



Progress Report on Tranche Release

Project Number: 39305
Loan Number: 2554
November 2012

Bangladesh: Urban Public and Environmental Health Sector Development Program (Third Tranche)

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 12 November 2012)

Currency unit	–	taka (Tk)
Tk1.00	=	\$81.575
\$1.00	=	Tk0.5044

ABBREVIATIONS

3R	–	reduce, reuse, and recycle
ADB	–	Asian Development Bank
LGD	–	Local Government Division
MOEF	–	Ministry of Environment and Forestry
MOPA	–	Ministry of Public Administration
NUPEHC	–	National Urban Public Environmental Health Committee
TWG	–	technical working group
UPEH	–	urban public and environmental health
UPEHSDP	–	Urban Public and Environmental Health Sector Development Program

GLOSSARY

<i>pourashavas</i>	–	Secondary towns
--------------------	---	-----------------

NOTE

- (i) The fiscal year (FY) of the Government of Bangladesh ends on 30 June. FY before a calendar year denotes the year in which the fiscal year ends, e.g., FY2012 ends on 30 June 2012.
- (ii) In this report, "\$" refers to US dollars.

Vice-President	X. Zhao, Operations 1
Director General	Juan Miranda, South Asia Department (SARD)
Director	Fei Yue, Urban Development and Water Division, SARD
Team leader	Ron Slangen, Urban Development Specialist, SARD
Team members	Jogendra Ghimire, Counsel, Office of General Counsel Elma Morsheda, Project Officer (Urban Infrastructure), Bangladesh Resident Mission (BRM), SARD

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.

TABLE OF CONTENTS

	Page
I. INTRODUCTION	1
II. BACKGROUND	2
III. STATUS OF THIRD TRANCHE RELEASE POLICY ACTIONS	2
A. Strengthen Institutional Arrangements	3
B. Improve Financial Sustainability	4
C. Improve Urban Public and Environmental Health Service Delivery	5
D. Strengthen Governance and Management	7
IV. PROGRESS OF PROGRAM IMPLEMENTATION	8
V. CONCLUSION	8
VI. RECOMMENDATION	9
 APPENDIXES	
1. Summary of First and Second Tranche Release Conditions	10
2. Status of Policy Actions Not Related to Tranche Releases	13

I. INTRODUCTION

1. On 28 September 2009, the Asian Development Bank (ADB) approved a program loan, a project loan, and a technical assistance (TA) grant to the Government of Bangladesh for the Urban Public and Environmental Health Sector Development Program (UPEHSDP).¹ The program loan was for SDR44,895,000 (equivalent to \$70 million). The project loan was for SDR38,482,000 (equivalent to \$60 million). Both loans were financed by the Asian Development Fund. The loan agreements were signed on 14 October 2009 and became effective on 6 May 2010. Both the program and the project are to be completed on 31 December 2016.

2. The program loan aimed at sustainable provision and operation of improved urban public and environmental health (UPEH) services in urban areas, including its *pourashavas* (secondary towns) and six city corporations (Barisal, Chittagong, Dhaka, Khulna, Rajshahi, and Sylhet). These reforms include: (i) strengthening institutional arrangements; (ii) improving financial sustainability; (iii) improving UPEH service delivery; and (iv) strengthening governance and management. The sector reforms were based on the development policy letter and policy matrix sent by the government to ADB during program preparation in 2009 (Appendix 4 of the RRP, footnote 1), and outlined relevant actions and indicators during program implementation. Policy measures are expected to generate cost savings of \$326 million through higher cost recovery by local governments, lower subsidies from the national government, and the promotion of efficient resource use by involving the private sector in services. Investments under the project loan are intended to complement sector reforms by improving access to and use of effective, efficient, and sustainable urban waste management (solid and medical waste) and food safety systems.²

3. The program loan was made available for withdrawal in three tranches equivalent to \$30 million, \$20 million, and \$20 million. The first tranche was released in September 2010 upon compliance with all first tranche conditions, and the second tranche was released in December 2011 upon compliance with all second tranche conditions. The third tranche is expected to be released before 31 December 2013. All first and second tranche conditions remain complied with (Appendix 1).

4. The government has asked ADB to advance the release of the third tranche from December 2013 to December 2012 to ensure the main development objectives planned under its FY2013 development program are completed in the face of persistent global economic challenges.³ Despite the request for early release, the implementation of the reform program is on track. ADB and the Local Government Division (LGD), which is the executing agency for UPEHSDP under the Ministry of Local Government and Rural Cooperatives, have been regularly discussing the policy reforms through joint program review missions, tripartite review meetings, monthly video conferences, and regular communications since May 2010. The government has made steady progress in complying with all tranche release and non-release conditions (Appendix 2). Of 10 third tranche release conditions, 7 have been fully complied with and 1 substantially complied with (Table). Two conditions have been partially complied with, requiring waivers. These waivers are needed for two reasons. Due to its requested

¹ ADB. 2009. *Report and Recommendation of the President (RRP) to the Board of Directors: Bangladesh Urban Public and Environmental Health Sector Development Program*. Manila.

² The investments under the project loan include the following: (i) integrated waste management facilities (sanitary landfills, medical waste treatment, and composting); (ii) modern slaughterhouses; and (iii) food laboratories.

³ Priorities of the government's FY2013 development program include spending on infrastructure and the social sector, while ensuring adequate resources to support social safety net and poverty reduction programs.

advancement of the third tranche release, the government will need more time to obtain the necessary approvals to establish a new urban unit within the LGD as per the condition (para. 8). Constraints in the FY2013 budget will limit LGD's ability to allocate the agreed amount (para. 12) to the performance-based grant mechanism for release to city corporations. The request for two waivers is reasonable considering the government has taken clear positive steps (paras. 9 and 13) to fulfill these conditions within the program period and has thus demonstrated a strong commitment to achieving the program objectives. The early release of the third tranche in December 2012 is justified, based on the program's good overall progress, full or substantial compliance with most third tranche release conditions, and the government's demonstrated commitment to fulfilling all conditions and objectives of the UPEHSDP within the program period. ADB will continue to closely monitor all program activities.

