



# Project Information Document (PID)

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Concept Stage | Date Prepared/Updated: 26-Oct-2020 | Report No: PIDC30339

**BASIC INFORMATION****A. Basic Project Data**

|                                                      |                                                |                                                                                      |                                                                                 |
|------------------------------------------------------|------------------------------------------------|--------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| Country<br>Bangladesh                                | Project ID<br>P174937                          | Parent Project ID (if any)                                                           | Project Name<br>Local Government COVID-19 Response & Recovery Project (P174937) |
| Region<br>SOUTH ASIA                                 | Estimated Appraisal Date<br>Mar 08, 2021       | Estimated Board Date<br>Jul 27, 2021                                                 | Practice Area (Lead)<br>Urban, Resilience and Land                              |
| Financing Instrument<br>Investment Project Financing | Borrower(s)<br>People's Republic of Bangladesh | Implementing Agency<br>Local Government Division, Ministry of LGRD and Co-operatives |                                                                                 |

**Proposed Development Objective(s)**

To strengthen the response and recovery efforts of local governments to the COVID-19 pandemic.

**PROJECT FINANCING DATA (US\$, Millions)****SUMMARY**

|                           |        |
|---------------------------|--------|
| <b>Total Project Cost</b> | 300.00 |
| <b>Total Financing</b>    | 300.00 |
| <b>of which IBRD/IDA</b>  | 300.00 |
| <b>Financing Gap</b>      | 0.00   |

**DETAILS****World Bank Group Financing**

|                                             |        |
|---------------------------------------------|--------|
| International Development Association (IDA) | 300.00 |
| IDA Credit                                  | 300.00 |

Environmental and Social Risk Classification

Concept Review Decision



Moderate

Track II-The review did authorize the preparation to continue

Other Decision (as needed)

## B. Introduction and Context

### A. Country Context

**1. Bangladesh has made rapid social and economic progress in recent decades, reaching lower-middle income status by 2015.** Gross domestic product (GDP) growth averaged close to 6 percent annually since 2000 and, according to official estimates, accelerated to over 8 percent in FY19. Strong labor market gains contributed to a sharp decline in poverty, with the national poverty rate falling from 48.9 to 24.3 percent between 2000 and 2016, while extreme poverty declined from 34.3 to 12.9 percent.<sup>1</sup> The progress on shared prosperity, however, slowed between 2010 and 2016 after a decade of improvements, with annual consumption growth of the bottom 40 percent trailing that of the overall population (1.2 versus 1.6 percent).

**2. This period of growth and poverty reduction was accompanied by rapid urbanization, and growing concentration of poverty in urban areas.** Bangladesh has experienced one of the most rapid increases in urbanization in South Asia over the past 50 years. Population growth in urban areas outpaced that in rural areas in 2005 and by 2025 it is anticipated that the urban population will make up at least 40 percent of the national population. Rapid urbanization has positively impacted upon economic performance, but the general livability of urban settlements which suffer from inadequate and poor quality of services is under stress. Urban slums have grown rapidly.<sup>2</sup> While poverty rates fell in both rural and urban areas between 2010 and 2016, the pace of urban poverty reduction has been decelerating, with the poverty rate falling from 35.1 percent to 28.4 percent in 2000-05 – a fall of 6.7 percentage points – to 21.3 percent to 18.9 percent in 2010-2016 – a fall of 2.4 percentage points. At the same time, the number of poor has been rising in the urban areas in absolute numbers. In terms of extreme poverty, there has virtually been no progress in reducing extreme poverty in urban areas compared to rural areas.

**3. Bangladesh entered the COVID-19 crisis with a relatively strong macroeconomic position, but growth declined sharply as the COVID-19 pandemic brought about major disruptions to economic activity.** Garment exports and remittances narrowed the external deficit in recent years and international reserves were adequate at the end of April 2020 at US\$ 32.9 billion, equivalent to six months of imports. While tax collections are amongst the lowest in the world, under-execution of the budget has contained the fiscal deficit, which has been below 5 percent of GDP since FY01. As a result, public debt is low and stood at 33.7 percent of GDP at the end of FY19. A key economic vulnerability is in the banking sector where the non-performing loan (NPL) ratio is high at 9.3 percent of outstanding loans in December 2019, and is underestimated considering significant under-provisioning, regulatory forbearance, and gaps in the legal framework. In the first half of FY20 (July to December), growth decelerated as slower global trade and deteriorating external competitiveness lowered exports and tighter access to finance constrained private investment growth. Growth during the first half of the year was primarily supported by remittance-fueled private consumption. The initial phase of the pandemic in early 2020 disrupted the supply of intermediate goods from China, reducing manufacturing output. As the pandemic intensified abroad, export orders from Europe and the United States declined precipitously and an

<sup>1</sup> Household Income and Expenditure Survey, 2000/01 through 2016/17.

