



Technical Assistance

Project Number: 40559
November 2006

People's Republic of Bangladesh: Preparing the Second Urban Governance and Infrastructure Improvement (Sector) Project (Financed by the Japan Special Fund and the Cooperation Fund for the Water Sector)

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 27 October 2006)

Currency Unit	–	taka (Tk)
Tk1.00	=	\$0.0149
\$1.00	=	Tk66.82

ABBREVIATIONS

ADB	–	Asian Development Bank
BME	–	benefit monitoring and evaluation
DFID	–	Department for International Development of the United Kingdom
IEE	–	initial environmental examination
LGED	–	Local Government Engineering Department
MSP	–	Municipal Support Unit
NGO	–	nongovernmental organization
NPRS	–	National Poverty Reduction Strategy
O&M	–	Operation and maintenance
SUGR	–	supporting urban governance reform
TA	–	Technical assistance
UDSS	–	Urban Development Sector Study
UGIAP	–	Urban Governance Improvement Action Program
UGIIP	–	Urban Governance and Infrastructure Improvement (Sector) Project
UNDP	–	United Nations Development Programme

TECHNICAL ASSISTANCE CLASSIFICATION

Targeting Classification	–	Targeted intervention
Sector	–	Water supply, sanitation and waste management
Subsector	–	Integrated
Themes	–	Governance, environmental sustainability, capacity development, and gender and development
Subthemes	–	Public governance, urban environment, institutional development, and gender equity in opportunities

NOTE

In this report, "\$" refers to US dollars.

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I. INTRODUCTION

1. In 2002, the Government of Bangladesh requested technical assistance (TA) to prepare a project to promote human development and good governance in secondary towns of Bangladesh. The Asian Development Bank (ADB) country strategy and update for the People's Republic of Bangladesh¹ provides for such TA, proposed for ADB financing in 2006. An ADB Fact-Finding Mission visited Bangladesh during 24 July–3 August 2006, and reached preliminary understanding with the Government on the TA goals, purpose, scope, implementation and financing arrangements, cost, and terms of reference.² The design and monitoring framework is attached as Appendix 1.

II. ISSUES

2. Bangladesh has a population of about 140 million, a quarter of whom live in urban areas. The overall population grows at 1.4% per year, while the urban population increases at nearly twice (2.5%)³ the national rate. Should this growth continue, more than 50% of the population will become urbanized by the year 2030. Both pull factors (the attraction of potential employment in urban areas) and push factors (landlessness, stagnating rural economy, and vulnerability to frequent flooding) have been important in stimulating high rates of rural-urban migration. If well-managed, urbanization has a high potential for accelerating the pace of national poverty reduction. But, so far, urbanization has caused growing environmental harm and poor living conditions. The gains in productivity from urbanization cannot be sustained if no appropriate steps against these negative consequences are taken.

3. Although poverty incidence decreased from 50% in 2000 to 42%⁴ in 2005, the absolute number of people classified as poor remained virtually unchanged. Given past and present urbanization trends, the absolute number of the urban poor will continue to increase significantly. This points to the growing need to address urban poverty both as a new dimension of poverty (relative to rural poverty) and as a matter of increasing priority to poverty reduction. The initial poverty and social analysis is in Appendix 2.

4. According to recent statistics,⁵ 82% of the urban population have access to safe drinking water. In spite of the fact that this is good coverage by developing country standard, it implies that more than 6 million people in urban areas remain without access to safe water. In terms of access to improved sanitation, the situation has deteriorated in urban areas, coverage dropping from 71% to 56% within the last 10 years (footnote 4). With the exception of a limited waterborne sewerage system in Dhaka, no other urban centers have any form of sewerage systems, and only 20% of solid waste is collected. For most urban residents, housing conditions are very bad. Only 25% of urban households live in dwellings with permanent structure. Very high land prices, insecurity of tenure, and lack of housing finance have handicapped the growth of the formal sector of the housing market. Inadequacy of urban services is a severe hindrance to the continued development of urban areas, as well as to efforts to reduce poverty.

5. Secondary towns⁶ (known as *pourashavas*) provide an important vehicle for improving living conditions and are alternatives to those who would otherwise migrate to larger city centers.

¹ ADB. 2005. *Country Strategy and Program (2006–2010): Bangladesh*. Manila.

² The TA first appeared in *ADB Business Opportunities* on 30 August 2006.

³ ADB. 2004. *Technical Assistance to the People's Republic of Bangladesh for Secondary Towns Water Supply and Sanitation Project*. Manila (TA 4535-BAN, approved on 24 December 2004).

⁴ In terms of urban-rural classification, the urban poverty rate is currently estimated at about 30%, while in rural areas, poverty incidence stands at nearly 45%.

⁵ Government of Bangladesh, United Nations Country Team Bangladesh. 2005. *Millennium Development Goals. Bangladesh Progress Report*. Bangladesh: United Nations and Government of Bangladesh (February).

⁶ Towns and/or cities above 100,000 in population.

However, so far the capabilities of most pourashavas⁷ to provide urban services and maintain a healthy urban environment have not grown in tandem with the pace of urbanization.

6. Progress in institutional reform, an integral part of all urban development activities, has been much slower than originally anticipated. In fact, the slow progress made on institutional reform reflects poor governance and lack of accountability of pourashavas in urban management. Authority and powers are not delegated from pourashavas chairmen to the elected commissioners and citizen groups. That has limited the scope for increasing the role of municipal councils, and ward and citizens committees in running municipal affairs. The results are poor performance, inefficiency, and lack of accountability; and weak capacity of elected commissioners, local public officials, and community groups. Good urban governance and effective management are a prerequisite for well-functioning cities. Past experience shows that physical infrastructure improvement cannot be sustained unless the underlying governance problems are addressed first.

