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# Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 24-Aug-2016 | Report No: PIDISDSA19876



**BASIC INFORMATION**

**A. Basic Project Data**

Country Bangladesh	Project ID P159683	Project Name Third Local Governance Support Project (LGSP 3)	Parent Project ID (if any)
Region SOUTH ASIA	Estimated Appraisal Date 06-Oct-2016	Estimated Board Date 30-Jan-2017	Practice Area (Lead) Social, Urban, Rural and Resilience Global Practice
Lending Instrument Investment Project Financing	Borrower(s) Government of Bangladesh	Implementing Agency Local Government Division (LGD), Ministry of Local Government, Rural Development and Cooperatives (M	

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Proposed Development Objective(s)

The project development objective is to institutionalize the UP fiscal transfer system, and introduce a fiscal transfer system for Pourashavas on a pilot basis.

Components

- Institutionalization of UP Grants
- Audits and Performance Assessments, and Management Information Systems
- Expanded Block Grants to Pourashavas
- Capacity Development and Project Implementation Support

**Financing (in USD Million)**

Financing Source	Amount
Borrower	495.43
International Development Association (IDA)	301.00
<b>Total Project Cost</b>	<b>796.43</b>

Environmental Assessment Category

B - Partial Assessment

Decision

Track II-The review did authorize the preparation to continue



**Note to Task Teams:** End of system generated content, document is editable from here.

Other Decision (as needed)

## B. Introduction and Context

### Country Context

1. Bangladesh's economy has experienced rapid growth in the last decade. This has propelled Bangladesh to cross the threshold to become a low middle income country (LMIC) in 2014 and per capita income continued to increase in 2015 to US\$1,220. The country has made impressive strides in meeting the Millennium Development Goal (MDG) with respect to reducing headcount poverty and poverty gap ratio, increasing enrolment at primary schools, lowering the infant mortality rate and maternal mortality ratio, improving immunization coverage and reducing the incidence of communicable diseases. These achievements notwithstanding, significant development challenges remain. Yet poverty is widespread, employment opportunities are limited, and socio-economic inequalities are growing.
2. Local governments in Bangladesh are a key element of the overall governance landscape, and have the statutory responsibility for the provision of services to local communities; however, they operate in a highly constrained policy and institutional environment. Local governments have: inadequate fiscal autonomy and own source revenues; limited decision making powers; and weak accountability systems. Subnational expenditure as a share of total government expenditure has been less than 4%, while less than 2% of total government revenue is collected at local levels. Most local development decisions are prioritized by deconcentrated national agencies. Nonetheless, local governments – especially at the lowest tiers – are key features of the governance landscape and, for the most part, enjoy a socio-political prominence that is disproportionate to their small size and limited capabilities. They provide communities and citizens with proximate democratic space and offer substantial opportunities for enhancing government accountability at the grassroots.
3. Successive governments have affirmed their intent to devolve powers to lower levels through more autonomy and increased allocation of resources. In 2009, the Government of Bangladesh (GoB) revised local government ordinances to facilitate the transfer of additional expenditure responsibilities and enhanced fiscal resources to UPs. These reforms enabled a transparent and predictable fiscal transfer system for UPs to be introduced and established by the two Bank-supported Local Governance Support Projects (LGSP). Fiscal transfers supported by the project enabled UPs to execute their assigned expenditure mandate as per the 2009 UP Act. Statements in the GoB Seventh Five Year Plan (7th YP – FY16-20) and the 2015-2016 Budget Speech of the Prime Minister have reaffirmed GoB's strong commitment to local government reform and decentralization, under the overarching theme "Accelerating Growth, Empowering Citizens".