<sup>2</sup> World Bank, 2016 Country Partnership Framework for Bangladesh



estimated US\$ 3.2 billion in RMG orders were cancelled or suspended.<sup>3</sup> The government implemented a national shutdown from March 26 to May 30 to control an accelerating domestic outbreak of the virus. Control measures resulted in a sudden stop of many components of the service and industrial sectors. Remittance inflows declined by 23.6 percent year-over-year in April 2020 and exports declined by 82.9 percent in the same period. In FY19, inflation remained modest at an average of 5.5 percent, primarily driven by a rise in non-food prices. Demand for food surged with precautionary purchases ahead of the national lockdown but has eased more recently as government food distribution programs were implemented. Overall inflation reached 5.4 percent y-o-y by the end of May 2020.

**4. COVID-19 has darkened the economic outlook through domestic economic disruptions, declining exports and remittances, and rising stress in the financial sector.** FY20 GDP growth is projected in a range between 1.6 percent and a downside scenario of 1.0 percent. The downside forecast is based on a situation in which (i) lockdown measures are extended and mobility remains significantly constrained and (ii) the global outlook deteriorates further. In FY21, growth is projected between 1.0 and -3.0 percent. In the downside scenario, a second round of infections and a prolonged global recession would result in the realization of some contingent liabilities, especially from the financial sector. The extended national shutdown is likely to depress economic activity across all sectors in the last quarter of FY20, and varying levels of control measures are likely to continue in FY21. Private consumption, the main engine of growth, is expected to slow and declining remittance inflows reduce household income. The unprecedented uncertainties related to COVID-19 are likely to further dampen private investment. The decline in exports is expected to persist, as developed market recessions depress demand for ready-made garments, Bangladesh's primary export. A shortage of intermediate inputs is expected to lower industrial production, while labor shortages could adversely impact all sectors. Transportation disruptions are expected to dampen agricultural growth, particularly production of perishable products like dairy, poultry, and vegetables. The recovery is expected to be very gradual with ongoing economic disruptions. In the medium term, a gradual recovery in growth is expected, with some increase in export demand and higher public spending.

**5. Similar to global trends, urban areas in Bangladesh are much more affected by COVID-19 than rural areas due to high density, challenges in practicing social distancing, and concentration of informal settlements and informal economic activity.** A majority of COVID-19 cases in Bangladesh<sup>4</sup> are concentrated in major cities and towns.<sup>5</sup> Specifically, the highest number of reported cases has been in Dhaka city, followed by Chattogram, Narayanganj, and Gazipur.<sup>6</sup> The COVID-19 outbreak outside Dhaka correlates with migration from Dhaka to other towns and villages. Average household per capita consumption in urban areas is estimated to be 15 percent lower and poverty 82 percent higher with COVID-19, relative to a scenario without COVID-19. In contrast, average household per capita consumption in rural areas is estimated to be 12 percent lower and poverty 44 percent higher.<sup>7</sup> The pandemic has caused an estimated 70 percent decrease of economic activities in urban areas.<sup>8</sup> Cities contribute 65 percent to Bangladesh GDP and thus the medium to long-term impact of the pandemic on urban economies will have devastating implications on the country's overall economic growth and recovery from COVID-19 impacts. Already from March to July 2020, Bangladeshi municipalities (Pourashavas) saw their annual Own Source Revenue shrink by 15 to 30 percent.<sup>9</sup>

**6. Bangladesh is extremely vulnerable to the effects of climate change.** The Global Climate Risk Index ranks Bangladesh as the world's seventh most affected country over the period 1999-2018.<sup>3</sup> Rising temperatures leading to more intense and unpredictable rainfalls during the monsoon season and a higher probability of catastrophic cyclones are expected to result in increased tidal inundation. It is estimated that a one-meter rise in sea levels would submerge 18

<sup>3</sup> Bangladesh Garment Manufacturers and Exporters Association (BGMEA), as of May 22, 2020.

<sup>4</sup> As of July 26, the total number of confirmed cases and deaths reached 221,178 and 2,874 respectively.

<sup>5</sup> <http://103.247.238.92/webportal/pages/COVID-19.php>

<sup>6</sup> <https://bipbd.maps.arcgis.com/apps/opsdashboard/index.html?fbclid=IwAR3tb5HrUrx1YAX9zLLNpVmhF1tAFduSbUYPD4CKKate3dPMouYqBsf-vWE#6ce9b9ec0bec48e2912d60df6af964d6> accessed on July 24, 2020

<sup>7</sup> Genoni et al 2020. Losing Livelihoods: The Labor Market Impact of COVID-19 in Bangladesh. Washington DC World Bank

<sup>8</sup> [https://bigd.bracu.ac.bd/wp-content/uploads/2020/04/Round-1\\_23\\_April\\_PPRC-BIGD-Final.pdf](https://bigd.bracu.ac.bd/wp-content/uploads/2020/04/Round-1_23_April_PPRC-BIGD-Final.pdf)

<sup>9</sup> WB 2020. Draft paper on Cox's Bazar Local Government Capacity and Service Delivery Assessment



percent of arable land in coastal areas<sup>4</sup>. Recent studies estimate that by 2050 Bangladesh could have 13.3 million internal climate migrants<sup>5</sup>. Additional rural-urban migration would have significant consequences for air and water pollution and unsustainable consumption of natural resources, while putting additional pressure on urban labor markets. Addressing climate risks is increasingly becoming urgent to ensure sustainable economic development of the country.