7. ADB has provided substantial support to the urban development initiatives undertaken by the Government, both at policy and operational levels. The urban management policy approved in 1994 is an outcome of the policy dialogue pursued by ADB. The policy stipulates a number of measures that promote an enabling policy, institutional, and financial framework for enhanced urban management and strengthening of urban local government. More recently, ADB financed a TA to support urban governance reforms (SUGR),⁸ which was undertaken in conjunction with the Urban Governance and Infrastructure Improvement (Sector) Project (UGIIP-1) and implemented in 2004–2006. The studies carried out under SUGR covered the following policy areas: (i) preparation of a National Urban Sector Policy containing recommendations, among others, on the approach to be followed in the process and patterns of urbanization in Bangladesh; (ii) review of the existing holding tax system in the country and recommendations for reforms to improve the collection of holding taxes from public and private sector entities as well as to solve the problem of recurrent arrears of such taxes; (iii) recommendations for amending Pourashava Ordinance (1977) to reflect the need for improved local governance and better urban management; and (iv) a review of the Government's long-term strategy for municipal development and recommendations for preparing a master plan for future development of these key urban centers. The new TA will be based on the SUGR and identify policy recommendations for improved urban governance.

8. On the operational side, ADB's approach has recognized the strategic importance of pourashavas in the urbanization process, and the need to ensure sound and balanced urban development nationally. Consequently, ADB has provided three loans for pourashavas, the Secondary Town Infrastructure Development Project (STIDP I) in 1990,⁹ the Secondary Towns Infrastructure Development Project II (STIDP II) in 1995,¹⁰ and UGIIP-1 in 2002. The approach of UGIIP-1 is based on the experiences of previous urban projects, adopting a performance-based approach and focusing on good governance as a prerequisite for funding of infrastructure facilities. ADB is also providing support to further strengthen the participation of the urban poor in municipal

⁷ Pourashavas are categorized for administrative purposes into three: A, B, and C on the basis of 3 years' average of their own revenue generation. There are 308 pourashavas in Bangladesh, out of which 78 belong to Category A, 63 to Category B, and 163 to Category C. Two belong to a special category.

⁸ ADB. 2002. *Technical Assistance to the People's Republic of Bangladesh for Supporting Urban Governance Reform (SUGR)*. Manila (TA 4003-BAN, amounting to \$400,000).

⁹ ADB. 1990. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the People's Republic of Bangladesh for the Secondary Towns Infrastructure Development Project (STIDP I)*. Manila (Loan 1059-BAN [SF], approved on 4 December 1990, for \$43 million [ADF]).

¹⁰ ADB. 1995. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the People's Republic of Bangladesh for the Secondary Towns Infrastructure Development Project (STIDP II)*. Manila (Loan 1376-BAN [SF], approved on 19 September 1995, for \$65 million [ADF]).

governance through a TA project¹¹ that will enhance the capacity of the urban poor to access quality urban services.

9. Other development partners involved in the urban sector are Japan, Netherlands, United Nations Development Programme (UNDP), Department for International Development of the United Kingdom (DFID), United Nations Children's Fund (UNICEF), and World Bank. The World Bank has primarily focused on metropolitan cities, but also embarked on a project covering smaller municipalities through the Municipal Services Project (MSP), approved in 1999 and modeled after ADB's STIDPs. The MSP aimed to improve environmental and infrastructure service delivery in a limited number of pourashavas. UNDP has provided support for livelihood improvement in the slum areas of selected pourashavas and is currently preparing a follow-up project with cofinancing from DFID.

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

10. The TA will assist the Government to prepare the Urban Governance and Infrastructure Improvement Sector Project (UGIIP-2) that, with the use of the performance-based approach adopted by UGIIP-1, will improve the welfare of municipal residents including the urban poor, and enhance the quality of the urban environment of 25–35 secondary towns or pourashavas¹² that are not receiving support from UGIIP-1. The TA will also develop effective measures to improve urban governance at both national and local levels and recommend suitable modalities for supporting necessary policy and institutional changes in the administrative, legal, and financial systems in pourashavas.

11. The outputs of the TA will be (i) a comprehensive review and refinement of the project approach and design of UGIIP-1; (ii) a review of progress made in implementing reforms in the institutional and legal framework of the urban sector as recommended in the TA for Supporting Urban Governance Reform (SUGR),¹³ and identification of policy recommendations for improved urban governance; (iii) preparation of an urban development sector strategy; (iv) feasibility studies of three sample pourashavas;¹⁴ and (v) a sector project proposal for improving urban local governance and infrastructure services that defines its objectives, rationale, project framework and components, implementation arrangements, costs, and monitoring systems.

B. Methodology and Key Activities

12. The ensuing Project will be prepared as a sector project. This is to facilitate competition, based on good governance entry criteria, among pourashavas for loan funds. The ensuing Project will be implemented in phases.¹⁵ The initial phase of activities will introduce institutional strengthening and reforms in participating pourashavas. While financing only the highest priority municipal infrastructure improvements,¹⁶ subsequently, only pourashavas that meet the criteria for continued participation in subsequent phases will be eligible for further financial assistance under UGIIP-2.

¹¹ ADB. 2005. *Technical Assistance to the People's Republic of Bangladesh for the Participation of the Urban Poor in Municipal Governance*. Manila (TA 4707-BAN, approved on 2 December 2005 for \$480,000 financed by the Poverty Reduction Fund).

¹² The exact number of pourashavas will be determined when the cofinancing availability has been clarified.

¹³ ADB. 2002. *Technical Assistance to the People's Republic of Bangladesh for Supporting Urban Governance Reform (SUGR)*. Manila (TA 4003-BAN, approved on 28 November 2002, for \$400,000).

¹⁴ The sample pourashavas will be selected from three categories of pourashavas, namely, category A, B, and C.

¹⁵ The number of phases to be applied under UGIIP-2, will be determined during the TA based on a review of the experience under UGIIP-1.

¹⁶ Infrastructure subsectors may include roads, bridges, water supply, low-cost sanitation, solid waste management, town center development, public markets, and upgrading of low-income communities. The physical investments will be limited to rehabilitation of existing urban infrastructure in accordance with the needs of each participating pourashava.

13. If considered feasible by the TA, pourashavas¹⁷ that meet eligibility requirements (based on those applied under UGIIP-1,¹⁸ and revised under the TA) will be considered eligible for support under UGIIP-2. Furthermore, the selection of pourashavas to be included in the ensuing Project will be based on their ranking according to their performance in meeting the eligibility requirements as developed by the TA and to their divisional location to ensure balanced development.

