

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

1. Efforts by the government 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 Urban Primary Health Care Services Delivery Project will benefit from the systems and staff capacity built and tested during the first Urban Primary Health Care Project, 1998-2005, and Second Urban Primary Health Care Project, 2005-2012. The project proposes to enhance and consolidate these existing 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 different levels of government institutions and nongovernment institutions. A project focused governance risk assessment focusing on financial management, procurement, and anti-corruption has been conducted in accordance with ADB's *Guidelines for Implementing the Governance and Anticorruption Action Plan II*.¹ The overall risk without mitigation is assessed as *medium* and with mitigation as *low*. A financial management assessment and a procurement capacity assessment are in Supplementary Appendixes 15 and 16. The project level risks and mitigation plan are summarized in Table 1.

Table 1: Assessment of Project Risks and Proposed Mitigating Measures

Risks	Assessment without Mitigation	Management Plan or Measures	Assessment with Mitigation
Financial Management			
1. Compliance with public financial management systems and procedures is weak, particularly on record-keeping, accounting, reporting, and internal controls due to lack of staff capacity and understanding of rules	Medium	PMU function will be strengthened to develop the financial management capacity and oversight of PIU and partnership agreement NGO financial management. A financial management specialist will be hired to assist the project director and the deputy director in implementing staff capacity development and system improvement for project financial management. A FMM for the project will be developed in accordance with the national financial management rules and ADB requirements.	Low
2. Number and capacity of accounting and financial management staff at PMU and some PIU levels is inadequate	Medium	PMU and PIU accounting staff capacity will be strengthened by hiring adequately qualified staff and training existing and new staff on FMM. PMU/PIU/partnership agreement NGO accounting staff will be trained in FMM. PMU capacity will be strengthened to provide oversight and support to improve the capacity of PIUs and partnership agreement-NGOs.	Low
3. Reconciliation of books among partnership agreement NGOs, PIUs and PMU is inefficient and cumbersome	Medium	A financial management information system (accounting software) using uniform chart of account, reporting format, etc. will be developed and introduced to PMU, PIUs, and partnership agreement-NGOs for easier and quicker reconciliation and reporting.	Low
4. Payment to contractors	Medium	PMU will closely and proactively monitor cash	Low

¹ ADB. 2008. *Guidelines for Implementing the Governance and Anticorruption Action Plan II*. Manila.

Risks	Assessment without Mitigation	Management Plan or Measures	Assessment with Mitigation
is often delayed, accompanied by frequent cash flow problems.		flow status and payment process bottlenecks to avoid cash flow issues and payment delays. Adequate provisions will be included in the bidding documents to ensure timely payments, including specification of the time period for payments. Unnecessary approval layers will be reduced at IA level, along with delegation of payment authority to selected IAs for partnership agreement-NGO contracts with post-audit of the PMU.	
5. Audit follow-up process is slow and protracted	Medium	An internal audit mechanism and regular follow-ups will be instituted in the PMU, with a DPD of finance, 1 audit officer, and 1 account officer. The financial management specialist will help the review team compile evidence and documentation to clarify issues and rectify problems for FAPAD clearance.	Low
Procurement			
1. There are varying levels of institutional capacity in PMU and PIUs in procurement and lack of understanding of the Public Procurement Act (2006), Public Procurement Regulations (2008), and ADB's guidelines for procurement and consultant engagement.	Medium	The project will continue to use the procurement practices established and tested through the previous project phases. The EA will hire a procurement specialist to (i) review and update the procurement manual; (ii) train PMU and PIU staff; (iii) assist the EA in spot checks on major procurement activities; and (iv) recommend any further improvement to raise the integrity of the procurement process. Procurement will be delegated to select ULBs that are assessed to have satisfactory capacity.	Low
2. Procurement controls for increased transparency and effectiveness needs strengthening	Medium	ADB guidelines for ICB procurement will be used. For NCB procurement, the project will establish an NCB process based on the GOB PPR but cleared by ADB. Regular review and spot checks of procurement processes will be conducted by ADB as part of review missions.	Low
3. Oversight and monitoring of performance of contractors and suppliers is insufficient	Medium	The local government engineering departments will monitor civil works progress in their respective areas. A strong independent quality assurance mechanism will be in place to monitor partnership agreement NGO performance on biannual basis. A small-scale performance incentive scheme linked to NGO contract disbursements will be introduced to enhance accountability to performance.	Low
Outcome level			
1. Governance and corruption risks are not minimized. Citizen demands for greater	Medium	In addition to ensuring awareness of ADB's zero tolerance policy for fraud and corruption, the project will make information on implementation progress, procurement, and recruitment activities	Low

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participation, transparency and accountability are not met.		public via a project website for enhanced transparency, and accountability, in line with ADB's Public Communications Policy (2011).	
2. ULBs lack sufficient funds to implement programs and strategies for strengthening pro-poor urban PHC services.	Medium	The risk will be mitigated by (i) enhancing commitment of the urban local bodies to increase their allocations of local government resources to urban health; (ii) providing guidelines and capacity building support for local governments to improve efficient use of their finances; and (iii) supporting the implementation of an urban health strategy and related subsector framework under the government's next five-year plan to create fiscal space and program planning, as well as for mobilizing longer-term commitments of other development partners' resources.	Low
Output level			
1. Recurrent expenditures are inadequate to sustain services of partnership agreement NGOs after the project ends. Political pressures at the ULB level divert resources and efforts away from the delivery of PHC services.	Medium	The risk will be mitigated by (i) enhancing commitment of the urban local bodies to increase their allocations of local government resources to urban health; (ii) providing guidelines and capacity building support for local governments to improve efficient use of their finances; and (iii) supporting the implementation of an urban health strategy and related subsector framework under the government's next five-year plan to create fiscal space and program planning, as well as for mobilizing longer-term commitments of other development partners' resources.	Low
2. Difficult relations between local governments and the NGO partners disrupt smooth implementation of partnership agreements. The NGO partners are not supervised effectively.	Medium	The project will establish a partnership committee with wide representation from local governments and the private sector to mediate and ensure smooth relations between contracting parties and for fair and transparent performance monitoring. The project will have a robust monitoring and evaluation and quality assurance system with objective indicators of performance to monitor service delivery. International consulting services supported under the associated technical assistance and a bid evaluation committee with wide representation from government agencies and development partners will help the LGD prepare and evaluate bid documents and contracts.	Low
OVERALL RATING	Medium		Low

ADB = Asian Development Bank, DPD = deputy project director, EA = executing agency, FAPAD = Foreign Aided Project Audit Directorate (Bangladesh), FMM = financial management manual, IA = implementing agency, GOB = Government of Bangladesh, ICB = international competitive bidding, LGD = Local Government Division, NCB = national competitive bidding, NGO = nongovernment organization, PHC = primary health care, PIU = project implementation unit, PMU = project management unit, PPR = public procurement rules (2008), ULB = urban local body.

Source: Asian Development Bank.