7. **Bangladesh is affected by the most prolonged flood season in a decade.** Floods are affecting one third of the country<sup>10</sup> following heavy Monsoon rains in July and August 2020. During this time cities and towns faced waterlogging, leading to widespread flood damages to roads, shelters and houses.<sup>11</sup> The country is yet to fully recover from the impacts of super cyclone Amphan, which landed on May 16, 2020. Flooding during the COVID-19 pandemic presents compounding challenges in providing emergency relief and response by local governments. Reduced funding to carry out routine maintenance of storm water drainage systems and flood embankments further increase flood impacts, and the limited ability to provide emergency relief can lead to a more pronounced humanitarian crisis.

## B. Sectoral and Institutional Context

8. **Urban areas in Bangladesh concentrate a growing segment of the population, generate a disproportionately large share of economic activity and face unprecedented challenges in the provision, maintenance and coordination of infrastructure and service delivery.** Around 36 percent of Bangladesh's total population of 163 million lives in urban areas;<sup>12</sup> it is estimated that this will rise to 60 percent by 2050.<sup>13</sup> Urban areas already account for a large proportion of the GDP: Metropolitan Dhaka alone, with around 13 percent of the total population, accounts for at least 21 percent of national GDP. An additional 5.5 percent of Bangladesh's GDP is generated by Chattogram (formerly Chittagong), the second-largest city and home to 3.6 percent of the country's total population.<sup>14</sup> Despite the economic importance and dynamism of urban areas, social and physical indicators underline the massive challenges faced by urban local governments. About 55 percent of the urban population lives in slums, only 50 percent have access to basic handwashing facilities, 51 percent use safely managed sanitation services, and 44 percent have access to safely managed drinking water facilities. At around 20 percent (in 2016), the urban poverty rate has remained stubbornly high. While nation-wide poverty rates were halved between 2000 and 2016, the rate of reduction in urban areas was much slower than in rural areas. There has been a small increase in the rate of extreme poverty in urban areas.<sup>15</sup> This is further exacerbated by perennial disaster shocks, such as flooding and climate change impacts.

9. **The lockdown following COVID-19 pandemic has caused a 70 percent decrease of economic activities in urban areas,<sup>16</sup> with severe impacts on urban poverty.** The negative impacts of COVID-19 on poverty rates are higher in urban centers compared to rural areas, as about a quarter of urban households living in poverty are engaged in informal activities which are severely affected by closures and disruptions.<sup>17</sup> These severe impacts arise in large part because the incomes of a large share of workers and their households depend on activities directly affected by the crisis, particularly in urban areas. These include daily and self-employed workers in non-agriculture and salaried workers in manufacturing. The pace of poverty reduction was already slowing down in urban areas before the pandemic; this crisis will further push many urban residents into poverty. It is estimated that the income of nearly 15 million people will fall below the poverty line

<sup>10</sup> <https://www.dhakatribune.com/bangladesh/2020/07/15/one-third-of-bangladesh-underwater-in-worst-flood-in-decade>; <https://www.theguardian.com/us-news/commentisfree/2020/sep/22/climate-change-action-bangladesh-paris-agreement>

<sup>11</sup> <https://www.thedailystar.net/backpage/news/flood-takes-turn-worse-1929973>

<sup>12</sup> <https://data.worldbank.org/indicator/SP.URB.TOTL.IN.ZS?locations=BD>

<sup>13</sup> <http://cusdhaka.org/bulletin-articles/towards-an-urbanized-bangladesh-looking-beyond-050#:~:text=T>

<sup>14</sup> Population from UN World Urbanization Prospects (2018 rev.), and GDP share from the Oxford Economics' *Competitive Cities Database* (2012)

<sup>15</sup> World Bank Bangladesh data (2020) and World Bank (2019): *Bangladesh Poverty Assessment: Facing old and new frontiers in poverty reduction*. Washington DC.

<sup>16</sup> [https://bigd.bracu.ac.bd/wp-content/uploads/2020/04/Round-1\\_23\\_April\\_PPRC-BIGD-Final.pdf](https://bigd.bracu.ac.bd/wp-content/uploads/2020/04/Round-1_23_April_PPRC-BIGD-Final.pdf)

<sup>17</sup> [https://bigd.bracu.ac.bd/wp-content/uploads/2020/04/Round-1\\_23\\_April\\_PPRC-BIGD-Final.pdf](https://bigd.bracu.ac.bd/wp-content/uploads/2020/04/Round-1_23_April_PPRC-BIGD-Final.pdf)



due to COVID-19 impacts, taking the total number of urban poor to 27 million.<sup>18</sup>