Sectoral and Institutional Context

4. In 2006, GoB revised local government ordinances facilitating transfer of additional expenditure responsibilities and enhanced fiscal resources to UPs. These reforms enabled the establishment of a transparent and predictable fiscal transfer system for UPs through LGSP 1 and 2, which were World Bank supported projects with GoB funding making up a significant portion of basic block grants. At the close of LGSP2, the GoB share of basic block grants had incrementally reached 60%.
5. Under LGSP 1 and 2, a set of systems and procedures were established in the areas of UP fiscal transfers, financial audits, performance assessments, and information management and governance. The key achievements of LGSP2 include: (i) transparent and predictable formula-based basic block grants (BBG), transferred directly to UP bank accounts in two tranches/year; (ii) the carry-over of year-end unspent balances to the following year's UP budget; (iii) 3-year indicative BBG ceilings to facilitate planning; (iv) full discretion for fund use based on priorities determined by communities; (v) performance-based grants to incentivize UPs for better performance; (vi) a six-monthly reporting by UPs, with all information available in a Management Information System (MIS), used for oversight and program adjustments, by the central government; (vii) annual financial audits and performance assessments of all 4,550 UPs using chartered accountant firms; (viii) improved governance, and transparency of UP transactions; (ix) capacity building training to nearly 75,000 local public officials in planning, budgeting, public financial management; (x) safeguards compliance; (xi) improved governance, citizen participation and social mobilization, including a help line for public comments/complaints; and (xii) numerous small local infrastructure and service delivery schemes responding to local public needs.
6. LGSP3 will be the instrument to trigger further reforms through: (i) institutionalizing the UP fiscal transfer system, which will be fully funded by GoB; and (ii) introducing improved fiscal transfer mechanisms to other local government institutions, starting with the next tier, i.e., Pourashavas (or municipalities).
7. The gains of LGSP 1 and 2 will be consolidated in LGSP3, through institutionalizing the block grant system as the fiscal foundation of the local government system within the overall intergovernmental and fiscal architecture of Bangladesh; sustaining and expanding local infrastructure and service delivery together with enhanced incentives for strengthening institutional performance; and incorporation of the 100% annual financial audit and performance assessments of UPs, as regular functions of GoB. Thereby, the achievements of UPs in meeting a vital local service-delivery need, covering both achievements by UPs on the institutional aspect and physical delivery, will be improved further and sustained.
8. LGSP3 will function as the basic instrument to meet these objectives, through graduating and systematizing the fiscal and institutional mechanisms established under LGSP 1 and 2. This process has already begun under LGSP2, with increasing amounts of GoB own-funding supporting the grant system, capacity building, etc. LGSP3 will focus on these core objectives, with the goal of full GoB funding for and management of BBGs by the end LGSP3.



9. **LGSP3 will introduce expanded block grants to Pourashavas<sup>1</sup>**, having populations less than 60,000, whose major part of revenue is the GoB ADP grants (about US\$70 million/year). The goal of this initiative is to develop the fiscal foundation for improved municipal service delivery in Bangladesh's secondary towns. Although rapid urbanization has positively impacted economic performance of the country, it has also exerted great pressure on basic service delivery and urban living. Pourashavas, as urban local governments, are facing the similar constraints as UPs due to low capacity, limited fiscal autonomy and decision making powers, insufficient own source revenues, and weak accountability systems. Consequently, they are inadequately-equipped to respond to the growing demand for infrastructure and service improvements in Bangladesh's emerging towns and small cities. Pourashava grants supported by LGSP3 will be used to improve service levels, with local discretion over decision-making consistent with the existing legal framework.

### C. Proposed Development Objective(s)

**Note to Task Teams:** The PDO has been pre-populated from the datasheet for the first time for your convenience. Please keep it up to date whenever it is changed in the datasheet.

#### Development Objective(s) (From PAD)

The project development objective is to enhance the sustainability of the UP fiscal transfer system, and introduce the fiscal transfer system for Pourashavas.

#### Key Results

- (a). Enhanced UP responsiveness to people's needs through participatory decision-making at ward level, open budget meetings and transparency of UP business actions
- (b). Enhanced accountability of UPs through 100% annual financial audits and assessment on governance performance
- (c). Enhanced transparent and predictable fiscal transfers to Pourashavas.

