

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risks	Assessment without Mitigation	Management Plan or Measures	Assessment with Mitigation
Governance			
Public financial management: systems (BLPA); internal control (RHD)	Medium	An assessment of financial management has been undertaken. Progress payment is made with certification by the engineer in line with FIDIC through the direct payment procedures. The certified bills are processed with technical and financial checks at the project level, which are further verified at RHD and BLPA headquarters. RHD has developed computerized financial management systems, to which the project account will be linked. Capacity development support is provided for RHD to strengthen the internal control under the TA loan ¹ and will be provided for BLPA to computerize the financial management systems under the proposed loan. RHD and BLPA will engage external financial auditors in addition to the statutory auditor.	Low
Procurement: transparency during procurement process	High	All procurement for ADB financing will follow ADB procurement guidelines and procedures. RHD is familiar with ADB requirements and its procurement capacity is being improved under the World Bank-supported Public Procurement Reform Project II. The following actions will be taken to enhance good governance during procurement: (i) design consultants selected by ADB and engaged by RHD under the TA loan (footnote 1) will provide procurement assistance; (ii) a procurement advisor will be engaged by ADB and will be in place during procurement processes; (iii) ADB will closely monitor procurement activities on a daily basis; and (iv) the TA consultant will undertake procurement review as part of the proposed TA for institutional development for RHD associated to the project. The executing agencies will disclose information about procurement-related information on their websites. ADB will select the consultants while executing agencies will negotiate and sign the contracts.	Low
Project implementation : quality checking and monitoring	Medium	A PIC will be engaged as the engineer. ADB will undertake frequent review missions to ensure timely and quality undertaking of contracts. Technical audit will be an essential part of the internal control mechanism, which is provided under the TA loan (footnote 1). The quality assurance system will be strengthened via provision of laboratory equipment by the proposed loan and capacity development support by the proposed TA for institutional development of RHD.	Low
Other Risks			
Delay in releasing counterpart funds	High	Cofinancing will substantially reduce the share of government financing. A sufficient fund for land acquisition and resettlement activities is budgeted. The PIC will help flag the fund requirement well in advance.	Low
Project implementation delay	High	Advance actions are being taken to ensure high implementation readiness, with the objective of awarding contracts within 1 year of loan approval, subject to land acquisition and resettlement. The start-up delay has substantially reduced, e.g., 2 years, because the design consultants have already been mobilized. Procurement support is provided by the design consultants.	Low

¹ ADB. 2010. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People's Republic of Bangladesh for the Subregional Transport Project Preparatory Facility*. Manila.

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		Recruitment of NGOs for supporting land acquisition and resettlement activities will be initiated immediately after loan negotiations so that such activities can be initiated in line with the progress of the design. Contract packaging was made to attract qualified contractors.	
Safeguard compliance	Medium	Adverse impacts of land acquisition, social, and environmental impacts have been minimized by undertaking all engineering and institutional measures. Construction contracts will be awarded only after the government will have acquired or when the government owns the land, will have made available the land and rights of land, free of encumbrances, required for the purposes of the contract. Before commencing construction, a due diligence mission will be fielded to confirm that rights-of-way to be handed over to contractors are free of encumbrances and ready for handover to the civil works contractors, and inform project authorities and those affected of remedial actions, if any; and create awareness among project authorities of ADB's social safeguard requirements pertaining to the project.	Low
Sustainability	Medium	Performance-based contracts will be adopted and included in the works contracts. For the overall road network, maintenance financing has been substantially increased in the past 5 years to cover routine and periodic maintenance. The approved budget for FY2013 follows the policy prioritizing maintenance over new roads, i.e., maintenance financing has been increased by 37%, including emergency rehabilitation works. To eliminate the maintenance backlog for national and regional roads, and the majority of the backlog for <i>zilla (district)</i> roads in 10 years, a realistic and implementable maintenance financing strategy has been developed and agreed with the government. The TA consultant will (i) ensure appropriate maintenance prioritization and budget allocation, and the expenditure as planned; and (ii) introduce technologies for optimal maintenance. The PIC will also undertake third-party quality check on maintenance for selected road sections.	Low
Institutional development actions delay	Medium	The institutional development action plan has been agreed. The action plan is built on past and ongoing government efforts to enhance RHD's good governance and operations efficiency, especially with the support of DFID and the World Bank; To closely monitor the progress, a joint financier's committee will be set up with a major development partner in the road subsector, JICA. JICA has provided the in-house advisor to RHD to provide hands-on support in implementing the action plan, especially on bridge management. JICA has agreed to the action plan to utilize the same platform of RHD reform for its financing support to RHD projects.	Low
Overall	Medium		Low

ADB = Asian Development Bank, DFID = Department for International Development, FIDC = Fédération Internationale Des Ingénieurs-Conseils, TA = technical assistance, JICA = Japan International Cooperation Agency, PIC = project implementation consultants, BLPA = Bangladesh Land Port Authority, NGO = nongovernmental organizations, RHD = Roads and Highways Department.

Source: Asian Development Bank.