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Report No: PAD5276

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED SHORTER MATURITY LOAN CREDIT IN THE AMOUNT OF SDR 72.11 MILLION (US$95 MILLION EQUIVQLENT)

AND A

PROPOSED SCALE-UP WINDOW SHORTER MATURITY LOAN CREDIT IN THE AMOUNT OF SDR155.60 MILLION (US$205 MILLION EQUIVALENT)

AND A

PROPOSED SCALE UP WINDOW LOAN IN THE AMOUNT OF US$100 MILLION

TO THE

PEOPLE'S REPUBLIC OF BANGLADESH

FOR A

BANGLADESH RESILIENT URBAN AND TERRITORIAL DEVELOPMENT PROJECT

May 31, 2024

Urban, Resilience and Land
South Asia

CURRENCY EQUIVALENTS

(Exchange Rate Effective {April 30, 2024})

Currency Unit =	Bangladeshi Taka (BDT)
BDT 110 =	US$1
US$1.31793 =	SDR 1

FISCAL YEAR
July 1 – June 30

Regional Vice President:	Martin Raiser
Regional Director:	Dina Umali-Deininger
Country Director:	Abdoulaye Seck
Practice Manager:	Abedalrazq F. Khalil
Task Team Leader(s):	Kwabena Amankwah-Ayeh, Zhiyu Chen, Amadou Ba

ABBREVIATIONS AND ACRONYMS

AM	Accountability Mechanism
BAU	Business as usual
BDP	Bangladesh Delta Plan
CCB	Climate Co-Benefits
CDP	Cluster Development Plan
CERC	Contingent Emergency Response Component
CPF	Country Partnership Framework
DA	Designated Account
DSM	Design, Supervision and Management
EMCF	Ethnic Minority Community Framework
ES	Environmental and Social
ESCP	Environmental and Social Commitment Plan
ESIA	Environment and Social Impact Assessment
ESMF	Environmental and Social Management Framework
FAPAD	Foreign Aided Project Audit Directorate
FM	Financial Management
FMS	Financial Management Specialist
GBV	Gender Based Violence
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GoB	Government of Bangladesh
GRS	Grievance Redress Service
IA	Implementing Agency
IDA	International Development Assistance
IMF	International Monetary Fund
IUFR	Interim Unaudited Financial Report
LGD	Local Government Division
LGED	Local Government Engineering Department
LMP	Labor Management Procedure
M&E	Monitoring and Evaluation
MGSP	Municipal Governance and Services Project
MoLGRD&C	Ministry of Local Government, Rural Development & Co-operatives
MSP	Municipal Services Project
MSU	Municipal Support Unit
MTR	Mid-term Review
NAP	National Adaptation Plan
NDC	Nationally Determined Contributions
O&M	Operation and Maintenance
OSR	Own Source Resource
PAM	Performance assessment monitoring
PAP	Project affected person
PBC	Performance-Based Condition
PDO	Project Development Objective
PDP	Pourashava Development Plan
PIC	Project Implementation Committee

PIM	Project Implementation Manual
PIUs	Project Implementation Units
PMU	Project Management Unit
PPSD	Project Procurement Strategy for Development
PSC	Project Steering Committee
RPF	Resettlement Policy Framework
RUTDP	Resilient Urban and Territorial Development Project
SEA/SH	Sexual exploitation and abuse/sexual harassment
SEP	Stakeholder Engagement Plan
SOP	Series of Projects
STEP	Systematic Tracking of Exchanges in Procurement
SUW	Scale Up Window
TLCC	Town-level Coordinating Committee
TPM	Third-Party Monitoring
UP	Union Parishad

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DATASHEET

BASIC INFORMATION

Project Beneficiary(ies)	Operation Name		
Bangladesh	Bangladesh Resilient Urban and Territorial Development Project		
Operation ID	Financing Instrument	Environmental and Social Risk Classification	
P178985	Investment Project Financing (IPF)	Substantial	

Financing & Implementation Modalities

[ ] Multiphase Programmatic Approach (MPA)	[✓] Contingent Emergency Response Component (CERC)
[✓] Series of Projects (SOP)	[ ] Fragile State(s)
[✓] Performance-Based Conditions (PBCs)	[ ] Small State(s)
[ ] Financial Intermediaries (FI)	[ ] Fragile within a non-fragile Country
[ ] Project-Based Guarantee	[ ] Conflict
[ ] Deferred Drawdown	[ ] Responding to Natural or Man-made Disaster
[ ] Alternative Procurement Arrangements (APA)	[ ] Hands-on Expanded Implementation Support (HEIS)

Expected Approval Date	Expected Closing Date
28-Jun-2024	31-Oct-2030
Bank/IFC Collaboration	
No	

Proposed Development Objective(s)

The project development objectives (PDO) are to: (i) enhance access to climate resilient urban infrastructure and services in selected clusters, and (ii) strengthen urban management capacity in selected urban centers.

Components

Component Name	Cost (US$)
Component 1: Climate Resilient Urban Services and Infrastructure Investments	425,930,000.00

Component 2: Institutional Strengthening, TA ,Project Management and Operational Support	134,070,000.00
Component 3: Contingent Emergency Response	0.00

Organizations

Borrower:	People's Republic of Bangladesh
Implementing Agency:	Local Government Engineering Department, Ministry of Local Government, Rural Development and Cooperatives

PROJECT FINANCING DATA (US$, Millions)

Maximizing Finance for Development

Is this an MFD-Enabling Project (MFD-EP)? No

Is this project Private Capital Enabling (PCE)? No

SUMMARY

Total Operation Cost	**560.00**
Total Financing	**560.00**
of which IBRD/IDA	**400.00**
Financing Gap	**0.00**

DETAILS

World Bank Group Financing

International Development Association (IDA)	400.00
IDA Credit	100.00
IDA Shorter Maturity Loan (SML)	300.00

Non-World Bank Group Financing

Counterpart Funding	160.00
Borrower/Recipient	160.00

IDA Resources (US$, Millions)

	Credit Amount	Grant Amount	SML Amount	Guarantee Amount	Total Amount
National Performance-Based Allocations (PBA)	0.00	0.00	95.00	0.00	95.00
Scale-Up Window (SUW)	100.00	0.00	205.00	0.00	305.00
Total	**100.00**	**0.00**	**300.00**	**0.00**	**400.00**

Expected Disbursements (US$, Millions)

WB Fiscal Year	2025	2026	2027	2028	2029	2030	2031
Annual	45.00	50.00	70.00	75.00	85.00	60.00	15.00
Cumulative	45.00	95.00	165.00	240.00	325.00	385.00	400.00

PRACTICE AREA(S)

Practice Area (Lead)

Urban, Resilience and Land

Contributing Practice Areas

Agriculture and Food; Climate Change

CLIMATE

Climate Change and Disaster Screening

Yes, it has been screened and the results are discussed in the Operation Document

SYSTEMATIC OPERATIONS RISK- RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	Moderate
2. Macroeconomic	Moderate
3. Sector Strategies and Policies	Moderate
4. Technical Design of Project or Program	Moderate

5. Institutional Capacity for Implementation and Sustainability	Substantial
6. Fiduciary	Substantial
7. Environment and Social	Substantial
8. Stakeholders	Substantial
9. Overall	Substantial

POLICY COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

[ ] Yes [✓] No

Does the project require any waivers of Bank policies?