### D. Project Description

**Component 1. Institutionalization of UP Fiscal Transfers (Total US\$453.86 million, of which IDA 243.72 million).**

**UP Grants.** UP grants will comprise (i) basic block grants (BBG) and (ii) performance-based grants (PBG). BBGs will be determined on a per capita basis of US\$ 0.90/capita per year (FY16 baseline), increasing annually by 5% to account for inflation and annual population increase, and PBGs will be determined on a per capita allocation of US\$0.15/capita. Grant funding pool projections for the five-year period are

<sup>1</sup> The 320 Pourashavas comprise 138 Class A, 128 Class B and 74 Class C Pourashavas



provided in Annex 1.

(a). **Basic Block Grants (BBG) (US\$350.23 million).** BBGs will be allocated to UPs on the basis of a simple formula: a 25% equal shares component and a 75% component that will be allocated according to population size (90%) and area (10%). BBGs will be disbursed twice a year direct to bank accounts of UPs. The first tranche will be a minimum flat amount to every UP which will be equal shares of 25% of the total BBG funding pool. The second tranche of 75% of the BBG will be disbursed subject to UPs meeting three minimum conditions (clean/unqualified audit, open budgeting; adequate audit, and submission of the last two six monthly reports). UPs will be informed of their indicative 3-year BBG allocations in advance to facilitate planning, and notified of their actual allocations before end-June of each year. UPs will have discretion in the use of the grants based on priorities determined by communities in a participatory manner, including the provision to rollover unspent funds to the following year. In Year 1, 2 and 3, GoB and IDA will share BBGs in the ratio of 60:40. From Year 4 (FY20) onwards, the BBG funding pool will become an integral part of LGD's Annual Development Plan (ADP), and will figure as a separate line item in LGD's MTBF and annual development budget and be subject to Government regulations or norms.

(b). **Performance-based Grants (PBGs) (US\$103.63 million).** PBGs will be awarded to better performing UPs, assessed on the basis of a set of specific performance indicators. The performance indicators used in LGSP2 have been revised to improve the focus on UP performance in resource allocation, financial management, own-source revenue and transparency. PBGs will be allocated on the basis of Districts, rather than Upazilas as was done under LGSP2. Provided that they achieve a minimum threshold score, the top scoring 50% of UPs in each district will be awarded PBGs as a top-up to their BBG allocations, with higher scoring UPs receiving commensurately larger PBG top-ups. For example, of the best performing 50% of UPs in each District, the top 20% are likely to receive a PBG increment estimated at half the amount of their BBG, the next 30% are likely to receive a 35% increment on the amount of their BBG, and the remaining 50% are likely to receive a 20% top-up to their BBGs.

**Component 2. Institutionalization of UP Audits and Performance Assessments, and Management Information Systems (US\$8.27 million IDA).**

(a) **UP Audits and Performance Assessments.** The system of annual UP audits and performance assessments (PAs), which was one of the major successes of LGSP1 and LGSP2, will be continued under LGSP3 and beyond, as they are both crucial for local accountability and for determining the eligibility of UPs for their annual BBG and PBG allocations. Institutionalization of UP audits and PAs is a key objective of LGSP3. UP audits and PAs will be undertaken as under LGSP2, but with the following improvements to strengthen the process: readiness and preparation of UP Annual Financial Statements in time for audits; clear reporting guidelines for financial audits; clear guidelines to enhance the standard and quality of the Appeals Hearing process; and training for auditors to carry out objective performance assessments against the indicators. **During years 1-3 of LGSP3**, audits and PAs of all UPs will be managed by the PMU and financed by the project. As in the past, UP audits/PAs will be undertaken by private audit firms, grouped into 22 procurement packages. Quality assurance arrangements will remain the same as in LGSP2 – but with a gradual movement towards ICAB assuming greater responsibility for overseeing the quality of the audit process. **From Year 4**, UP audits/PAs will be managed by LGD's UP Wing and Audit Cell, financed out of UP BBG allocations, quality assured by the C&AG and ICAB, and regulated by an official LGD order (or instruction). The LGD UP Wing and Audit Cell will be responsible for managing the



procurement of auditors to undertake UP audits/PAs. The capacities of the LGD UP Wing and Audit Cell will be strengthened prior to Year 4, through familiarization and mentoring by the PMU; strengthening staffing levels in its Audit Cell. The UP audit process will be further institutionalized by establishing an Audit Steering Committee (ASC).