10. **Women workers in urban areas are disproportionately impacted by the COVID-19 pandemic.** Similar to global trends, the pandemic and ensuing movement restrictions has resulted in loss of livelihoods and jobs, increased women’s burden of care in the home, and restricted their access to education and health services, including critical maternal and reproductive health. Global evidence suggests an increase in intimate partner violence and limited access to services for survivors of gender-based violence (GBV).<sup>19</sup> In Bangladesh, women in urban areas have experienced relatively higher job losses because of their lower participation in the labor force and the sectors where they are more heavily engaged. Women workers in Dhaka and Chittagong have been disproportionately affected due to their employment in the most COVID-19 affected economic sectors, such as garments industries or as housemaids.<sup>20</sup>

11. **Even with limited resources Urban local government institutions (ULGIs) are responding to COVID-19 pandemic by undertaking public awareness campaigns and distributing relief supplies.** A recent study on Cox’s Bazar<sup>21</sup> found that the initial approaches towards the COVID-19 pandemic were similar in nature across all Pourashavas as they responded to government directives to raise public awareness on the pandemic. All four Pourashavas in Cox’s Bazar supported citizen awareness through loud speakers and posters, and made efforts to sanitize local markets and waiting rooms in bus stops, provided masks and hand sanitizers/soaps to the citizens, set up hand washing and sanitation stations, supplied food grains to those who were in dire need. Pourashavas mostly used their depleting own source revenue for the response. Some reported donations from mayors and NGOs, and limited support from the Government towards staff salary. Cox’s Bazar Pourashava was an exception in its response, as it set up two temporary medical centers to collect blood samples for corona testing in specialized medical colleges/hospitals.<sup>22</sup>

12. **ULGIs can play a more prominent role in responding to and recovering from COVID-19 impacts and supporting urban poor, but are under-resourced and under-capacitated to do so.** Bangladesh has 12 City Corporations and 329 municipalities (Pourashavas) that provide a range of municipal goods and services in urban areas. These ULGIs are important for inclusive decision-making involving their constituents and provision of major urban services, including the paving of roads and streets, solid waste management, “greening and cleaning” and ensuring the provision of water and sanitation services. City Corporations and Pourashavas are natural partners to national government in pursuing national policy objectives in urban development, such as ensuring the operation and maintenance of existing urban infrastructure; ensuring climate resilience/disaster risk reduction; as well as providing social protection and public services to the urban poor. Although LGIs account for only a relatively small percentage (about 5percent) of total public expenditure in Bangladesh, they are nonetheless significant sources of public spending at the local level, as shown in the table 1 below. Despite progress in the decentralization reforms, the quality of urban institutions is still weak. They have limited fiscal autonomy and decision-making powers, inadequate own source revenues, and weak systems of accountability. Under the decentralization reform agenda, GoB introduced legislative reforms in local governance in the years up to and during 2008-2009, including enacting a new *Pourashava* Law and a City Corporation Law.

Table 1: Overview of LGI Finances, FY 2017-18

|                         | Unit          | UP       | PSA      | CC       |
|-------------------------|---------------|----------|----------|----------|
| Total Expenditures      | Tk million    | 59,677.3 | 30,934.2 | 74,191.7 |
| Per Capita Expenditures | Tk per person | 517.1    | 1,531.2  | 3,757.7  |

<sup>18</sup> <https://bigd.bracu.ac.bd/wp-content/uploads/2020/06/PPRC-BIGD-Final-April-Survey-Report.pdf>

<sup>19</sup> Carmen de Paz et al 2020. Gender Dimensions of the COVID-19 Pandemic. Washington, DC. World Bank

<sup>20</sup> Genoni et al 2020. Losing Livelihoods: The Labor Market Impact of COVID-19 in Bangladesh. Washington DC World Bank

<sup>21</sup> WB 2020. Draft paper on Cox’s Bazar Local Government Capacity and Service Delivery Assessment

<sup>22</sup> Supported through Mayor’s personal fund.



|                                 |         |       |      |      |
|---------------------------------|---------|-------|------|------|
| Share funded by OSR             | Percent | 6.5   | 42.2 | 30.5 |
| Share funded by block grant     | Percent | 13.9  | 23.8 | 4.0  |
| Share funded by other transfers | Percent | 89.2  | 42.9 | 67.4 |
| Units                           | LGI     | 4,538 | 329  | 11   |
| Population                      | million | 115.4 | 20.2 | 19.7 |

Source: adapted from World Bank (2020)

