



## Project Design Advance

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## People's Republic of Bangladesh: City Region Development Project II

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Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 1 December 2016)

Currency unit	–	taka (Tk)
Tk1.00	=	\$0.01263
\$1.00	=	Tk79.1800

## ABBREVIATIONS

ADB	–	Asian Development Bank
PDA	–	project design advance
SDR	–	special drawing right
TA	–	technical assistance

## 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., FY2014 ends on 30 June 2014.
- (ii) In this report, "\$" refers to US dollars.

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## I. THE PROPOSED PROJECT

1. The City Region Development Project II will build upon the achievements and lessons learned from the first project<sup>1</sup> to promote inclusive and environmentally sustainable economic growth in two city regions along Bangladesh's Southwest Economic Corridor, which is one of the important economic corridors of Bangladesh.<sup>2</sup> Recognizing the economic potential of the Southwest Economic Corridor, the Government of Bangladesh has given high priority to develop the city regions of Dhaka and Khulna.<sup>3</sup>

2. The project will support infrastructure development and regional urban planning to stimulate urban development in Dhaka and Khulna. The project will support the priority infrastructure investments recommended in the Dhaka Structure Plan.<sup>4</sup> It will also develop the physical and spatial planning in city regions to maximize economic benefits. The project will support strengthening the (i) capacity of the Khulna Development Authority to develop a resilient urban plan involving efficient land use; (ii) transportation and/or road network within Dhaka and Khulna city regions; and (iii) coordination mechanisms of various agencies involved in delivering climate- and disaster-resilient, inclusive, and environmentally sensitive infrastructure and basic services in these two city regions. The project is expected to cost \$250 million, with \$200 million financed by ADB (\$50 million from ADB's Special Funds resources and \$150 million from ordinary capital resources), and \$50 million in counterpart funding.

3. The main challenge in city region development is that related projects are administered by multiple municipalities, resulting in a fragmented and suboptimal approach to infrastructure development and urban basic service provision. This approach has led to a loss of competitiveness and a weaker business climate. As commercial and industrial agglomerations expand beyond municipal boundaries, close coordination and concerted actions across administrative boundaries are required for effective regulation and systematic long-term development.

4. The project, which was originally named the City Region Economic Development Investment Program, is included in the Asian Development Bank (ADB) country operations business plan (COBP) for Bangladesh, 2017–2019<sup>5</sup> and is consistent with the government's 7th Five Year Plan, FY2016–FY2020<sup>6</sup> and ADB's country partnership strategy for Bangladesh, 2016–2020.<sup>7</sup> Learning from the start-up delay of the first and still ongoing project, the project team incorporated advance project preparation into this second project by using a project design advance (PDA), which is \$5 million equivalent from ADB's Special Funds resources. The PDA is also included in the COBP for Bangladesh, 2017–2019. The PDA is designed to facilitate readiness and minimize start-up delays by providing quick-disbursing resources to the

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<sup>1</sup> Asian Development Bank (ADB). 2010. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Technical Assistance Grants to the People's Republic of Bangladesh for the City Region Development Project*. Manila.

<sup>2</sup> ADB. 2015. *Towards a Comprehensive Integrated Multimodal Economic Corridor Network (CIMECON): Bangladesh*. Manila.

<sup>3</sup> Dhaka city region includes Dhaka North, Dhaka South, Gazipur and Narayanganj City Corporation, and Savar, Kaligonj and Tarabo Pourashava. Khulna city region includes Khulna City Corporation, and Nowapara and Mongla Pourashava.

<sup>4</sup> Government of Bangladesh, Ministry of Housing and Public Works, Rajdhani Unnayan Karttripakkha. 2015. *Dhaka Structure Plan, 2016–2035*. Dhaka.

<sup>5</sup> ADB. 2016. *Country Operations Business Plan: Bangladesh, 2017–2019*. Manila.

<sup>6</sup> Government of Bangladesh, Planning Commission, General Economics Division. 2015. *7th Five Year Plan, FY2016–FY2020: Accelerating Growth, Empowering Citizens*. Dhaka.

<sup>7</sup> ADB. 2016. *Country Partnership Strategy: Bangladesh, 2016–2020*. Manila.

project.<sup>8</sup> Project design and supervision consultants will be engaged through a PDA. The recruitment of the project design and supervision consultants has been completed and there is high readiness to approve the PDA. A consulting firm recruited under the Cities Development Initiative for Asia is doing a pre-feasibility study (i) involving sector assessment, and (ii) identifying infrastructure requirements for (i) improving the climate resilience of; and (ii) promoting planned economic growth in Gazipur (a city in Dhaka city region) and Khulna. A project preparatory technical assistance (TA) will be required to firm up the scope and prepare the project. The project preparatory TA will consider the outputs of the Cities Development Initiative for Asia's study during project preparation.

## **II. ACTIVITIES TO BE FINANCED BY THE PROJECT DESIGN ADVANCE**

5. A PDA loan of \$5 million equivalent from ADB's Special Funds resources will be provided to finance the consultancy services for (i) preparing and assessing the ensuing project; (ii) undertaking the detailed engineering design; cost estimates; and technical, financial, and economic analysis; (iii) conducting advance procurement actions, including preparing bidding documents for the ensuing project and supporting the bidding process until contract award; (iv) further undertaking an environmental and social safeguards assessment and preparing environmental and social safeguard planning documents for the ensuing project; and (v) assessing monitoring and evaluation systems, fiduciary systems, and other institutional and governance systems for the ensuing project.