(b) **Pourashava Audits.** Annual financial and assurance level audits of all eligible Pourashavas will be undertaken to facilitate Pourashava access to Expanded Block Grants (EBGs), funded by the IDA credit. During Years 1 -3. Audit firms will be contracted by LGSP3 to carry out audits of Pourashavas, through the addition of Pourashava audits to existing UP audit packages. From Year 4, Pourashava audits will be separately procured by the PMU.

(c) **Management Information Systems.** A fully functional MIS will be established and institutionalized at the UP and LGD levels under LGSP3, to facilitate reporting, report generation and monitoring by LGD. The UP MIS developed under LGSP2 will be fully operationalized, including data entry starting at the UP level, and the establishment of a MIS Help Desk to provide online support the users in the all UPs. The Data Center at LGD will be equipped with a real time recovery server, and will be supported with consultants and equipment. Training and computer hardware/software will be provided to LGD and to all UPs. The component will support the establishment of an ICT Cell at LGD that will manage the MIS and source code.

**Component 3. Expanded Block Grants to Pourashavas (US\$143.90 million maximum, of which US\$71.95 million is IDA).**

Expanded block grants (EBG) will be provided to Pourashavas that have populations less than 60,000, numbering 254, using the same processes and principles underlying UP grants. The EBGs will significantly increase the size of annual grants and provide greater resources to address local service delivery priorities. At present, the 254 project Pourashavas receive annual ADP grants from LGD, calculated as a fixed, equal shares amount that varies depending on the class of Pourashava, amounting to a total annual ADP of approximately US\$16.7 million. The ADP block grant allocations for qualifying Pourashavas will be blended, in the LGSP3 EBG bank account, with an equal amount from the IDA credit to form the EBG funding pool for all qualifying Pourashavas. The total annual EBG funding pool will comprise the total of ADP/Pourashava grants (to eligible Pourashavas) from GoB, and, an equal amount from the IDA credit.

Pourashavas will qualify for EBGs upon satisfying Minimum Conditions, similar to those applicable to BBGs and UPs, i.e., a satisfactory annual financial audit report, a functioning Town Level Coordination Committee, an approved budget, and (from year 3 of the project) the last two six monthly financial and progress reports have been submitted to LGD.

Qualifying Pourashavas will access EBGs from this blended annual funding pool, and will be provided with EBG allocations based on a simple formula: an equal shares component (of 25% of the total funding pool), divided up equally among all qualifying Pourashavas; and (ii) a population-based component (75% of the total funding pool), to be divided up among qualifying Pourashavas on the basis of their population size. Any eligible Pourashava that fails to qualify for an EBG allocation will continue to receive its ADP block grant allocation.



Disbursements of EBGs to qualifying Pourashavas will be made directly to Pourashava bank accounts from the Project Authority in two six-monthly tranches. Pourashavas will be able to carry over unspent year-end EBG balances to the following FY.

As with UPs, the assessment of Pourashava compliance with EBG Minimum Conditions will be undertaken by private audit firms, procured by the project. Annual financial audits would cover all eligible Pourashavas. In addition, after the first year, Pourashava audits and assessments would also include a quality-level assurance, aimed at monitoring compliance with LGSP3 safeguards and procurement requirements.

**Component 4. Capacity Development and Project Implementation Support (Total US\$48.51 million, US\$41.71 million IDA).** (a) **Capacity Building:** (i) training for UP officials and functionaries; (ii) capacity development for improved public finance management; and (iii) capacity building for project Pourashavas; and (b) **Project Management and Implementation Support:** financing for PMU consultants and District Facilitators, and logistics and incremental operating costs.