II. BACKGROUND

5. The urban population of Bangladesh is forecast to rise to nearly 110 million by 2035, when it will make up more than half of the country's people. Although rapid urbanization is an important contributor to economic growth, it creates severe overcrowding and places enormous strains on already inadequate services, including solid and medical waste management, primary health care, and food and safe water. The result is severe degradation of public and environmental health in cities and towns, particularly for the urban poor, who accounted for 21.3% of country's population in FY2010. About one-fifth of the disease in Bangladesh can be associated with environmental factors. Two of the top three causes of death and sickness, particularly among poor children, arise from poor environmental conditions—respiratory illnesses, including respiratory tract infection (pneumonia) and bronchial asthma; and diarrheal diseases.⁴ Public policy must therefore place a high priority on strengthening institutional capacity and empowering local governments to improve the stewardship of the urban environment.

6. The LGD and local governments, including the city corporations, play a major role in delivering UPEH services. The reforms under the program will strengthen the institutional and financial capacity of these institutions, as well as improve local governance. This will help the government meet their goals of ensuring the delivery of reliable and affordable services, and protecting public and environmental health.

III. STATUS OF THIRD TRANCHE RELEASE POLICY ACTIONS

7. The UPEHSDP policy matrix identifies 21 policy actions to be achieved under the third tranche. Of these, 10 are required conditions for the third tranche release and 11 are non-release policy actions (Appendix 2). The table summarizes the status of compliance with the third tranche release conditions, which are discussed in paras. 8–19. Additional details on second and third tranche policy actions are in Appendix 1.

Third Tranche Policy Actions

No.	Conditions in Loan Agreement for Release of Third Tranche	Status of Compliance
A.	Strengthen Institutional Arrangements	
1	Establish program support unit for UPEH in LGD. The MOE (now the Ministry of Public Administration), with the concurrence of the MOF, shall have issued	Partially complied with

⁴ World Bank. 2006. Bangladesh Country Environmental Analysis. *Bangladesh Development Series*. No. 12. Washington, DC.

No.	Conditions in Loan Agreement for Release of Third Tranche	Status of Compliance
	orders for transferring core civil servant positions of the UPEHU from the development budget to the revenue budget. To be effective from FY2017.	
2	Improve interministerial coordination mechanism of UPEH. The NUPEHC shall have met at least once a year.	Complied with
B.	Improve Financial Sustainability	
3	Improve municipal finances. All 6 city corporations shall have collected at least 25% of the arrears of holding taxes (property, street lighting, and conservancy), at the end of FY2009.	Complied with
4	Introduce performance-based targeted grant mechanism. Upon approval by the MOF, the LGD shall have released performance-based grants for the city corporations and the <i>pourashavas</i> for UPEH. ^a	Partially complied with
C.	Improve Urban Public and Environmental Health Service Delivery	
5	Strengthen solid waste management. All city corporations shall have prepared action plans that are in accordance with the national waste reduce, reuse, and recycle strategy.	Complied with
6	Strengthen medical waste management. All city corporations shall have prepared medical waste management action plans, in accordance with LGD instructions.	Complied with
7	Strengthen food and water safety. At least one city corporation shall have issued civil works contracts for construction of sanitary slaughterhouses, in accordance with LGD guidelines.	Substantially complied with
8	Strengthen primary health care. All city corporations shall have deposited money equivalent to 1% of their FY2009 annual revenue income into the urban primary health care sustainability fund.	Complied with
D.	Strengthen Governance and Management	
9	Enable private sector participation in UPEH. At least 50% of all the city corporations shall have adopted private sector participation for any one of the aspects of UPEH.	Complied with
10	Enable citizen participation in delivery of UPEH. All city corporations shall have adopted guidelines on strengthening gender-responsive citizen participation in UPEH.	Complied with

3R = reduce, reuse, and recycle, FY= fiscal year, LGD = Local Government Division, MOE= Ministry of Establishment, MOF= Ministry of Finance, No. = number, NUPEHC= National Urban Public Environmental Health Committee, UPEH = Urban Public and Environmental Health, UPEHU = Urban Public and Environmental Health Unit.

^a ADB granted a waiver under the second tranche to exclude *pourashavas* from this program because the objectives of supporting the augmentation of block grants to *pourashavas* were being achieved under the separate ADB supported project Urban Governance and Infrastructure Improvement Project (UGIIP) (ADB. 2008. Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People's Republic of Bangladesh for the Urban Governance and Infrastructure Improvement Project. Manila).

Sources: ADB. 2009. *Report and Recommendation of the President to the Board of Directors: Bangladesh Urban Public and Environmental Health Sector Development Program*. Manila; ADB project review mission in October 2011.

A. Strengthen Institutional Arrangements

8. **Establish program support unit (partially complied with).** Rapid urbanization in Bangladesh requires an effective program support unit within the central government to ensure a well-coordinated approach by various stakeholder groups, including the departments of several government ministries, the private sector, and nongovernment organizations. No dedicated body has existed in the past to focus, coordinate, and harness the efforts of these groups on a sustained basis. The LGD is the central steward of all local government institutions, including the city corporations. Its tasks include (i) developing local governments; (ii) financing and regulating all authorities established for local governments; (iii) overseeing public health engineering; and (iv) developing rural water supply and water and sewerage services. The LGD

needs to dedicate staff specifically to the execution of each of these tasks on a permanent basis.

9. Under the second tranche, the LGD submitted a proposal to the Ministry of Public Administration (MOPA), which was formerly the Ministry of Establishment, for the transfer of nine core civil servants from the UPEHU to the proposed new unit. This unit was to be tasked with (i) ensuring smooth coordination between ministries working on urban development issues, (ii) providing adequate attention to public and environmental health issues, (iii) setting standards, and (iv) providing technical and financial support to the city corporations and *pourashavas*. The third tranche requires the transfer of core civil service staff of the UPEHU to the new unit under the FY2017 budget. However, given the importance of such a unit and the immediate need expressed by the government for its creation, the LGD revised its original proposal to the MOPA and committed 12 core civil servants to the unit under its budget for FY2013. The new unit is expected to be fully operational by 31 January 2013. The LGD's proposal would establish the unit well before the original agreed target date but the procedures for seeking approval from higher government authorities, including the prime minister's office, are lengthy. MOPA approved the creation of the new unit on 14 November 2012, and the approval from the Ministry of Finance (MOF) is pending, though, MOF has provided their agreement in principle on the LGD proposal. Upon approval of the prime minister's office, all officials will be posted and the unit made operational. This tranche release policy action has been partially complied with and a waiver from full compliance is being requested (para. 24).