13. **Urban LGIs are facing major fiscal challenges as a result of the pandemic and need urgent support to meet urban services delivery and local emergency needs.** Urban LGIs in Bangladesh are highly dependent on own-source revenues (OSRs). Around 46 percent of total Poursahava expenditures and some 30 percent of total City Corporation expenditures are financed from own-source revenues (OSR). As the COVID-19 pandemic has caused a severe economic downturn, urban LGIs are faced with a sharp fall in OSRs. Based on a recent study conducted on local governments in Cox’s Bazar district, from March to July 2020, Pourashavas saw their annual OSRs shrink by 15 to 30 percent.<sup>23</sup> As Pourashavas usually cover their own recurrent expenditures, including staff costs, out of OSRs, this has severe impact on service delivery, notably solid waste management and street cleaning. This further constrains their capacity to respond to the pandemic. As limited municipal resources are used to address the COVID-19 needs, gaps for financing critical every-day municipal functions, such as salaries, provision of services, operation and maintenance of infrastructure have become more pronounced.<sup>24</sup> For instance, none of the 329 Pourashavas around the country have been able to provide full salaries to their staff since March or April 2020. This is not only due to reduced revenue collection, but also because municipal budgets have been diverted to meet emergency relief needs. As a result, City Corporations and Pourashavas need urgent support to (i) meet critical gaps in service delivery and emergency community needs, especially targeting the poor and most vulnerable immediately; (ii) restore livelihoods of poor households, low skilled urban labor and the informal sector who have been disproportionately affected by the lockdown and recession; and (iii) facilitate and foster local economic development during the recovery stage. The absence of positive action at the local level will not only impede recovery in the medium term but also worsen the crisis right now.

14. **Over and above providing major urban services and responding to the pandemic in areas within their functional domain, urban LGIs have a critical role to play in coordinating multi-sectoral COVID response interventions targeting individuals and households at the local level.** Many donors and partners, including the World Bank, are supporting Government’s strategic support to respond to COVID-19 impacts.<sup>25</sup> For example, the World Bank is supporting \$100m Emergency Response and Pandemic Preparedness Project focusing on improved health surveillance and response to COVID-19 cases. Ongoing World Bank supported Social Protection project<sup>26</sup> was re-aligned to advance cash and food support to the most vulnerable households; and many other sectoral projects such as those in Water Supply and Sanitation and Transport sectors are support COVID-19 response efforts as well. <sup>27</sup> These interventions could be further strengthened if complemented with support to urban LGIs who can provide critical physical, social and institutional infrastructure and services to meet communities’ health, food, and jobs needs. Urban LGIs have three key roles with regard to COVID-19 response: (i) working closely with the Field Administration and DPHE in providing support to public health activities; (ii) ensuring routine and critical urban services including emergency response; and (iii) coordinating as well as facilitating local sectoral activities to meet citizen need. Local Government have a critical role in effectively coordinating local recovery and resilience efforts and connecting supply side sectoral intervention with local demand and need. For example, planned

<sup>23</sup> WB 2020. Draft paper on Cox’s Bazar Local Government Capacity and Service Delivery Assessment

<sup>24</sup> Based on team’s consultation with mayors in July 2020

<sup>25</sup> The Government of Bangladesh has four focus areas to respond to the crisis: (a) increased public expenditure with a target to create jobs, (b) introducing fiscal stimulus to retain workers in the manufacturing sector, (c) expansion of social safety net programs to meet the basic needs of people living below the poverty line, day laborers and for those who are engaged in the informal sector through food and cash transfers, and (d) increase money supply to maintain liquidity of the economy (GoB April 2020, *Possible Economic Impact of Corona Virus on Bangladesh and Stimulus Package and Work Plan to Recovery*)

<sup>26</sup> Bangladesh Second Programmatic Jobs Development Policy Credit (P168724)

<sup>27</sup> Bangladesh Municipal WSS Project (P161227) is supporting activities in 30 municipalities that address COVID-19 WASH response and recovery



actions on safety nets, jobs and skills<sup>28</sup> will benefit from local government's support to labor intensive works, improving job opportunities for the urban poor. Currently a small number of local governments are receiving limited support from the digital, Water, and Transport operations,<sup>29</sup> but much more is needed to put together a comprehensive and integrated local response that is effective and sustainable.

### C. Relationship to CPF

15. **The Local Government Covid-19 Response & Recovery Project (LGCRRP) aligns with the Government's strategic support areas for COVID-19 response primarily on increased public expenditure with a target to create jobs, Bangladesh Country Partnership Framework (CPF) FY2016-2020, South Asia Regional Strategy and with the twin goals of ending extreme poverty and promoting shared prosperity** by contributing to improved decentralization and delivery of basic services in urban areas. It is also aligned with the Bank's strategy of identifying and addressing risks associated with disasters and climate change.

16. **The project is anchored in the WBG COVID-19 Crisis Response Approach<sup>30</sup> to urgently support urban local governments of Bangladesh** by contributing to all four key pillars: (i) saving lives, (ii) protecting poor and vulnerable people, (iii) ensuring job creation, and (iv) strengthening policies, institutions and investments for rebuilding better. The Project will specifically contribute to relief and recovery phase in saving lives and protecting the poorest and most vulnerable.

### C. Proposed Development Objective(s)

The Project Development Objective (PDO) is to strengthen the response and recovery efforts of urban local government institutions to the COVID-19 pandemic.