[ ] Yes [✓] No

ENVIRONMENTAL AND SOCIAL

Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

E & S Standards	Relevance
ESS 1: Assessment and Management of Environmental and Social Risks and Impacts	Relevant
ESS 10: Stakeholder Engagement and Information Disclosure	Relevant
ESS 2: Labor and Working Conditions	Relevant
ESS 3: Resource Efficiency and Pollution Prevention and Management	Relevant
ESS 4: Community Health and Safety	Relevant
ESS 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Relevant
ESS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources	Relevant
ESS 7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Relevant
ESS 8: Cultural Heritage	Relevant
ESS 9: Financial Intermediaries	Not Currently Relevant

NOTE: For further information regarding the World Bank's due diligence assessment of the Project's potential environmental and social risks and impacts, please refer to the Project's Appraisal Environmental and Social Review Summary (ESRS).

LEGAL

Legal Covenants

Sections and Description
Section I.A.1. of Schedule 2 to the Financing Agreement The Recipient shall establish within one (1) month of the Effective Date and maintain throughout the period of implementation of the Project, the PMU at the at the Local Government Engineering Department ("LGED") of the LGD under the MoLGRD&C, with the composition, mandate, functions, staffing and resources satisfactory to the Association, Without limitation on the foregoing, the Recipient shall recruit or designate within three (3) months of the Effective Date: (a) a project director (at a superintending engineer level) and a financial management specialist; (b) DSM consultants responsible for detailed technical and engineering designs, procurement, economic analysis, social (including gender) and environmental management and monitoring and evaluation; (c) PAM consultants responsible for verifying the achievement of PBCs under Part 2.1 of the Project; as well as (d) any other competent, experienced and qualified staff in adequate number, including two (2) deputy project directors (at senior engineer level), three (3) senior assistant engineers, and an accounting officer, all with terms of reference, qualifications, and experience satisfactory to the Association.
Section I.A.2 of Schedule 2 to the Financing Agreement The Recipient shall establish within one (1) month of the Effective Date and maintain throughout the period of implementation of the respective Sub-Projects, the PIU in each Nodal Cities, Pourashavas, and City Corporations, with the composition, mandate, functions, staffing and resources satisfactory to the Association.
Section I.A.3 of Schedule 2 to the Financing Agreement The Recipient shall establish within three (3) months of the Effective Date and maintain throughout the period of implementation of the Project a MSU within LGED to support the institutional strengthening and capacity building of the Selected Pourashavas and City Corporations.
Section I.A.4 of Schedule 2 to the Financing Agreement The Recipient shall establish within three (3) months of the Effective Date and maintain throughout the period of implementation of the respective Sub-Projects, the TLCC and a City Development Coordination Committee ("CDCC") in each Nodal Cities, Pourashavas, and/or City Corporations, respectively, with the composition, mandate, functions, staffing and resources satisfactory to the Association.
Section I.A.5 of Schedule 2 to the Financing Agreement The Recipient shall establish within six (6) months of the Effective Date and maintain throughout the period of implementation of the Project, the Project Steering Committee ("PSC") within the LGD, with the composition, mandate, functions, staffing and resources satisfactory to the Association.
Section I.A.6 of Schedule 2 to the Financing Agreement The Recipient shall establish within six (6) months of the Effective Date and maintain throughout the period of implementation of the Project, the Project Implementation Committee ("PIC"), with the composition, mandate, functions, staffing and resources satisfactory to the Association.
Section I.B of Schedule 2 to the Financing Agreement The Recipient shall prepare and adopt a Project Implementation Manual ("PIM") for the Project, in form and substance satisfactory to the Association within one (1) month of the Effective Date. The Recipient shall ensure that the Project is carried out in accordance with the arrangements and procedures set out in the PIM.
Section I.C of Schedule 2 to the Financing Agreement For purposes of Parts 1.1 and 1.2 of the Project, the Recipient shall make the Sub-Grant to the Nodal Cities, Pourashavas, and City Corporations in accordance with eligibility criteria and procedures set forth in the PIM and acceptable to the Association for the respective Sub-Projects. The Recipient, through LGED, shall enter into an agreement with each Nodal City, Pourashava, and City Corporation (an "Implementation Partnership Agreement") on terms and conditions satisfactory to the Association.
Section I.E of Schedule 2 to the Financing Agreement In order to ensure the proper implementation of contingent emergency response activities under Part 3 of the Project ("Contingent Emergency Response Part"), the Recipient shall ensure that a manual ("CERC Manual") is prepared and adopted in form and substance acceptable to the Association, which shall set forth detailed implementation arrangements for the Contingent Emergency Response Part.

Section I.F of Schedule 2 to the Financing Agreement The Recipient shall provide, promptly as needed, the resources needed for this purpose: (i) all costs associated with land and land use rights required for the purposes of the Project; (ii) procurement of vehicles, recurrent expenditures for the purpose of attending meetings, conferences, seminars, workshops and study visits (sitting allowances/cash per diems/honoraria, notwithstanding eligible expenditures under Incremental Operating Costs and Training), and recurrent expenditures for fuel, administrative cost, and physical and price contingencies, under the Project and salaries of the Recipient's civil servants; and (iii) taxes exceeding fifteen (15) percent of the total amount of Financing, and the customs duty.

Conditions

Type	Citation	Description	Financing Source
Disbursement	Section III.B of Schedule 2 to the Financing Agreement	Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made: (a) for payments made from the Non-Concessional Credit and the Concessional Credit prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed SDR 310,000 from the Concessional Credit may be made for payments made prior to this date but on or after July 31, 2023, for Eligible Expenditures under Category (1)(a).	IBRD/IDA
Disbursement	Section III.B of Schedule 2 to the Financing Agreement	No withdrawal shall be made for Emergency Expenditures under Category (6), unless and until all of the following conditions have been met in respect of said expenditures: (i) (A) the Recipient has determined that an Eligible Crisis or Emergency has occurred, and has furnished to the Association a request to withdraw Financing amounts under Category (6); and (B) the Association has agreed with such determination, accepted	IBRD/IDA

		said request and notified the Recipient thereof; and (ii) the Recipient has adopted the CERC Manual and Emergency Action Plan, in form and substance acceptable to the Association.	

I. STRATEGIC CONTEXT

A. Country Context

1. **Bangladesh experienced rapid social and economic progress in recent decades, reaching lower middle-income status in 2015.** Stable macroeconomic conditions drove 6.4 percent average annual real gross domestic product (GDP) growth between 2010 and 2022. Over the same period, poverty and extreme poverty declined by 19.6 and 6.8 percentage points to 30 percent and 5 percent, respectively.[1] However, the pace of poverty reduction slowed, and urban inequality has widened.

2. **Bangladesh navigated the COVID-19 pandemic shock with prudent macroeconomic policies, but now faces a persistent balance of payments deficit and rising inflationary pressure.** Import suppression measures narrowed the trade deficit in the first half of FY24, moving the current account into surplus. However, the financial account deficit has widened, driven by a contraction in net trade credit and medium and long-term loans. Domestic policies exacerbated the impacts of external pressure, including the continued use of multiple exchange rates. As of April 2024, gross international reserves declined to US$ 19.9 billion (3.3 months of prospective imports). Authorities requested support to restore external balance, including an International Monetary Fund (IMF) program approved in January 2023. Inflation remained elevated at 9.8 percent in March 2024, driven in part by increased administered fuel and electricity prices and depreciation of the taka.