14. The TA will (i) review and refine, if required, the ranking criteria for pourashavas to progress to subsequent phase(s) of UGIIP-2, as well as criteria for subproject selection that are specific to each of the potential subsectors as identified by UGIIP-1; (ii) review the approach and principles being promoted under the World Bank-supported MSP and Bangladesh Municipal Development Fund (BMDF) to ensure consistency and sustainability of the local governance reforms being undertaken through UGIIP-2; (iii) identify modalities for merging the Urban Management Support Unit (UMSU), established under UGIIP-1 and the Municipal Support Unit (MSP) to ensure necessary coordination and guidance of national urban sector policies and investments; (iv) identify options for establishing sustainable capacity development of pourashavas through existing government institutions, such as the National Institute of Local Government under the Local Government Division, MLGRDC; (v) identify a mechanism for enhancing the poverty focus of the loan project; (vi) prepare a strategic and results-based urban planning model for pourashavas; and (vii) based on the experience from UGIIP-1, prepare effective monitoring systems and performance benchmarks to ensure continued improvement of the financial and performance management of pourashavas. The TA will also identify modalities for public-private partnership in the project and options for viable alternatives for financing infrastructure improvement in pourashavas.

15. Selection and eligibility criteria for pourashavas to be included in the ensuing project will be carefully prepared and agreed upon with the Government during the TA. To facilitate this process, the TA will prepare brief socioeconomic assessments of candidate pourashavas, indicating among others poverty level and other socioeconomic data. Three eligible pourashavas¹⁹ representing different infrastructure needs, will be selected for detailed study and analysis.

16. The TA will review progress made in implementing the legal and institutional reforms recommended by SUGR, and facilitate formulation of urban policies and identification of priority policy reform actions for improved local governance and better urban management. The TA will also prepare an urban development sector study, which will mainly be based on existing studies i.e., SUGR, and other relevant studies. It will analyze urban sector issues, identify possibilities for new and innovative approaches to urban development, and recommend areas for intervention within a medium-term time frame.

17. Maximum flexibility will be applied to adjust TA implementation to the change in needs and further experiences gained during implementation of UGIIP-1. The TA will coordinate closely with the TA project, Participation of the Urban Poor in Municipal Governance (footnote 11), and incorporate lessons learned in terms of a poverty focus.

C. Cost and Financing

18. The TA is estimated to cost \$880,000 equivalent. ADB will finance \$700,000 equivalent of which \$600,000 equivalent will be financed on a grant basis by the Japan Special Fund funded by

¹⁷ Pourashavas are categorized, for administrative purposes, into categories A, B, and C on the basis of 3 years average of their own revenue generation. Category A and B pourashavas will be eligible for support under UGIIP-2. The TA will include 4-6 category C pourashavas on a pilot basis as well.

¹⁸ The criteria include (i) development of adequate staff structure supported by detailed terms of reference, (ii) establishment of town-level committee and the first meeting held, (iii) establishment of ward committees, (iv) formation of a gender and environment committee headed by a female ward commissioner, (v) holding tax appraisal, (vi) preparation of a vision paper for municipal development, (vii) establishment of a planning unit with existing municipal staff as focal point, and (viii) preparation of a municipal poverty reduction plan.

¹⁹ The three sample pourashavas will be selected from category A, B, and C.

the Government of Japan, and \$100,000 equivalent will be financed by the Cooperation Fund for the Water Sector. The remaining \$180,000 will be contributed by the Government of Bangladesh, and will include remuneration of counter professionals and support staff, office accommodation, and venue for workshop activities. The detailed cost estimates are in Appendix 3. The Government has been informed that approval of the TA does not commit ADB to finance any ensuing investment project.

D. Implementation Arrangements

19. The Local Government Engineering Department (LGED) will be the Executing Agency for the TA. LGED will be responsible for coordinating, monitoring, and supporting the TA activities. The project steering committee established under UGIIP-1 will provide overall guidance to the TA. The TA will be implemented over 12 months on an intermittent basis. To maximize the impact of the findings of the Urban Development Sector Study (UDSS) on the design of UGIIP-2, the UDSS will start in December 2006 and be finalized by February 2007. The remaining TA activities will be implemented from April 2007 to December 2007.

20. A team of two international and seven national consultants will be recruited to provide specialist services totaling 34 person-months (9 international and 25 national). The international consultants (person-months in parentheses) will include a team leader with expertise in local government management (6) and an institutional development specialist (3). The national consultants will include a deputy team leader with expertise in local government administration and institutional development (6), a municipal engineering specialist (3), a financial specialist (finance and taxation expert) (4), a project economist (3), an environmental specialist (3), a resettlement specialist (2), and a social and gender development specialist (4). Additionally, two consultants will be engaged on an individual basis: an international social safeguard specialist (2), and a national urban planner (3). The outline terms of reference are in Appendix 4.

21. An international firm will be engaged to organize the TA activities, using the quality- and cost-based selection method in accordance with ADB's *Guidelines on the Use of Consultants*. The consultants may procure equipment through direct purchase in accordance with ADB's *Procurement Guidelines*. Upon TA completion, ownership of the equipment procured under the TA will be transferred to LGED.

22. The consultants' reporting requirements include (i) the final draft of the Urban Development Sector Study 3 months after mobilization of the individual consultant, (ii) detailed team and individual work plans within 2 weeks after mobilization of the team of consultants, (iii) an inception report within 4 weeks, (iv) an interim report within 10 weeks, (v) the draft final report within 16 weeks (including a full feasibility study), and (vi) a final report within 24 weeks of TA commencement, incorporating comments on the draft final report from the Government. The consultants will organize three workshops to obtain the views of key stakeholders on the inception, midterm, and draft final reports. The final report will be prepared only after the last workshop has been held along with a tripartite review meeting of the Government, the consultant, and ADB.