#### Key Results (From PCN)

- People benefiting from urban LGI-supported public health measures aimed at reducing COVID-19 transmission and impacts (male/female disaggregated)
- People provided with paid employment on urban LGI-financed public works schemes (male/female disaggregated)
- Urban LGIs with improved capacity to respond and recover from COVID-19 pandemic (number of urban LGIs meeting Minimum Conditions)

### D. Concept Description

17. The LGCRRP will provide financial resources and capacity support to urban LGIs to (i) ensure continuity of basic urban services; (ii) ramp up local level COVID-19 responses in services, health, jobs and livelihoods, community outreach and awareness, and local economic development; (iii) mobilize and coordinate across various agencies operating at the local level; (iv) strengthen pandemic and disaster response systems. It will strengthen the Government of Bangladesh's pandemic response and recovery by: (i) directing scarce resources to critical COVID-19 hotspots, which are typically in dense urban settlements, especially targeting the urban poor, migrant workers, and vulnerable demographic groups; (ii)

<sup>28</sup> Recovery and Acceleration of Informal Sector Employment (P174085) \$150m IDA

<sup>29</sup> Bangladesh: Enhancing Digital Government & Economy Project (P161086), Bangladesh Private Investment & Digital Entrepreneurship Project (P170688), and Western Economic Corridor and Regional Enhancement Program (P169880)

<sup>30</sup> WBG June 2020. Saving Lives, Scaling-up Impact and Getting Back on Track World Bank Group COVID-19 Crisis Response Approach





ensuring coordination and bringing synergies between national, sectoral, and local level initiatives; and (iii) providing a continuum between immediate emergency responses and short to medium term recovery.

18. **The financial instrument for this project is Investment Project Financing (IPF) on IDA terms.** The key features and principles of the project are:

- **Geographical coverage:** The proposed project will support all urban LGIs
  - 329 Pourashavas, with a total population of approximately 20.2 million, and
  - 10 City Corporations (all except Dhaka North and Dhaka South<sup>31</sup> which are already receiving support through other Bank projects), with a total population of approximately 10.35 million.
- **Provision of block grants:** The project will address critical and evolving service delivery, livelihood and employment generation needs through the provision of COVID Response Grants (CRGs) to local governments. Robust fiscal transfer and monitoring systems already exist (supported through the Local Governance Support Program<sup>32</sup>) to efficiently channel resources to urban local governments and to monitor results on the ground rapidly. A first grant will be made available soon after project effectiveness to cover emergency needs and to plan for COVID-19 response and recovery actions. The grant will be supplemented with technical assistance.
- **Phasing and scope:** The project will focus primarily on bridging the COVID-19 response gaps at local level. In the short to medium term, it will support recovery and resilience by urgently addressing critical gaps in local health services, basic services delivery, especially those related to safety, health and wellbeing of affected communities and localities (e.g. water supply, wastewater, solid waste, rehabilitation of health and community facilities, ensuring COVID-19 safety in markets), with a strong emphasis on poorer neighborhoods (informal settlements, migrant worker housing, etc.) and disproportionately affected population groups (garment workers, women and children, differently-abled, etc.), as well as providing strong local level coordination and facilitation mechanisms for a broad range of institutional and community stakeholders working on COVID-19 response at the local level. Rehabilitation and development of essential services, as well as infrastructure and economic assets will be supported through labor intensive methods to support job creation and economic recovery. In the medium to long term, the Project will support pandemic and disaster preparedness, improving local resilience and capacity to manage crises.
- **Multisectoral coordination and preparation of Local COVID Response and Recovery Plans:** The proposed project will ensure complementarity with ongoing sectoral COVID-19 response interventions targeting individuals and households needs. ULGIs will establish local COVID Response Committees and prepare Local COVID Response and Recovery Plans, building on their role in providing critical physical, social and institutional infrastructure and services to meet communities' health, food, and jobs needs, but also to effectively coordinate recovery and resilience efforts. Based on the Local COVID Response and Recovery Plans, labor-intensive works will target low-income and most vulnerable urban households, ensuring COVID-sensitive implementation.
- **Timeline and adaptive learning: The project is expected to be implemented over a period of four fiscal years, starting from FY21.** It will consist of three components. Procedures for components 1 and 2 will be detailed in a Project Operations Manual (POM), which will be made available to all eligible LGIs, as well as to other national and sub-national stakeholders. A separate POM will describe procedures for component 3 (CERC). A mid-year review is planned after three grant cycles based on the results from operational audit, progress status, COVID situation and performance of ULBs in managing the grants to assess scope and geographical coverage of the remaining grants.

<sup>31</sup> Dhaka North and Dhaka South City Corporations are receiving support through the ongoing Dhaka City Neighborhood Upgrading Project (P165477) and the under preparation Dhaka North Neighborhood Upgrading Project (DNNUP, P 173022). COVID-19 response activities are being incorporated under both operations.

<sup>32</sup> Three consecutive phases of Local Government Support Program (LGSP) have successfully established formula-based block grants (BGs) to all Union Parishads (UPs) in Bangladesh. Currently LGSP 3 (P159683), a \$300 million IPF, is ongoing supporting 4,543 *Union Parishads* (rural municipalities).