3. **The fiscal deficit stood at 4.4 percent of GDP in FY23.** Tax revenues remained among the lowest in the world at an estimated 7.3 percent of GDP in FY23. Expenditure growth accelerated with higher subsidy spending as a result of elevated commodity prices, while revenues declined with lower imports. Capital expenditure was led by infrastructure megaprojects, with the rationalization of other projects in FY23 to slow the growth of the budget deficit.

4. **Real GDP growth is expected to decelerate to 5.6 percent in FY24 before returning gradually to its long-term trend.** Inflation is projected to remain elevated in the near term and gradually subside with monetary policy tightening and import price stabilization over the medium term. External sector pressure will ease gradually, supported by resilient export growth and ongoing import restrictions. The fiscal deficit is expected to remain within 5.0 percent of GDP, with a moderate increase in revenues. However, downside risks are rising. Import restrictions may result in disruptive gas and power shortages that dampen growth. The pace of monetary and exchange rate reforms may be insufficient, leading to persistent inflation and further depletion of foreign exchange reserves. Financial sector vulnerabilities may widen if enhanced asset measurement, supervision, and enforcement measures are delayed.

5. **Structural reforms are needed to support a faster pace of growth over the medium term.** Country priorities to reach upper middle-income status by 2031 include building a competitive business environment, diversifying exports, increasing human capital, building efficient infrastructure, deepening the financial sector, and attracting private investment. These reforms will support international competitiveness as Bangladesh prepares for graduation from the Least Developed Country status in 2026, which will gradually lead to reduced concessional financing and preferential market access for its exports.

6. **Bangladesh is at low risk of overall and external debt distress in the January 2023 joint IMF-World Bank Debt Sustainability Assessment**. Bangladesh is not currently subject to Debt Limits Conditionality under the Sustainable Development Finance Policy. In its most recent Staff Report, the IMF stressed the need for Bangladesh to accelerate its ambitious reform agenda to achieve a more resilient, inclusive, and sustainable growth, requiring substantial investments in human capital and infrastructure.

7. **Bangladesh is highly vulnerable to the effects of climate change.** The Global Climate Risk Index ranks it as the seventh most affected country in 2000-2019,[2] with high susceptibility to extreme weather events such as cyclones, floods, storm

[1] Based on the international poverty line of US$ 3.65 and US$ 2.15 per day (using 2017 purchasing power parity) for poverty and extreme poverty, respectively.
[2] Germanwatch (2021) Global Climate Risk Index 2021.

surges, heat waves, droughts, and sea-level rise. Recurring flooding in Bangladesh affects a greater population than any other natural disasters, impacting more than 1 million people annually. On average, every three to five years, up to two-thirds of the country is inundated by floods. Exposure to climate-related disasters has also been increasing due to the current development patterns that do not adequately support climate resilience measures in infrastructure, land use strategies and urban planning in cities. Addressing these climate risks will support sustainable economic development and prevent vulnerable populations from being left behind.

B. Sectoral and Institutional Context

8. **Bangladesh is expected to face a major surge in urbanization, as it strives to become an upper middle-income country by 2031.** Around 38 percent of Bangladesh's population of 166 million lived in urban areas in 2021. This figure is expected to rise to about 60 percent by 2050. The urbanization process has been an integral part of the country's success story which has benefitted from structural transformation and the adoption of a pro-poor employment creation strategy. Urbanization has largely been driven by the rapid growth of manufacturing sector jobs in the Dhaka metro region. This trend has created a "double dividend" with labor shifting from agriculture to manufacturing, while spurring migration from rural areas with low productivity to urban areas with higher productivity in the Dhaka metro region—a trend which continues to grow steadily.

9. **Urbanization has been accompanied by increasing climate change impacts and rapid environmental deterioration.** Rapid urban expansion, high population density, wetland reclamations and deforestation have made urban areas highly susceptible to climate events, especially pronounced in Bangladesh deltaic environment. Urban areas will need to adapt to: (i) extreme heating and heat island impacts; (ii) urban flooding; (iii) sea level rise[3]; and (iv) migration caused by climate change. Additionally, rapid and at times unplanned development of urban settlements in disaster prone areas has been exposing more population to climate and disaster impacts. Pressures from climate-induced migration, combined with projected population growth, could lead to urbanization without productivity growth. Infrastructure in cities needs to be climate resilient – that is, planned, designed, built, and operated in a way that anticipates, prepares for, and adapts to changing climate conditions.

10. **City Corporations and Pourashavas in Bangladesh are responsible for providing climate resilient urban amenities and services.[4]** A fragmented legal framework governing the administration of urban local governments has created a complex and uncoordinated institutional setting for urban management and service delivery. Most local governments experience three fundamental urban governance deficits[5]: a resource deficit, an empowerment deficit, and an accountability deficit – that create dependency on the central government. In addition, most have limited capacity for better identifying climate and disaster risks, planning for resilience, and implementing climate actions. The Bank is engaged through policy dialogue informed by strong analytics, with urban local governments to support climate resilient urban service delivery and sustainable economic development.

11. **Developing the full potential of the country's various subregions by investing in secondary cities in key clusters along high priority economic corridors is a long-term vision for climate resilient territorial development.** Supporting climate resilient development in secondary cities that can host climate migrants while helping to support decongesting Dhaka, is crucial for long term climate adaptation in the country. Identifying secondary cities along key economic corridors and ensuring that they can follow climate resilient pathway can drive structural transformation and spatially differentiated development by coordinating the planning, and management of strategic urban infrastructure along the corridors. This requires a shift in focus from uncoordinated individual city investments to systematically developing city clusters along key economic growth corridors and watersheds to improve climate resilience, and by better coordinating the planning,

[3] Sea-level rise of 27 cm by 2050 is expected in Bangladesh coastal cities where close to 8.6 million people reside.

[4] City Corporations are larger urban agglomeration which include primary cities with an average population of 1.8 million. Pourashavas are smaller municipalities with an average population of 89,000. Pourashavas are secondary cities categorized into three types based on their size, population, type of economic activities, land use and earnings from own source revenues.

[5] Ahmed, N. et al. The Local Government System in Bangladesh: A Comparative Analysis of Perspectives and Practices. EU, DANIDA, SDC, UNDP and UNCDF, 2014

and management of strategic urban infrastructure along the corridors. City clusters can act as economic growth hubs and boost regional competitiveness.

12. **Synergizing secondary city development with national-level key infrastructure development, particularly along strategic economic corridors, will facilitate the urbanization process.** Bangladesh's overall sub-regional connectivity landscape has changed dramatically since the completion of large transportation infrastructure, such as the Padma and Jamuna Bridges. The Government of Bangladesh (GoB) has identified an initial list of high priority economic growth corridors in the country. Development along these corridors is expected to create more jobs, enhance rural-urban linkages, and support the rural-urban transition, strengthen the vital food supply chains, integrate domestic markets, and link production centers with global value chains. Investments to support the development of strategically important city clusters along these corridors can be leveraged with the GoB's major capital infrastructure investments, such as the Padma and Jamuna Bridges, to foster mini-agglomeration economies and productive advantages.