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## **E. Implementation**

Institutional and Implementation Arrangements





10. Institutional arrangements for LGSP3 that will remain unchanged (as in LGSP2) are: (i) the inter-ministerial Project Steering Committee (PSC), chaired by the Secretary, LGD will facilitate policy discussions, inter-agency coordination, and overall project monitoring and oversight; (ii) LGD the agency responsible for project implementation; (iii) the Project Management Team will have an Additional Secretary as the NPD, assisted by two full-time DPDs, with responsibility for core functions of LGD, carried out by LGD's Project Authority; (v) the Project Authority responsibility for monitoring, program evaluation and policy development, procurement, financial management, fund flows, withdrawal requests and disbursements, and reporting to the PSC, and managing and coordinating all field based activities, and field based monitoring and reporting, coordinating with DDLGs and DFs, and ensuring linkages and coordination with other line agencies and the NILG.
11. With special authority given by MoF, the Project Authority will make fiscal transfers directly to UP bank accounts in the first three years, and Pourashava EBG transfers, directly to Pourashava bank accounts, during the entire project period. The Project Authority will also manage financial and performance audits of UPs for the first three years and Pourashava audits during the entire project period.
12. **LGD's UP Wing.** Starting FY20 (fourth year), UP fiscal transfers and financial and performance audits will be mainstreamed within the LGD's UP Wing, consistent with the projects' BBG institutionalization objective. The UP Wing will disburse UP BBGs s direct to bank accounts of UPs, with special authority provided by the MoF.
13. **UP Standing Committees.** The Standing Committee at the UP level will be activated for an expanded role of ensuring investment efficiency, specifically, to vet highly localized investments that are proposed by ward committees. UPs will continue to be responsible for the planning, budgeting and implementation of service delivery activities.
14. **Pourashavas** will be responsible for the use of the expanded block grants according to norms described in the Pourashava Operations Manual, to improve service levels. The Town level Coordination Committee of Pourashavas will have a role to ensure that investments selected by wards benefit a larger population beyond wards.
15. **Audit Reviews.** A new Audit Review Committee will be established under LGSP3 to improve oversight and quality of the audit process, which will in addition to existing arrangements for audits. More detailed implementation arrangements are provided in Annex 3.

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#### F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

The ongoing LGSP2 has provided direct fiscal and technical resources to all Union Parishads (UPs) in the country, and it is envisaged that LGSP3 will, similarly, cover all UPs across the country, as well as the selected Pourashavas that would be brought under the third phase. The UPs used the LGSP2 funds, which were relatively small, largely for rehabilitation/construction of small-scale community infrastructure, including rural roads, culverts and irrigation and drainage systems. With the restrictions placed on environmental category-A schemes/subprojects, as well as private land acquisition



and involuntary displacement from public lands, these schemes did not have major negative social or environmental impacts. On the other hand, mid-term safeguard assessment findings suggests that under the previous two phases of LGSP, UPs and communities rehabilitated/built infrastructures, especially culverts, drainage systems that reduced environmental degradation/local pollution created by other development projects. Under LGSP3, similar small-scale community infrastructures will be rehabilitated or built anew. Given that the restrictions on schemes which could cause significant negative impacts will remain, LGSP3 is not expected to have irreversible or long-term environmental and social impacts.