- **Gender:** The project will support women’s employment opportunities as well as their greater voice and agency. On the employment side, the project will ensure that livelihood and employment initiatives supported through the block grants target women workers and include training and skills development for women. With regards to voice and agency, the project will facilitate women’s participation in local COVID response plans, and increase the availability and access to GBV service providers.

19. **The project would have three key components:**

**(i) Component 1: Covid-19 Response Grants (US\$275 million):** Component 1 will provide eligible and qualifying ULGIs with Covid-19 Response Grants (CRGs) over a period of three years spanning over four fiscal years. A first grant will be made available soon after project effectiveness to cover emergency needs and to plan for COVID-19 response and recovery actions. The grant will be supplemented with technical assistance. See details below:

- **Grant Allocation.** Overall allocations to LGIs will be based on US\$9.00 per capita<sup>33</sup> (for total grants over the whole project period). On the basis of this, approximately US\$182 million is earmarked for Pourashavas and approximately US\$93 million for City Corporations.
- **Fund flow and funding schedule:** in order to ensure that CRGs are made available to qualifying LGIs on a timely basis, funds will be released to LGIs on project effectiveness (anticipated before September 2021); grant disbursements will be made on a six-monthly basis. Funds will be released by the project to LGI project bank accounts (held in nationalized commercial banks), opened for the specific purpose of LGCRRP.
- **Eligible expenditures.** Qualifying LGIs will be able to use their grants to fund a range of expenditures, grouped into three main pillars and in accordance with specified floors or ceilings. A more detailed expenditure menu will be included in the POM.
- **Minimum conditions and negative list.** Eligible LGIs will qualify for CRGs by fully meeting a number of Minimum Conditions (MCs). MCs are intended to ensure that LGIs have basic capacities in place to use project grants effectively and appropriately. In addition to this eligible expenditure menu, qualifying LGIs will need to comply with a negative list of non-eligible expenditures. The compliance assessment process will be fully detailed in the POM.
- **Local Covid-19 Response and Recovery Plans.** To ensure complementarity with ongoing sectoral COVID-19 response interventions targeting individuals and households’ needs and priorities under the project, already established local COVID-19 Management Committees<sup>34</sup> will coordinate ongoing activities, and prepare Local COVID Response and Recovery Plans. The project will promote women’s engagement and leadership in the COVID-19 Management Committees. The plans will identify COVID response and recovery priorities (See Table 4 for preliminary expenditure menu) not only to meet communities’ health, food, and jobs needs, but also to effectively coordinate recovery and resilience efforts. The plan will also identify steps on implementation, procurement, and reporting arrangements. A major focus of the Plan will be to ensure labor intensive and pro-poor nature of the use of public works following guidance and clear criteria set forth in Project Operations Manual.

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<sup>33</sup> LGCRRP COVID-19 Response Grants (CRGs) amount to US\$3.00 per capita per annum, which is three times larger than Union Parishad Basic Block Grants per capita under LGSP. This amount is justified given the: (i) higher needs and larger mandates of urban LGIs; and primary aim of providing supplementary and emergency support to meet COVID-19 response needs. US\$3.00 per capita is also commensurate with the absorptive capacity of Pourashavas, representing (on average) about 15% of total annual Pourashava revenues (and about 40% of average own-source revenues among Pourashavas).

<sup>34</sup> As per the Ministry of Local Government DPP preparation committee, the Government has formed a local level COVID-19 Management Committee for Pourashavas and City Corporations which will act for ‘COVID Response and Recovery Plans’.



- *All eligible expenditures will be aimed at responding to the ongoing Covid-19 pandemic and its consequences.* Qualifying LGIs will be able to use up to 5 percent of their grants to finance costs related to the planning, preparation and implementation of Covid-19 response actions. The detailed expenditure menu (to be included in the POM) will also make it clear that any LGI activities which potentially spill over into the mandates of other stakeholders (e.g. public health authorities) are to be coordinated and jointly agreed.

**(ii) Component 2: Technical and implementation support, digital technology and project management (US\$25 million):**

Through component 2, LGCRRP will provide resources for the following purposes:

