

December 10, 2013

**Comments from the United Kingdom—Approval by Mail: Bangladesh:
Costal Towns Infrastructure Improvement Project [ADB] PPCR**

Dear Colleagues

Please find the response and comments on this project from the UK attached, thank you for your patience with granting us this extension

Many thanks

Juliet

UK comments on Bangladesh: Costal Towns Infrastructure Improvement
Project [ADB]

- The UK welcomes this project and supports the allocation of PPCR funding to this initiative. We would like to thank the project team for responding to our earlier concerns. We are content to endorse this project on condition that the fiduciary risk concerns are addressed as outlined below:
 - 1) The following additional measures are applied: i) Internal audit outsourced to an A listed Chartered Accountant firm and carried out to international audit standards ii) All external audits of project accounts specify the audit standards and have clear TORs iii) Continuous internal audit (in addition to random checks) in the form of third party monitoring and validation iv) Post procurement audit checks
 - 2) Implementation of AsDB safeguards is reported to donors and the PPCR sub-committee including the measures cited above and those already in place: (a) e-procurement (b) the operation of a system for handling complaints, (c) presentation of procurement and financial information at public meetings and how representative these are, (d) community participation, citizen monitoring and evaluation (e) separate accounting for each fund source (f) cost estimates continually updated at time of design to reflect market prices, (g) strict enforcement of the no sub-contracting policy (h) contracts include the requirement to post signs with contracting information

In addition we have the following more detailed comments:

Fiduciary and corruption risks

- A recent report published by Transparency International Bangladesh (TIB) identified serious fiduciary risk regarding LGED, the lead national implementing agency for this project. The Asian Development Bank have outlined the measures they propose to address these risks and to ensure

robust and transparent project implementation. We welcome these but it will be important to ensure that they are properly implemented.

- There are also a few issues we would like clarified:
 - How the smaller local contractors will get access if the model of procurement that is used targets large businesses through e-procurement and business fairs?
 - How will the AsDB manage the problem of lack of widespread access to web-based information, such as needed for web-based disclosure and e-procurement?
 - Can the non-compliant bids be disclosed as part of the web disclosure of contracts awarded? This would be preferable.
 - However if so then how will the AsDB manage the increased risk of bribery and corruption that can result from judging tenders as non-compliant?
 - How were Transparency International selected to help with the TA for the LGED to develop a 'Road Map to Good Governance', should this not be under open competition?
 - Whilst the use of performance criteria is welcomed as an innovative funding mechanism and approach to incentivising reforms, it could potentially also increase the risk of corruption and patronage. Who will sit on the performance evaluation committee, and how will the AsDB make sure this committee is not vulnerable to corruption, given they are making the decisions about which projects and town progress to stage 2 funding? Are there any risks to raising expectations, or unfair confounding factors? As the project has good stakeholder and community involvement plans could they expand to include community monitoring of construction of this infrastructure as well? E.g. the 'integrity watch' model.

Technical issues

- The documents supplied are clear, well-written and make linkages to almost all the existing policies and strategies and plans available in Bangladesh. The project preparation process followed in this project is good.
- This investment plan will help to make the coastal people more resilient and will reduce the risk of disaster. The project is designed targeting the poor and women along with limited livelihood options.
- Selected locations (Upazilas) might fall under a polder implemented by Bangladesh Water Development Board (BWDB). Therefore it will be important to involve BWDB in order to deal with the drainage problem. It is not only maintenance, the operation of the polder infrastructure is vital to reduce drainage congestion. As we know due to heavy siltation in the existing rivers/canals drainage situation in the coastal zone is becoming critical day by day. Gravity drainage possibilities in the coastal zone of Bangladesh is gradually becoming more and more limited. The presence of BWDB in the Steering committee is not sufficient. They must have a greater presence at the implementation level, along with monitory allocation. Experience of constructing Box culvert to tackle drainage

problem is very bad. It is very difficult to clean. It might be done only for road crossing purposes.

- No assessment of ground water aquifer has been done before choosing tube well option. In coastal zone utilisation ground water is not a suitable option. Situation will degrade further in time. Surface water utilisation possibilities need to be explored like excavation of ponds, construction surface water treatment plants. Rain water harvesting is also important.
- Regarding DPHE- Comprehensive Disaster Management Programme (CDMP) led by UNDP has an agreement with DPHE to implement a similar kind of intervention (water supply) in some locations of the coastal zone. Unfortunately DPHE have less control over the local elected representatives to select suitable or appropriate sites to installed water points and tube wells.
- Good to have engineers involved in QAing design, however climate resilience aspect shouldn't be added afterwards but built into design from outset.
- Approach with phasing the infrastructure to first prioritise emergency use and then markets/economic seems sensible.
- Over-reliance on consultants throughout? It says they are still be recruited – what will be the procurement process for this if so?
- Good that have considered a lot of aspects, e.g. financial planning, at subnational level as well.
- Has the sustainability of the PMU arrangement been considered? How will ensure doesn't undermine government capacity?
- The safeguards section is broadly good but light on what are the major environmental risks? Must be significant with this scale of infrastructure

Lesson learning

- Pleased to see that the team has thought about how to get lesson learning into wider policy, e.g. national building regulations and beyond. How will they ensure uptake, and involvement of these wider stakeholders from the outset? Will they link to research organisations as well?
- Good quantitative RF well aligned with PPCR core RF. Better if 'number of people'/households numbers could be disaggregated by gender and possibly vulnerability. Other indicators look to be thoughtfully applied from the PPCR Results Framework and have baselines etc.

Stakeholder engagement

- We would like to see a strategy or narrative relating to how to engage private sector in fecal sludge management sustainably.
- Involvement of local government ministries good, seems to be meaningful and integrated throughout
- There seem to be tentative plans for private sector involvement in some aspects, would be good to build on these further if possible.