13. **Increasing urbanization and climate change is putting pressure on the country's food systems**. Secondary cities play a pivotal role by serving as hubs for agri-food processing, packaging, and distribution, creating employment opportunities and adding value to raw agricultural products. With over 60 percent of the population residing in rural areas, secondary cities act as vital intermediaries, connecting rural agricultural producers to urban consumers. However, the urban food systems in Bangladesh's secondary cities are challenged by inadequate infrastructure in wholesale and kitchen markets, with issues such as poor drainage, insufficient climate proofing, and lack of clean water. Wholesale markets, crucial for the food supply chain, struggle with flooding during monsoons and lack of access, while kitchen markets, essential for fresh food provision, grapple with sanitation and food safety concerns. Food safety enforcement is inconsistent, leading to health risks from informal distribution channels.

14. **Gender is a key consideration in urban development.** Most urban areas in Bangladesh can benefit from improvement in design of public spaces and urban infrastructure that considers women's specific needs for safety, access, and usability. This will enhance their mobility and opportunities to benefit from social and economic activities that urban areas offer. Two key underlying issues causing the gender gap in access to urban services are: (i) under-representation of women in urban planning, design, and decision-making,[6] and (ii) inadequate design of urban infrastructure and public spaces which leads to reduced accessibility for women[7] and a higher risk of gender-based violence (GBV).

C. Relevance to Higher Level Objectives

15. **The Resilient Urban and Territorial Development Project (RUTDP) is aligned with the GoB's Eighth Five-Year Plan (2020-2025) and the Long-Term Perspective Plan (2021-2041) for a better and more sustainable future.** It is also well aligned with the Bangladesh Delta Plan (BDP 2100) which identifies urban areas as one of the six hotspots experiencing water challenges and prioritizes improvements in flood protection and drainage in urban areas.[9] With the overarching vision of transforming Bangladesh into a high-income country by 2041, these plans acknowledge the role urbanization can play as an engine of sustained and inclusive economic growth, the increasing need for spatially targeted urbanization, and the importance of environment and climate change considerations in growth.

16. **The Project is informed by the Bangladesh Systematic Country Diagnostic Update (2021) and consistent with the World Bank Country Partnership Framework (CPF) FY23–27 discussed by the World Bank Board of Executive Directors on April 27, 2023** (Report No. 181003-BD). The project contributes to the CPF objectives through a resilient, spatially targeted and differentiated approach to urbanization, regional coordination and national urban development, that supports: (i) Objective 3 by improving the effectiveness of local government institutions to deliver better urban services by implementing green and climate resilience projects; (ii) Objective 4 by increasing access to quality urban services especially for women and vulnerable groups; (iii) Objective 5 by enhancing economic opportunities for women and

[6] For example, in UPs, there are only 12 women chairpersons out of 1,251 UPs in the 2016 election (Bangladesh Country Gender Assessment 2021, World Bank).

[7] A 2017 report by Action Aid on "Gender Responsive City Structure" stated that in a survey of Dhaka city, 42% of women mentioned the lack of security in parks and open spaces as preventing them from fully accessing these places. Some 96% of those interviewed mentioned lack of security 96%, inadequate number 95%, 54% unhygienic and 91.5% unusable.

vulnerable groups in selected Clusters and Nodal cities along the economic corridor; and (iv) Objective 6 by strengthening spatial connectivity for inclusive growth through a deliberate spatial and territorial approach to urban transformation. The project also contributes to the country's broader smart cities agenda by improving infrastructure support that could strengthen connectivity and digital platforms for improved urban governance.

17. **The Project is critical for ensuring compliance with the country's climate commitments, as outlined in the most recent National Adaptation Plan for Bangladesh (NAP 2023-2050) and Nationally Determined Contributions (NDCs)**.[8] The project supports the NDC adaptation priorities through multi-sectoral investments in climate resilience and disaster risk mitigation. GoB has committed to reduce greenhouse gas (GHG) emissions in the power, industry and transport sectors by 6.7 percent below the "business as usual" (BAU) scenario by 2030 using only domestic sources, or by 15.1 percent below BAU GHG emissions by 2030 conditional on international financing support.[9] Investments will contribute to the reduction of GHG emissions by supporting the NDC's actions to "increase use of less emission-based transport systems" and by adopting energy-efficient investments. The project supports the integration of climate actions outlined in the National Adaptation Programme of Action (2005), Bangladesh Climate Change Strategy and Action Plan (2009), Mujib Climate Prosperity Plan (2022-2041), National Environment Policy (2018), and the NAP (2023-2050). It is aligned with the BDP 2100 and the Bangladesh Country Climate Development Report (2022) which prioritizes climate smart urban development to mitigate internal climate migration and address adaptation challenges more effectively.

D. Series of Projects

18. **RUTDP is the first in a transformative Series of Projects (SOP) with the vision to transform the country's socio-economic landscape, build system resilience to climate change, and boost overall economic growth and jobs through spatially targeted investments and institutional reforms at the cluster level.**[10] The SOP's development objectives are to: (i) boost economic growth and job creation in city clusters along key economic corridors by increasing economic integration between urban and rural areas, and (ii) strengthen the functioning and reform of urban institutions to ensure that adaptation to climate change is an integral part of the new infrastructure investments that support resilient, productive, livable, and sustainable cities.

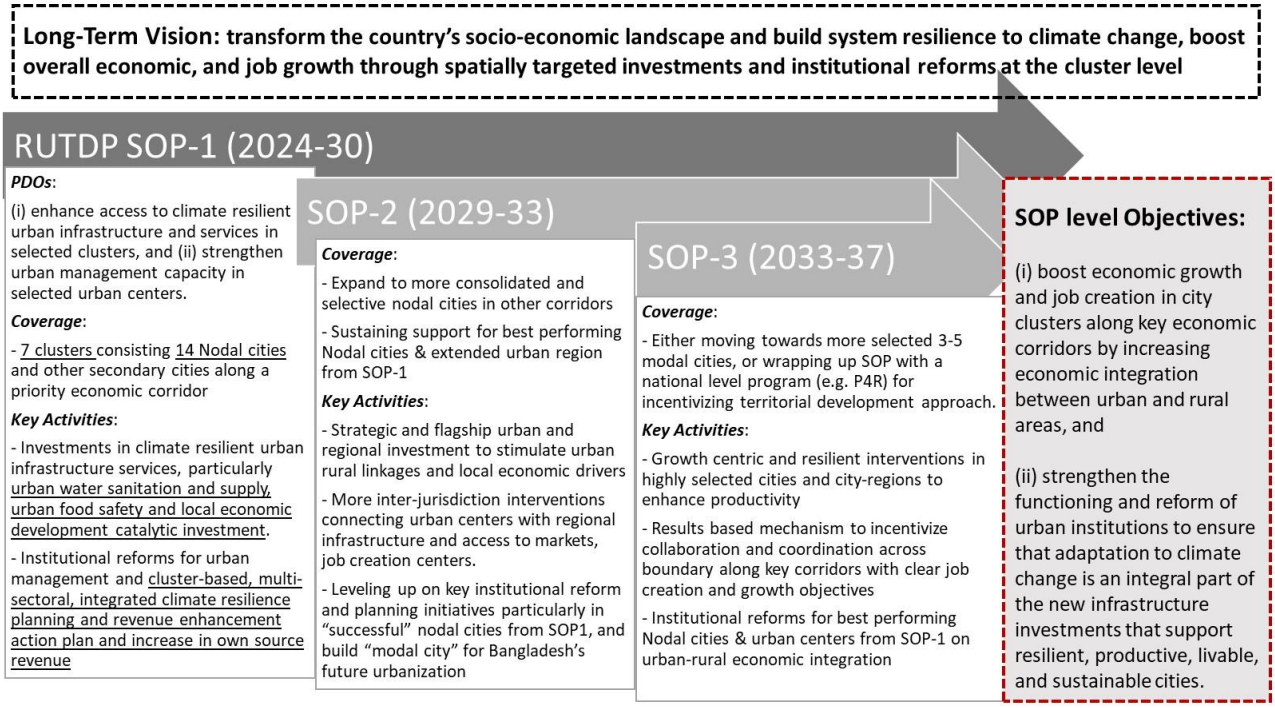
19. **Recognizing the time required to achieve substantial improvement in urban governance and corridor development, the SOP approach signifies a strategic, long-term commitment and is envisaged as a three-phase series spanning 12 years.** The SOP approach allows for progressive increases in ambition towards a climate resilient and economically productive urban transition in Bangladesh. RUTDP, as Phase 1 of the SOP, targets secondary cities in seven city clusters along a "backbone" economic corridor, while subsequent overlapping phases will respond dynamically to the rapid pace of urbanization by deepening reforms and expanding investments in key nodal cities within these clusters. SOP1 will include technical assistance to prepare future SOPs, particularly in urban management (with a focus on cross-boundary planning, climate and disaster resilience and local revenue generation). This technical assistance will lay out the analytical groundwork for subsequent phases, including for: (i) spatial targeting for a more selective and consolidated coverage of clusters, to include either newly identified or successful Pourashavas from SOP1; (ii) initiating new forms of inter-jurisdiction collaboration to create regional synergies and underpin future institutional reform; and (iii) identifying interventions for growth-centric activities, revenue mobilization and public-private partnerships to enhance the competitiveness and financial sustainability of city clusters. This approach supports spatially integrated urbanization while demonstrating a strong commitment to reform. The duration of the SOP will allow for continuous program enhancements, long term planning to mitigate the climate crisis, and sustained institutional strengthening that can leverage access to different sources of financing, including from the private sector. Figure 1 demonstrates the indicative interventions across various phases of the SOP.