**G. Environmental and Social Safeguards Specialists on the Team**

Iqbal Ahmed

**SAFEGUARD POLICIES THAT MIGHT APPLY**

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Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The LGSP 2 is classified as category 'B' in accordance with OP 4.01 and the similar nature project LGSP 3 will be remain unchanged and will not trigger any new environmental safeguard policies. Most of the adverse impacts are expected to be limited to the local environment and will be minimized, avoided or compensated with a careful design and implementation of the environmental management plan. LGSP2 adopted an Environmental and Social Management Framework (ESMF) and it will be updated for LGSP3 with the lessons learned from the ongoing LGSP II and adequate consultation process, since the basic interventions remain similar to those of LGSP2.
Natural Habitats OP/BP 4.04	No	It is highly unlikely that any natural habitat formed largely by native plant and animal species will be affected or modified due to the project activities
Forests OP/BP 4.36	No	The project is expected have no impacts on the management, protection, or utilization of natural forests or plantations. As such, the policy has not been triggered.
Pest Management OP 4.09	No	The project is not expected to finance any synthetic chemical pesticides activities and the policy has not been triggered.
Physical Cultural Resources OP/BP 4.11	No	Since the activity is limited to the training program, no impact on landscape with archaeological, paleontological, historical, architectural, religious,



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		aesthetic, or other cultural significance is expected.
Indigenous Peoples OP/BP 4.10	Yes	Like the previous two phases, the proposed LGSP3 will also cover the three districts of Chittagong Hill Tracts, which are homes to largest proportion of the country's indigenous population. There are also indigenous peoples in many of the plains districts where they live in settlements among the mainstream peoples. As such, the OP/BP 4.10 remains triggered.
Involuntary Resettlement OP/BP 4.12	No	During preparation of initial LGSP, it was determined that UPs did not (and still do not) have the financial and technical resources for private land acquisition and to deal with resettlement issues that might arise due to displacement of people from private and public lands. Moreover, land acquisition in Bangladesh is a long and cumbersome process that may take any length of time. Whereas the schemes that UPs undertake are completed in a matter of few months. In view of the reality, the ESMF has placed restrictions on schemes that are likely to cause significant negative social impacts. Nevertheless, it also provides simple guidelines to obtain small amounts of lands for schemes that are of critical importance. These are founded on the principles of community cooperation and good governance.
Safety of Dams OP/BP 4.37	No	The project will not finance any dams, nor do project activities depend on any existing dams.
Projects on International Waterways OP/BP 7.50	No	The project activities will not take place along international waterways which are shared with Riparian countries.
Projects in Disputed Areas OP/BP 7.60	No	There are no disputed areas in the project area of influence.

## KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

### A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

The project has net positive impact on environment (EA). The LGSP funds helped UPs and their constituents to improve local environment and social cohesion. The safeguard assessment for LGSP2 found that the culverts, drainage systems that reduced environmental degradation/local pollution significantly. It is envisaged that LGSP3 will, similarly,



cover all UPs and some Urban Local Bodies (ULBs) across the country. Union Parishads (UPs) will continue to use LGSP2 grants. The UPs and ULBs will utilize funds for the provision of small-scale community infrastructure and other schemes responding to community as like rehabilitation/construction of small-scale community infrastructure, including rural roads, culverts and irrigation and drainage systems. The Project is classified as Environmental Category B in accordance with OP 4.01 due to the nature and scale of the planned civil works and assessed impacts. Environmental issues that may arise in these schemes are likely to be minor and limited within the subproject boundary. Noise, water and air pollution would result from a wide range of construction activities. However, it does not envisage any significant or irreversible environmental/social impact. The expected environmental and social impacts can be mitigated through implementation of appropriate environmental code of practice and environmental management plan, social management plans, resettlement action plans and tribal people's plans as appropriate. The Environmental Management Plan(EMP) with a set of special environmental clauses (SECs) need to be included in the Technical Specification of the bidding documents. Implementation of the EMP during the construction phase will be supervised by the construction supervisor and Contractor personnel.

