

November 22, 2013

**Approval by Mail: PPCR Bangladesh: Coastal Towns Infrastructure
Improvement Project – response from ADB**

Dear Andrea,

Please see our response to the comments from UK including revised documents referred in the matrix.

Thanks

Regards
Lorie

Presented below please see the response to the UK comment provided by the concerned project officer. Please let us know if you require any further information.

From	Comment	ADB Response
Ms. Anna Bobin, Policy Analyst, Low Carbon Development and Adaptation Teams. Climate and Environment Department, United Kingdom	We understand that there was recently a report published by Transparency International Bangladesh (TIB) which identified serious fiduciary risk in relation to the Local Government Engineering Department (LGED). LGED have been identified as lead agency in this PPCR project. The risks identified include: <ul style="list-style-type: none">• Irregularities in human resource management;• Irregularities and limitations in project planning processes;• Corruption in project implementation;• Limitations in project monitoring and evaluation. We are worried	LGED hosted a roundtable discussion with development partners on the TIB Report on 22 August 2013 at LGED titled “LGED: Problems of Good Governance and Way Forward”. The event was attended by ADB, EU, GIZ, JICA, KfW, USAID, and the World Bank. TIB presented their findings at the roundtable and stressed that throughout the TIB report preparation LGED cooperated well with TIB and responded constructively to the report’s findings. The Secretary, Ministry of LGD and Chief Engineer, LGED attended the roundtable and took criticism in a positive way requesting concrete measures, for example requesting all procurement as e-procurement from 2014 (one recommendation by TIB). ADB is committed to supporting LGED in addressing any shortcomings and concerns identified in the TIB report. Below is a list of project and non-project specific measures to address the TIB report and to ensure robust and transparent project implementation. These measures are taken directly from the various project documents including the Report and Recommendations to the President (RRP), Project Administration Manual (PAM), Financial

	<p>(particularly given the large proportion of UK funds in this project) that the documentation does not appear to address these concerns and will not be able to endorse the project unless we are convinced that appropriate safeguards have been put in place. We understand that this is likely to cause delays but would appreciate it if you would request that the AsDB and GoB provide us with a response setting out (i) how they are addressing these concerns, and (ii) how they are coordinating with the other IFIs in doing this - as this issue with this agency has come up in other fora such as the IFAD ASAP Board. We'd also be grateful for an indication of when we are likely to receive a response.</p> <p>Many thanks,</p>	<p>Management Assessment (FMA), and Risk Assessment and Management Plan (RAMP), attached with this response.</p> <p>Project specific safeguards to address TIB include: (i) e-procurement, (ii) business fairs to attract wide competition; (iii) LGED to establish a system of handling complaints, acceptable to ADB, to deal with any complaints received in relation to contracts, their awards and their administration as well as a project website to disclose project and procurement details,* (iv) presentation of detailed information on procurement and budgets and expenditures at public meetings to supplement web-based disclosure, (v) consultant capacity support to PMU staff in LGED in areas of financial management, internal auditing, e-procurement, quality control (quantities and quality), community participation, citizen monitoring and evaluation, and ADB financial management and procurement requirements; (vi) separate accounts for each fund source and external audits of all project accounts, (vii) clear project coordination mechanisms within headquarters and district offices, and between government agencies to be supported by PMU and PIUs, (viii) LGED to update its cost estimates at time of detailed design to reflect market prices to avoid poor quality construction and to attract better quality bids, (ix) ADB to strictly enforce that contracts are not sold to other contractors, (x) signs to be posted at all construction sites and large equipment with name of contractor, contract amount, completion time, etc. (a requirement to be built into contract documents), and (xii) ADB reserves the right to conduct random audits as well as to cancel loan and grant funds if poor governance identified (this is explicitly stated as a legal covenant in all loan and grant agreements and have been discussed with the government). See LD17 Risk Assessment and Risk Management Plan for details.</p> <p>* Web disclosure when dealing with contracts</p>
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		exposure levels, salinity, etc.), among others (footnote 5 of RRP). This helped to focus the investments on vulnerable <i>pourashavas</i> with the highest level of need and impact and helped to avoid a political selection process. The government agreed to the criteria and endorsed the selection of <i>pourashavas</i> .
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