IV. THE PRESIDENT'S DECISION

23. The President, acting under the authority delegated by the Board, has approved (i) ADB administering a portion of technical assistance not exceeding the equivalent of \$100,000 to be financed on a grant basis by the Cooperation Fund for the Water Sector, and (ii) ADB providing the balance not exceeding the equivalent of \$600,000 on a grant basis to the Government of Bangladesh for preparing the Second Urban Governance and Infrastructure Improvement Sector Project, and hereby reports this action to the Board.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>Impact Improvement in the welfare of municipal residents including the urban poor, and enhancing the quality of the urban environment</p>	<p>Increase in income-generating opportunities for the local economy</p> <p>Percentage of the population in absolute poverty reduced</p> <p>Improved access to basic infrastructure services such as water, sanitation, solid waste management, and municipal facilities</p>	<p>National statistics BBS reports Monitoring and evaluation reports Socioeconomic survey</p>	<p>Assumptions</p> <ul style="list-style-type: none"> • Project design is implemented effectively. • Government signs loan agreement with ADB and other relevant agreements with other aid agencies.
<p>Outcome Sector project design and feasibility study agreed to by Government, ADB, and other interested agencies</p>	<p>Draft final report submitted to Government, ADB, and other agencies by September 2007</p> <p>Aide memoire to be prepared and confirmed by the Government for further processing of the project after the completion of loan fact-finding</p>	<p>Project performance monitoring system reports Review missions</p>	<p>Assumptions</p> <ul style="list-style-type: none"> • Government's commitment to the timely completion of the Project remains. • There is political stability.
<p>Outputs 1. Technical assessments completed</p>	<p>Comprehensive review of UGIIP-1 completed by May 2007</p> <p>Policy recommendations for improved urban governance identified by July 2007</p> <p>Feasibility studies of three sample pourashavas (<i>secondary towns</i>) completed by August</p>	<p>Memorandum of understanding</p>	<p>Assumptions</p> <ul style="list-style-type: none"> • Government's commitment to the timely completion of the Project remains. • There is political stability.

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
2. Urban development sector study completed	2007 Strategic and results-based urban planning models prepared for pourashavas by August 2007 UDSS submitted by February 2007		
Activities with Milestones 1.1. Review and refine the approach and design of UGIIP-1 by May 2007. 1.2. Produce a framework of policy reform actions based on SUGR by July 2007. 1.3. Prepare strategic and results-based urban planning models by August 2007. 1.4. Complete the feasibility study of three pourashavas and environmental and social safeguard documents by August 2007. 1.5. Design the investment framework by July 2007. 1.6. Complete the investment framework by September 2007. 2.1. Prepare an urban development sector study			Inputs <ul style="list-style-type: none"> • ADB: \$700,000 • Government: \$ 180,000 (in-kind contribution)

ADB = Asian Development Bank, BBS = Bangladesh Bureau of Statistics, SUGR = supporting urban governance reforms, UDSS = urban development sector study.

INITIAL POVERTY AND SOCIAL ANALYSIS

A. Linkages to the Country Poverty Analysis			
Is the sector identified as a national priority in country poverty analysis?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Is the sector identified as a national priority in country poverty partnership agreement?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<p>Contribution of the sector or subsector to reduce poverty in Bangladesh: During the 1990s, national poverty fell from 59% to 50% (2000), one of the fastest rates of decline in the world. Infant mortality was halved and life expectancy increased from 56 to 65 years. Over the past 5 years, average economic growth exceeded 5% and poverty incidence continued to decline (43% in 2005). Despite considerable progress, Bangladesh is still one of the world's poorest nations, with average gross domestic product (GDP) per capita only marginally higher than the dollar-a-day international poverty standard. Although poverty incidence decreased as indicated above, the absolute number of people classified as poor remained virtually unchanged.</p> <p>Rapid urbanization and steady rural-urban migration of the poor in search of employment and economic opportunities are inflating the urban population in Bangladesh. Results obtained from the <i>Household Income and Expenditure Survey 2000</i> indicated an increase in urban poverty from 29.5% in 1995/96 to 36.6% in 2000. Although unemployment and loss of income are the main causes of poverty, many other elements and conditions determine the causes and levels of urban poverty. Specific urban conditions making life hard for poor people in towns and cities follow: (i) people have no land to grow food, so they need income to buy it; (ii) mothers may walk long hours outside the home to earn money, so their children suffer from lack of child care; (iii) people who have recently moved to cities from rural villages often have no relations or friends who can provide support in emergencies, such as sickness or unemployment; (iv) poor sanitation, contaminated water and polluted air contribute to ill health; and (v) squatter or poor tenants have few rights and are vulnerable to intimidation or eviction. There are two types of poverty—one is lack of the capacity to pay for the services provided and the other is deprivation caused by inequality and inequity prevalent in the society. Having very low power to influence the decision-making process of urban planning and development activities, the poor generally become the helpless section of society and have struggle for mere survival and subsistence.</p> <p>Nearly 100% of the population have access to an improved water source.¹ However, over the last few years thousands of tubewells have been found to be contaminated with arsenic at higher than World Health Organization-recommended levels. If quality is taken into account, access to safe water drops to only 72% in rural areas and to 82% in urban areas. In urban areas access to improved sanitation has deteriorated from 71% to 56% during the last 10 years. This is mainly due to the unbridled and unplanned urbanization that has been taking place in recent years. Solid waste disposal remains an environmental sanitation hazard, especially in the urban areas.</p> <p>If the current trend of migration continues, the number of urban poor will increase significantly. Thus there is a need to address the adverse impacts of unplanned and uncontrolled urbanization and promote balanced urban development. In particular, the Asian Development Bank's urban strategy in Bangladesh has recognized the strategic importance of secondary towns in the urbanization process and the need to promote their sound and balanced urban development. The concentration of population and activities in few metropolitan areas has aggravated urban environmental conditions in the absence of adequate capacities to manage urban growth.</p> <p>The national poverty strategy (NPRS) confirms that poverty reduction and accelerating the pace of social development are Bangladesh's most important long-term strategic goals. The NPRS builds on the policy triangle of growth, human development, and governance. The NPRS emphasizes that progress toward these goals would require (i) establishing an open and competitive environment that is conducive to private investments; (ii) raising poor people's capabilities to participate more fully in the growth process through access to better quality education, health, safe water, and nutrition; and most importantly; and (iii) addressing governance by improving the Government's capacity, promoting local governance, tackling corruption, enhancing access to justice for the poor, and improving security and public order.</p>			

¹ Government of Bangladesh. United Nations Country Team Bangladesh. 2005. *Millenium Development Goals. Bangladesh Progress Report*. Bangladesh: United Nations and Government of Bangladesh (February).