- Project management:* incremental operating costs and technical assistance will be financed to ensure that the LGCRRP Project Management Unit is fully operational. The LGCRRP PMU, will include several technical specialists (project financial management, monitoring and evaluation, compliance assessment, procurement, safeguards, capacity building, audits, IT etc.).
- Compliance assessment and monitoring:* Eligible LGIs will be assessed with respect to their compliance with Minimum Conditions. Compliance assessments will be undertaken at 6-monthly intervals, based on desk reviews of documentation submitted by LGIs and (field visits to LGIs. Prior to LGCRRP's third six-monthly disbursement of grants to LGIs, compliance assessments will include an independent financial audit of the annual financial statements of all participating LGIs. As in LGSP-3, these audits will be undertaken by auditing firms, to be procured by the LGCRRP PMU.
- Dedicated technical support to LGIs in effectively preparing, implementing, supervising and reporting on local COVID Response and Recovery Plan activities:* The project will provide technical support to LGIs on (i) technical preparation of high priority civil works or other complex activities identified in Local COVID-19 response plans; (ii) ensure quality and timely procurement, safeguards, financial management and supervision support; and (iii) long term capacity building to strengthen local government capacity building performance on financial management, procurement, environmental and social safeguards, pandemic and disaster response and management, economic recovery and digital infrastructure. Apart from strengthening of MSUs and RMUs<sup>35</sup> to provide technical training and support to LGIs in above identified areas, and consultancy services hired by ULBs, dedicated teams of experts and/or firms working with the Center of Excellence for Urban Development (TBC)<sup>36</sup> will guide and support LGIs on need basis. The PMU will also be strengthened with individual experts and/or firm to ensure effective and efficient supervision and monitoring of the Local COVID-19 Response and Recovery Plans.
- Digital Infrastructure:* In addition to this broad-based technical and capacity building support, the project will also support to develop and strengthen the use of digital technology by LGIs. LGCRRP support for the development and use of digital technology is largely aimed at modernizing LGI operations and at making LGIs more resilient to shocks such as the Covid-19 pandemic. ICT support such as equipment needs to be provided to Local Governments along with specialists/ consultants who will support the capacity building program.

**(iii) Component 3: Contingency Emergency Response Component (CERC): This CERC is included under the project in accordance with OP 10.00, paragraphs 12 and 13, for situations of urgent need of assistance.** This will allow for rapid reallocation of project proceeds in the event of a natural or man-made disaster or crisis that has caused or is likely to imminently cause a major adverse economic and/or social impact. To trigger this component, the Government needs to declare an emergency or provide a statement of fact justifying the request for the activation of the use of emergency funding. To allocate funds to this component, the Government may request the World Bank to reallocate project funds to

<sup>35</sup> The Municipal Support Unit (MSU) and Regional Municipal Support and Unit (RMSU) established in LGED and supported through WB supported Municipal Government Support Project provides comprehensive capacity building for urban LGIs, including computerization of administrative operations.

<sup>36</sup> Center of Excellence in Urban Development is a collaborative platform of: Bangladesh Institute of Planners (BIP), Institute of Architects of Bangladesh (IAB), Institution of Engineers Bangladesh (IEB), and the Municipal Association of Bangladesh (MAB). It aims at (a) capacity development and knowledge exchange; (b) research and advocacy; (c) urban policy consultations; and, (d) demand-driven and just-in-time technical assistance to urban local governments institutions (LGIs).



support response and reconstruction. If the World Bank Group agrees with the determination of the disaster and associated response needs, this Component will draw resources from the unallocated expenditure category and/or allow the Government to request the World Bank to reclassify and reallocate financing from other project components to cover emergency response and recovery costs. This Component could also be used to channel additional funds should they become available because of an emergency. Disbursements will be made against a positive list of critical goods or the procurement of works and consultants.

| Legal Operational Policies                  | Triggered? |
|---------------------------------------------|------------|
| Projects on International Waterways OP 7.50 | No         |
| Projects in Disputed Areas OP 7.60          | No         |

Summary of Screening of Environmental and Social Risks and Impacts

The project focuses on the COVID-19 responses by improving local services, facilitating livelihoods, creating job opportunities and boosting local economic development, and supporting income generating activities and infrastructure upgrading needs. The project activities include community awareness on COVID-19 response, facilitating vaccination and hygiene practices; supporting the enhancement of health protocols at public buildings; pro-poor health support, labor intensive public works (LIPWs); upgrading/rehabilitation of existing small-scale community infrastructure and facilities, and improvement of markets and other LED infrastructure including digital technology. Construction impacts will entail limited and site-specific air and water pollution, noise emissions and waste generation. Under the health support delivery, the project intends to provide reusable (Cloth or fabric) face masks that are easy to wash with warm or hot water using normal household laundry detergent and/or color safe bleach, thus minimizing waste downstream. There will be restrictions on schemes which could cause significant negative environmental and social impacts and the project is not expected to have irreversible or long-term environmental impacts.

The small size and limited nature of civil works and construction approach, implementation arrangements involving experienced entities such as LGD, LGED and ULGIs, urban location of project interventions, likelihood of using urban resident laborers in small civil works and consequent low level of risk of GBV/SEA/SH at works sites in associated urban communities. All activities will be designed and implemented using existing available land avoiding involuntary acquisition of land and displacement of people. Presence of small ethnic communities with distinct characteristics as indigenous peoples is not likely in the urban areas. Again, the implementation approach will be inclusive, transparent and participatory to avoid discrimination between community groups by gender, age, disability, occupation, and racial and ethnic identity.

LGD has long experience in managing environmental and social requirements under the former safeguards OPs of the Bank as it is implementing Bank financed Local Governance Support Project (LGSP) since 2008. They have successfully completed the first and second LGSP and implementation of the third is ongoing. Some of the ULGIs have experience in managing social and environmental risks as well. LGD is also getting assistance from LGED in project management and the later has considerable experience in social and environmental management.



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**APPROVAL**

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