



# Report and Recommendation of the President to the Board of Directors

---

Project Number: 39295-038  
Loan 3142-BAN/8285(OFIG)-BAN  
July 2017

## Proposed Loans for Additional Financing People's Republic of Bangladesh: Third Urban Governance and Infrastructure Improvement (Sector) Project

Distribution of this document is restricted until it has been approved by the Board of Directors. Following such approval, ADB will disclose the document to the public in accordance with ADB's Public Communications Policy 2011.

Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 15 June 2017)

Currency unit	–	taka (Tk)
Tk1.00	=	\$0.012
\$1.00	=	Tk80.60

## ABBREVIATIONS

ADB	–	Asian Development Bank
GAP	–	gender action plan
km	–	kilometer
LGED	–	Local Government Engineering Department
LIBOR	–	London interbank offered rate
O&M	–	operation and maintenance
OFID	–	OPEC Fund for International Development
PAM	–	project administration manual
PIU	–	project implementation unit
PMU	–	project management unit
PRAP	–	poverty reduction action plan
UGIAP	–	urban governance improvement action program

## NOTES

- (i) The fiscal year (FY) of the Government of Bangladesh and its agencies ends on 30 June. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY 2017 ends on 30 June 2017.
- (ii) In this report, “\$” refers to US dollars.

<b>Vice-President</b>	W. Zhang, Operations 1
<b>Director General</b>	H. Kim, South Asia Department (SARD)
<b>Director</b>	S. Bonu, Urban Development and Water Division, SARD
<b>Team leader</b>	A. Vogl, Urban Development Specialist, SARD
<b>Team members</b>	M. S. Alam, Senior Project Officer (Urban Infrastructure), Bangladesh Resident Mission (BRM) SARD
	J. Nam, Financial Management Specialist, SARD
	E. Nava, Senior Operations Assistant, SARD
	N. Pajarillaga, Environment Specialist, SARD
	N. Pokhrel, Senior Urban Development Specialist, SARD
	N. Selim, Social Development Officer (Gender), BRM, SARD
	Y. Seo, Senior Counsel, Office of the General Counsel
	I. Setyawati, Senior Safeguards Specialist (Resettlement), Viet Nam Resident Mission, SERD
	V. Sharma, Senior Urban Development Specialist, Sustainable Development and Climate Change Department
<b>Peer reviewer</b>	T. Ueda, Principal Evaluation Specialist, Independent Evaluation Department

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.



## CONTENTS

	<b>Page</b>
PROJECT AT A GLANCE	
MAP	
I. THE PROPOSAL	1
II. THE PROJECT	1
A. Rationale	1
B. Impact and Outcome	4
C. Outputs	4
D. Investment and Financing Plans	4
E. Implementation Arrangements	6
III. DUE DILIGENCE	7
A. Technical	7
B. Economic and Financial	7
C. Governance	8
D. Poverty and Social	8
E. Safeguards	9
F. Risks and Mitigating Measures	9
IV. ASSURANCES	10
V. RECOMMENDATION	10
APPENDIXES	
1. Revised Design and Monitoring Framework	11
2. List of Linked Documents	15