The social safeguard issues may relate to using public and private lands for the individual schemes and their environmental and social impacts. Consistent with the OP/BP 4.01 and OP/BP 4.10, the ongoing LGSP2 adopted an Environmental and Social Management Framework (ESMF) with instruments for environmental and social screening, and to identify and mitigate any adverse impacts as and when they arise under the selected schemes. The UPs have been using this framework for selection and implementation of schemes that reflect community preferences and priorities. Among other provisions, the ESMF includes a list of schemes with significant negative environmental and social attributes, which the UPs cannot deal with their pr

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

Environmental issues that may arise in these schemes are likely to be minor but would be addressed such as (i) arsenic and bacterial contamination in drinking water, (ii) unplanned road construction causing drainage blocks, (iii) improper sanitation and sewage systems, (iv) inadequate solid waste management, and (v) Noise and air pollution could result from a wide range of construction activities, including earth filling, foundation works, movement of vehicles, operation of construction equipment and generators. (vi) Water pollution may result from discharge of waste (from labor shed or site) and spills and leaks of oils/ chemical into water bodies. These impacts are mostly temporary and limited within the site boundary. The expected environmental impacts can be mitigated through implementation of subproject specific environmental management plan or environmental code of practice as appropriate

The Grievance Redress Mechanism (GRM) used for LGSP2 has been simplified for LGSP3, in consideration of costs and travel time required to submit grievances to the DDLG at the district headquarters. As noted earlier, in keeping with recent RSA advice, LGD has prepared a separate standalone Small Ethnic Group Planning Framework (SEGPF -- akin to Indigenous Peoples Planning Framework or IPPF). It provides inter alia principles and procedure to identify and deal with adverse impacts on the peoples of small ethnic group, as well as a consultation framework for adoption of mitigation and development measures, where schemes might adversely affect such peoples.

As to capacity improvement, one of the key agencies for LGSP3 is the National Institute of Local Government (NILG), which developed standard UP Training Modules and coordinated UP training for LGSP2. The capacity of NILG will be strengthened further so that it can develop and implement safeguard training modules in keeping with ESMF and SEGPF provisions. Under LGSP3, capacity building and monitoring will be further decentralized. As a part of this, Schemes Supervision Committees (SSC) at UP/Ward and Pourashava levels will be trained in safeguards to review all the screening results, implementation and completion forms, and suggest, if necessary, remedial actions to Ward Committees (WC). The office of the DDLG at the district level will be strengthened by providing District Facilitator Teams (DFT). These DFTs will be trained in EA and social safeguards and will provide training and monitoring support



to the UPs.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

The EIA and SIA has provided provisions for alternative analysis in terms of design and location. The environmental management process will help to consider the alternative options to avoid or minimize adverse impacts at the planning stage. The findings of survey result and the different components of proposed subprojects to be implemented under project, will be analyzed to present the best alternative.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

The Local Government Division (LGD) under the Ministry of Local Government, will implement different types of subprojects in 4550+ UPs within 64 districts throughout the country under the proposed project. A framework approach has been adopted to provide guidelines and procedures of environmental management of the subprojects to be implemented, since the exact locations and degree of impact of the subproject components yet to identify. The specific subprojects (rural roads, culverts, drain, irrigation systems etc.) and locations will be identified during implementation stage.

As noted for addressing social issues, the ESMF being used for the ongoing LGSP2 has been updated for LGSP3, with inputs/feedbacks received from the ESMF implementation assessment at mid-term and consultations with the UP functionaries, beneficiary communities and government officials from Upazilas, districts and LGD. The ESMF for LGSP3 contains (a) a Negative List, indicating schemes that are likely to cause significant negative EA and social impacts that the UPs and Pourashavas cannot mitigate with their present technical capacity and resources, and hence cannot be funded under LGSP3; (b) Guidelines for Environmental Management that provide principles, policies and codes of practice for the mitigation of potential environmental impacts; and (c) Guidelines for Land Use: Barring private land acquisition, these guidelines are meant for use of public and private lands and impact assessment, adverse impact mitigation, and implementation and monitoring arrangement.

