



Report and Recommendation of the President to the Board of Directors

Project Number: 49329-006
August 2019

Proposed Loans People's Republic of Bangladesh: Second City Region Development Project

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 1 July 2019)

Currency unit	–	taka (Tk)
Tk1.00	=	\$0.0118
\$1.00	=	Tk84.50

ABBREVIATIONS

ADB	–	Asian Development Bank
CDIA	–	Cities Development Initiative for Asia
EARF	–	environmental assessment and review framework
GAP	–	gender action plan
IEE	–	initial environmental examination
KCC	–	Khulna City Corporation
km	–	kilometer
LGED	–	Local Government Engineering Department
O&M	–	operation and maintenance
PAM	–	project administration manual
PIU	–	project implementation unit
PMCU	–	project management and coordination unit

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., FY2019 ends on 30 June 2019.
- (ii) In this report, “\$” refers to United States dollars.

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PROJECT AT A GLANCE

1. Basic Data		Project Number: 49329-006	
Project Name	Second City Region Development Project	Department /Division	SARD/SAUW
Country Borrower	Bangladesh People's Republic of Bangladesh	Executing Agency	Local Government Engineering Department
2. Sector	Subsector(s)	ADB Financing (\$ million)	
Water and other urban infrastructure and services	Other urban services	95.00	
	Urban flood protection	55.00	
	Total	150.00	
3. Strategic Agenda	Subcomponents	Climate Change Information ¹	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive	Climate Change impact on the Project	Medium
Environmentally sustainable growth (ESG)	Global and regional transboundary environmental concerns Urban environmental improvement	ADB Financing Adaptation (\$ million)	37.00
4. Drivers of Change	Components	Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Institutional development	Effective gender mainstreaming (EGM)	
Knowledge solutions (KNS)	Knowledge sharing activities		
5. Poverty and SDG Targeting		Location Impact	
Geographic Targeting	No	Rural	Low
Household Targeting	No	Urban	High
General Intervention on Poverty	No		
SDG Targeting	Yes		
SDG Goals	SDG11, SDG13		
6. Risk Categorization:	Low		
7. Safeguard Categorization	Environment: B Involuntary Resettlement: B Indigenous Peoples: C		
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		150.00	
Sovereign Sector (Concessional Loan): Ordinary capital resources		75.00	
Sovereign Sector (Regular Loan): Ordinary capital resources		75.00	
Cofinancing		0.00	
None		0.00	
Counterpart		73.00	
Government		73.00	
Total		223.00	
Currency of ADB Financing: USD,EUR			

¹ The project reduces greenhouse gas emissions. However, it does not fall under the eligibility criteria for climate mitigation finance as defined by the joint multilateral development bank methodology on tracking climate finance, which notes that not all activities that reduce greenhouse gases in the short term are eligible to be counted towards climate mitigation finance. Accordingly, greenfield fossil fuel projects are excluded, and climate mitigation finance is considered zero.

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 Second City Region Development Project.

2. The project will support development in the city regions of Dhaka and Khulna by building on infrastructure and capacity building initiatives implemented during the first City Region Development Project funded by the Asian Development Bank (ADB).¹ The project will finance crucial infrastructure in urban and peri-urban areas to stimulate growth and improve livability in Dhaka and Khulna, two densely populated and rapidly growing city regions in Bangladesh. The project will also continue strengthening project development capacity, sustainable service delivery, and community awareness.²

II. THE PROJECT

A. Rationale

3. **Urbanization.** Bangladesh is urbanizing rapidly, particularly in large cities such as Dhaka and Khulna, exacerbating challenges in a country that has one of the highest population densities in the world. In 2018, about 61 million people, or 37% of the total population of 164 million, lived in urban areas. Since 2015 the average annual urban population growth is 3.17%, faster than the annual national population growth average of 1.37%. The country's urban population is expected to reach 74 million by 2025, or 42% of the total population, with Dhaka becoming the world's fourth-largest urban agglomeration.³ Urbanization raises economic productivity through agglomeration advantages, but places severe strains on the environment and urban infrastructure and services. More needs to be done urgently, especially in the large city regions, for sustaining growth while safeguarding environmental standards and making cities more livable in line with ADB's Strategy 2030.⁴

4. **City region development.** A "city region" is an agglomeration of a large city (city corporation) surrounding *pourashavas* (secondary towns) and adjacent peri-urban areas (urban centers in *upazilas* [subdistricts]) with close economic and social links.⁵ City region development can improve livability by decongesting a core city and promoting economic growth through planning, institutional development, and infrastructure investments that transcend restrictive administrative jurisdictions. Therefore, closer coordination among fragmented institutions in city regions and increased mobility within urban agglomerations are critical. Investments to improve city regions' resilience to climate and disaster risks triggered by earthquakes, floods, droughts,

¹ ADB. [Bangladesh: City Region Development Project](#).