B. Poverty Analysis	Targeting Classification: Targeted intervention	
<p>What type of poverty analysis is needed? The technical assistance (TA) will undertake a detailed poverty analysis. During the TA, survey data will be collected including socioeconomic and poverty-related data for the candidate pourashavas to be included in the project. In-depth data will be collected in three selected pourashavas. The data will include income, expenditure (on basic urban services in particular), demographic trends, gender issues, health, water and sanitation and urban environment, the capacity of pourashavas to serve the poor and direct and indirect poverty impact of improving urban services. Limited-size (qualitative) data will be combined with the survey data set. Additionally, the TA will design a framework for poverty impact assessment to be undertaken by the ensuing project.</p> <p>The TA will identify the need for and types of special provisions required in the project design to enable full participation of women and the marginalized and or minority/indigenous peoples. The project preparatory TA will draw on lessons learned from the ongoing TA, Participation of the Urban Poor in Municipal Governance, in terms of involving the poor in municipal decision making.</p>		
C. Participation Process		
Is there a stakeholder analysis?	X Yes	<input type="checkbox"/> No
<p>Preliminary stakeholder consultation was done during the Fact-Finding Mission. The TA will prepare a stakeholder analysis, indicating roles of various stakeholders in the delivery and receipt of project services.</p>		
Is there a participation strategy?	X Yes	<input type="checkbox"/> No
<p>The TA will involve various stakeholders, including the Government, nongovernment organizations, civil society groups, development partners, and the private sector in developing the project design through consultation and joint planning workshops. The TA will identify the need for and types of special provisions required in the project design to enable full participation of women and the marginalized and or minority/indigenous people.</p> <p>The form and level of participation of various stakeholders in the ensuing project's implementation phase will be identified and a participation plan will be prepared to ensure quality participation of various stakeholders.</p>		
D. Gender Development		
<p>Strategy to maximize impacts on women:</p> <p>The TA will analyze needs and suggest means to address gender concerns in activities related to good governance and basic infrastructure facilities. The TA will recommend ways to create scope for women's participation in project activities beginning from participatory project planning to implementation, monitoring, and evaluation. The role of the local government, especially of female representatives, will be strengthened.</p> <p>The ensuing project will facilitate (i) increased efficiency of the female ward commissioners through need-based training/orientation particularly with respect to their responsibilities for the socioeconomic development of their respective constituencies; differential implications of effective participatory planning, implementation, and monitoring on the lives of women and men living in the project areas; importance of stakeholder participation in sustaining project impacts, etc.; (ii) gender mainstreaming through effective participation of stakeholders, both female and male, in planning, implementing, and monitoring the project. Gender mainstreaming will be pursued in the Local Government Engineering Department and pourashavas in terms of staff deployment, capacity development, and gender integration in the development initiatives for the urban poor.</p>		
Has an output been prepared?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No A gender action plan will be prepared as part of the PPTA.

E. Social Safeguards and Other Social Risks			
Item	Significant/ Not Significant/ None	Strategy to Address Issues	Plan Required
Resettlement	<input type="checkbox"/> Significant <input checked="" type="checkbox"/> Not significant <input type="checkbox"/> None	Land is generally owned by the municipalities. As such, involuntary resettlement is unlikely. However, this will be screened during the TA for all proposed interventions to avoid displacement/dispossession. A resettlement framework will be prepared for future guidance in preparing a satisfactory resettlement plan, if required, and arrangements to deal with losses on a transparent, voluntary basis will be included in resettlement plans with appropriate safeguards.	<input type="checkbox"/> Full <input checked="" type="checkbox"/> Short <input type="checkbox"/> None
Affordability	<input type="checkbox"/> Significant <input checked="" type="checkbox"/> Not significant <input type="checkbox"/> None	The TA will recommend linkage and partnerships with local government and nongovernment organizations to ensure that low-income households and the poor have greater access to services.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Labor	<input type="checkbox"/> Significant <input checked="" type="checkbox"/> Not significant <input type="checkbox"/> None	No significant labor implications are expected. Employment opportunities will be examined and recommendations made for a labor strategy to ensure equitable work opportunities, remove unfair gender discrimination, and improve employment and working conditions. The ensuing project will ensure minimum wages for laborers in construction work. It will also reduce the gap in wages between women and men.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Indigenous Peoples	<input type="checkbox"/> Significant <input checked="" type="checkbox"/> Not significant <input type="checkbox"/> None	The ensuing project is not expected to have an impact on indigenous peoples. Nevertheless, the status and participation of minorities will be sought and closely monitored. Specific actions and an indigenous people's framework will be prepared as needed.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Other Risks and/or Vulnerabilities	<input type="checkbox"/> Significant <input checked="" type="checkbox"/> Not significant <input type="checkbox"/> None	Ownership and commitment to the Project will be ensured through extensive stakeholder consultations and the use of participatory approaches in project planning and design, thus addressing the potential needs of low-income groups and women.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Total Cost
A. Asian Development Bank Financing^a	
1. Consultants	
a. Remuneration and Per Diem	
i. International Consultants ^b	240.0
ii. National Consultants ^c	130.0
b. International and Local Travel	20.0
c. Reports and Communications	5.0
2. Equipment (computers, printers, etc.)	5.0
3. Training, Seminars, and Conferences	81.0
4. Vehicle Rental	5.0
5. Surveys	20.0
6. Miscellaneous Administration and Support Costs	4.0
7. Representative for Contract Negotiations	5.0
8. Contingencies	185.0
Subtotal (A)	700.0
B. Government Financing^d	
1. Office Accommodation and Transport	70.0
2. Remuneration and Per Diem of Counterpart Staff	70.0
3. Others	40.0
Subtotal (B)	180.0
Total	880.0

^a Financed by the Japan Special Fund, funded by the Government of Japan and by the Cooperation Fund for the Water Sector.