LGD's allied agencies Local Government Engineering Department(LGED), has been implementing large scale infrastructure programs financed by the World Bank and other development partners, and has the knowledge and capacity to implement the LGSP3 with EA and social safeguards due diligence. The office of the DDLG at the district level will be strengthened by providing District Facilitator Teams (DFT). These DFTs will be trained in EA and social safeguards and will provide training and monitoring support to the UPs. The Ups, Schemes Supervision Committees (SSC), Ward Committees (WC) were trained on EA and social safeguards under ongoing LGSP2 and will be able to manage the schemes to be developed under LGSP3 with compliances. In addition, The LGD will appoint a full-time Environment and Social Safeguards Specialist, who will review and ensure safeguards performance quality, working closely with relevant government counterparts.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

The key stakeholders are the residents of the Unions and selected Pourashavas receiving the LGSP3 funds; the community members who might contribute lands for the selected schemes and those who might be displaced from public lands; the elected UP functionaries and UP Secretary, the members of the Upazila Resource Team (URT); and officials of the NILG and LGD. Other important stakeholders are the chartered accounting firms which will conduct performance audit of the UPs, including quality of ESMF and SEGPF implementation. While conducting the performance audits and visiting schemes on the ground, these accounting firms will discuss with the communities,



UPs, Ward Committees (WCs) and Scheme Supervision Committees (SSCs)

For preparation of the LGSP3, LGD conducted regional consultations with various stakeholders, including UP and some Pourashava functionaries; local communities; and government officials from Upazilas, districts, and relevant ministries. Most of all, it is mandatory for the WCs to extensively consult the communities in open meetings while selecting and prioritizing the infrastructure schemes. In addition, the Safeguard Screening Form requires presence of community members while a scheme is being screened. Community and stakeholder consultations are a part and parcel SEGPF. Under LGSP3, partnership with civil society organizations (CSO) will be strengthened, social accountability measures and various communication activities will be expanded for enhancing transparency of UPs and deeper engagement between UPs and the union residents.

Adequate stakeholder consultation within the Project's area of influence were conducted by organizing meetings and face to face interactions with several target groups including women Focused Group Discussion(FGD). The objective of the consultations was to disseminate information about the project and understand their concerns and opinions. All the surveys and consultation meetings were organized with free and prior information to all the stakeholders. A national level workshop on draft final ESMF has been planned in November, 2016 to present the EMF and SMF to the key stakeholders including field level staff of the implementing agencies, UPs, ULBs, community representatives, NGOs, civil society etc. The comments and the findings from the workshop and other public will be reviewed and incorporated in the final EA report. The draft final ESMF has been disclosed in the LGD websites for public comments.

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**B. Disclosure Requirements**

**Environmental Assessment/Audit/Management Plan/Other**

Date of receipt by the Bank	Date of submission to InfoShop	For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors
10-Oct-2016	14-Oct-2016	

**"In country" Disclosure**

**Indigenous Peoples Development Plan/Framework**

Date of receipt by the Bank	Date of submission to InfoShop
10-Oct-2016	14-Oct-2016

**"In country" Disclosure**

Bangladesh  
14-Oct-2016

Comments



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**C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)**

**OP/BP/GP 4.01 - Environment Assessment**

Does the project require a stand-alone EA (including EMP) report?

Yes

If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report?

Yes

Are the cost and the accountabilities for the EMP incorporated in the credit/loan?

Yes

**OP/BP 4.10 - Indigenous Peoples**

Has a separate Indigenous Peoples Plan/Planning Framework (as appropriate) been prepared in consultation with affected Indigenous Peoples?

Yes

If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?

NA

If the whole project is designed to benefit IP, has the design been reviewed and approved by the Regional Social Development Unit or Practice Manager?

NA

**The World Bank Policy on Disclosure of Information**

Have relevant safeguard policies documents been sent to the World Bank's Infoshop?

Yes

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?

Yes



### All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?

Yes

Have costs related to safeguard policy measures been included in the project cost?

Yes

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?

Yes

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?

Yes

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### CONTACT POINT

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#### Borrower/Client/Recipient

Government of Bangladesh

#### Implementing Agencies

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**FOR MORE INFORMATION CONTACT**

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**APPROVAL**

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**Approved By**

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