² Project preparation was supported by (i) project preparatory technical assistance financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-V) and the Netherlands Trust Fund under the ADB-administered Water Financing Partnership Facility; and (ii) a project design advance loan of \$5 million for preparation, design, and supervision consultancy services. Both were approved on 15 December 2016. The Cities Development Initiative for Asia (CDIA) provided pre-feasibility support for Khulna (CDIA. 2017. [Khulna: Project Overview](#)) and Gazipur (CDIA. 2017. [Gazipur: Project Overview](#)).

³ United Nations. 2018. [World Statistics Pocketbook](#). New York; and United Nations. [World Urbanization Prospects 2018 Database](#) (accessed 14 June 2019).

⁴ ADB. 2018. [Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific](#). Manila.

⁵ K. Choe and A. Laquian. 2008. [City Cluster Development: Toward an Urban-Led Development Strategy for Asia](#). Manila: ADB.

and cyclones are also essential.⁶ The city region approach complements ADB's other urban development initiatives in Bangladesh, including support for (i) *pourashavas* through urban governance and infrastructure improvement, (ii) resilience to climate and natural hazards in coastal towns, and (iii) city-specific water supply and sanitation projects in Dhaka and Khulna.⁷

5. **Past support and lessons.** The first project improved the Dhaka and Khulna city regions by (i) upgrading roads, bridges, and bus terminals to reduce travel time and enhance road safety; (ii) improving storm drains to reduce flooding; (iii) upgrading the water supply; (iv) improving sanitation access through public toilets; and (v) improving solid waste management.⁸ The first project also financed the preparation of the Dhaka Structure Plan, 2016–2035,⁹ a framework for infrastructure development and interagency coordination, and supported project municipalities in improving governance and service delivery.¹⁰ Overall, the first project facilitated logistics, easier access to employment opportunities and social service facilities, and the reduction of water logging and incidences of waterborne diseases.¹¹ Notwithstanding progress made under earlier support from ADB and other development partners,¹² key implementation issues under the first project that need attention include interagency coordination for decision-making, a significant infrastructure gap, start-up delays in detailed design preparation, and timely implementation of project activities of diverse nature. The project builds on lessons and past gains in community awareness, institutional capacity, and coordination among municipalities,¹³ while continuing to develop much-needed infrastructure in the Dhaka and Khulna city regions.¹⁴

6. **Value addition.** Investments will be in multiple municipalities based on priorities defined in the regional development plans of the two city regions. For the Dhaka city region, investments are for the first time being selected based on the Dhaka Structure Plan to improve connectivity and linkage of peri-urban areas within the city region. For the Khulna city region, the preparation of comprehensive drainage master plans and related critical infrastructure investments, as well as a detailed solid waste management concept for Khulna city corporation (KCC), will improve climate and disaster resilience and overall livability.¹⁵ To reduce start-up delays in additional future projects, support for the preparation of detailed engineering designs for investments involving the latest technologies and smart applications, including integrated real-time data

⁶ Climate Change Assessment and Abridged Climate Risk and Vulnerability Analysis Report (accessible from the list of linked documents in Appendix 2).

⁷ ADB-supported urban projects include (i) ADB. [Bangladesh: Urban Public and Environmental Health Sector Development Program](#); (ii) ADB. [Bangladesh: Khulna Water Supply Project](#); (iii) ADB. [Bangladesh: Greater Dhaka Sustainable Urban Transport Project](#); (iv) ADB. [Bangladesh: Dhaka Environmentally Sustainable Water Supply Project](#); (v) ADB. [Bangladesh: Dhaka Water Supply Network Improvement Project](#); (vi) ADB. [Bangladesh: Coastal Towns Environmental Infrastructure Project](#); and (vii) ADB. [Bangladesh: Third Urban Governance and Infrastructure Improvement \(Sector\) Project—Additional Financing](#).

⁸ Summary of the first City Region Development Project (accessible from the list of linked documents in Appendix 2).

⁹ Government of Bangladesh, Rajdhani Unnayan Karttripakkha (Capital Development Authority). 2015. [Dhaka Structure Plan, 2016–2035](#). Dhaka.

¹⁰ Capacity development covered (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) functional essential services.

¹¹ Government of Bangladesh, Ministry of Planning, Independent Monitoring and Evaluation Department. 2016. [In-Depth Monitoring of “City Region Development Project”](#). Dhaka.

¹² Development Coordination (accessible from the list of linked documents in Appendix 2).

¹³ ADB. 2012. [Strengthening Regional Planning and Governance in Bangladesh](#). Consultant's report. Manila.