10. **Improve mechanism for interministerial coordination (complied with).** Given the complexity of UPEH problems, several ministries need to take joint action and consolidate their efforts. LGD established the National Urban Public and Environmental Health Committee (NUPEHC) in April 2010 under the first tranche to address this issue. Under the second and third tranches, the NUPEHC is to meet once a year. The NUPEHC met for the second time on 16 September 2012 to fulfill the third tranche requirement. The meeting notice, list of attendees, and minutes of the meeting were submitted to ADB. This tranche release policy action is complied with.

B. Improve Financial Sustainability

11. **Improve municipal finances (complied with).** The resources allocated within the city corporations to ensure public and environmental health are inadequate. Most city corporations have weak financial positions and depend heavily on central government grants to meet their financial needs. Nearly two-thirds of total municipal revenues come from one source—property or holding taxes—but the full revenue potential from this source is not fully realized. This is due to (i) failure to conduct regular assessments, (ii) absence of internal auditing, (iii) poor financial reporting and monitoring, and (iv) a lack of computerized accounting systems. To meet their growing UPEH challenges, local governments need to make full use of all potential revenue sources. Consultants engaged under UPEHSDP are assisting city corporations improve their performance in these key areas of municipal finance. Under the program's second tranche, the Khulna and Barisal city corporations issued progress reports that showed the collection of at least 25% of the arrears of holding taxes (property, street lighting, and conservancy) at the end of FY2008. For the third tranche, all six city corporations issued progress reports stating that the same had been done at the end of FY2009. This tranche release policy action is complied with.

12. **Introduce performance-based targeted grant mechanism (partially complied with).** The LGD uses block grants for general budgetary support for city corporations and *pourashavas* (footnote 5). Under the second tranche, a multi-stakeholder technical working group (TWG)

established by LGD, which included the Ministry of Finance, prepared and submitted recommendations to the LGD to mainstream performance-based targeted grant transfers to city corporations that would allocate more resources to UPEH. In addition to its regular grants, the LGD is required under the third tranche to release grants of not less than the equivalent of \$30 million for UPEH to those city corporations that fulfill performance criteria outlined by the TWG. The LGD is seeking a waiver for this third tranche release condition to allow it more time to fully comply. The LGD commits to fulfilling this condition within the program period (by December 2016).

13. The LGD is requesting the waiver for two reasons. First, it said that budget constraints within their Ministry of Local Government and Rural Cooperatives make it impossible to commit the agreed amount (equivalent to \$30 million) at one time. Nonetheless, to demonstrate its commitment to this policy action, LGD took a positive step and approved the equivalent of \$5 million, over and beyond their regular block grants, for city corporations under the performance-based grant mechanism in its FY2013 budget. The LGD has committed to progressively increase and release this amount until it reaches the \$30 million target by end of 2016. It has also agreed to institutionalize the performance-based grant mechanism as part of its annual budget allocation to city corporations over and above regular block grants. Secondly, the LGD said that the city corporations need more time to fulfill the performance criteria that were set out by the TWG in their 2011 recommendations under the second tranche. In making its recommendations, the TWG advised that the city corporations would need until 2015 to fully realize all the performance criteria, particularly those related to governance, financial accountability, urban planning, administrative transparency, and citizen awareness and participation.⁵ Consultants engaged under UPEHSDP are helping city corporations fulfill these performance criteria. ADB will continue to closely monitor implementation and progress. This tranche release policy action has been partially complied with and a waiver from full compliance of this action is requested (para. 24).

C. Improve Urban Public and Environmental Health Service Delivery

14. **Strengthen solid waste management (complied with).** On 28 December 2010, the Ministry of Environment and Forestry (MOEF) launched a new government reduce, reuse, and recycle (3R) waste strategy, thereby fulfilling a second tranche requirement.⁶ The national 3R strategy was developed in a series of consultation workshops and meetings by representatives of city corporations, municipalities, the LGD, and other stakeholders. Until then, Bangladesh had not had a national policy or guidelines for domestic, commercial, and industrial solid waste disposal. For the program's third tranche, the six city corporations have prepared and adopted action plans based on the 3R strategy. The plans include institutional changes through the creation of 3R cells in each city corporation; the planning and surveying of solid waste management; engaging in private sector participation to improve collection and disposal services; identifying revenue generation improvements through improved tax collection and fee systems; building awareness and behavior-changing programs to support improved 3R practices; and monitoring and evaluation. The actions will be undertaken in a phased manner. Consultations and workshops involving all relevant stakeholders were held during the preparation of the action plans. This tranche release policy action is complied with.

⁵ The performance-based grant mechanism was based on a successful scheme under the ADB-supported UGIIP project.

⁶ The national 3R goal is to eliminate waste disposal completely from open dumps, rivers, and flood plains by 2015 through mandatory segregation of waste at source, as well as to create a market for recycled products and provide incentives for recycling waste. The main objective of the 3R strategy is to delineate ways and means of achieving national 3R goals by providing uniform guidelines for all stakeholders.

15. **Strengthen medical waste management (complied with).** Bangladesh generates about 36,000 tons of medical waste every year, including about 7,200 tons of hazardous material. Health care facilities do not properly segregate the collection of waste, and the equipment and materials available for the disposal of medical wastes are inadequate. This waste is frequently dumped in dustbins in and outside hospitals or on the ground within the hospital premises, where it then becomes public waste. Under the medical waste management and processing rules of the Bangladesh Environment Conservation Act, 1995, city corporations and *pourashavas* are responsible for the transport of general waste, treatment of hazardous waste, and provision of land for the proper final disposal of medical waste. City corporations and *pourashavas* are required under the Act to make provisions for collection, transportation, and proper disposal of medical waste; set fees; and adopt supporting bylaws to enforce the medical waste management and processing rules. Under the second tranche, a multi-stakeholder TWG established by LGD, which included the Ministry of Health and Family Welfare, prepared instructions for implementation of the rules, which the LGD issued to city corporations in November 2011. For the third tranche, the city corporations have prepared and adopted action plans based on these instructions. The plans include institutional changes through the formation of medical waste committees in each city corporation, capacity building for hospital staff, introduction of private sector participation, revision of fee systems, planning and surveying of medical wastes, and monitoring and evaluation. The actions will be undertaken in a phased manner. Consultations and workshops involving all stakeholders were held during the preparation of the action plans. This tranche release policy action is complied with.