6. The PDA will support consultant services, including advance consultant mobilization before loan signing. The PDA implementation period is expected to overlap with the project preparatory TA so that knowledge from the concept notes can be transferred to the detailed designs prepared under the PDA.

## **III. COST ESTIMATES AND FINANCING ARRANGEMENTS**

7. The PDA to be provided is in the form of a loan. A PDA of \$5 million equivalent from ADB's Special Funds resources will be provided to support project preparatory activities. The PDA will have an interest rate charged at 2% per annum; however, payment of interest will be deferred until the PDA is refinanced from the proceeds of the ensuing loan, or other repayment terms take effect in line with the PDA agreement. The PDA is expected to be repaid from the proceeds of the ensuing financing from the concessional ordinary capital resources on the refinancing date specified in the PDA agreement (30 March 2018). The PDA cost estimates are summarized in Table 1.

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<sup>8</sup> Advance project preparation includes the preparation of detailed designs and bidding documents as well as the formulation of proposals for institutional strengthening for more efficient delivery of infrastructure services.

**Table 1: Investment and Financing Plan for the Project Design Advance<sup>a</sup>**

Item	Cost <sup>b</sup> (\$ million)	ADB (\$ million)	Government <sup>e</sup> (\$ million)
<b>A. Base Cost<sup>c</sup></b>			
1. Consulting firm	4.40	4.40	0.00
2. Individual consultants	0.60	0.60	0.00
3. Project management staff and office expenses	0.60	0.00	0.60
<b>Subtotal (A)</b>	<b>5.60</b>	<b>5.00</b>	<b>0.60</b>
<b>B. Contingencies<sup>d</sup></b>	<b>0.30</b>	<b>0.00</b>	<b>0.30</b>
<b>Total (A+B)</b>	<b>5.90</b>	<b>5.00</b>	<b>0.90</b>

ADB = Asian Development Bank, PDA = project design advance.

<sup>a</sup> A PDA carries interest and commitment charges where applicable, and the payment of these charges is deferred until the PDA is repaid from the ensuing financing or other repayment terms take effect. Commitment charges are waived for 2 years from PDA signing. If the ensuing financing does not become effective within that period, commitment charges accrue thereafter.

<sup>b</sup> Includes taxes and duties of \$0.20 million to be financed from government resources.

<sup>c</sup> In 2016 prices.

<sup>d</sup> Covers administrative support, office accommodation, part of field transport and counterpart staff (mostly in-kind contribution), and taxes and duties.

Source: ADB estimates.

#### IV. IMPLEMENTATION ARRANGEMENTS

8. A consulting firm will work directly for the project management and coordination unit under the Local Government Engineering Department to support overall project management and coordination under the leadership of the project coordinator. Consultants engaged under the consulting firm—including a group of preparation, design, and supervision consultants, and another group of institutional development consultants—will assist the project management and coordination unit and project implementation units. Individual consultants will closely coordinate with these consultant groups for the effective implementation of the project.

9. The consultants are expected to have multidisciplinary expertise in (i) preparation and design of the project components; (ii) detailed design of project components; (iii) management, construction supervision, and administration of contracts following ADB's Procurement Guidelines (2015, as amended from time to time), particularly international procurement contracts; (iv) implementation and monitoring of ADB's safeguard policies and resettlement plan; (v) environmental and socioeconomic impact assessment; (vi) disaster risk-informed and climate-smart programming; and (vii) project performance monitoring of large projects. The implementation arrangements are summarized in Table 2 and described in detail in the PDA project administration manual.

**Table 2: Implementation Arrangements for Project Design Advance**

Aspects	Arrangements		
PDA implementation period	January 2017–December 2020		
Estimated PDA completion date	30 July 2020; refinancing date: 30 March 2018		
Management			
(i) Oversight body	Project steering committee Chair: secretary of the Local Government Division of the Ministry of Local Government, Rural Development and Cooperatives		
(ii) Executing agency	Local Government Engineering Department		
(iii) Implementation unit	Project implementation units in Dhaka and Khulna city regions		
Consulting services	QCBS (90:10 quality–cost ratio)	597 person-months	\$4.4 million

Aspects	Arrangements		
	ICS	35 person-months	\$0.6 million
Advance contracting	ADB may, subject to its policies and procedures, allow advance contracting of consulting services.		
Disbursement	Disbursements under the PDA will be made in accordance with ADB's <i>Loan Disbursement Handbook</i> (2015, as amended from time to time).		

ADB = Asian Development Bank, ICS = individual consultant selection, PDA = project design advance, QCBS = quality- and cost-based selection.

Source: ADB estimates.

## V. SAFEGUARDS

10. The PDA finances the consulting services for detailed design, further safeguards assessment and bidding document preparation. The project preparatory TA will finance the preparation of (i) an initial environmental examination, including an environmental management plan; and (ii) a resettlement plan, as required, in compliance with ADB's Safeguard Policy Statement (2009). The PDA-financed engineering design consultant will update the initial environmental examination, including the environmental management plan, and the final resettlement plan, as required. There are no major safeguard impacts since only consulting services are being financed.

## VI. DECISION

11. Management has approved the provision of a loan in various currencies equivalent to SDR3,701,000 to the People's Republic of Bangladesh from ADB's Special Funds resources, in the form of a project design advance (PDA) for the City Region Development Project II; and the President hereby reports this action to the Board.