¹⁴ Sector Assessment (Summary): Water and Other Urban Infrastructure and Services (accessible from the list of linked documents in Appendix 2).

¹⁵ These will comprise a multi-hazard approach to reduce flood vulnerability, pollution of surface and ground water, and nuisance and health risks; and to improve sanitation practices and aesthetics.

platforms and sensors, advanced building materials, and geotechnical engineering, will be provided. By improving institutional capacity and community awareness, the project will strengthen municipal governance, institutional coordination, and sustainable service delivery.

7. **Sector strategies and policies.** The project is aligned with the objectives and priorities of the urban sector strategy defined in the government's 7th Five Year Plan;¹⁶ the Local Government (*Pourashava*) Act, 2009; and the Coastal Development Strategy, 2006. The project is consistent with ADB's country partnership strategy, 2016–2020 for Bangladesh¹⁷ and is aligned with ADB's Strategy 2030 operational priorities, including (i) addressing remaining poverty and reducing inequalities; (ii) accelerating progress in gender equality; (iii) tackling climate change, building climate change resilience, and enhancing environmental sustainability; (iv) making cities more livable; and (v) strengthening governance and institutional capacity (footnote 4). The project is also aligned with Sustainable Development Goal 11 on sustainable cities and communities and Sustainable Development Goal 13 on climate action.

8. **Sector lending modality.** Sector lending modality is proposed, and the project meets the sector lending policy as (i) it has a large number of subprojects, (ii) the government has sector development strategies and policies to meet the priority development needs of the sector and has the requisite institutional capacity to implement the project, and (iii) the policies applicable to the sector are appropriate as they address current sector needs. All subprojects will be selected in accordance with the selection criteria in the project administration manual (PAM).¹⁸ Due diligence has been conducted on candidate subprojects.

B. Impact and Outcome

9. The project is aligned with the following impact: growth potential enhanced and living environment in urban and peri-urban areas improved (footnote 16). The project will have the following outcome: mobility, flood resilience, and solid waste management in the project areas in the Dhaka and Khulna city regions improved.¹⁹

C. Outputs

10. **Output 1: Urban infrastructure in the project areas in the Dhaka and Khulna city regions improved and made climate-resilient.** The project will support (i) the rehabilitation of 300 kilometers (km) of urban roads in the Dhaka city region in line with the recommendations of the Dhaka Structure Plan; (ii) the rehabilitation of 120 km of drains in the Dhaka city region; (iii) the rehabilitation of 30 km of drains in the Khulna city region; and (iv) the construction and operation of one composting plant with associated gender-responsive facilities including transfer stations, a biogas production facility and sanitary facilities in KCC.²⁰

11. **Output 2: Institutional capacity and community awareness strengthened.** The project will support the (i) identification of additional priority urban investments of at least \$100 million and the preparation of detailed engineering designs; (ii) preparation or update of drainage master plans for 14 project *pourashavas*; (iii) preparation and endorsement of

¹⁶ Government of Bangladesh, Planning Commission. 2015. [7th Five Year Plan, FY2016–FY2020: Accelerating Growth, Empowering Citizens](#). Dhaka.

¹⁷ ADB. 2016. [Country Partnership Strategy: Bangladesh, 2016–2020](#). Manila.

¹⁸ Project Administration Manual (accessible from the list of linked documents in Appendix 2).

¹⁹ The design and monitoring framework is in Appendix 1.

²⁰ Contribution to the ADB Results Framework (accessible from the list of linked documents in Appendix 2).

operation and maintenance (O&M) plans, including annual budget allocation, for all subprojects by all project *pourashavas* and city corporations; (iv) preparation and submission of an inclusive integrated solid waste management plan for the Khulna city corporation; (v) capacity development of 50 staff (30% women) of project *pourashavas* and city corporations to increase knowledge on integrated urban planning, sustainable service delivery, and O&M of urban infrastructure; and (vi) conduct of awareness campaigns on reducing, reusing, and recycling solid waste for at least 200,000 people (at least 50% women) in KCC.

D. Summary Cost Estimates and Financing Plan

12. The project is estimated to cost \$223 million (Table 1). Detailed cost estimates by expenditure category and detailed cost estimates by financier are in the PAM (footnote 18).

Table 1: Summary Cost Estimates
(\$ million)

Item	Amount ^a
A. Base Cost^b	
1. Urban infrastructure in the project areas in the Dhaka and Khulna city regions improved and made climate-resilient	163.64
2. Institutional capacity and community awareness strengthened	24.55
Subtotal (A)	188.19
B. Contingencies^c	21.48
C. Financial Charges During Implementation^d	13.33
Total (A+B+C)	223.00

^a Includes taxes and duties of \$26.97 million to be financed from government resources by cash contribution. Such amount does not represent an excessive share of the project cost.