[8] NDC updated August 2021.

[9] If both conditional and unconditional targets are met, emissions would be reduced to 319 MtCO2e 2030. Source: Bangladesh Nationally Determined Contributions (NDCs), GoB Ministry of Environment, Forest, and Climate Change, updated 26 August 2021.

[10] The Project introduces the concept of development along strategic "city clusters". This concept, central to the design of the SOP, is further elaborated in paragraph 23.

Figure 1: Series of Projects and RUTDP Program Development Objectives



II. PROJECT DESCRIPTION

A. Project Development Objective

PDO Statement

20. **The project development objectives (PDO) of RUTDP are to:** (i) enhance access to climate resilient urban infrastructure and services in selected clusters, and (ii) strengthen urban management capacity in selected urban centers.

PDO Level Indicators

21. **The outcomes of the project will be measured by the following indicators**:

- **Project Outcome 1: Enhance access to climate resilient urban infrastructure and services in selected Clusters. PDO Level Indicators** (i) People with enhanced resilience to climate risks (disaggregated for female beneficiaries) (number); (ii) Users satisfied with enhanced climate resilient infrastructure and services provided by the project (disaggregated for female users' satisfaction) (percentage).
- **Project outcome 2: Strengthen urban management capacity in selected urban centers. PDO Level Indicators** (i) Pourashava Development Plans (PDP), adopted by Nodal Cities, each of which incorporates a Cluster Development Plan (CDP) and a climate resilience action plan (number); (ii) Nodal cities and Pourashavas have increased their own source revenues by 20 percent from the baseline (number): and (iii) Operation and maintenance plans approved and implemented by the Pourashavas (number).

22. **RUTDP will support targeted economic and social interventions in seven Clusters along a high priority economic development corridor.** The selected corridor is along 950 kilometers of highway from Cox Bazaar in the southeast to Panchagarh in the northwest region of the country. It traverses the recently completed Padma Multi-Purpose Bridge and

the important urban centers of Panchagarh, Dinajpur, Bogura, Kushtia, Jashore, Dhaka, Feni, Mirsharai, Chattogram and Cox's Bazaar. The corridor was selected based on its potential for: (i) increased climate resilience of economic production hubs; (ii) strengthened urban-rural linkages; (iii) regional economic growth, investment opportunities and job creation; and (iv) poverty reduction.

23. **Clusters and Nodal Cities.** Based on their strategic location along the selected corridor, the project focuses on clusters incorporating selected Pourashavas and City Corporations, together with their adjoining Union Parishads (UPs). The seven clusters were identified based on stakeholder input, poverty assessment, and key selection criteria including: (i) contribution to all the criteria used for identifying the Corridor and vulnerability to climate and disaster risks, such as urban drainage and river protection systems[11]; (ii) potential to boost natural aggregation of socio-economic factors, supporting each other for a more coherent subregional collaboration; and (iii) opportunity to crowd in private capital through better institutional strengthening and facilitating the flow of food from the rural areas to urban markets and supporting farmers to increase their incomes while reducing food waste loss in the chain. Within the seven clusters, fourteen Pourashavas have been identified as Nodal Cities.[12] These will serve as points of convergence from which development impacts can spread out, driving the socio-economic transformation of the clusters and other parts of the sub-regions along the corridors. Climate resilient infrastructure investments in these nodal cities is expected to help raise revenues and attract private funding for green industries and jobs.

24. **Cluster Development Plans (CDP) developed under the project will address integrated economic, spatial, social, and environmental challenges at the cluster level.** The CDP will prioritize strategic and transformative climate-resilient infrastructure investments with socio-economic and climate benefits for the cluster and economic growth corridor. The CDP also requires a balanced approach that leverages agglomeration benefits while also supporting non-nodal cities in the interest of reduced spatial inequality. Cluster-based investments identified in the CDP will encourage agglomeration and economic corridor development as most value chains and economic activities transcend municipal boundaries. Risk assessment including disaster and climate risks, vulnerabilities and coping capabilities, considering systemic interlinkages and dependences at the cluster level will be conducted as part of each CDP. The CDP will be incorporated in the Pourashava Development Plan (PDP) which will be prepared and adopted by the 14 Nodal Cities. This planning innovation will significantly strengthen nodal cities' capacity to deal with climate change impact and their local adaptation efforts.

B. Project Components

Component 1: Climate Resilient Urban Services and Infrastructure Investments (Total US$425.93 million, of which IDA US$309.68 million equivalent and GoB US$116.25 million)

25. ***Sub-component 1.1: Climate* Resilient Urban Services and Infrastructure Investments in the Selected Clusters (*Total US$296.60 million, of which IDA US$213.68 million equivalent and GoB US$82.92 million*).** This sub-component supports the provision of Sub-Grants to the Selected Nodal Cities to carry out the Eligible Territorial and Regional Infrastructure Investments that support climate resilient, job creating, and gender responsive urban infrastructure and services.[13] These investments will incorporate appropriate heat reduction, carbon sequestration, storm water management, universal accessibility, and green building design features, such as cool roofs, rainwater harvesting, reflective surfaces which will reduce the energy consumption and GHG emission (examples are elaborated in the climate change technical note). Three categories of infrastructure will be eligible for investments as described below:

[11] An urban climate risk analysis covering the seven clusters was conducted during preparation and summarized in a Climate Change Technical Note.