^b Includes budget for one individual international consultant.

^c Includes budget for one individual national consultant.

^d In kind.

Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. The consultants (Table A4) will work closely with the staff of the Local Government Engineering Department (LGED) and will coordinate with pourashavas (secondary towns), including pourashava chairpersons, ward commissioners, low-income communities, community-based organizations, nongovernment organizations (NGOs), civil society groups, and the private sector to foster a high level of beneficiary participation and local sense of ownership of the ensuing project. The consultants will coordinate with other funding agencies involved in urban development at the pourashava level, and review available documents, reports, and other reference materials. The consultants will review lessons from earlier projects, including Urban Governance Infrastructure Improvement (Sector) Project 1 (UGIIP-1), where similar interventions were made, and structure the new project.

Table A4: Consulting Services
(person-months)

Expertise	International	National
Local Government Management (Team Leader)	6	
Institutional Development Specialist	3	
Social Safeguards Specialist ^a	2	
Local Government Administration and Institutional Development (Deputy Team Leader)		6
Municipal Engineering Specialist		3
Financial Specialist (Finance and Taxation Specialist)		4
Project Economist		3
Environmental Specialist		3
Resettlement Specialist		2
Social and Gender Specialist		4
Urban Planner (Economist) ^a		3
Total	11	28

^a Single source selection.

Source: Asian Development Bank estimates.

1. Local Government Management/Team Leader and Deputy Team Leader

2. The team leader's task will include the following: (i) ensure that the required reports are submitted on time, fully integrating the outputs of the national consultants; (ii) prepare the summary final report following the Asian Development Bank's (ADB) format for Board documents; (iii) prepare individual work plans, supervise all field investigations and studies, and ensure strong involvement of stakeholders in project preparation; (iv) develop a project performance management system with sufficient baseline data to establish quantifiable, measurable, and realistic targets for the project with specific information to measure project impact on poverty reduction; include baseline data from the socioeconomic survey, and other relevant documents; (v) prepare a benefit monitoring and evaluation (BME) system, based on experience from UGIIP-1, including initial benchmark indicators, performance indicators, and criteria for selecting sample subprojects for BME; (vi) assess and recommend opportunities for private sector involvement in the project; (vii) ensure coordination with other aid agencies involved in urban sector projects; (viii) analyze the effectiveness of Bangladesh Municipal Development Fund as a means to channel funding for infrastructure improvement to pourashavas; (ix) prepare a project framework with detailed targets reflecting the final project design; (x) prepare details of project implementation; (xi) develop appropriate packages for consulting services for project management, including detailed design, supervision, and institutional strengthening support; (xii) prepare an inventory of

other aid agency activities in the urban sector; and (xiii) prepare detailed cost estimates and financing plan.

3. The consultant will conduct a comprehensive review of the approach, design, and achievements of UGIIP-1. The review will recommend revisions of UGIIP-1's project approach and design to further enhance their effectiveness. This may include the following: (i) review the entry criteria considering the need for regional balance; (ii) refine, if required, the eligibility and ranking criteria for pourashavas to enter the different phases of UGIIP-2; (iii) review the performance-based implementation approach for the appropriateness of two or three phases, while maintaining a close link to compliance with the Urban Governance Improvement Action Program's (UGIAP) performance requirements and need for minimum discontinuity of the infrastructure improvement component; (iv) develop criteria for subproject selection specific to each of the potential subsectors under the ensuing project, based on ADB's relevant guidelines and studies on the social dimension, economic and financial evaluation, environment, resettlement etc.; (v) develop procedures for subproject preparation, application, and selection with accountability at town level, and assess the need for additional staff, equipment, and materials to strengthen pourashavas in preparing and selecting subprojects; (vi) assess the institutional, financial, and management capabilities of the candidate pourashavas within the context of the identified minimum requirements for them to avail themselves of financial assistance from ADB, including adequacy of their staffing and to ensure that key staff are made available for smooth project implementation and sustainability; (vii) provide recommendations, based on UGIIP-1, regarding improved financial sustainability and adequate provision for operation and maintenance of the facilities; (viii) review the approach and principles being promoted under the World Bank-supported Municipal Support Unit (MSP) and Bangladesh Municipal Development Fund (BMDF) to ensure consistency and sustainability of local governance reforms that will be undertaken through UGIIP-2; (ix) analyze Urban Governance Improvement Action Program (UGIAP) and performance criteria/activities and recommend adjustments to include qualitative criteria for assessing the performance of the pourashavas as well; (x) prepare a follow-up plan of the national urban sector policy and legal amendment of Pourashava Ordinance (1977) as recommended by the technical assistance supporting urban governance reform (SUGR); (xi) set up the format for the feasibility studies of subprojects as required in consultation with ADB staff; (xii) explore cofinancing opportunities among the potential and interested development partners in the sector; and (xiii) prepare a strategy for institutional support for sustainable community-based management of urban water and sanitation infrastructure in slum areas, and based on the strategy implement at least 4 pilot projects in slum areas. The deputy team leader and the institutional development specialist will assist the team leader to accomplish these tasks.