16. **Strengthen food and water safety (substantially complied with).** Unhygienic methods of animal slaughter, handling, and transport are significant problems in all city corporations and *pourashavas* putting food safety highly at risk. Animals are slaughtered in the open next to wet markets or on the roadside in areas without proper facilities, sanitation, or drainage. Meat production and marketing are not organized and conducted in scattered places in the city without municipal control, supervision, or veterinary inspection of live animals or carcasses. City corporations need to organize, supervise, and control the slaughtering of animals, the production of meat and meat products, and the use and processing of byproducts. Under the second tranche, a multi-stakeholder TWG established by LGD, which included the Ministry of Food and Disaster Management, prepared and approved guidelines for sanitary slaughterhouses in city corporations and municipalities. The guidelines are in accordance with the Animal Slaughter (Restriction) and Meat Control Act, 1957 and incorporate measures for handling, recycling, treating, and disposing of liquid and solid slaughterhouse wastes. The LGD issued these guidelines to city corporations in November 2011. Under the third tranche civil works contracts are to be issued by at least one city corporation for the construction of a sanitary slaughterhouse in accordance with these guidelines. The procurement plan includes three turnkey civil works contracts for six slaughterhouses. LGD already submitted to ADB one draft bidding documents on 4 November 2012 for two slaughterhouses (Chittagong and Rajshahi) in accordance with the sanitary slaughterhouse guidelines. The LGD explained the reason for delay was the significant start-up delay (2.5 years) in recruiting the detailed design and supervision consultants under the loan which subsequently delayed preparation of the bidding documents.⁷ The LGD sought agreement from ADB that it had substantially complied with this condition because it commits to issuing the invitation for bidding after incorporating ADB's comments. This tranche release policy action is substantially complied with.

⁷ The advertisement for expressions of interest for the detailed design and supervision consultant services package was advertised on 7 September 2009, and the consultants were mobilized on 15 February 2012.

17. **Strengthen primary health care (complied with).** Bangladesh is one of the few countries in Asia with significant public investments in urban primary health care. This effort was supported, in part, through the ADB financed Urban Primary Health Care Project.⁸ However, public investments in urban primary health care need to be increased to meet rising demand. To support this objective, the government needs to slowly change its investment mode from a project to a program approach where municipal governments allocate part of their budgets to the provision of essential primary health care for very poor urban residents. Under the second tranche, the Chittagong and Dhaka city corporations deposited an amount equivalent to 1% of their FY2009 budget into their respective urban primary health care sustainability fund bank accounts. For the third tranche, the remaining city corporations issued progress reports that stated they had done the same. This tranche release policy action is complied with.

D. Strengthen Governance and Management

18. **Enable private sector participation (complied with).** Urban local governments have been unable to properly manage UPEH services effectively due to organizational, capacity, and fiscal constraints. This has negatively affected solid and medical solid waste management, primary health care, and food safety. To enable full private sector participation in UPEH, city corporations need to switch from their role of service provider to one of service facilitator. Acknowledging the need to scale up private sector participation, the prime minister's office issued policy and strategy guidelines on public-private partnerships in August 2010. These included guidelines for the solid waste management, environment, and health-related sectors. The LGD distributed the guidelines to city corporations in July 2011, with instructions on implementation for UPEH services. This fulfilled the second tranche condition. For the third tranche, at least 50% of all city corporations were to adopt private sector participation in any of the UPEH subsectors, including solid and medical waste management, food safety, or primary health care. Four city corporations submitted copies of service delivery contracts with the private sector to ADB. These contracts involve (i) medical waste disposal in Barisal, (ii) medical and solid waste disposal in Chittagong, (iii) primary health care service delivery in Dhaka, and (iv) medical and solid waste disposal in Khulna. The services have been contracted primarily to nongovernment organizations. In addition, the city corporations will award turnkey contracts with embedded UPEH service delivery features under the project loan in FY2013, as per the agreed procurement plan. This tranche release policy action is complied with.

19. **Enable citizen participation (complied with).** The program supports innovations to develop greater participation of citizens in the delivery of UPEH services by city corporations. Under the second tranche, a multi-stakeholder TWG established by LGD, which included the Ministry of Women and Child Affairs, approved guidelines for strengthening citizen participation with gender-responsive UPEH services. The LGD issued these guidelines to city corporations in November 2011. For the third tranche, each city corporation was required to adopt the guidelines. Each city corporation formally adopted the guidelines and implemented wide awareness campaigns to promote them as part of their commitment to strengthen governance and outreach to the poor and women. This tranche release policy action is complied with.

⁸ ADB.1996. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People's Republic of Bangladesh for the Urban Primary Health Care Project*. Manila.

IV. PROGRESS OF PROGRAM IMPLEMENTATION

20. The timely compliance with nearly all first, second, and third tranche release conditions reflects good progress toward achieving the UPEHSDP's objectives. Of the 30 tranche release conditions, 25 were fully complied with, 2 substantially complied with, and 3 partially complied with. Despite three waivers, the objectives of the UPEHSDP will be fulfilled within the scheduled implementation period. This demonstrates a strong government commitment to improving UPEH in city corporations.

21. All non-release policy actions are expected to be achieved by end of 2016, i.e., within the program implementation period (Appendix 2). Progress in achieving non-release policy actions improved considerably when UPEHSDP loan consultants were mobilized after a 2.5-year delay. The consultants under two consultancy packages were mobilized in the first half of 2012—package B (municipal finance and financial management consultants), and package C (detailed design consultants). Package B consultants are now working to improve the financial sustainability of city corporations by computerizing budgeting and accounting systems to improve the collection of holding taxes and cost recovery systems (para.11). Package A (program support consultants covered) were mobilized in November 2012. They will support institutional strengthening initiatives within city corporation health and conservancy departments. Model bylaws for food safety and waste management were approved by the LGD's technical working group in 2011 and will help city corporations develop their own bylaws to support regulation in these areas and promote behavior change aimed at improving urban public and environmental health. ADB will monitor the implementation of all non-release policy actions closely until program completion at the end of 2016.