^b In mid-2019 prices based on a \$1.00 = Tk83.80 exchange rate.

^c Physical contingencies are computed at 6.0% for civil works, equipment, and goods. Price contingencies are computed at 1.5%–1.6% on foreign exchange costs and 5.5%–5.8% on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

^d Includes 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 (LIBOR) plus a spread of 0.50% and a maturity premium of 0.10%. 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 2.00% per year.

Source: Asian Development Bank estimates.

13. The government has requested (i) a regular loan of €66.83 million (\$75 million);²¹ and (ii) a concessional loan of \$75 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.²² The concessional loan will have a 25-year term, including a grace period of 5 years; an interest rate of 2.00% per year during the grace period and thereafter; and such other terms and conditions set forth in the draft loan agreement.

14. The summary financing plan is in Table 2. The ADB loans will finance the expenditures in relation to civil works, equipment and goods, consulting services and capacity building,

²¹ €0.891027 = \$1.00 as of 10 July 2019

²² The maturity premium is based on loan terms and the government's choice of repayment option and dates.

incremental recurrent costs, and contingencies. The government will provide \$73 million equivalent to cover (i) taxes and duties, (ii) resettlement and land acquisition, (iii) financial charges during implementation, (iv) part of civil works, (v) part of incremental recurrent costs, and (vi) part of contingencies. The government will provide the loan proceeds and counterpart funds to the executing and implementing agencies as a grant.

Table 2: Summary Financing Plan

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank		
Ordinary capital resources (regular loan)	75.0	33.6
Ordinary capital resources (concessional loan)	75.0	33.6
Government of Bangladesh	73.0	32.8
Total	223.0	100.0

Source: Asian Development Bank estimates.

15. Climate adaptation is estimated to cost \$48.2 million. ADB will finance 76.8% of adaptation costs.²³ Details are in the PAM (footnote 18).

E. Implementation Arrangements

16. The project management and coordination unit (PMCU) of the first City Region Development Project, established in the Local Government Engineering Department (LGED), will continue to function as the PMCU for the second City Region Development Project. Loan consultant teams will support the executing and implementing agencies on (i) project preparation, design, and supervision; and (ii) institutional and community capacity development. The LGED will recruit consulting firms following ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). Procurement of works and goods will follow ADB's Procurement Guidelines (2015, as amended from time to time). The implementation arrangements are summarized in Table 3 and described in detail in the PAM (footnote 18).

Table 3: Implementation Arrangements

Aspects	Arrangements
Implementation period	November 2019–June 2024
Estimated completion date	30 June 2024
Estimated loan closing date	31 December 2024
Management	
(i) Oversight body	Project steering committee LGD secretary under MLGRDC (chair) Representatives of the LGD, Planning Commission and Implementation Monitoring and Evaluation Division under the Ministry of Planning, Economic Relations Division and Finance Division under the Ministry of Finance, LGED, and National Economic Council–Executive Committee of National Economic Council (members)
(ii) Executing agency	LGED
(iii) Key implementing agencies	LGED District Office Dhaka; LGED District Office Narayanganj; Gazipur city corporation; Khulna city corporation; and Chalna, Dhamrai, Jessore, Jhikorgacha, Kaliakor, Kanchon, Manikganj, Mongla, Narsingdi, Nowapara,

²³ The project has potential to contribute to climate change mitigation as it includes the preparation of a detailed solid waste management feasibility study and construction of a composting plant. Corresponding climate mitigation finance contribution will be determined during project implementation.

Aspects	Arrangements		
	Savar, Singair, Sonargaon, and Tarabo <i>pourashavas</i>		
(iv) Implementation units	PIUs in LGED district offices, city corporations, and <i>pourashavas</i> with at least 6 staff each		
Procurement	International competitive bidding	4 contracts	\$9.31 million
	National competitive bidding	42 contracts	\$143.41 million
	Shopping	9 contracts	\$0.65 million
Consulting services	Quality- and cost-based selection	1,356 person-months	\$15.71 million
	Individual consultant selection	194 person-months	\$2.77 million
Retroactive financing and/or advance contracting	Advance contracting will be used to recruit consultants and procure works and goods. Retroactive financing of up to 20% of the loan amount will apply for the above contracts and the establishment and operation of the PMCU and PIUs incurred before loan effectiveness but not earlier than 12 months before its signing.		
Disbursement	The loan proceeds will be disbursed following ADB's <i>Loan Disbursement Handbook</i> (2017, as amended from time to time) and detailed arrangements agreed between the government and ADB.		

ADB = Asian Development Bank; LGD = Local Government Division; LGED = Local Government Engineering Department; MLGRDC = Ministry of Local Government, Rural Development and Co-operatives; PIU = project implementation unit; PMCU = project management and coordination unit.