[12] "Nodal cities" are the principal centers of urban agglomeration identified area. These are: Panchagarh, Dinajpur, Saidpur, Bogura, Natore, Kushtia, Jashore, Benapole, Madaripur, Shariatpur, Madhabdi, Feni, Mirsharai, and Cox's Bazar.

[13] Pourashava Town-Level Coordinating Committees (TLCCs) and City Development Coordinating Committees will identify sub-projects with the assistance of implementing agency's Project Management Unit, the design, supervision and management consultants and representatives from professional associations. The TLCCs, mandated by the Pourashava act of 2009, will be composed of a minimum of one-third female membership, and will have the female panel mayor designated as co-chair.[13] The sub-projects will be identified based on an assessment of local climate risks and vulnerability. They will incorporate both climate-resilient and gender-responsive design features identified with female participants.

(i) Climate resilient road systems that integrates carriageway, drains with footpaths, bicycle lanes, roads protective works, bridges/culverts, street furniture, streetlight, plantation, traffic management, and road safety measures and be designed as part of integrated urban flood risk management systems, while energy efficient streetlighting will help improve safety for women.
(ii) Public buildings and open spaces, including climate-resilient revenue-generating assets (municipal and wholesale markets, community centers, municipal buildings, bus terminals, public toilets with separate toilets for females in public buildings and designated spaces for women in parks and open spaces where appropriate).
(iii) Infrastructure for the Nodal city and surrounding Union Parishads by increasing connectivity (e.g., strategic roads for improving mobility between Nodal city and adjoining Union Parishads, regional bus terminals, etc.) and promoting new economic opportunities (e.g., facilities for tourism, urban regeneration, waterfront development).

26. ***Sub-component 1.2: Cluster*-Wide Investments for Climate Resilient Basic Service Improvements *(Total US$129.33 million, of which IDA US$96.00 million equivalent and GoB US$33.33 million).*** This subcomponent supports the provision of Sub-Grants to the Selected Pourashavas and City Corporations to carry out the Eligible Infrastructure Investments that support climate resilient and gender responsive urban infrastructure and services. The two categories of infrastructure will be eligible for investment under this sub-component are described in (i) and (ii) above. The selected Pourashavas will be prioritized based on their potential to reduce climate vulnerability at the cluster level, connect major and minor cities, enhance accessibility, and stimulate economic connectivity across the cluster. Eligible investments will ensure minimal net contributions GHG emissions. Where possible, efforts will be made to use sustainable materials in construction to reduce the project's carbon footprint by improving thermal performance, durability, and reusability.

27. The project will implement cluster level improvement packages for the first 18 months, while preparing for the integrated CDPs and PDPs which would help identify more sizable and strategic investments for the Nodal Cities. Preliminary engineering designs and estimates for the first 18-months' proposed investments for all participating Pourashavas and City Corporations are currently underway along with Environmental and Social (ES) screening of these sub-projects and preparation of site-specific ES Assessment, Environmental and Social Management Plans (ESMPs) and Environmental and Social Impact Assessments (ESIA).

Component 2: Institutional Strengthening, Technical Assistance, Project Management and Operational Support (Total US$134.07 million, of which IDA US$90.32 million equivalent, and GoB US$43.75 million)

28. ***Sub-component 2.1.* Institutional Strengthening *(Total US$73.42 million, of which IDA US$60.92 million equivalent and GoB US$12.50 million).*** Support for strengthening institutional capacities and fostering collaboration to enhance resilience to climate change and mainstream climate adaptation and mitigation by financing preventative maintenance and operation of select infrastructure in the Selected Nodal Cities and Pourashavas upon achievement of Performance Based Conditions (PBCs). The use of PBCs will help incentivize institutional strengthening and reforms critical for the SOPs to address binding institutional constraints. This component will also support training activities on emergency response services to prepare for natural disasters, sustainable operation, and maintenance (O&M) models, and climate-sensitive planning.

29. **The Local Government Engineering Department (LGED) as the implementing agency will support the Nodal Cities and Pourashavas in meeting the PBCs, evaluate their performance, and allocate funds as outlined in the Project Implementation Manual (PIM).** Under this sub-component, financing of the Eligible Expenditures for PBCs will be made upon the achievement of said PBCs by the selected Nodal Cities and Pourashavas. Disbursements will be made based on the achievement of PBC targets and expenditures, whichever is lesser. The total cost of component 2.1 includes an additional cost of goods and equipment for operations and maintenance works by participating Pourashavas and City Corporations.

List of Performance-Based Conditions

(i) **PBC1: (US$13.75 million)** *Pourashava Development Plans, adopted by Nodal Cities, each of which incorporates a Cluster Development Plan and a Climate Resilience Action Plan.*[14]

PBC1 will support the introduction of cluster level planning to provide a regional framework for climate adaptation and urban development planning. A CDP for each of the seven clusters will be prepared by LGED and its consultants. Pourashavas will prepare and adopt PDPs aligned with the CDPs. The PDP will include a climate resilience action plan and will follow standardized guidelines.[15] Nodal cities will sign a Memorandum of Understanding with their adjoining UPs for cross-boundary sub-projects (e.g., wholesale markets, kitchen markets, flood control drainage, etc.).

(ii) **PBC2: (US$15 million)** *The Nodal Cities and Pourashavas have increased their own source revenues by 20 percent from the baseline (scalable)*

PCB2 will incentivize participating Nodal Cities and Pourashava to improve their fiscal autonomy by increasing their own source revenues (OSR) by 20 percent. Increased OSR is critical to meeting recurring expenditures, adopting climate resilient measures, and reducing dependence on fiscal transfers.

(iii) **PBC3: (US$8.5 million)** *The Nodal Cities and Pourashavas have established Town-Level Coordinating Committees (TLCCs) with at least one-third female membership and female panel mayor as a co-chair.*

PBC3 aims to increase women's access to urban services and spaces by incentivizing participating Nodal Cities and Pourashava to include women in TLCCs, which play a critical role in the selection, planning and implementation of sub-projects. [16]

30. ***Sub-component 2.2:*** **Capacity Building** ***(Total US$3.20 million, of which IDA US$3.20 million equivalent).*** Provision of capacity building and Training to the Selected Nodal Cities, Pourashavas, and City Corporations, focused on key areas of urban management such as, *inter alia:* cross-boundary planning, climate and disaster resilience, local revenue mobilization, improved operational and financial performance (including increasing own-source revenues), financial management systems procurement, environmental and social management, gender-responsive planning and design, incorporation of climate and disaster risk mitigation measures, and disability/universal accessibility, as well as capacity building and leadership training to female members of TLCC.

31. ***Sub-component 2.3:*** **Technical Assistance** ***(Total US$2.00 million, of which IDA US$2.00 million equivalent).*** Provision of technical assistance for: (a) urban management and cluster-level planning for the Selected Nodal Cities, Pourashavas and City Corporations, including the preparation of PDPs for the 14 Selected Nodal Cities (including the preparation and adoption of cluster development plans and climate resilience action plans that need to be incorporated into the PDPs), revenue enhancement action plans for the 81 Selected Nodal Cities and Pourashavas, and operation and maintenance plans for the 81 Selected Nodal Cities and Pourashavas; (b) operation and management of food markets related to, *inter alia,* food safety practices; governance and enforcement of hygienic conditions and food safety regulations; climate smart

[14] PBC 1 is only accessible for 14 nodal cities.