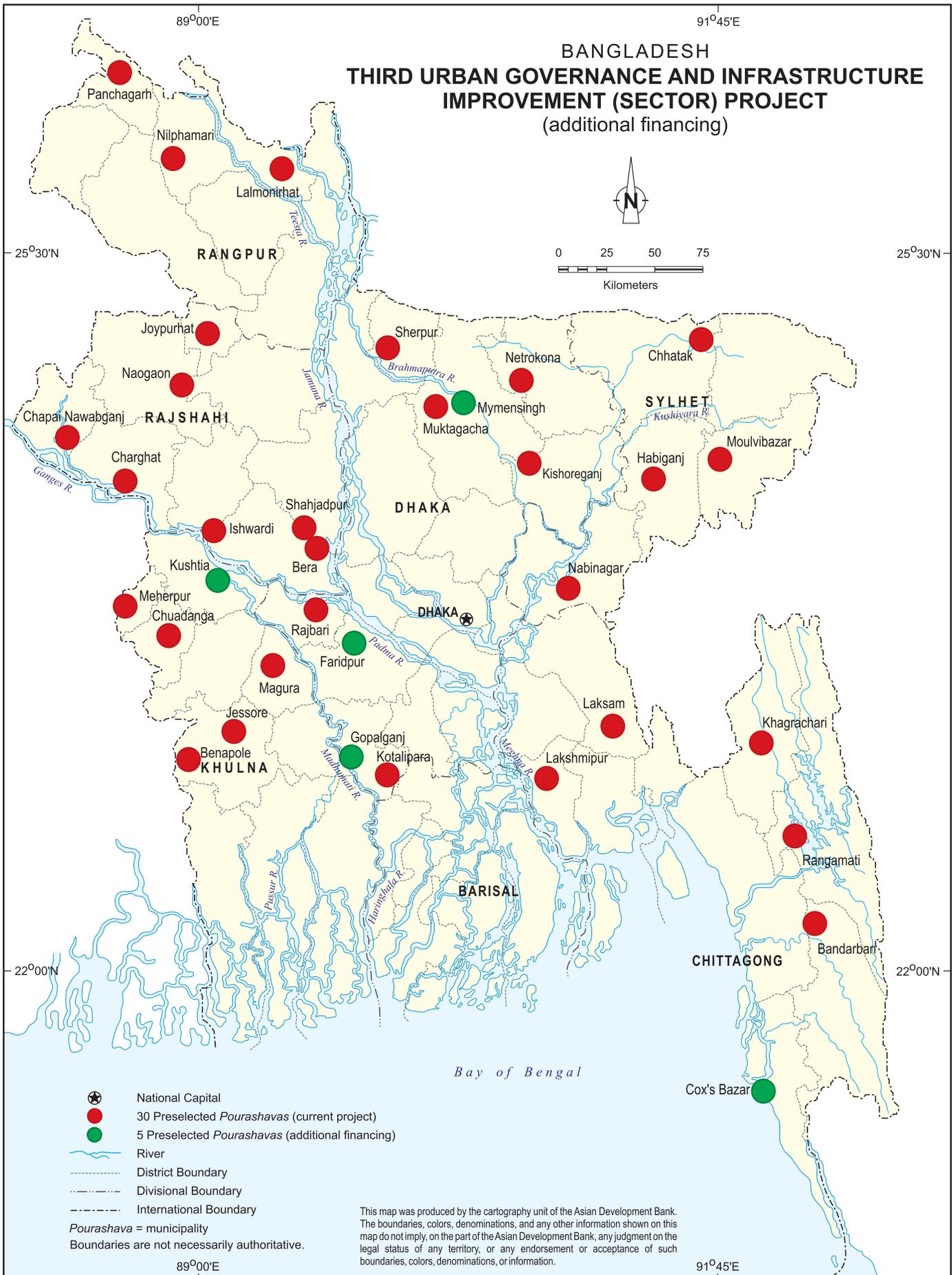


## PROJECT AT A GLANCE

<b>1. Basic Data</b>		<b>Project Number: 39295-038</b>	
<b>Project Name</b>	Third Urban Governance and Infrastructure Improvement (Sector) Project - Additional Financing	<b>Department /Division</b>	SARD/SAUW
<b>Country Borrower</b>	Bangladesh People's Republic of Bangladesh	<b>Executing Agency</b>	Department of Public Health Engineering, Local Government Engineering Department
<b>2. Sector</b>	<b>Subsector(s)</b>	<b>ADB Financing (\$ million)</b>	
✓ <b>Water and other urban infrastructure and services</b>	Other urban services		20.00
	Urban flood protection		60.00
	Urban policy, institutional and capacity development		11.50
	Urban sanitation		8.50
	Urban slum development		14.50
	Urban solid waste management		16.00
	Urban water supply		29.50
<b>Transport</b>	Urban roads and traffic management		40.00
		<b>Total</b>	<b>200.00</b>
<b>3. Strategic Agenda</b>	<b>Subcomponents</b>	<b>Climate Change Information</b>	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive	Adaptation (\$ million)	40.00
Environmentally sustainable growth (ESG)	Global and regional transboundary environmental concerns	Mitigation (\$ million)	7.00
	Urban environmental improvement	CO <sub>2</sub> reduction (tons per annum)	15,000
		Climate Change impact on the Project	Medium
<b>4. Drivers of Change</b>	<b>Components</b>	<b>Gender Equity and Mainstreaming</b>	
Governance and capacity development (GCD)	Civil society participation	Gender equity (GEN)	✓
	Organizational development		
<b>5. Poverty and SDG Targeting</b>		<b>Location Impact</b>	
Geographic Targeting	No	Urban	High
Household Targeting	No		
SDG Targeting	Yes		
SDG Goals	SDG11		
<b>6. Risk Categorization:</b>	Low		
<b>7. Safeguard Categorization</b>	Environment: B Involuntary Resettlement: B Indigenous Peoples: C		
<b>8. Financing</b>			
<b>Modality and Sources</b>		<b>Amount (\$ million)</b>	
<b>ADB</b>		<b>200.00</b>	
Sovereign Sector (Regular Loan): Ordinary capital resources		100.00	
Sovereign Sector (Concessional Loan): Ordinary capital resources		100.00	
<b>Cofinancing</b>		<b>0.00</b>	
None		0.00	
<b>Counterpart</b>		<b>68.10</b>	
Government		68.10	
<b>Total</b>		<b>268.10</b>	



# BANGLADESH THIRD URBAN GOVERNANCE AND INFRASTRUCTURE IMPROVEMENT (SECTOR) PROJECT (additional financing)



- National Capital
  - 30 Preselected Pourashavas (current project)
  - 5 Preselected Pourashavas (additional financing)
  - River
  - District Boundary
  - Divisional Boundary
  - International Boundary
- Pourashava* = municipality  
Boundaries are not necessarily authoritative.

This map was produced by the cartography unit of the Asian Development Bank. The boundaries, colors, denominations, and any other information shown on this map do not imply, on the part of the Asian Development Bank, any judgment on the legal status of any territory, or any endorsement or acceptance of such boundaries, colors, denominations, or information.



## I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on proposed loans to the People's Republic of Bangladesh for the additional financing of the Third Urban Governance and Infrastructure Improvement (Sector) Project.

2. The current project<sup>1</sup> supports strengthening urban governance and improving urban infrastructure and service delivery in *pourashavas* (municipalities)<sup>2</sup> by investing in *pourashavas* based on their governance improvement performance. The additional financing will expand the current project, which is performing well, by supporting (i) additional priority infrastructure and governance improvements in *pourashavas* covered by the current project, and (ii) infrastructure and governance improvements in five more *pourashavas*.<sup>3</sup>

## II. THE PROJECT

### A. Rationale

3. **Urban development challenges of *pourashavas*.** While Bangladesh's economy continues to grow at a healthy pace,<sup>4</sup> the government needs to focus on achieving sustainable and inclusive growth while addressing the challenges of rapid urbanization. In 2015, only 32% of the urban population had piped water supply and 58% of the urban population had access to improved sanitation facilities.<sup>5</sup> Although sanitation coverage is improving, fecal sludge management remains a major challenge, especially in urban slums. Drainage is underdeveloped and poorly maintained, resulting in frequent water logging. Many urban roads are dilapidated because of increasing traffic and lack of maintenance. Solid waste management is not systematic, and open dumping creates public health risks. The urban challenges are even more acute in *pourashavas* because of inadequate governance, capacity constraints, lack of community participation, and sustainable infrastructure deficiencies.<sup>6</sup> The Asian Development Bank (ADB) has supported infrastructure and governance improvement in *pourashavas* through the first and second Urban Governance and Infrastructure Improvement (Sector) Projects.<sup>7</sup> Although improvements have been made through these earlier projects, *pourashavas* still need significant investment to enhance municipal infrastructure service delivery, strengthen urban climate change resilience, and reduce regional disparities across the country.

4. **Performance-based incentives for governance improvement.** With limited but effective incentives for *pourashavas* to improve their governance, the first project introduced a performance-based fund allocation strategy through the Urban Governance Improvement Action

---

<sup>1</sup> ADB. 2014. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People's Republic of Bangladesh for the Third Urban Governance and Infrastructure Improvement (Sector) Project*. Manila.

<sup>2</sup> Bangladesh defines *pourashavas* per the level of own-source annual revenues, with class A being the highest. As of June 2017, the country has 328 *pourashavas* (class A: 162, class B: 106, and class C: 60).

<sup>3</sup> Project preparation and due diligence was done under the current project loan and a technical assistance grant by the Urban Climate Change Resilience Trust Fund under ADB's Urban Financing Partnership Facility. (ADB. 2015. *Technical Assistance for Promoting Urban Climate Change Resilience in Selected Asian Cities*. Manila).

<sup>4</sup> Country Economic Indicators (accessible from the list of linked documents in Appendix 2).

<sup>5</sup> World Health Organization. 2015. *Progress on Drinking Water and Sanitation: 2015 Update*. New York.

<sup>6</sup> Sector Assessment (Summary): Water and Other Urban Infrastructure and Services (accessible from the list of linked documents in Appendix 2).

<sup>7</sup> The first project (2003–2010) provided a loan of \$65 million to support 27 *pourashavas*. The second project (2008–2016) provided a loan of \$87 million and cofinancing of \$40.8 million equivalent to support 51 *pourashavas*. Major infrastructure achievements under both projects include rehabilitation or new construction of 1,665 kilometers (km) of urban roads, 424 km of drains, 44 km of piped water supply, 7 solid waste disposal sites, and 82 municipal facilities.

Program (UGIAP), effectively supporting governance reforms.<sup>8</sup> This shaped the Local Government (*Pourashava*) Act (2009) and other urban development projects supported by ADB and development partners.<sup>9</sup> Under the first and second projects, targeted *pourashavas* significantly improved their governance performance while receiving investments to meet their infrastructure needs.<sup>10</sup> Major project governance achievements included (i) the establishment of town coordination and ward committees, supporting citizens' participation, including representation of women and the poor; (ii) the development and implementation of gender action plans (GAPs) for *pourashavas*; (iii) computerization of tax and accounting records; and (iv) increased local revenue generation.<sup>11</sup>

5. **Strengthening urban climate resilience.** Climate change is a critical development issue for Bangladesh. Major climate risks for *pourashavas* include rising temperature, higher intensity and frequency of rainfall and wind loads, storm surges, and riverine flooding. Rising sea levels may affect *pourashavas* in coastal zones and intrude inland, increasing the salinization of both groundwater and surface water. *Pourashavas* will need to enhance their institutional abilities to sustain operation and maintenance (O&M) of infrastructure and services, specifically increasing the resilience of poor and vulnerable people.