2. Institutional Development Specialist

4. The responsibilities of the consultant will include the following: (i) analyze the UGIAP and performance criteria and activities, and recommend adjustments to include qualitative criteria for assessing the performance of the pourashavas as well; (ii) review the pourashavas mission statements, objectives, human and financial resources, management capability, autonomy, scope of work; (iii) evaluate the pourashavas as local government institutions capable of implementing the project components and operating and maintaining existing infrastructure facilities; (iv) in cooperation with the respective pourashavas chairperson and town level coordination committees (TLCC) prepare terms of reference for consultants to undertake institutional development; (v) make recommendations on further strengthening the TLCCs established under UGIIP-1, to perform their task in a more participatory manner; (vi) identify mechanisms for increased active involvement of urban groups' representation in the TLCCs in particular; (vii) provide recommendations on institutionalizing ward committees and TLCCs established under UGIIP-1; (viii) prepare a strategic and results-based urban planning model for municipalities; (ix) based on capacity development experience in UGIIP-1, assess training needs and provide a detailed capacity development plan;

(x) assess and recommend needed actions to institutionalize Urban Management Support Unit (UMSU) and the Municipal Services Unit (MSU) to ensure consistency and sustainability of local governance reforms that will be undertaken through UGIIP-2; (xi) assess the possibilities for involving relevant training institutions, including the National Institute for Local Government (NILG) in training pourashava officials, TLCCS, ward commissioners, etc.; (xii) assess the need for additional follow-up assistance to capacity development at the national level; and (xiii) undertake the assignment in consultation with the financial management specialist.

3. Environmental Specialist

5. The consultant in cooperation with the national environmental specialists will undertake the following: (i) review the implementation of environmental assessment and review procedures under UGIIP-1; (ii) based on the review, include lessons learned in the initial environmental examination (IEE), including the environmental assessment and review framework of UGIIP-2; (iii) prepare the IEE, including the environmental assessment and review framework, sample IEEs for core sample subprojects and an environmental management plan; and (iv) assist the executing agency to prepare a comprehensive IEE report for the project in accordance with ADB's policies and guidelines, and prepare a summary IEE. Determine the need for an environmental impact assessment (EIA). If an EIA is not required, prepare a summary IEE with clear recommendations for environmental mitigation measures, associated costs, and monitoring systems. If an EIA is required, prepare detailed terms of reference for the EIA. Undertake public consultations including affected people, NGOs, and other related agencies and document the results in the IEE. Provide project-specific and quantitative information on potential environmental impacts (positive and negative). Help LGED develop an environmental management plan to cover project-specific environmental mitigation measures, environmental monitoring plans, institutional arrangements to implement the mitigation measures and monitoring plan. Work closely with the local environmental protection authority to confirm that the environmental management plan is practical and meaningful and ensure LGED is committed to implementing the plan.

4. Resettlement Specialist

6. At an early stage of TA implementation, the consultant, in cooperation with the national resettlement specialist, will apply ADB's resettlement checklists to identify resettlement issues and ascertain the nature and degree of the project's impact on affected households. Based on the assessment, the consultant will prepare in accordance with ADB's *Policy on Involuntary Resettlement*¹ and *Operations Manual F2* on involuntary resettlement,² a resettlement framework and resettlement plans based on subproject design in the three pourashavas. The specific tasks follow: (i) review and assess key national policies, laws, and guidelines regarding land acquisition and compensation; (ii) identify and enumerate people likely to be affected through a survey/census and asset inventory that identifies all types of loss; (iii) through consultation with people who will be affected, ascertain preferential relocation areas, compensation, and livelihood restoration; (iv) establish an entitlement cutoff date and estimate requirements for financial resources, comparing with resources made available within the country; (v) provide options for relocating housing and other structures, including transfer to established new sites and options for livelihood restoration and mechanisms for addressing grievances; and (vi) define institutional responsibilities for approving, implementing, managing, financing, and monitoring the resettlement framework and/or plans, implementation schedules, capacity building, financial plan and budgets, and plan for internal and external monitoring and evaluation of the resettlement framework and/or plan. If indigenous peoples will be affected by involuntary resettlement, the consultant will identify specific

¹ ADB. 1995. *Involuntary Resettlement*. Manila.

² ADB. 2006. *Operations Manual F2 (2006): Involuntary Resettlement*. Manila.

actions for indigenous peoples, ascertain the number of indigenous people and minorities and their socioeconomic status and specific anticipated project impact on them, using among others, the checklist Categorization of Indigenous People. If necessary, prepare an indigenous people's development framework according to ADB's policy on indigenous people.³ The consultant may use the *Handbook on Resettlement*⁴ as a guide.

5. Municipal Engineering Specialist

7. Prepare a preliminary engineering design for subsectors identified within the three pourashavas, and undertake detailed subproject preparation activities, including suitable technical options. The consultant will (i) complete the technical least-cost design for subprojects identified in the three pourashavas; (ii) discuss the technical viability of the various proposed options for each project subcomponent, and demonstrate that they are the least-cost option; (iii) review operation and maintenance (O&M) options and prepare an optional O&M strategy including technical procedures to ensure efficiency and sustainability of the selected subprojects, and proper financial, accounting, and managerial arrangements for O&M; (iv) outline designs, construction stages, implementation tendering, and major civil works schedules; staffing requirements; and (v) identify requirements for key advance actions to avoid delay in implementation.

6. Finance Specialist (Municipal Finance and Taxation Specialist)

8. The consultants will work closely with the team leader and the economist to estimate the cost of implementing the investment plan, which will be supported by ADB's financial assistance through a sector loan. The cost should be presented by sector (i.e., water, sewerage, solid waste, drainage, slums, roads) broken down by category, that is, land, resettlement, civil works, materials and equipment, consulting services, incremental recurrent cost, and O&M. The consultants will identify the most appropriate and reasonable tax and duty rates for each category with sufficient evidence, and the tax and duty in the cost will be calculated separately for each budget line.

9. The consultants will develop (i) financial governance and performance criteria for subproject selection, which the Executing Agency (EA) will apply during implementation; and (ii) financial governance and management analysis manuals that pourashavas will use for preparing proposals and are consistent with ADB's *Operations Manual*,⁵ the guidelines for financial governance and management of investment projects,⁶ and other relevant publications from ADB's Regional and Sustainable Development Department. The consultants will also conduct the financial management assessment of the EA and implementing agencies in the three pilot pourashavas in accordance with the Guidelines for Financial Governance and Management of Investment Projects that will include a review of corporate planning and budgetary controls, financial management accounting and reporting, internal control and auditing systems, and data processing. The consultants will present the summary of the historical financial position, at least 5 financial years, and assess the financial impacts of the subproject on their finances in terms of capital and O&M costs relative to cost recovery possibilities and financial projections to demonstrate financial sustainability. The consultants will also review the financing plan including flow of funds from the central Government to pourashavas. Further, for the three pilot pourashavas, consultants will examine (i) the revenue sources of pourashavas including own source revenues (e.g., taxes, service fees and charges) and intergovernmental fiscal transfers; (ii) assess the adequacy of revenues in relation to the mandate of pourashavas; (iii) assess institutional capacities, regulatory, and legal impediments to local

³ ADB. 1998. *Policy on Indigenous Peoples*. Manila.