V. CONCLUSION

22. The government has taken effective steps under the UPEHSDP to strengthen UPEH systems. Both the central government and city corporations are better positioned now to meet their goals of ensuring access to safe and affordable urban and environmental health services. Notable achievements include (i) a strengthened institutional arrangement in the LGD, with a permanent new unit and staff dedicated to addressing the urban challenges of the country; (ii) improvements in the financial standing and capacity of city corporations to collect overdue taxes; (iii) the commitment of additional financial resources by the central government to city corporations under the performance-based mechanism, which is linked to improved governance and municipal finance reforms; (iv) a new national 3R strategy with clear objectives, goals, and targets, as well as individual 3R and medical waste action plans in each city corporation; (v) the setting of guidelines for scaling up private sector participation in UPEH; and (vi) introduction of pro-poor guidelines that support gender equity. These achievements have strengthened the capacities of the LGD and the city corporations and have enabled them to implement their mandates in UPEH effectively and efficiently. These changes will lead to a better quality of life and greater productivity for urban residents, which, in turn, will contribute to sustainable economic growth in Bangladesh.

23. The multitranche design of the UPEHSDP allowed ADB to maintain a constant dialogue with the government. ADB will continue to do so during the rest of the program implementation period. The government's satisfactory performance and strong commitment so far provide confidence that the objectives of the UPEHSDP will be achieved and sustained beyond the program period. ADB will continue to closely monitor progress toward achieving all the program objectives.

VI. RECOMMENDATION

24. In view of the substantial progress made in the implementation of the Urban Public and Environmental Health Sector Development Program, as evidenced by the compliance with 7 tranche release conditions, substantial compliance with 1 tranche release condition, and partial compliance with 2 tranche release conditions, 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, on a no-objection basis:

- (i) the waiver of full compliance with two tranche release conditions, which have been partially complied with; and
- (ii) the release of the third tranche in the amount of SDR12,827,000 for the Urban Public and Environmental Health Sector Development Program.⁹

Bindu Lohani
Vice President

21 November 2012

⁹ As per the ADB's Operations Manual (Section D4/OP, page 5, para. 14) the tranche release will be effected not less than 10 working days after the progress report has been distributed to the Board (ADB. 2011. *Policy-Based Lending*. OM D4/OP. Manila).

SUMMARY OF FIRST AND SECOND TRANCHE RELEASE CONDITIONS

Focus of Reform	First Tranche Policy Actions and Indicators	Second Tranche Policy Actions and Indicators	Status
A. Strengthening Institutional Arrangements			
1. Establishing program support unit for UPEH in the LGD	<p>Action: LGD to establish the UPEHU under the SDP</p> <p>Indicator: Development project proforma for UPEHSDP approved by executive committee for National Economic Council</p>	<p>Action: LGD to submit proposal to the MOE and the MOF to transfer core civil servant positions^a of UPEHU from development budget to revenue budget</p> <p>Indicator: LGD prepares and submits to MOE and MOF detailed organogram with terms of reference and justification for transfer of core civil servants positions of UPEHU to revenue budget</p>	<p>Tranche 1: Complied with</p> <p>Tranche 2: Complied with</p>
2. Improving interministerial coordination mechanism of UPEH	<p>Action: LGD to establish interministerial NUPEHC.</p> <p>Indicator: Government order issued by LGD reconstituting urban primary health care coordination committee under the chairmanship of the minister of the MOLGRDC into NUPEHC by incorporating additional membership from the MOEF; the MOE; the MOWCA; the MOFDM; the MOI; the MOF; the Planning Commission; and the IMED</p>	<p>Action: NUPEHC to meet at least once a year</p> <p>Indicator: Minutes of NUPEHC meetings</p>	<p>Tranche 1: Complied with</p> <p>Tranche 2: Complied with</p>
B. Improving Financial Sustainability			
3. Improving municipal finances	<p>Action: LGD to instruct CCs to accelerate collection of outstanding holding taxes (property, street lighting, and conservancy).</p> <p>Indicator: Instructions issued by LGD</p>	<p>Action: At least 2 out of 6 CCs to collect at least 25% of holding taxes in arrears up to 2008</p> <p>Indicator: Progress reports issued by the CCs show that the projected collection of arrears in holding taxes has been achieved.</p>	<p>Tranche 1: Complied with</p> <p>Tranche 2: Complied with. Khulna and Barisal city corporations submitted progress reports showing that the projected collection of arrears in holding taxes had been achieved.</p>
4. Introducing performance-based targeted grant mechanism	<p>Action: The LGD to constitute TWG on performance-based targeted grant mechanisms for CCs</p> <p>Indicator: TWG on performance-based targeted grant mechanisms constituted by the</p>	<p>Action: TWG to submit to LGD recommendations on performance-based targeted grant mechanism</p> <p>Indicator: Recommendations for mainstreaming performance-based</p>	<p>Tranche 1: Complied with</p> <p>Tranche 2: Partially complied with (footnote 5 in main text).</p>