6. **Lessons learned.** Lessons from earlier projects suggest that (i) governance-led infrastructure improvement has worked well, (ii) the use of a sector lending modality<sup>12</sup> is appropriate for a multicomponent project with performance-based fund allocations through a phased approach, and (iii) good quality and front-loaded capacity building and strong institutional support is required for *pourashavas*.<sup>13</sup> Thus, the overall project (current project including additional financing) adopts the sector lending modality.<sup>14</sup> Capacity building support was provided during project preparation and continues during implementation.

7. **Current project design.** The current project<sup>15</sup> supports *pourashavas* through two schemes. The first scheme, called window A, provides infrastructure funds and capacity development support for governance improvement in 30 *pourashavas* with a total population of 2.2 million. The support is provided in three phases based on compliance with UGIAP criteria.<sup>16</sup>

<sup>8</sup> The UGIAP for the current project covers (i) citizen awareness and participation, (ii) urban planning, (iii) gender equality and social inclusion, (iv) local resource mobilization, (v) financial management and accountability, (vi) administrative transparency, and (vii) keeping essential *pourashava* services functional.

<sup>9</sup> ADB: Secondary Towns Water Supply and Sanitation Sector Project (Bangladesh), and Local Governance Enhancement Sector Project (Sri Lanka); World Bank: Municipal Governance and Services Project (Bangladesh); Japan International Cooperation Agency: Inclusive Governance Project (Bangladesh). Development Coordination Matrix (accessible from the list of linked documents in Appendix 2).

<sup>10</sup> ADB. 2012. *The Urban Governance and Infrastructure Improvement Project in Bangladesh: Sharing Knowledge on Community-Driven Development*. Manila.

<sup>11</sup> Under the second project, local revenue generation was increased by \$4 million (106%) for holding tax and by \$11.5 million (129%) for non-holding tax at the end of the project, compared with baseline figures.

<sup>12</sup> In earlier projects the sector lending modality contributed to a significant improvement in urban development and management, and initiated several institutional and sectoral reforms, including the Local Government (*Pourashava*) Act (2009) and the draft National Urban Policy.

<sup>13</sup> ADB. 2014. *Validation Report: Urban Governance and Infrastructure Improvement (Sector) Project in Bangladesh*. Manila. Overall validation rating is *successful*.

<sup>14</sup> Sector Development Plan (accessible from the list of linked documents in Appendix 2).

<sup>15</sup> Loan 3142-BAN (footnote 1), an Asian Development Fund loan of \$125 million equivalent (now concessional loan from ADB's ordinary capital resources as of 1 January 2017), approved by the ADB Board on 17 July 2014, became effective on 4 November 2014; Loan 8285(OFID) for \$40 million from the OPEC Fund for International Development (OFID) became effective on 9 April 2015. ADB administers procurement and disbursement under the OFID loan.

<sup>16</sup> With fulfillment of entry criteria by all 30 window A *pourashavas*, priority subprojects have been supported (phase 1). Based on substantial progress of such investments and compliance with intermediate criteria, additional subprojects are being implemented (phase 2) in all window A *pourashavas*. Meeting the advanced criteria and progress on the

The second scheme, called window B, allocates funds based on well-defined performance criteria on a competitive basis to all remaining *pourashavas* in the country. Funding of up to \$2 million for infrastructure improvement will be provided to each of the top 20 *pourashavas* in the governance assessment, which will be conducted twice during implementation.<sup>17</sup>

8. **Demand for expanding the current project's successful model.** In the government's Seventh Five-Year Plan, urban development is a national priority to reduce urban poverty and improve living conditions through better city governance and service.<sup>18</sup> Given the successful performance of the current project and the government's request to include five additional *pourashavas* under window A,<sup>19</sup> additional financing of \$200 million was included in the latest country operations business plan.<sup>20</sup>

9. The proposed additional financing will cover (i) the shortfall from the underestimation of the investment requirements under the current project<sup>21</sup> to enable the continued financing of (a) priority infrastructure and governance improvements in 30 window A *pourashavas*, and climate and disaster resilience aspects<sup>22</sup> under output 1; and (b) infrastructure support for qualifying window B *pourashavas* under output 2; and (ii) the scaling up of the current project by (a) supporting additional activities under output 1 and (b) adding five window A *pourashavas*.

10. **Additional financing eligibility criteria.** The additional financing meets ADB's eligibility criteria.<sup>23</sup> The overall project (i) remains technically feasible, economically viable, and financially sound; (ii) is accorded high priority by the government; and (iii) is consistent with the current project's development objectives, the government's priorities, and the country partnership strategy, which prioritizes inclusive and environmentally sustainable growth, governance improvement, and climate- and disaster-resilient infrastructure and services. The current project has been rated *on track* since it started, and implementation progress and results are satisfactory. As of 15 June 2017, with 45% of project time elapsed, contracts worth \$94.55 million (84% of Loan 3142-BAN) and disbursement of \$50.38 million (45% of Loan 3142-BAN) had been achieved. Overall physical progress stands at 54% overall.<sup>24</sup> The current project has complied with safeguard requirements and adequately managed risks. Project readiness for additional financing is high. The overall project will contribute to Sustainable Development Goal 11<sup>25</sup> and is in line with ADB's urban operational plan.<sup>26</sup>

---

earlier phases 1 and 2 subprojects will make window A *pourashavas* eligible for investment support in phase 3. As allocations of less than \$3 million per *pourashava* for infrastructure improvement under earlier projects was inadequate to meet the demand, window A *pourashavas* will receive more substantial investment under the overall project, depending upon need and absorption capacity.

<sup>17</sup> For window B, a separate set of UGIAP criteria using objective and measurable governance indicators has been prepared. Based on the first assessment in August 2016, the top 20 *pourashavas* selected are receiving infrastructure investment assistance under the current project.

<sup>18</sup> Government of Bangladesh, Planning Commission. 2015. *Seventh Five-Year Plan, FY2016–FY2020*. Dhaka.

<sup>19</sup> Selected based on (i) population size, density, and growth; (ii) own-source revenues; (iii) level of past investments; (iv) priority for district headquarter towns; and (v) compliance assessment with intermediate UGIAP criteria.

<sup>20</sup> ADB. 2016. *Country Operations Business Plan: Bangladesh, 2017–2020*. Manila.

<sup>21</sup> The design of the current project envisaged additional financing. Additional financing is even more critical as all 30 window A *pourashavas* have performed well, meeting the intermediate criteria for phase 2.

<sup>22</sup> Project preparation, which followed an integrated, consultative process to mainstream climate change adaptation and mitigation in *pourashavas* included (i) climate risk and vulnerability assessments for wards; (ii) updates of urban master plans, incorporating climate and disaster risks and priority interventions; (iii) capacity building; and (iv) feasibility studies for priority subprojects, including climate-responsive engineering designs.