[15] The standardized guidelines will be prepared and adopted by LGED, in substance and form satisfactory to the World Bank. The plans will need to be prepared in consultation with the adjoining Union Parishads for sub-projects that are cross-boundary in nature (e.g., drainage, regional markets, etc.). The climate resilience action plan will be based on a comprehensive climate risk assessment, GHG inventory and identification of adaptation and mitigation measures covering different sectors such as urban transport, drainage, water supply and sanitation, energy/building, and green space, rehabilitation works of urban infrastructures.

[16] Most climate vulnerable women include those involved in jobs exposed to climate change (e.g., whose shops are in low lying areas exposed to flooding or day labor exposed to heat wave) and from low-income households.

technology adoption; and awareness raising; (c) long-term multi-sectoral, integrated climate resilience planning at the sub-regional level; and (d) preparation of feasibility studies, other preparatory studies, and a solid waste management strategy for the subsequent series of projects. A regional planning framework will allow the CDPs to prioritize strategic and transformative infrastructure investments within the cluster which will contribute to socio-economic outcomes and climate resilience for the cluster and economic growth corridor. The CDPs will guide the preparation and implementation of the PDPs whose achievement will trigger release of funds for use on routine preventative O&M of select infrastructure in Pourashavas (PBC 1).

32. **Additionally, Pourashavas and City Corporations will be assisted in mainstreaming food safety and reducing food loss and waste in markets to be built under RUTDP and in existing kitchen markets.** This will include: (i) better food safety practices; (ii) governance and enforcement of hygienic conditions and food safety regulations; (iii) climate smart technology adoption, including the use of digital platforms for inventory management, real-time monitoring of food safety, and efficient waste management practices that reduce methane emissions; and (iv) awareness raising among urban consumers on food safety and the role of kitchen markets in maintaining standards.

33. **Finally, technical assistance will finance preparatory and feasibility studies for subsequent stages of the SOP and preparation of a strategy plan for improved service delivery with emphasis on solid waste management and water supply and sanitation.** Continuous analytical outputs under RUTDP as well as other ongoing studies (e.g., rigorous analysis of the local/sub-regional economy and existing and potential for economic growth and agglomeration economies, demographics, climate risk assessment, connectivity/logistics issues, policy/regulatory dimensions, etc.) will help to better inform and target future interventions under the Project. Technical assistance will also be provided to conduct the analytics to design interventions that can support private sector inclusive growth and economic integration along the supported corridors.

34. ***Sub-component 2.4:*** **Project Management and Operational Support *(Total US$55.45 million, of which IDA US$24.20 million equivalent and GoB US$31.25 million).*** This component will provide support for day-to-day administration, management, monitoring and coordination of project activities by the Project Management Unit (PMU) and the Project Implementation Units (PIUs), including financial management, environmental and social risk management, procurement, audits, monitoring, evaluation and reporting, and managing services by consultants including Design, Supervision and Management (DSM) consultants, municipal support unit (MSU) consultants, performance assessment monitoring (PAM) consultants, and Sub-Project readiness consultants, as well as third-party monitors.

Component 3: Contingent Emergency Response (US$0 million)

35. This component will help provide immediate response to an Eligible Crisis or Emergency, as needed.

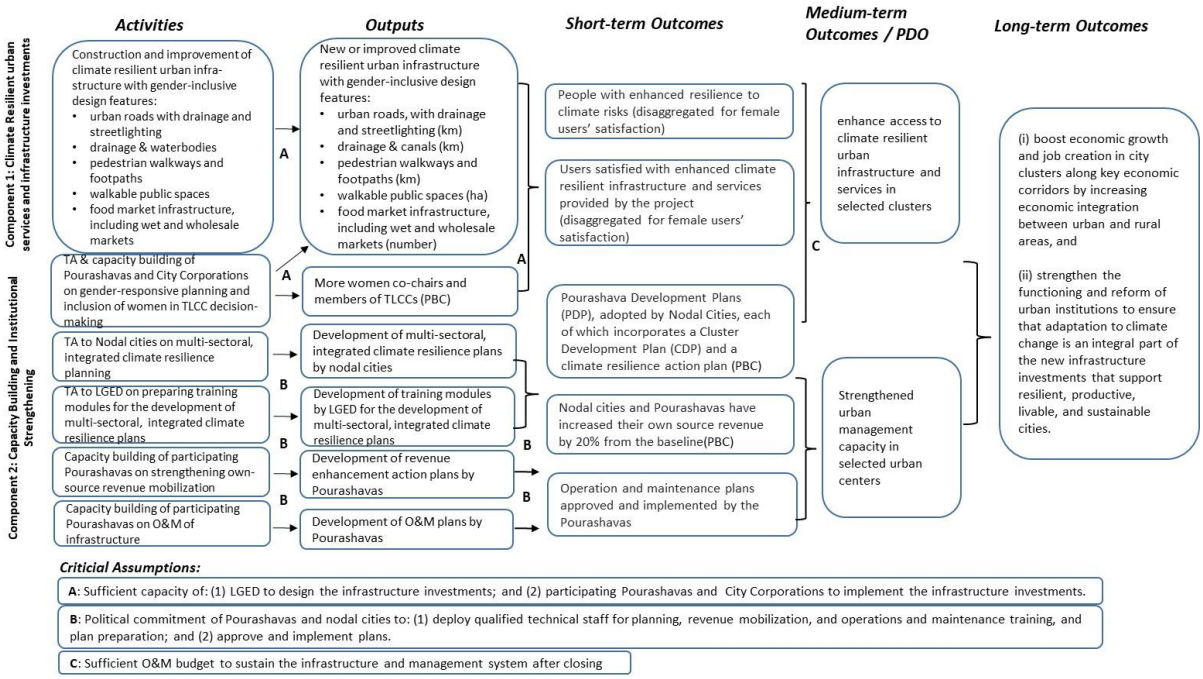
C. Project Beneficiaries

36. **Project Beneficiaries.** An estimated seventeen million people living in seven clusters of selected Pourashavas and City Corporations are expected to directly benefit from the project through improved access to climate resilient urban infrastructure services. In addition, an estimated 4.6 million people living between urban/rural areas along the selected economic corridor will indirectly benefit from the project interventions. Staff from implementing agencies and local governments will benefit from the capacity building and technical training activities. The GoB will benefit from the institutionalization of a new urbanization approach that will support the country's economic and social transformation.

D. Results Chain

37. The project's theory of change, which reflects the project interventions, outputs, and outcomes, is presented in Figure 2.

Figure 2: Theory of Change



E. Rationale for Bank Involvement and Role of Partners

38. **The World Bank brings global and local experiences in urban development and service delivery, spatial and territorial planning, and positioning targeted urban investments for transformative development.** The Bank has deep expertise and broad experience in the urban sector in Bangladesh since 1999 through long engagement in supporting basic urban services development, institutional strengthening, and capacity building. This includes a series of municipal development projects.[17] RUTDP's design follows from recent country-wide policy and sector work, as well as urban policy dialogue with the GoB, calling for the need of a spatially targeted and differentiated urban intervention that will help Bangladesh to embark on a growth pathway that puts efficiency and resilience at its core. It is one of the first attempts by the GoB to move from specific city-based interventions to a cluster-based development through a multi-phased, integrated multi-sectoral investment program. The approach will establish linkages and promote economic networks thereby unlocking the growth potential of secondary cities for spatially differentiated, climate resilient and inclusive urban growth.