Source: Asian Development Bank.

III. DUE DILIGENCE

A. Technical

17. The executing agency together with project preparation consultants examined the technical options and considered climate- and disaster-resilient design measures based on a climate risk assessment and flood mapping. Dhaka city region roads were selected based on connectivity to key roads, population served, present condition, traffic count, and travel time savings, among other criteria. Public information campaigns and traffic management assistance were recommended for subprojects in built-up areas, and road design guidelines were developed to address climate change adaptation measures. Drainage subprojects were selected considering the type and location of drains with respect to the drainage network, connectivity to the outfall, and the improvements required. Community awareness programs and improved solid waste management will improve the overall environment and reduce drainage congestion. Development and update of drainage master plans and preparation of O&M plans will improve overall planning capacity, infrastructure quality, and sustainability of service delivery. Design options were compared before selecting the best possible technologies in terms of cost, construction materials, and environmental and social impacts. Sample subprojects developed during project preparation confirmed technical viability with due consideration of local capacity for implementation and O&M. The same approach will be followed for subprojects to be prepared during project implementation. All subprojects will be technically and operationally appropriate; least-cost; and designed based on a whole-of-life analysis, including appropriate climate and disaster resilience measures based on current risk scenarios.

B. Economic and Financial

18. **Economic analysis.** The economic rationale for the government's intervention is sound, as the project aims to provide stronger and more sustainable urban basic services focusing on drainage systems, urban roads, and solid waste management in the Dhaka and Khulna city regions. The economic internal rates of return of the three sample subprojects were (i) 11.7%

for drainage (Sonargaon); (ii) 16.3% for roads (Savar); and (iii) 15.3% for solid waste management (Khulna), higher than the economic opportunity cost of capital estimated at 9.0%, indicating significant economic returns. Most of the sample subprojects have also yielded satisfactory results when subjected to sensitivity analysis using the following downside risks: (i) 20% capital cost overrun, (ii) 20% O&M cost overrun, (iii) 20% decline in estimated benefits, (iv) 1-year implementation delay, and (v) all four downside risks. Economic viability could be higher if unquantifiable benefits such as environmental improvements are included in the analysis.²⁴

19. **Financial analysis.** The financial analysis was conducted for three sample subprojects to make sure that the project municipalities can cover the incremental costs; all subprojects are expected to be maintained through their general revenue, as they are all nonrevenue generating. The projected overall financial position of the sample project municipalities reflects incremental revenues and expenditures, the growth trend of revenue streams, and expected population growth. Financial projections demonstrate that by (i) improving the collection efficiency of taxes and other charges and (ii) providing continued and additional government support, the revenue account will remain in surplus. Increased budget allocation to urban development during the past 5 years underlines the government's commitment to urban infrastructure O&M. The project will also assist the project municipalities in enhancing financial sustainability parameters through extensive capacity building support. ADB will closely monitor progress toward the necessary revenue realizations through continuous government dialogue.²⁵

C. Governance

20. The overall procurement and financial management risk for the project is *moderate*.²⁶ The financial management assessment concluded that the executing and implementing agencies can conduct adequate project financial management. A significant strength of the executing and implementing agencies is their considerable experience in handling externally funded projects with substantial values. The executing agency and most of the proposed implementing agencies implemented the first project satisfactorily in terms of (i) timely receipt of project funds, including counterpart funds; (ii) efficient project management with adequate staff; and (iii) prompt funds disbursement to contractors and consultants. The executing and implementing agencies have an established legal, institutional, and monitoring framework for budgeting, accounting, and auditing. Risk mitigation measures include (i) securing government commitment to ensure timely establishment of project implementation units (PIUs) with qualified staff, (ii) extending training and skill development support for financial management capacity of newly assigned PMCU and PIUs staff, and (iii) strengthening the accounts section of project municipalities by engaging qualified staff for timely preparation of budget and financial reports. Close monitoring and resolution of capacity gaps will be implemented with the support of the loan consultants.

21. 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 18).

²⁴ Economic Analysis (accessible from the list of linked documents in Appendix 2).

²⁵ Financial Analysis (accessible from the list of linked documents in Appendix 2).

²⁶ Project Procurement Risk Assessment Report (accessible from the list of linked documents in Appendix 2).