<sup>23</sup> ADB. 2011. *Additional Financing. Operations Manual*. OM H5/BP. Manila.

<sup>24</sup> Details are in the Summary of Project Performance (accessible from the list of linked documents in Appendix 2).

<sup>25</sup> Sustainable Development Goal 11: Make cities and human settlements inclusive, safe, resilient, and sustainable.

<sup>26</sup> ADB. 2012. *Urban Operational Plan, 2012–2020*. Manila.

## B. Impact and Outcome

11. The impact will be urban living conditions improved. The outcome will be municipal service delivery and urban governance in project towns improved.<sup>27</sup> The current and aggregated outcome targets as a result of the additional financing are in the revised design and monitoring framework in Appendix 1.

## C. Outputs

12. Based on the reasons for the proposed additional financing (para 9.), the outputs of the overall project will be as described in paras. 13–14.<sup>28</sup>

13. **Output 1: Municipal infrastructure improved and made gender and climate responsive.** The overall project will provide the following: (i) 600 kilometers (km) of roads improved or rehabilitated; (ii) 300 km of drains built or improved; (iii) 180 km of pipes installed or upgraded for water supply with 60,000 individual meters; (iv) slum improvement subprojects completed in all project towns with slums; (v) sludge management facilities built in 14 project towns; (vi) solid waste disposal sites built or improved in 20 project towns (total capacity 200 tons per day); (vii) climate issues considered in designing 80% of subprojects and incorporated, if necessary; and (viii) about 15,000 tons per year of carbon dioxide emissions reduced.<sup>29</sup>

14. **Output 2: Capacity of *pourashavas* in urban service delivery, planning, and financial management improved.** The overall project will provide the following: (i) town coordination and ward committees formed in 35 project towns; (ii) urban master plans developed through gender-inclusive processes gazetted in 35 project towns; (iii) standing committees on woman and children affairs, poverty reduction, and slum improvement (with 40% women participation) operationalized in 35 project towns; (iv) *pourashava* development plans, GAPs, and poverty reduction action plans (PRAPs) approved in 35 project towns; (v) annual O&M plans approved and budget allocated for implementation in 35 project towns; (vi) computerized tax records and billing systems made functional in 35 project towns; and (vii) top-performing *pourashavas* under window B awarded subproject funding.

15. **Subproject selection criteria.** Although selection of subprojects will generally follow the priorities set by each *pourashava*, the overall project will focus on key infrastructure such as roads, drainage, water supply, and sanitation, including septic tank sludge management, solid waste and fecal sludge management, and slum improvements. Other municipal facilities such as markets and bus terminals will be supported if sustainable O&M arrangements are clearly established. Subprojects in each phase will be stand-alone to avoid the risk of *pourashavas* not proceeding to the next phase because of poor governance.

## D. Investment and Financing Plans

16. The overall project is estimated to cost \$504.1 million, including additional financing of \$200.0 million from ADB (Table 1). Detailed cost estimates by expenditure categories and detailed cost estimates by financier are in the project administration manual (PAM).<sup>30</sup>

<sup>27</sup> 'Project towns' refer to preselected *pourashavas* under window A.

<sup>28</sup> In accordance with ADB's *Updated Design and Monitoring Framework Guidelines* (2015), output 3 in the design and monitoring framework for current project will be removed and included under key activities with milestones.

<sup>29</sup> Contribution to the ADB Results Framework (accessible from the list of linked documents in Appendix 2).

<sup>30</sup> Project Administration Manual (accessible from the list of linked documents in Appendix 2).

**Table 1: Project Investment Plan**  
(\$ million)

Item	Current Amount <sup>a</sup>	Additional Financing <sup>b</sup>	Total
<b>A. Base Cost<sup>c</sup></b>			
1. Municipal infrastructure improvement	164.8	218.4	383.2
2. Capacity improvement of <i>pourashavas</i>	13.6	17.9	31.5
3. Project management and administration	27.8	0.0 <sup>d</sup>	27.8
<b>Subtotal (A)</b>	<b>206.2</b>	<b>236.3</b>	<b>442.5</b>
<b>B. Contingencies<sup>e</sup></b>	<b>19.7</b>	<b>22.5</b>	<b>42.2</b>
<b>C. Financing Charges During Implementation<sup>f</sup></b>	<b>10.1</b>	<b>9.3</b>	<b>19.4</b>
<b>Total (A+B+C)</b>	<b>236.0</b>	<b>268.1</b>	<b>504.1</b>

<sup>a</sup> Refers to the original amount. Includes taxes and duties of \$11.8 million financed by the government.

<sup>b</sup> Includes taxes and duties of \$29.4 million to be financed by the government through cash contribution.

<sup>c</sup> In early 2017 prices; exchange rate of \$1 = Tk78.4 is used.

<sup>d</sup> For the additional financing, the project management and administration costs are built into outputs 1 and 2, and suffice for the current project.

<sup>e</sup> Physical contingencies are computed at 5.0% for civil works and equipment. Price contingencies are computed at 1.4%–1.5% on foreign exchange costs and 6.1%–6.3% on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

<sup>f</sup> Include interest and commitment charges. Interest during construction for a regular ordinary capital resources (OCR) loan has been computed at the 5-year fixed swap London interbank offered rate plus a spread of 0.5% and a maturity premium of 0.1%. Commitment charges for a regular OCR loan are 0.15% per year to be charged on the undisbursed loan amount. Interest during construction for a concessional OCR loan has been computed at 2.0% per year.

Source: Asian Development Bank estimates.

17. The government has requested a regular loan of \$100 million and a concessional loan of \$100 million, both from ADB's ordinary capital resources, to help finance the project. The regular loan will have a 25-year term, including a grace period of 5 years; an annual interest rate determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility; a commitment charge of 0.15% per year; and such other terms and conditions set forth in the draft loan agreement. Based on the straight-line method, the average maturity is 15.25 years, and the maturity premium payable to ADB is 0.10% per year.<sup>31</sup> The concessional loan will have a 25-year term, including a grace period of 5 years; an interest rate of 2.0% per year during the grace period and thereafter; and such other terms and conditions set forth in the draft loan agreement.

18. The financing plan is in Table 2. Part of the loan proceeds will be on-lent to *pourashavas*. Revenue-generating subprojects, including water supply, bus terminals, and markets, will be financed by a combination of grants and loans, with a grant-loan ratio satisfactory to ADB. Other subprojects will be 100% grant-funded. The government will bear the foreign exchange risk in repayment to ADB.

<sup>31</sup> The maturity-based premium of 0.10% is based on the loan terms and the government's choice of repayment option and dates.

**Table 2: Financing Plan**

Source	Current <sup>a</sup>		Additional Financing		Total	
	Amount (\$ million)	Share of Total (%)	Amount (\$ million)	Share of Total (%)	Amount (\$ million)	Share of Total (%)
Asian Development Bank <sup>b</sup>	125.0	53.0	200.0	74.6	325.0	64.5
OCR (regular loan)	0.0	0.0	100.0	37.3	100.0	19.8
OCR (concessional loan)	125.0	53.0	100.0	37.3	225.0	44.6
OFID (loan)	40.0	16.9	0.0	0.0	40.0	7.9
Government <sup>c</sup>	71.0	30.1	68.1	25.4	139.1	27.6
<b>Total</b>	<b>236.0</b>	<b>100.0</b>	<b>268.1</b>	<b>100.0</b>	<b>504.1</b>	<b>100.0</b>

OCR = ordinary capital resources, OFID = OPEC Fund for International Development.