Focus of Reform	First Tranche Policy Actions and Indicators	Second Tranche Policy Actions and Indicators	Status
	LGD	targeted grant transfers to CCs and <i>pourashavas</i> submitted by TWG	
C. Improving Urban Public and Environmental Health Service Delivery			
5. Strengthening solid waste management	Action: MOEF, in coordination with the LGD, to constitute a TWG for strengthening solid waste management Indicator: TWG for solid waste management constituted by the MOEF, in coordination with the LGD	Action: The MOEF, in coordination with the LGD, to issue the national waste reduce, reuse, and recycle (3R) strategy Indicator: National waste reduce, reuse, and recycle (3R) strategy adopted by MOEF.	Tranche 1: Complied with. Tranche 2: Complied with
6. Strengthening medical waste management	Action: The MOEF to adopt the Medical Waste (Management and Processing) Rules under Environment Conservation Act, 1995 Indicator: Rules adopted by the MOEF	Action: The LGD, in coordination with the MOEF, to issue instructions to CCs for implementation of the Medical Waste (Management and Processing) Rules Indicator: Guidelines issued by the LGD	Tranche 1: Complied with Tranche 2: Complied with
7. Strengthening of Food and Water Safety	Action: LGD to constitute TWG for food safety and municipal bylaws relating to UPEH Indicator: TWG for food safety constituted by LGD	Action: The LGD to issue guidelines in accordance with the provisions of the Animal Slaughter (Restriction) and Meat Control Act, 1957 for sanitary slaughter of animals ^b Indicator: Guidelines for sanitary slaughterhouses issued by the LGD	Tranche 1: Complied with Tranche 2: Complied with
8. Strengthening PHC	Action: The LGD to issue orders establishing non-lapsable urban primary health care sustainability fund for all CCs. All CCs to open urban PHC sustainability fund bank accounts Indicator: Orders for establishing urban PHC sustainability fund issued and all CCs open urban PHC sustainability fund bank accounts.	Action: At least 2 of the CCs to deposit money equivalent to 1% of their 2009 annual revenue budget into the urban PHC sustainability fund Indicator: An amount equivalent of 1% of 2009 revenue income deposited by at least 2 CCs in the urban PHC sustainability fund	Tranche 1: Complied with Tranche 2: Complied with. Chittagong and Dhaka City Corporations deposited amounts equivalent of 1% 2009 revenue income into the PHC sustainability fund.
D. Strengthening Governance and Management			
9. Enabling PSP in UPEH	Action: TWG established to develop guidelines for PSP in UPEH. Indicator: The mandate for developing guidelines for PSP included in the TORs of	Action: LGD to issue guidelines for PSP in UPEH to CCs Indicator: Guidelines issued by LGD	Tranche 1: Complied with Tranche 2: Substantially complied with. The Prime Minister's Office issued the Policy and Strategy

Focus of Reform	First Tranche Policy Actions and Indicators	Second Tranche Policy Actions and Indicators	Status
	TWG		Guidelines on Public–Private Partnership on August 2010, which cover solid waste management and environmental and health-related sectors. The LGD distributed the Prime Minister's Office guidelines to city corporations with instructions on implementation for UPEH services in July 2011.
10. Enable citizen's participation in delivery of UPEH	Action: LGD to constitute TWG on pro-poor and gender-responsive targeting and citizen's participation in the CC's delivery of UPEH services. Indicator: TWG constituted by LGD	Action: LGD to issue guidelines on strengthening citizen's participation in UPEH that is gender-responsive Indicator: Guidelines on strengthening gender-responsive citizen's participation issued by LGD	Tranche 1: Complied with Tranche 2: Complied with

3R= reduce, reuse, and recycle, CC= city corporations, IMED= Implementation, Monitoring, and Evaluation Department, LGD= Local Government Division, MOE= Ministry of Establishment, MOEF= Ministry of Environment and Forestry, MOF= Ministry of Finance, MOFDM= Ministry of Food and Disaster Management, MOI= Ministry of Industry, MOLGRDC = Ministry of Local Government Rural Development and Cooperatives, MOWCA= Ministry of Women and Children Affairs, NUPEHC = National Urban Public and Environment Health Committee, PHC= primary health care, PSP=private sector participation, SDP= Sector Development Program, TOR= terms of reference, TWG= technical working group, UPEH=urban public and environmental health, UPEHU= urban public and environmental health unit.

^a The core civil servant positions include the following: one program director (at least joint secretary level), three deputy directors (at least deputy secretary level), and five assistant directors (at least senior assistant secretary level).

STATUS OF POLICY ACTIONS NOT RELATED TO TRANCHE RELEASES

Focus of Reform	First Tranche Policy Actions and Indicators	Second Tranche Policy Actions and Indicators	Third Tranche Policy Actions and Indicators	Status
A. Strengthen Institutional Arrangements				
1. Strengthening health and conservancy departments of all six CCs – Dhaka, Chittagong, Khulna, Rajshahi, Barisal, and Sylhet	<p>Action: The LGD to issue order to constitute a TWG for strengthening CCs health and conservancy departments.</p> <p>Indicator: Government order issue by LGD constituting TWG to strengthen CC health and conservancy departments</p>	<p>Action: TWG-to submit report with medium-term and long-term recommendations to the LGD for strengthening CC health and conservancy departments</p> <p>Indicator: Minutes of the proceedings, along with a copy of the final report of the TWG, submitted to LGD</p>	<p>Action :The LGD to implement the medium-term recommendations of the TWG for strengthening CC health and conservancy departments</p> <p>Indicator: Progress report on implementation of the recommendations of the TWG submitted by LGD</p>	<p>T1. Completed. TWG constituted by order on 27 June 2010.</p> <p>T2. Ongoing. Recruitment of package A (program support) consultants was delayed by 3 years. Package A consultants were mobilized in November 2012 and will provide technical support to the TWG in preparing recommendations for strengthening CC health and conservancy departments. The TWG to meet in December 2012 to agree upon the framework and preliminary recommendations. Policy action to be fulfilled by 31 March 2013. ADB to monitor closely.</p> <p>T3. Ongoing. Implementation to begin by 31 March 2013. Policy action to be fulfilled by 31 December 2013. ADB to monitor closely until end of 2016.</p>
B. Improve Financial Sustainability				
2. Improving municipal finances	<p>Action: The LGD to constitute TWG on strengthening municipal finances and PSP</p> <p>Indicator: TWG to strengthen</p>	<p>Action: The LGD to issue guidelines to CCs to update assessment of holding taxes and cost recovery for basic services</p>	<p>Action: At least 50% of all CCs to update assessment of holding taxes and enhance cost recovery, in accordance with the LGD guidelines</p>	<p>T1. Completed. TWG constituted by order on 27 June 2010.</p> <p>T2. Ongoing. Recruitment</p>