D. Poverty, Social, and Gender

22. **Poverty.** The country's population living below the poverty line is estimated to have dropped 7% from 2010 to 2016, but the proportion of poor people continues to be high at almost 25% in 2016.²⁷ The number of urban poor people is growing as job opportunities attract migrants from rural areas, resulting in the growth of slums with inadequate urban infrastructure and poor quality of life. The improved roads will provide safer and more pedestrian-friendly conditions and enable better access to basic services, such as health care and education, and to workplaces. The improved roads, drains, and solid waste management will improve quality of life for all, including the poor communities in the project area. The project recognizes the importance of stakeholder participation, including civil society, women, and poor groups, and will include community consultation as well as community awareness activities.²⁸

23. **Gender.** The project is classified *effective gender mainstreaming*. Budget for implementation and monitoring of the gender action plan (GAP) is included in the project costs.²⁹ Experience with the first project has resulted in specific activities that will directly benefit poor women through job generation and skills development. For example, the project will use construction techniques that will enable women to comprise at least 20% of unskilled workers. Through community-based organizations, women will be encouraged to become actively involved in decision-making under the project outputs. Female staff and community facilitators will be trained to collect sex-disaggregated data from construction sites as input to a sex-disaggregated geospatial database to manage and track the GAP. The PMCU will have a full-time social development expert to monitor timely and effective GAP implementation and prepare quarterly progress reports to be submitted to ADB. GAP implementation will be evaluated as part of benefit monitoring at project completion.

E. Safeguards

24. In compliance with ADB's Safeguard Policy Statement (2009), the project's safeguard categories are as follows.³⁰

25. **Environment (category B).** An environmental assessment and review framework (EARF) was prepared and disclosed on the ADB website following ADB's Safeguard Policy Statement (2009) and government's environmental regulations. The EARF provides guidance on subproject selection, screening and categorization, information disclosure and consultation, assessment, planning, institutional arrangement, and processes to be followed in the formulation and implementation of subprojects. The project will not include subprojects triggering category A per the EARF. Three sample subprojects were appraised and initial environmental examination (IEE) reports were prepared in line with ADB's Safeguard Policy Statement (2009) and the EARF.³¹ The IEEs and information on the subprojects indicate that the subprojects are located on existing rights-of-way and government-owned lands, and there

²⁷ Government of Bangladesh, Ministry of Planning, Statistics and Informatics Division, Bangladesh Bureau of Statistics. 2017. [Preliminary Report on Household Income and Expenditure Survey 2016](#). Dhaka.

²⁸ Summary Poverty Reduction and Social Strategy (accessible from the list of linked documents in Appendix 2).

²⁹ Gender Action Plan (accessible from the list of linked documents in Appendix 2).

³⁰ ADB. [Safeguard Categories](#).

³¹ Environmental Assessment and Review Framework; Initial Environmental Examination: Narayanganj Roads; Initial Environmental Examination: Manikganj Drainage Subproject; and Initial Environmental Examination: Comprehensive Solid Waste Management Planning and Small Works (Composting Plant) for Khulna City Corporation (accessible from the list of linked documents in Appendix 2).

are no ecologically sensitive areas in the project municipalities. The potential impacts, such as construction vibration affecting the structural integrity of properties, road safety issues, and safe disposal of excavated materials, are site-specific; few are irreversible and most can be readily mitigated and minimized using proven mitigation measures and environmentally sound engineering and construction practices consistent with international good practice.³² Stakeholders were involved through meaningful consultations and their views were fed into the IEEs and subproject designs. The consultation process will continue during project implementation to maintain full engagement with stakeholders. The IEEs and environmental management plans will form part of the bid and contract documents. All draft IEEs will be updated based on the detailed design, and works cannot start until ADB reviews and approves the final IEEs, which will be disclosed on the ADB, PMCU, and PIU websites; and to the affected people. The PAM includes a grievance redress mechanism (footnote 18). The PMCU is committed and has the capacity to carry out the requirements of the EARF and IEEs, and the project includes sufficient PMCU and PIU safeguards staff and consultant support to ensure satisfactory environmental compliance to meet Safeguard Policy Statement requirements.

26. **Involuntary resettlement (category B).** To guide subproject preparation, the PMCU prepared a resettlement framework in line with the Safeguard Policy Statement and government policies, a resettlement plan, and three due diligence reports for the sample subprojects.³³ The resettlement plan addresses the impacts identified through appropriate mitigation measures and PMCU and PIUs conducted meaningful stakeholder consultations for its preparation. The grievance redress mechanism will address issues and grievances timely and effectively. The PMCU is committed to and can carry out the requirements of the resettlement framework and the resettlement plan, as demonstrated in the first project, and will submit semiannual social safeguard monitoring reports to ADB. PMCU safeguards staff will be supported by loan consultants in monitoring safeguard compliance. The project will not include any subproject with category A for involuntary resettlement.

27. **Indigenous peoples (category C).** The subproject sites and alignments in the highly urbanized Dhaka and Khulna city regions are not located in the Madhupur area of Dhaka division and Sundarbans area of Khulna division, areas where small ethnic communities are concentrated. Transect walks through subproject sites and alignments do not reveal the presence of small ethnic communities, such as *adibashi* (tribal) communities, *pahari* (hill) communities, and forest communities, at these locations. The project will not include any subproject with any impact on small ethnic communities.