<sup>a</sup> Refers to the original amount of the current project.

<sup>b</sup> Climate financing of \$47 million is included. For details refer to Appendix 3 of the Project Administration Manual (accessible from the list of linked documents in Appendix 2).

<sup>c</sup> For additional financing, the government will provide \$68.1 million equivalent for (i) part of infrastructure subprojects, (ii) land acquisition and resettlement, (iii) incremental recurrent costs, (iv) part of contingencies, and (v) taxes and duties. Under the current project, of the \$71 million in government contributions, \$2.1 million are from *pourashavas*; for additional financing, the government will discuss and agree on a share with *pourashavas* based on finalized subprojects cost.

Note: Numbers may not sum precisely because of rounding.

Source: Asian Development Bank estimates.

## E. Implementation Arrangements

19. The Local Government Engineering Department (LGED) and the Department of Public Health Engineering (DPHE) will continue to be the executing agencies for the overall project. The *pourashavas* will be the implementing agencies, supported by consultants for (i) management, design, and supervision; and (ii) governance improvement and capacity development. Implementation arrangements are summarized in Table 3 and described in detail in the PAM (footnote 30). Goods and civil works procured using national competitive bidding will follow the national procedures being used in the current project, which are acceptable to ADB. ADB and the government have reviewed these to ensure consistency with ADB's Procurement Guidelines (2015, as amended from time to time).<sup>32</sup> Consultants will be engaged using ADB's Guidelines on the Use of Consultants (2013, as amended from time to time).

**Table 3: Implementation Arrangements**

Aspects	Arrangements		
Implementation period	August 2017–June 2021		
Estimated completion date	30 June 2021 (loan closing date: 31 December 2021)		
Management			
(i) Oversight body	Inter-ministerial project steering committee, chaired by secretary, LGD: LGED; DPHE; Department of Environment; Economic Relations Division; Finance Division; Implementation Monitoring and Evaluation Division; LGD; Ministry of Housing and Public Works (Urban Development Directorate); Ministry of Women and Children Affairs; Municipal Association of Bangladesh; Planning Commission (Physical Infrastructure Division); National Institute of Local Government.		
(ii) Executing agencies	LGED and DPHE		
(iii) Implementing agencies	<i>Pourashavas</i>		
(iv) Implementation unit	<i>Pourashavas</i> (total 35), 11 staff each		
Procurement	International competitive bidding	About 5 contracts	\$4.83 million
	National competitive bidding	About 230 contracts	\$174.56 million
	Shopping	About 2 contracts	\$0.07 million
	Community participation in procurement <sup>a</sup>	About 170 contracts	\$11.80 million
Consulting services	Quality- and cost-based selection	3,976 person-months (5 packages)	\$7.90 million

<sup>32</sup> Universal procurement will continue to apply to the additional financing.

Aspects	Arrangements		
	Individual consultant selection	160 person-months	\$0.84 million
Retroactive financing and/or advance contracting	Advance contracting is for recruitment of consultants, and procurement of works and goods relating to subprojects in <i>pourashavas</i> . Retroactive financing will apply to up to 20% of the loan amount for these contracts, and the establishment and operation of project management and implementation units incurred before effectiveness of the loan agreement but not earlier than 12 months before signing of the loan agreement.		
Disbursement	The loan proceeds will be disbursed in accordance with ADB's <i>Loan Disbursement Handbook</i> (2015, as amended from time to time) and detailed arrangements agreed upon between the government and ADB.		

ADB = Asian Development Bank, DPHE = Department of Public Health Engineering, LGD = Local Government Division, LGED = Local Government Engineering Department.

<sup>a</sup> For experienced communities, the threshold of \$100,000 may be increased to reduce the number of contracts.

Source: Asian Development Bank.

### III. DUE DILIGENCE

#### A. Technical

20. Sample subprojects appraised during the current project and developed during preparation of the additional financing confirmed the technical viability and compatibility with local implementation and O&M capacity. The same approach will be followed for future subproject design in accordance with subproject selection and design criteria, considering climate change, extreme weather, and natural hazards (footnote 30). Subprojects will be technically and operationally most appropriate, sustainable and least-cost, and designed based on whole-of-life analysis.<sup>33</sup> Engineering designs will take into consideration the impact of climate change (flooding and waterlogging and, where relevant, increased salinity and wind loads) on vulnerable people and infrastructure systems and services.<sup>34</sup>

#### B. Economic and Financial

21. **Economic analysis.** The expected economic benefits are mainly (i) reduced vehicle operating costs and travel time savings; (ii) reduced property damage and loss of income from flooding; and (iii) improved health and resource savings with getting water from piped supply. Results of economic and sensitivity analyses confirm that two sample subprojects are economically viable, as base economic internal rates of return are 18.2% and 19.5%, respectively, which are above the economic opportunity cost of capital of 9.0%. Sensitivity analysis results are satisfactory unless all downside risks are combined.<sup>35</sup> Subprojects to be prepared during implementation will need to meet the economic and financial criteria in the PAM (footnote 30).

22. **Financial analysis.** A financial analysis was conducted for two sample subprojects with a cost recovery objective by estimating the incremental costs and revenues over the project life.<sup>36</sup> The financial internal rates of return were estimated at 4.2% for the water supply subproject and 4.4% for the market development subproject, higher than the weighted average cost of capital of 1.9%, indicating sufficient financial returns. For subprojects that will not generate revenue, the analysis focused on the *pourashava's* financial capacity to meet incremental costs of the subprojects. The overall municipal financial position was projected, reflecting incremental revenues and expenditures and debt service. The projection confirmed that the sample subproject

<sup>33</sup> Refers to the total cost of ownership over the life of an asset.

<sup>34</sup> Project Climate Risk Assessment and Management Reporting (accessible from the list of linked documents in Appendix 2).

<sup>35</sup> Economic Analysis (accessible from the list of linked documents in Appendix 2).

<sup>36</sup> Financial Analysis (accessible from the list of linked documents in Appendix 2).

*pourashavas* would have adequate financial capacity to meet incremental O&M costs and other requirements to sustain infrastructure and service delivery for the subprojects.

### C. Governance

23. The executing and implementing agencies were assessed on ADB's procurement and financial management requirements.<sup>37</sup> Procurement contracts financed by ADB are subject to ADB's review and include provisions specifying the right of ADB to audit and examine records and accounts of the executing and implementing agencies and all contractors, suppliers, consultants, and other service providers as they relate to the additional financing.

24. The financial management risk rating is *moderate*. An assessment of LGED, DPHE, and the *pourashavas* indicated that, with support of a dedicated financial management consultant in the project management unit (PMU) and a dedicated accountant in each project implementation unit (PIU), financial management capabilities and implementation support will be adequately strengthened.<sup>38</sup> The procurement risk assessment rating is *low*.<sup>39</sup> The LGED has experience in procuring goods, works, and consulting services in accordance with ADB procedures and requirements. The PMU and loan-funded specialists will support the PIUs in preparing and evaluating bid documents. This will be supplemented by regular training on procurement and accounting for the PIUs and other staff. Other measures to ensure transparency include the presentation of procurement information at public meetings to supplement online disclosure.

25. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government. The specific policy requirements and supplementary measures are described in the PAM (footnote 30).

### D. Poverty and Social

26. Men and women, including the poor living in the *pourashavas*, will benefit from the overall project, which is classified as having a *gender equity theme*.<sup>40</sup> The project will enhance inclusiveness of poor and marginalized groups in municipal decision making by (i) ensuring their sufficient representation on town coordination and ward committees; (ii) having each *pourashava* prepare a PRAP and GAP;<sup>41</sup> (iii) forming poverty-reduction and slum-improvement committees; (iv) improving infrastructure and basic services in slums; and (v) upgrading health, hygiene, and the environment through a targeted project awareness-raising program. The design of infrastructure improvements will consider women's needs. Women's decision-making capacity and the focus of services and infrastructure on women will be enhanced. Implementation of PRAPs and GAPS, including the *pourashavas'* budget allocation, will be monitored. With the additional financing, the GAP activities in *pourashavas* that are included under the current project will be continued, and the five new *pourashavas* will follow the same gender design as under the current project. Adequate resources are allocated for implementation and monitoring.

---

<sup>37</sup> ADB reserves the right to investigate, directly, or through its agents, any alleged corrupt, fraudulent, collusive, or coercive practices relating to the project.

<sup>38</sup> Financial Management Assessment (accessible from the list of linked documents in Appendix 2).

<sup>39</sup> Procurement Risk Assessment (accessible from the list of linked documents in Appendix 2).

<sup>40</sup> Summary Poverty Reduction and Social Strategy (accessible from the list of linked documents in Appendix 2).

<sup>41</sup> Gender Action Plan (accessible from the list of linked documents in Appendix 2).

## E. Safeguards

27. **Safeguards compliance.** The current project's compliance with the safeguard requirements has been satisfactory and risks have been well-managed.<sup>42</sup> A project-specific grievance redress mechanism has been established and is functional. A corrective action plan was prepared and is being implemented for one reported complaint.

28. **Environmental and social safeguards.** The project remains category B for the environment and involuntary resettlement, and category C for indigenous peoples. The additional financing will have no significant impacts on environment, involuntary resettlement, and indigenous peoples, as subprojects with significant impacts will be excluded in accordance with subproject selection criteria.<sup>43</sup> The environmental assessment and review framework, resettlement framework, and indigenous peoples planning framework of the current project were updated.<sup>44</sup> Five draft initial environmental examinations, prepared for representative sample subprojects, confirmed no significant environmental impacts.<sup>45</sup> Subprojects are generally small, sites are outside sensitive areas, and any impact during construction and operation can be avoided or mitigated through proper design, high-quality construction, and O&M practices. Initial environmental examinations will be part of the bidding and contract documents. No permanent involuntary land acquisition or physical displacement is identified for sample subprojects in two *pourashavas*.<sup>46</sup> Four acres of land from five landowners will be obtained through negotiated settlement.<sup>47</sup> For the sample road and drainage subprojects, 53 shop owners and/or households are expected to temporarily lose access to government lands for economic activities or residence. No impacts on indigenous people's communities were identified in the sample towns, and beneficiaries' population is completely urban. Due diligence report for a sample solid waste subproject confirmed the absence of involuntary resettlement and indigenous peoples impacts.<sup>48</sup>

## F. Risks and Mitigating Measures

29. The overall risk assessment is *moderate*. Major risks and mitigating measures are summarized in Table 4 and described in detail in the risk assessment and risk management plan.<sup>49</sup> Intended benefits are expected to outweigh costs.

---

<sup>42</sup> The current project's PMU and PIUs have developed institutional capacity to implement and monitor safeguards; PMU safeguard managers are in place and supported by loan-funded specialists.

<sup>43</sup> Potential safeguard category A subprojects with significant safeguard impacts will be excluded.

<sup>44</sup> Environmental Assessment and Review Framework, Resettlement Framework, and Indigenous Peoples Planning Framework (accessible from the list of linked documents in Appendix 2).

<sup>45</sup> Initial Environmental Examination (IEE): Faridpur Water Supply; IEE: Mymensingh Solid Waste Management; IEE: Gopalganj Roads; IEE: Cox's Bazar Drainage; and IEE: Kushtia Sanitation (accessible from the list of linked documents in Appendix 2).

<sup>46</sup> Resettlement Plan: Mymensingh Roads and Drains and Resettlement Plan: Cox's Bazar Roads and Drains (accessible from the list of linked documents in Appendix 2), prepared in consultation with affected people, are appropriate to the identified potential impacts. Involuntary resettlement impacts were assessed per ADB. 2013. Safeguard Policy Statement. *Operations Manual*. OM F1/OP. Manila (para 22).

<sup>47</sup> In accordance with ADB's Safeguard Policy Statement (2009) Safeguard Requirement II, negotiated settlements will offer adequate and fair prices for land and/or other assets. An independent external party will be engaged by the borrower to document the negotiated settlement processes and ensure that the land sellers have access to information on fair market price. ADB's requirements for third party validation, mechanisms for calculating the replacement costs of land and other assets affected, and record-keeping requirements will be met.

<sup>48</sup> Due Diligence Report: Cox's Bazar Solid Waste Management (accessible from the list of linked documents in Appendix 2).

<sup>49</sup> Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

**Table 4: Summary of Risks and Mitigating Measures**

<b>Risks</b>	<b>Mitigating Measures</b>
Prolonged process for land acquisition will delay implementation.	For subprojects requiring land acquisition, the <i>pourashavas</i> have taken advanced action, which will be closely monitored by the project management unit and the Asian Development Bank. Land acquisition for solid waste management subprojects has started and is at an advanced stage for most of the <i>pourashavas</i> .
Solid waste is not properly segregated, leading to less resource recovery and shortened service life of final disposal (landfill) sites.	Awareness-raising programs supported by consultants will aim to change citizens' attitudes in order to start segregating waste. Collection, transportation, and management of solid waste are a criterion under UGIAP, requiring <i>pourashavas</i> to improve performance.
Budget allocation is insufficient to meet the increased demand for operation and maintenance of facilities built by the project	Under UGIAP, the <i>pourashavas</i> are required to improve property tax collection efficiency and increase collection of indirect taxes, fees, rentals, and lease charges annually. Preparation of <i>pourashava</i> operation and maintenance plans, including budget provision, is required. Consultants will provide support in achieving UGIAP criteria, and raising public awareness for payment of taxes and other charges. <i>Pourashavas</i> will be encouraged to consider service outsourcing for better management of revenue-generating facilities.

UGIAP = Urban Governance Improvement Action Program.

Source: Asian Development Bank.

#### IV. ASSURANCES

30. The government has assured ADB that implementation of the additional financing shall conform to all applicable ADB policies, including those concerning anticorruption measures, safeguards, gender, procurement, consulting services, and disbursement as described in detail in the PAM (footnote 30) and loan documents. The government has agreed with ADB on certain covenants for the additional financing, which are set forth in the loan agreements.