⁴ ADB. 1998. *Handbook on Resettlement: A Guide to Good Practice*. Manila.

⁵ ADB. 2003. *Operations Manual*. Manila.

⁶ ADB. 2002. *Guidelines for the Financial Governance and Management of Investment Projects Financed by ADB*. Manila.

revenue mobilization and identify necessary interventions to expand pourashavas's revenue base, collection efficiencies, and fiscal transfers; (iv) assess user charges and their adequacy in the light of ADB's position on tariffs (Economic Research Department's *Technical Notes 9 & 10*⁷ and related reports); and (v) assess the mechanism for approving user charge changes. The consultants will propose a financial improvements plan for each pilot *pourashava*. The consultant will (i) estimate the financial internal rate of return with sensitivity analysis, (ii) examine the need for subproject-related subsidies in accordance with ADB's criteria for subsidies, and (iii) assess distributive justice by looking at the affordability of new user charges at new consumption level among different socio-economic groups. The consultants will also review and strengthen the proposed financial action plans for pourashavas and utilities, including recommendations for enhancing revenues and improving accounting, budgeting, and management information systems. Finally, the consultants will assess the financial sustainability of the project; if sustainability is felt to be at risk, then recommend appropriate mitigation measures.

7. Project Economist

10. The consultant will work closely with the team leader to confirm that a sector loan is appropriate financing modality for the proposed investment, and to develop an investment plan for urban development, based on Government policy. The contents of the investment plan will follow relevant publications from ADB's Economic Research Department, and will include, but will not necessarily be limited to (i) the economic rationale for government involvement in the investment; (ii) setting goals for the plan; (iii) identifying how to achieve the goals at least cost, including specifying simple and economically sound criteria for selecting subprojects; (iv) estimated investment requirement; (v) a review of associated economic policies, including tariff policy; and (vi) identifying economic risks.

11. In addition, the consultant will prepare an economic analysis to justify ADB's support to the urban development plan through a sector loan, following the analysis in relevant publications from ADB's Economic Research Department. The analysis will include ADB's evaluation of the investment plan and scoping of ADB assistance within the investment plan under the sector loan. The consultant will also analyze implementation of the investment plan, including (i) the government's capacity to execute the plan; (ii) the government's commitment to the plan and goals; (iii) coordination of foreign aid and other relevant areas; (iv) fungibility of government funds; and (v) conditions that should be attached to the loan.

12. The consultant will develop (i) economic criteria for subproject selection, which the EA will apply during implementation; and (ii) economic analysis manuals, which pourashavas will use in preparing proposals, which are consistent with ADB's *Operations Manual, Guidelines for the Economic Analysis of Projects*,⁸ and other relevant publications from ADB's Economic Research Department. The consultant will, then, work closely with the municipal engineer to prepare economic analysis of the subprojects as part of the feasibility studies of the three pilot pourashavas, which will be identified by the team leader. The consultants will prepare guidelines for a willingness-to-pay survey to be adopted by the pourashavas assessing the demand for various urban services.

⁷ Dole, David. 2003. *Setting User Charges for Public Services: Policies and Practice at the Asian Development Bank. ERD Technical Note No. 9*. Manila: ADB; and Dole, David, and Ian Bartlett. 2004. *Beyond Cost Recovery: Setting User Charges for Financial, Economic, and Social Goals. ERD Technical Note No. 10*. Manila: ADB.

⁸ ADB. 1997. *Guidelines for the Economic Analysis of Projects*. Manila.

8. Social and Gender Specialist

13. The consultant will have the following responsibilities: (i) assess the project's social impact in accordance with the Handbook on Poverty and Social Analysis;⁹ (ii) assess local gender-related constraints and opportunities for development and formulate a gender action plan for the ensuing project; and (iii) develop a social and poverty assessment framework for subprojects.

14. The consultant will also (i) prepare a socioeconomic survey for candidate pourashavas including identification of social indicators to be included in UGIIP-2. The survey will be updated at completion of the project; (ii) develop a participatory framework for community participation in identifying, planning, and designing the Project; (iii) assess the feasibility of developing community-waste disposal or collection as part of the participatory action plan; (iv) prepare a community organization strategy to implement under the resulting project; review previous approaches to community organization in urban projects; (v) develop monitoring and evaluation indicators for implementing the participation action plan; (vi) refine a preferred approach in consultation with other international agencies and NGOs, and detail project activities to organize communities for O&M of basic infrastructure services; (vii) assess the required needs and the distribution and capabilities of local NGOs in the selected municipalities and subsectors; (viii) design a framework for poverty impact assessments to be undertaken by UGIIP-2; (ix) develop a framework for participatory strategic planning and monitoring; (x) review and assess the microfinance component implemented under UGIIP-1. Identify opportunities for liaising with NGOs that provide microfinance facilities for the urban poor. Identify needed skills training for the urban poor; (xi) design a framework for poverty impact assessments to be undertaken by UGIIP-2; (xii) include in the project design components, strategies, and targets measures that promote and facilitate women's active involvement in the project; and (xiii) develop indicators for women's participation that will be included in the design monitoring framework, and ensure budgetary allocation to implement the gender action plan.

9. Urban Planner

15. The consultant will (i) prepare an urban development sector study, including an urban sector overview covering trends and the current situation, focusing on urbanization trends; and (ii) analyze the economic and political context, urban economy and employment, urban poverty and urban governance issues, urban local government finance trends, urban utilities, and public-private partnership.

⁹ ADB. 2001. *Handbook on Poverty and Social Analysis*. Manila.