Focus of Reform	First Tranche Policy Actions and Indicators	Second Tranche Policy Actions and Indicators	Third Tranche Policy Actions and Indicators	Status
	municipal finances constituted by LGD	Indicator: Guidelines on improving holding taxes and cost recovery issued by LGD	Indicator: Progress reports on updating holding tax assessment and cost recovery submitted by CCs to LGD	<p>of package B (financial management and municipal finance consultants) was delayed by 2.5 years. Package B consultants mobilized in May 2012. The guidelines are planned for submission by 31 March 2013. The consultants are currently preparing background analysis for the preparation of the guidelines. Policy action to be fulfilled by 31 March 2013. ADB to monitor closely.</p> <p>T3. Ongoing. Implementation to begin by 31 March 2013. Policy action to be fulfilled by 31 December 2013. ADB to monitor closely until end of 2016.</p>
	<p>Action: TWG to develop guidelines for modernizing and computerizing financial management systems</p> <p>Indicator: The mandate for developing guidelines for modernizing and computerizing financial management systems included in TOR of TWG</p>	<p>Action: The LGD to issue guidelines to CCs to modernize and computerize the financial management systems</p> <p>Indicator: Guidelines on improving financial management systems issued by the LGD</p>	<p>Action: At least 50% of all CCs to initiate modernizing and computerizing of financial management systems, in accordance with the LGD guidelines</p> <p>Indicator: Progress reports on modernizing and computerizing financial management systems submitted by CCs to the LGD</p>	<p>T1. Completed. Mandate included in the TOR of TWG.</p> <p>T2. Ongoing. Recruitment of package B (financial management and municipal finance) consultants was delayed by 2.5 years. Package B consultants mobilized in May 2012. The guidelines are planned for submission by 31 March 2013. The consultants are currently preparing background analysis for preparation of the guidelines, in</p>

Focus of Reform	First Tranche Policy Actions and Indicators	Second Tranche Policy Actions and Indicators	Third Tranche Policy Actions and Indicators	Status
				consultation with the city corporations. Policy action to be fulfilled by 31 March 2013. ADB to monitor closely. T3. Ongoing. Implementation to begin by 31 March 2013. Policy action to be fulfilled by 31 December 2013. ADB to monitor closely until end of 2016
C. Improve Urban Public and Environmental Health Service Delivery				
3. Strengthening solid waste management	Action: TWG established to develop waste management standards and implementation guidelines Indicator: The mandate for development of waste management standards and implementation guidelines included in the TORs of TWG	Action: The MOEF, in coordination with the LGD, to issue solid waste management standards and implementation guidelines Indicator: SWM standards and implementation guidelines issued by MOEF in coordination with the LGD	Action: All CCs to adopt solid waste management standards and implementation guidelines Indicator: SWM standards and implementation guidelines adopted by CCs	T1. Completed. Mandate included in the TOR of TWG. T2. Ongoing. The MOEF, in consultation with the LGD prepared the SWM Rules, 2010 (i.e., legally enforceable standards). These were submitted to the MOL for approval. The MOL said that the MOEF and the LGD need to clarify institutional roles in preparing and implementing the rules prior to official issuance. While the central government sorts out these issues, the city corporations adopted 3R action plans in accordance the national 3R strategy for implementation. ADB to monitor closely. T3. Ongoing. The

Focus of Reform	First Tranche Policy Actions and Indicators	Second Tranche Policy Actions and Indicators	Third Tranche Policy Actions and Indicators	Status
				standards set forth by the solid waste management rules will be adopted by CCs once issued by the MOEF. ADB to monitor closely until end of 2016, as well as monitor the implementation of 3R action plans in each CC.
	<p>Action: The LGD to issue instructions to CCs to identify and reserve land for sanitary landfill facilities</p> <p>Indicator: Instructions issued to CCs by the LGD</p>	<p>Action: All the CCs to reserve land for sanitary landfill facilities</p> <p>Indicator: Land for sanitary landfill facilities reserved through government order by CCs</p>	<p>Action: At least 50% of the CCs award civil works contract for construction of sanitary landfill facilities</p> <p>Indicator: At least 3 CCs award civil works contract for construction of sanitary landfill facilities</p>	<p>T1. Ongoing. Package C (design supervision) consultants are advising CCs in identifying appropriate land for sanitary landfills</p> <p>T2. Ongoing. Lands identified in all five CCs where project is developing sanitary landfills. Government orders to come once consultants confirm land is suitable. To be fulfilled by 31 December 2012.</p> <p>T3. Ongoing. As per the revised procurement plan approved by ADB in September 2012, all civil works contracts for construction of sanitary landfill facilities will be awarded by 30 June 2012. ADB to closely monitor.</p>
4. Strengthening SWM	<p>Action: The LGD to issue instructions to CCs to identify and reserve land for safe disposal of medical wastes</p> <p>Indicator: Instructions issued</p>	<p>Action: All the CCs to reserve land for safe medical waste disposal</p> <p>Indicator: Land for medical waste treatment and disposal reserved</p>	<p>Action: At least 50% of the CCs to award civil works contracts for building of medical waste treatment and disposal facilities</p> <p>Indicator: At least 3 CCs award</p>	<p>T1. Ongoing. Package C (design supervision) consultants CCs in identification of appropriate land for medical waste facilities. These will be at</p>

Focus of Reform	First Tranche Policy Actions and Indicators	Second Tranche Policy Actions and Indicators	Third Tranche Policy Actions and Indicators	Status
	to CCs by LGD for identification of land for safe disposal of medical waste	by all CCs	civil works contract for construction of medical waste treatment and disposal facilities	<p>the same location as the landfills and part of an overall integrated waste facility.</p> <p>T2. Ongoing. Land selection is being finalized by the city corporations with technical advice from loan consultants for the integrated waste facilities, which include medical waste disposal and treatment.</p> <p>T3. Ongoing. To be done as per the procurement plan. All contracts to be issued within 2013. ADB to closely monitor.</p>
5. Strengthening of food and water safety	<p>Action: The NFSAC chaired, by the minister of the MOLGRDC, to hold its first meeting</p> <p>Indicator: Minutes of first meeting of NFSAC</p>	<p>Action: The NFSAC to meet at least once a year to review the implementation of Bangladesh NPAN relating to urban local bodies, among other matters</p> <p>Indicator: Minutes of the meeting</p>	<p>Action: The NFSAC to meet at least once a year</p> <p>Indicator: Minutes of meeting</p>	<p>T1. Completed. The NFSAC held its first meeting in February 2010.</p> <p>T2. Completed. The NFSAC held its second meeting in August 2010. Thereafter, the technical subcommittee on food safety policy and legal affairs, chaired by the secretary of the LGD, met in June 2011.</p> <p>T3. Ongoing. Next meeting is planned for 25 November 2012. ADB to monitor closely until end of 2016</p>
6. To ensure adequate planning in water safety	Action: The LGD to issue an order to CCs specifying the	Action: At least 50% of the CCs develop water safety plans	Action: At least 50% of the CCs develop water safety plans	T1. Ongoing. Water quality is tested regularly by

