable <i>pourashavas</i> to strengthen human resources particularly for water supply and urban planning. The Local Government Division 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 recovery and shortened service life of final disposal (landfill) sites.	Substantial	Awareness-raising programs supported by consultants will aim to change citizens' attitudes in order to start segregating waste. Collection, transportation, and management of solid waste are a criterion under UGIAP, requiring <i>pourashavas</i> to improve performance.	PMU, PIU
Despite supply augmentation, water supply access and/or quantity cannot meet people's needs because of rampant waste.	Moderate	<i>Pourashavas</i> are required to prepare and implement a tariff enhancement plan including introduction of a volumetric water tariff structure. Network will be rehabilitated to reduce nonrevenue water. DPHE will provide technical support and guidance to build the capacity of <i>pourashavas</i> .	DPHE
Buildings are built without necessary approvals, or not built in accordance with approved building plans.	Moderate	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.	PMU, Loan consultants
The design and O&M arrangement of facilities, particularly for water supply, are inappropriate.	Moderate	Consultants will be made fully aware of the issues to support appropriate design and O&M arrangement by the <i>pourashavas</i> . For water supply facilities particularly, DPHE will take lead. Additional individual water supply experts will be recruited, if required, to ensure constant supervision during construction and to train local staff on O&M of facilities.	DPHE

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Sustainability			
Budget allocation is insufficient to meet the increased demand for O&M of facilities built by the project.	Substantial	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 year, under the intermediate criteria; and (ii) improve the same to 85% and increase by at least the official inflation rate per year, 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 these criteria, as well as raise awareness of the public regarding payment of taxes and other charges. <i>Pourashavas</i> will be encouraged to consider the outsourcing of services for the better management of revenue-generating facilities, such as water supply, markets, bus terminals, boat land stations, and to reduce the O&M burden of the <i>pourashavas</i> .	PIU
Overall	Moderate		

ADB = Asian Development Bank, DPHE = Department of Public Health Engineering, FY = fiscal year, GICD = governance improvement and capacity development, LGED = Local Government Engineering Department, O&M = operation and maintenance, PIU = project implementation unit, PMU = project management unit, TIB = Transparency International Bangladesh, UGIAP = Urban Governance Improvement Action Program.

^a The fiscal year (FY) of the Government of Bangladesh and its agencies ends on 30 June. "FY" before a calendar year denotes the year in which the fiscal year ends, e.g., FY2015 ended on 30 June 2015.

Source: Asian Development Bank.