#### V. RECOMMENDATION

31. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Asian Development Bank (ADB) and, acting in the absence of the President, under the provisions of Article 35.1 of the Articles of Agreement of ADB, I recommend that the Board approve

- (i) the loan of \$100,000,000 to the People's Republic of Bangladesh for the additional financing of the Third Urban Governance and Infrastructure Improvement (Sector) Project, from ADB's ordinary capital resources, in regular terms, with interest to be determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility; for a term of 25 years, including a grace period of 5 years; and such other terms and conditions as are substantially in accordance with those set forth in the draft loan agreement presented to the Board; and
- (ii) the loan of \$100,000,000 to the People's Republic of Bangladesh for the additional financing of the Third Urban Governance and Infrastructure Improvement (Sector) Project, from ADB's ordinary capital resources, in concessional terms, with an interest charge at the rate of 2% per year during the grace period and thereafter; for a term of 25 years, including a grace period of 5 years; and such other terms and conditions as are substantially in accordance with those set forth in the draft loan agreement presented to the Board.

Stephen P. Groff  
Vice-President

10 July 2017

## REVISED DESIGN AND MONITORING FRAMEWORK

<b>Impact the Project is Aligned with</b>			
<b>Current project:</b> Improved living environment in project towns <sup>a</sup>			
<b>Overall project:</b> Urban living conditions improved (Seventh Five-Year Plan) <sup>b</sup>			
<b>Results Chain</b>	<b>Performance Indicators with Targets and Baselines<sup>c</sup></b>	<b>Data Sources and Reporting Mechanisms</b>	<b>Risks</b>
<p><b>Outcome</b>  <b>Current project</b>  Improved municipal service delivery and urban governance in project towns<sup>a</sup></p> <p><b>Overall project</b>  Municipal service delivery and urban governance in project towns<sup>a</sup> improved</p>	<p><b>Current project</b>  By 2020:</p> <ol style="list-style-type: none"> <li>40,000 households have new or improved access to piped water supply.</li> <li>40,000 households have improved solid waste collection services (at least twice a week).</li> <li>85% holding tax collection efficiency achieved in 25 towns (Baseline: 5 towns).</li> <li><i>Pourashava</i>-specific GAPs have at least 1% municipal revenue budget earmarked for implementation, of which 50% spent (Target: 20 towns; Baseline: 5 towns).</li> </ol> <p><b>Overall project</b>  By 2021:</p> <ol style="list-style-type: none"> <li>60,000 households have new or improved access to piped water supply (Baseline: Not applicable).</li> <li>60,000 households have improved solid waste collection services, at least twice a week (Baseline: Not applicable).</li> <li>85% holding tax collection efficiency achieved in 29 project towns (Baseline: 5 project towns).</li> <li><i>Pourashava</i>-specific GAPs have at least 1% municipal revenue budget earmarked for implementation, of which 50% spent, in 23 project towns (Baseline: 5 project towns).</li> </ol>	<p><b>For all indicators:</b>  Project-specific monitoring and evaluation survey (reports issued by <i>pourashavas</i> and LGED)</p>	<p>Losing momentum for improvement because of change in <i>pourashava</i> leadership</p> <p>Budget allocation is insufficient to meet the increased demand for O&amp;M of facilities built.</p>
<p><b>Outputs</b>  <b>Output 1</b>  <b>Current project</b>  Municipal infrastructure improved and made gender and climate responsive</p>	<p><b>Current project</b>  By 2020:</p> <ol style="list-style-type: none"> <li>300 km of roads improved or rehabilitated.</li> <li>120 km of drains built or improved.</li> <li>120 km of pipes installed or upgraded for water supply with 40,000 individual meters.</li> <li>Slum improvement subprojects completed in all project towns that have slums.</li> <li>Sludge management facilities built in 10 towns.</li> <li>Final solid waste disposal sites built or improved in 15 towns (total capacity 150 tons/day).</li> <li>Climate issues considered in designing 80% of subprojects and incorporated, if found necessary.</li> <li>Approximately 10,000 tons of carbon dioxide emission reduced.<sup>d</sup></li> </ol>	<p>1a.–1h.  Annual reports issued by <i>pourashavas</i> and LGED.</p>	<p>Timely acquisition of required land</p>
<p><b>Overall project</b>  Unchanged</p>	<p><b>Overall project</b>  By 2021:</p> <ol style="list-style-type: none"> <li>600 km of roads improved or rehabilitated (Baseline: 0).</li> </ol>	<p>Unchanged</p>	<p>Prolonged process for land acquisition</p>

Results Chain	Performance Indicators with Targets and Baselines <sup>c</sup>	Data Sources and Reporting Mechanisms	Risks
	1b. 300 km of drains built or improved (Baseline: 0). 1c. 180 km of pipes installed or upgraded for water supply with 60,000 individual meters (Baseline: 0). 1d. Unchanged 1e. Sludge management facilities built in 14 project towns (Baseline: 0). 1f. Solid waste disposal sites built or improved in 20 project towns (total capacity 200 tons/day) (Baseline: 0) 1g. Climate issues considered in designing 80% of subprojects and incorporated, if necessary (Baseline: Not applicable). 1h. About 15,000 tons per year of carbon dioxide emission reduced (Baseline: Not applicable). <sup>d</sup>		causes implementation delay.
<b>Output 2</b> <b>Current project</b> Improved capacity of <i>pourashavas</i> in urban service delivery, planning, and financial management	<b>Current project</b> For project towns under window A (except the last target): 2a. TLCCs (Target: At least 33% women) and WLCCs (Target: 40% women) formed in 30 towns by 2015 (Baseline: 5 towns).  2b. Urban master plans developed through gender-inclusive processes gazetted in 30 towns by 2017 <sup>e</sup> (Baseline: 0). 2c. WCA and PRSI standing committees operational in 30 towns by 2016 (Target: 40% women representation; Baseline: 0). 2d. PDP, GAP, and PRAP approved in 30 towns by 2017 (Baseline: 5 towns).  2e. Annual O&M plan approved and own budget allocated for implementation in 30 towns by 2017 (Baseline: 5 towns).  2f. Computerized tax records and billing system made functional in 30 towns by 2018 (Baseline: 18 towns). 2g. Top-performing <i>pourashavas</i> under window B awarded for subproject funding by LGD by 2017.	2a. Annual reports issued by <i>pourashavas</i> and LGED 2b. Gazetted urban master plans 2c. Annual reports issued by <i>pourashavas</i> 2d. Approved PDP, GAP, and PRAP 2e. Annual reports issued by <i>pourashavas</i> and LGED 2f. Annual reports issued by <i>pourashavas</i> 2g. Evaluation reports issued by LGD	Alternative funding sources become available, undermining the incentive mechanism of performance-based fund allocation.
<b>Overall project</b> Capacity of <i>pourashavas</i> in urban service delivery, planning, and financial management improved	<b>Overall project</b> For window A project towns (except target 2g): 2a. TLCCs (Target: At least 33% women) and ward committees (Target: 40% women) formed in 35 towns by 2017 (Baseline: 5 towns). 2b. Urban master plans developed through gender-inclusive processes gazetted in 35 towns by 2020 <sup>e</sup> (Baseline: 0). 2c. WCA and PRSI standing committees (with 40% women representation) operational in 35 towns by 2017 (Baseline: 0). 2d. PDP, GAP, and PRAP approved in 35 towns by 2017 (Baseline: Five towns).	Unchanged	Removed