F. Summary of Risk Assessment and Risk Management Plan

28. Significant risks and mitigating measures are summarized in Table 4 and described in detail in the risk assessment and risk management plan.³⁴

³² International Finance Corporation. [Environmental, Health, and Safety Guidelines](#).

³³ Resettlement Framework; Resettlement Plan: Savar Road and Drainage Subproject; Land Acquisition and Involuntary Resettlement Due Diligence Report: Manikganj Khal Re-excavation and Development Subproject; Land Acquisition and Involuntary Resettlement Due Diligence Report: Rupganj Road and Drainage Subproject; and Land Acquisition and Involuntary Resettlement Due Diligence Report: Araihaazar Road and Drainage Subproject (accessible from the list of linked documents in Appendix 2).

³⁴ Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

Table 4: Summary of Risks and Mitigating Measures

Risks	Mitigation Measures
Infrastructure and facilities developed by the project are not maintained efficiently by project municipalities because of limited capacity and O&M resources.	Project consultants will support project municipalities to strengthen capacity for O&M, including developing an effective O&M system with respective budget. Project consultants will also assist in developing project municipalities' capacity in financial management, own-source revenue generation, and raising public awareness on tax payment. Subprojects to be constructed through LGED district offices will be maintained under the LGED regular maintenance plan.
Delays in establishing fully staffed PIUs hamper timely project implementation	The government has committed to allocate core PIU staff from the first City Region Development Project and to promptly establish fully staffed PIUs.
Lack of adequate accounts staff in PMCU and project municipalities hampers timely project implementation	The LGED and project consultants will provide training and capacity development support for newly assigned account staff. Project municipalities will ensure engagement of qualified staff for the timely preparation of budget and financial reports at PIUs.

LGED = Local Government Engineering Department, O&M = operation and maintenance, PIU = project implementing unit, PMCU = project management and coordination unit.

Source: Asian Development Bank.

IV. ASSURANCES

29. The government and LGED have assured ADB that implementation of the project 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 18) and loan documents.

30. The government and LGED have agreed with ADB on certain covenants for the project, which are set forth in the draft 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 recommend that the Board approve

- (i) the loan of €66,827,000 to the People's Republic of Bangladesh for the Second City Region Development 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 \$75,000,000 to the People's Republic of Bangladesh for the Second City Region Development Project, from ADB's ordinary capital resources, in concessional terms, with an interest charge at the rate of 2.0% 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.

Takehiko Nakao
President

X August 2019

DESIGN AND MONITORING FRAMEWORK

Impact the Project is Aligned with Growth potential enhanced and living environment in urban and peri-urban areas improved (7th Five Year Plan) ^a			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
Outcome Mobility, flood resilience, and solid waste management in the project areas in the Dhaka and Khulna city regions improved	By 2025: a. Travel time on project roads reduced by an average of 30% (2018 baseline: 8.5 km per hour) ^b b. Flood inundation period in project areas reduced by 30% during average monsoon (2018 baseline: 7 days in the Dhaka city region and 14 days in the Khulna city region) c. 2,500 hectares of land protected from flooding during average monsoon (2018 baseline: 0) (RFI A) d. Solid waste management action plan for the Khulna city region approved and implementation budget allocated by KCC (2018 baseline: not applicable)	a–d. Quarterly progress reports, semi-annual project-specific monitoring and evaluation reports, Bangladesh Water Development Board data and reports	Change in political leadership in project municipalities could slow down business processes and delay approval and budget allocation for the solid waste management plan
Outputs 1. Urban infrastructure in the project areas in the Dhaka and Khulna city regions improved and made climate-resilient 2. Institutional capacity and community	By 2024 1a. 300 km of urban roads in the Dhaka city region rehabilitated with climate-resilient features (2018 baseline: 0) (RFI B) 1b. 120 km of drains in the Dhaka city region rehabilitated (2018 baseline: 0) 1c. 30 km of drains in the Khulna city region rehabilitated (2018 baseline: 0) 1d. 1 composting plant with associated gender-responsive facilities constructed and operational in KCC (2018 baseline: not applicable) 2a. Additional priority urban investments of at least \$100 million identified and detailed	1a–d. Quarterly progress reports, semi-annual project-specific monitoring and evaluation reports by PMCU and LGED 2a–d. Quarterly progress reports, semi-annual project-specific	Climate change and extreme events will undermine timely completion of civil works