Focus of Reform	First Tranche Policy Actions and Indicators	Second Tranche Policy Actions and Indicators	Third Tranche Policy Actions and Indicators	Status
through regular water testing and feedback to providers to ensure safe water to the population.	<p>number of drinking water samples that are to be tested by the DPHE.</p> <p>Indicator: Orders regarding water samples to be tested issued by LGD</p>	Indicator: Water safety plans for at least 3 CCs developed	Indicator: Water safety plans for at least 3 CCs developed	<p>WASAs in Dhaka CC, Chittagong CC, Rajshahi CC, and Khulna CC, in accordance with their own guidelines, while SCC and BCC water quality is tested by DPHE. Surveillance in urban areas involves testing of both piped and non-piped water sources for microbial and chemical quality, sanitary inspections of facilities, and testing of household water. The information has been used in developing improvements undertaken by CCs to improve water quality. The number of water samples to be tested will be included in water safety plans developed by each CC.</p> <p>T2 & T3. Ongoing. The UPEHSDP project office is working closely with the WHO and DPHE in preparing water safety plans. A workshop on water safety plans targeting city corporations was held in Dhaka on 27 August 2012, sponsored by WHO with participation of UPEHSDP project office staff. Discussions with WHO and ADB staff were also held in August 2012. UPEHSDP project office staff to meet with WHO to lay out and agree on an</p>

Focus of Reform	First Tranche Policy Actions and Indicators	Second Tranche Policy Actions and Indicators	Third Tranche Policy Actions and Indicators	Status
				action plan by 31 December 2012. UPEH to provide training support to CCs in water safety planning once the plans are finalized. ADB to closely monitor this until end of 2016
7. Strengthening legal frameworks for UPEH	<p>Action: TWG established to also develop sample bylaws on food safety and disposal of solid waste and medical waste</p> <p>Indicator: The mandate for developing guidelines for preparing sample bylaws included in TORs of TWG.</p>	<p>Action: The LGD to provide sample bylaws to CCs on food safety, solid waste and medical waste disposal, and environmental health</p> <p>Indicator: Model bylaws circulated to CCs by LGD</p>	<p>Action: At least 50% of the CCs to enact the bylaws based on sample bylaws and relating to UPEH</p> <p>Indicator: At least 3 CCs enact bylaws relating to UPEH</p>	<p>T1. Completed. Mandate included in the TOR of TWG.</p> <p>T2. Ongoing. Under ADBTA, a legal expert drafted model bylaws on food safety and on solid waste and medical waste disposal. The TWG endorsed 2 of 3 model bylaws (medical waste and food safety) and plans to meet to discuss and agree on the SWM bylaw on 13 November 2012. The LGD to circulate the model bylaws to CCs by 6 December 2012. ADB to monitor closely.</p> <p>T3. Ongoing. To be done once the model bylaws are circulated to the CCs. At least 3 CCs to enact bylaws relating to UPEH by 31 March 2014. ADB to monitor closely until end of 2016.</p>
8. Improving pro-poor targeting that is gender responsive	Action: TWG established to develop guidelines on pro-poor targeting	Action: The LGD to issue guidelines to CCs on pro-poor targeting of urban basic services that is gender responsive	Action: All CCs to issue entitlement cards for urban basic services for the very poor and the poor	T1. Completed. Mandate included in the TOR of TWG

Focus of Reform	First Tranche Policy Actions and Indicators	Second Tranche Policy Actions and Indicators	Third Tranche Policy Actions and Indicators	Status
	Indicator: The mandate for developing guidelines for pro-poor targeting included in the TORs of TWG	Indicator: Guidelines issued by the LGD for identification of the very poor and the poor that is gender responsive	Indicator: All CCs to issue entitlement cards for the very poor and the poor	<p>T2. Completed. The guidelines prepared for strengthening citizen participation, which are gender responsive, included guidelines on pro-poor targeting of urban basic services. These were issued by the LGD in November 2011.</p> <p>T3. Completed. This is already achieved under the ADB-supported UPHCP, which provides cards to the very poor and the poor that entitle them to receive primary health care services. Those with entitlement cards are entitled to at least 30% free maternal and child health services.</p>
			<p>Action: All CCs to introduce maternal and child health care services for the very poor and the poor</p> <p>Indicator: Maternal and child health services for the very poor and the poor provided by the CCs</p>	<p>T3. Completed. This is already achieved under the ADB-supported UPHCP^a, under which the CCs provide maternal and child health services to the very poor and poor through NGO contracts at health clinics.</p>

3R = reduce, reuse, and recycle, ADB= Asian Development Bank, ADBTA= Asian Development Bank technical assistance, CC = city corporation, DPHE= Department of Public Health Engineering, LGD = Local Government Division, MOEF = Ministry of Environment and Forestry, MOL= Ministry of Law, MOLGRDC= Ministry of Local Government Rural Development and Cooperatives, NFSAC = National Food Safety Advisory Council, NPAN= National Plan of Action for Nutrition, PHED = Public Health Engineering Department, PSP= private sector participation, SWM = solid waste management, T= tranche, TOR= terms of reference, TWG = technical working group, UPEH = urban public and environmental health, UPEHSDP= Urban Public and Environmental Health Sector Development Program, UPHCP= Urban Primary Health Care Project, WASA= Water and Sanitation Authority, WHO= World Health Organization.

Sources: ADB. 2009. *Report and Recommendation of the President to the Board of Directors: Bangladesh Urban Public and Environmental Health Sector Development Program*. Manila; and ADB project review mission, October 2011.

^a ADB. 2005. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan and Asian Development Fund Grant to the People's Republic of Bangladesh for the Second Urban Primary Health Care Project*. Manila.