Results Chain	Performance Indicators with Targets and Baselines <sup>e</sup>	Data Sources and Reporting Mechanisms	Risks
	<p>2e. Annual O&amp;M plan approved and own budget allocated for implementation in 35 towns by 2018 (Baseline: 5 towns).</p> <p>2f. Computerized tax records and billing system made functional in 35 towns by 2019 (Baseline: 18 towns).</p> <p>2g. Top-performing <i>pourashavas</i> under window B awarded subproject funding by LGD by 2018. (Baseline: Not applicable)</p>		
<p><b>Output 3</b>  <b>Current project</b>            Project management and administration system in place</p> <p><b>Overall project</b>            Removed<sup>f</sup></p>	<p>3a. PMU and PIUs established with core staff appointed by August 2014.</p> <p>3b. Quarterly progress reports and audit reports meet ADB requirements and submitted on time, beginning Q4 2014.</p> <p>3c. Project implemented on time and within budget.</p> <p>3d. All relevant staff oriented on gender and trained on collection and monitoring of sex-disaggregated data by 2016.</p>	<p>3a. Reports issued by LGED</p> <p>3b. Reports and audit reports issued by LGED and Foreign Aided Project Audit Directorate</p> <p>3c. Quarterly progress reports issued by LGED</p> <p>3d. Reports issued by LGED</p>	
<b>Key Activities with Milestones</b>			
<p><b>1. Municipal infrastructure improved and made gender and climate responsive</b></p> <p>1.1 Prepare phase 1 subprojects in first 10 project towns (Q4 2014) (completed).</p> <p>1.2 Procure works for phase 1 subprojects in all project towns that meet entry criteria (Q4 2015) (completed).</p> <p>1.3 Procure works for phase 2 subprojects in all project towns that meet intermediate criteria (Q3 2017) (changed).</p> <p>1.4 Procure works for phase 3 subprojects in all project towns that meet advanced criteria (Q3 2019) (changed).</p> <p>1.5 Procure works for towns receiving support under window B (2016–2018) (unchanged).</p> <p><b>2. Capacity of <i>pourashavas</i> in urban service delivery, planning, and financial management improved</b></p> <p>2.1 Conduct performance assessments (Q3 2014: entry criteria; Q3 2016: intermediate criteria; Q1 2019: advanced criteria) (changed).</p> <p>2.2 Conduct performance assessments under window B (Q3 2016, Q3 2017) (changed).</p> <p>2.3 Provide governance improvement and capacity building support to project towns (until 2021) (changed).</p> <p><b>Project Management Activities</b></p> <p>(i) PMU and PIUs established with core staff appointed. Loan consultants for current project mobilized.</p> <p>(ii) New loan consultants mobilized by Q3 2017.</p> <p>(iii) Project performance management system considering poverty, gender, and social development issues developed.</p> <p>(iv) Quarterly progress reports and audit reports meet ADB requirements and submitted on time.</p> <p>(v) All relevant staff oriented on gender and trained on collection and monitoring of sex-disaggregated data.</p> <p>(vi) Project management and monitoring including training undertaken</p>			
<b>Inputs<sup>f</sup></b>			
<b>Asian Development Bank</b>			
<b>Ordinary capital resources (regular loan)</b>		<b>Ordinary capital resources (concessional loan)</b>	
\$0.0 (current)		\$125.0 (current)	
\$100.0 (additional)		\$100.0 (additional)	
\$100.0 (overall)		\$225.0 (overall)	
<b>Government of Bangladesh<sup>h</sup></b>			
\$71.0 (current)			
\$68.1 (additional)			
\$139.1 (overall)			

Results Chain	Performance Indicators with Targets and Baselines <sup>c</sup>	Data Sources and Reporting Mechanisms	Risks
<b>Assumptions for Partner Financing:</b> <b>Current Project</b> OPEC Fund for International Development: \$40 million <b>Overall Project</b> Unchanged			

ADB = Asian Development Bank, GAP = gender action plan, km = kilometer, LGD = Local Government Division, LGED = Local Government Engineering Department, O&M = operation and maintenance, PDP = *pourashava* development plan, PIU = project implementation unit, PMU = project management unit, PRAP = poverty reduction action plan, PRSI = poverty reduction and slum improvement, Q = quarter, TLCC = town-level coordination committee, WCA = women and children affairs, WLCC = ward-level coordination committee.

<sup>a</sup> "Project towns" refers to preselected *pourashavas* under window A.

<sup>b</sup> Government of Bangladesh. 2015. *Seventh Five-Year Plan FY2016–FY2020: Accelerating Growth, Empowering Citizens*. Dhaka.

<sup>c</sup> All baseline data is as of early 2014.

<sup>d</sup> This target is indicative; assumptions are detailed in the Project Administration Manual (accessible from the list of linked documents in Appendix 2).

<sup>e</sup> Gender-inclusive processes will be ensured in 15 project towns where the current project will prepare master plans.

<sup>f</sup> In accordance with ADB. 2015. *Updated Design and Monitoring Framework Guidelines*. Manila, output 3 of the design and monitoring framework for current project is now included under Key Activities with Milestones.

<sup>g</sup> Reports issued by the Implementation Monitoring and Evaluation Division will also be used when available.

<sup>h</sup> Under the current project, of \$71 million in government contributions, \$2.1 million are from *pourashavas*; for additional financing, the government will discuss and agree on a share with *pourashavas* based on finalized subprojects cost.

Source: Asian Development Bank estimates.

**LIST OF LINKED DOCUMENTS**

<http://www.adb.org/Documents/RRPs/?id=39295-038-3>

1. Loan Agreement: Ordinary Operations (Concessional)
2. Loan Agreement: Ordinary Operations
3. Sector Assessment (Summary): Water and Other Urban Infrastructure and Services
4. Project Administration Manual
5. Summary of Project Performance
6. Contribution to the ADB Results Framework
7. Development Coordination
8. Financial Analysis
9. Economic Analysis
10. Country Economic Indicators
11. Summary Poverty Reduction and Social Strategy
12. Gender Action Plan
13. Initial Environmental Examination: Faridpur Water Supply Subproject
14. Initial Environmental Examination: Mymensingh Solid Waste Management Subproject
15. Initial Environmental Examination: Gopalganj Roads Subproject
16. Initial Environmental Examination: Cox's Bazar Drainage Subproject
17. Initial Environmental Examination: Kushtia Sanitation Subproject
18. Environmental Assessment and Review Framework
19. Resettlement Plan: Mymensingh Roads and Drains
20. Resettlement Plan: Cox's Bazar Roads and Drains
21. Resettlement Framework
22. Indigenous Peoples Planning Framework
23. Risk Assessment and Risk Management Plan

**Supplementary Documents**

24. Financial Management Assessment
25. Project Climate Risk Assessment and Management Reporting
26. Due Diligence Report: Cox's Bazar Solid Waste Management
27. Sector Development Plan
28. Procurement Risk Assessment