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
awareness strengthened	<p>engineering design reports prepared by LGED (2018 baseline: 0)</p> <p>2b. Drainage master plans for 14 <i>pourashavas</i> prepared or updated (2018 baseline: 7 plans available)</p> <p>2c. O&M plans, including annual budget allocation, for all subprojects prepared and endorsed by all project <i>pourashavas</i> and city corporations (2018 baseline: not applicable)</p> <p>2d. Inclusive integrated solid waste management plan for the KCC prepared and submitted to KCC (2018 baseline: not applicable)</p> <p>2e. 50 staff (30% women) of project <i>pourashavas</i> and city corporations reported increased knowledge on integrated urban planning, sustainable service delivery, and O&M of urban infrastructure (2018 baseline: 0)</p> <p>2f. Awareness campaigns on reducing, reusing, and recycling solid waste in KCC reached at least 200,000 people (at least 50% women) (2018 baseline: 0)</p>	<p>monitoring and evaluation reports, and copy of plans prepared</p> <p>2e. Training reports, pre- and post-assessments</p> <p>2f. PMCU and LGED sample surveys</p>	

Key Activities with Milestones

1. Urban infrastructure in the project areas in the Dhaka and Khulna city regions improved and made climate-resilient

- 1.1 Award civil works contracts for 13 urban road subprojects in the Dhaka city region (Q2 2019)
- 1.2 Award all civil works contracts for drainage subprojects in the Dhaka and Khulna city regions (Q3 2020)
- 1.3 Award civil works contracts for all remaining urban road projects in the Dhaka city region (Q2 2021)
- 1.4 Award civil works contract for composting plant and associated facilities in KCC (Q4 2021)
- 1.5 Complete all physical works (Q4 2023)

2. Institutional capacity and community awareness strengthened

- 2.1 Launch integrated solid waste management awareness campaign in KCC (Q4 2019)
- 2.2 Prepare or update drainage master plans (Q1 2020)
- 2.3 Select additional priority urban investments for project preparation (Q4 2021)
- 2.4 Prepare detailed feasibility study and engineering design for integrated solid waste management facilities in KCC (Q2 2021)
- 2.5 Prepare O&M plans for all subprojects (Q4 2021)
- 2.6 Prepare detailed engineering designs for selected additional priority investments (Q1 2023)

2.7 Deliver and evaluate training programs and awareness-raising campaigns (Q1 2024)

Project Management Activities

Recruit all consultants under the project, ensure adequate staff and diverse workforce in the PMCU and PIUs, and implement the gender action plan and a project performance management system

Inputs

Asian Development Bank

OCR: \$75 million (regular loan)

OCR: \$75 million (concessional loan)

Government: \$73 million

Assumptions for Partner Financing

Not Applicable

KCC = Khulna city corporation, km = kilometer, LGED = Local Government Engineering Department, O&M = operation and maintenance, OCR = ordinary capital resources, PIU = project implementation unit, PMCU = project management and coordination unit, Q = quarter, RFI = results framework indicator.

^a Government of Bangladesh, Planning Commission. 2015. [7th Five Year Plan, FY2016–FY2020: Accelerating Growth, Empowering Citizens](#). Dhaka.

^b ADB. 2018. *Preparing the City Region Investment Program*. Consultant's report. Manila (TA 9283-BAN).

Contribution to the ADB Results Framework

RFI A: Land improved through irrigation, drainage, and/or flood management. Target: 2,500 ha

RFI B: Roads built or upgraded. Target: 300 km

Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/RRPs/?id=49329-006-3>

1. Loan Agreement: Concessional Loan
2. Loan Agreement: Regular Loan
3. Sector Assessment (Summary): Water and Other Urban Infrastructure and Services
4. Project Administration Manual
5. Contribution to the ADB Results Framework
6. Development Coordination
7. Financial Analysis
8. Economic Analysis
9. Country Economic Indicators
10. Summary Poverty Reduction and Social Strategy
11. Risk Assessment and Risk Management Plan
12. Climate Change Assessment
13. Gender Action Plan
14. Initial Environmental Examination: Narayanganj Roads
15. Initial Environmental Examination: Manikganj Drainage Subproject
16. Initial Environmental Examination: Comprehensive Solid Waste Management Planning and Small Works (Composting Plant) for Khulna City Corporation
17. Environmental Assessment and Review Framework
18. Resettlement Plan: Savar Road and Drainage Subproject
19. Resettlement Framework

Supplementary Documents

20. Financial Management Assessment
21. Land Acquisition and Involuntary Resettlement Due Diligence Report: Manikganj Khal Re-excavation and Development Subproject
22. Land Acquisition and Involuntary Resettlement Due Diligence Report: Rupganj Road and Drainage Subproject
23. Land Acquisition and Involuntary Resettlement Due Diligence Report: Araihasar Road and Drainage Subproject
24. Project Procurement Risk Assessment Report
25. Abridged Climate Risk and Vulnerability Analysis Report
26. Summary of the First City Region Development Project