39. **Role of Partners.** The World Bank coordinates extensively with development partners engaged in urban development in Bangladesh. These include the Asian Development Bank, the Asian Infrastructure Investment Bank, and the Japan International Cooperation Agency, among others. Each of them was consulted during project preparation to ensure the convergence of the proposed Project with other interventions by Development Partners, the GoB, and World Bank projects along the same corridor. The World Bank is also collaborating with the Global Center for Adaptation to provide technical assistance support for priority formulation and a conceptual approach to mainstreaming climate resilience in several selected Pourashavas. This will include: (i) support for institutional arrangements for climate resilience planning at the sub-regional level; and (ii) assessment of local climate risks and vulnerability areas to help to prioritize and design tailored local solutions to climate-resilient infrastructure.

[17] Recent projects include: (i) *Municipal Governance and Services Project* (MGSP, P133653), a $410 million IPF to improve municipal governance and basic urban services (closed in May 2022); (ii) support to Dhaka North and South City Corporations is being provided through an ongoing $100 million *Dhaka City Neighborhood Upgrading Project (P165477);* (iii) Local Governance Support Project 3 (P159683) is $300 million IPF to institutionalize the Union Parishad (UP) fiscal transfer system; and (iv) Local Government COVID-19 Response and Recovery Project (P174937), a $300 million IPF to support urban local governments' in responding to and recovering from COVID-19.

F. Lessons Learned and Reflected in the Project Design

40. **The Project builds on the lessons learned from global and previous urban projects in Bangladesh, notably the Municipal Support Project (MSP, P41887) and Municipal Governance and Services Project (MGSP, P133653). These include:**

- *The use of the SOP and the economic corridor approach allows RUTDP to scale up and accelerate the benefits of integrated urban planning and development*. The development of clusters along key growth corridors will enhance the ability of Pourashavas and City Corporations to promote regional economic growth, taking advantage of economies of scale and increasing the intensity of economic activity. However, transitioning to this new territorial model will take sustained support over a long period.
- *Delays in the procurement of large service contracts are a systemic challenge*. Past urban operations have experienced major delays in recruiting large DSM firms due to poor capacity in Pourashavas. The number of small sub-projects will be reduced by strategically consolidating interventions. The first 18 months of sub-projects have been identified and in advanced state of readiness.
- *Planning, budgeting, and implementation of climate-resilient infrastructure and services is challenging for Pourashavas due to their institutional and resource constraints*. RUTDP builds on the experience of similar projects to use an SOP approach to incrementally improve the financial and operational performance of the targeted Pourashavas based on *inter alia*, stakeholder inputs in capital investment planning.

III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

41. **LGED, under the Ministry of Local Government, Rural Development & Co-operatives (MoLGRD&C), is the project implementing agency.** The LGED has extensive presence throughout the country through their divisional, regional, district and Upazila offices led by its engineers. LGED will support Pourashavas and City Corporations during the design and implementation of the project. The monitoring and evaluation (M&E) wing of Local Government Division (LGD) will supervise the third-party monitoring consultants (with ToRs satisfactory to the Bank) of the project.

42. **A PMU will be established by LGED for overall project management and coordination, including supervising the DSM, MSU, PMU, operational audit, asset inventory and other consultants; providing support for ES compliance; and implementing the Environmental and Social Commitment Plan (ESCP) through consultant services.** The PMU will evaluate Nodal cities and Pourashavas using monitoring criteria (set forth in the PIM) to determine and allocate the PBC funds under Subcomponent 2.1. The MSU will support the project's institutional strengthening and capacity building activities.

43. **A Project Steering Committee (PSC), chaired by the LGD Secretary of MoLGRD&C will provide oversight and monitor overall implementation.** Additionally, a Project Implementation Committee (PIC), chaired by the LGED Chief Engineer and including officials from relevant ministries and agencies, will provide the PSC with technical and operational inputs and help address operational issues related to coordination, implementation, and monitoring.

44. **Each participating Pourashava and City Corporation will establish a PIU to coordinate program activities within the city in tandem with other cities in the cluster and with MSU.** They will be responsible for coordinating with the TLCCs in identifying and proposing sub-projects, procurement, construction supervision, safeguards management, implementation monitoring, and maintenance. The PIM will provide more detail on institutional arrangements for project implementation.

B. Results Monitoring and Evaluation Arrangements

45. **Project monitoring and evaluation will be based on the agreed results framework and arrangements described in Section IV**. The PMU will regularly update the indicators and will produce progress reports every six months. A mid-term review (MTR) of the project will be conducted jointly by the GoB and the World Bank to assess overall implementation progress and identify necessary corrective measures. Prior to the MTR, the PMU will prepare a mid-term progress report that will assess overall implementation progress and progress towards achieving the PDO and propose remedial measures to address implementation challenges.

C. Sustainability

46. **Sustainability will be ensured through the use of the SOP instrument as subsequent phases will incorporate the lessons learned in SOP1.** RUTDP is also designed to support enhanced sustainability by supporting improved asset management and maintenance as well as increased own source revenue and cost recovery in participating Pourashavas and City Corporations. This will ensure that participating municipalities are strengthened for longer term planning and are able to financially support O&M systems over the long-term. Training and TA will also be provided for O&M and local revenue enhancement for asset management and maintenance.

47. **In addition, all investments financed under the project are expected to be climate resilient and inclusive.** Sub-projects will be identified through a multisectoral, integrated planning process taking climate and disaster considerations into account. Component 2 will finance capacity building activities related to environmental and social performance and support preparation of PDPs including climate resilience plans for all 14 Nodal Cities. All proposed sub-projects will require environmental and social screening. Sub-projects with adverse impacts will require further impact assessment and mitigation plans. Social sustainability will be assured by building stakeholder ownership through the enhanced participation of project affected persons (PAPs) and users in project design, implementation, monitoring and evaluation.

IV. PROJECT APPRAISAL SUMMARY

A. Technical, Economic and Financial Analysis

Technical Analysis

48. **The project design draws on extensive experience from MSP, MGSP and other World Bank-supported urban infrastructure projects in the country**. Infrastructure investments will follow national and LGED standards and operating procedures. Site/area specific climate resilience measures in infrastructure will be informed by climate and disaster risk screening. DSM consultants will be responsible for design and supervision to ensure appropriateness and technical soundness. Detailed Engineering Designs are under completion the proposed investments for the first 18 months of the operation. Technical due diligence for large sub-projects will be provided through national experts and third-party audits. Competitively selected contractors will implement civil works.

49. **There will be two types of investments**. First, cluster wide investments in non-nodal cities, a significant share of which will be implemented in the first 18 months after project effectiveness, under sub-components 1.1 and 1.2 and selected Pourashavas/City Corporations will benefit from these investments. Second, the longer-term **'***catalytic interventions*' that aim to boost economic growth and jobs creation in the interest of strengthening territorial development and linkages between Pourashavas/rural hinterlands. Investments that enhance climate adaptation capacity will be prioritized and all investments will undergo climate and risk screening to ensure maximum effectiveness.

Alignment with the Goals of the Paris Agreement

50. **The proposed operation is aligned with the goals of the Paris Agreement on both mitigation and adaptation.** It aims to increase access to climate resilient urban services in Pourashavas and City Corporations through a range of investments in urban infrastructure. The operation also aims to improve understanding of climate and disaster risks, urban management capacity and planning, which will enable the Pourashavas and City Corporations to plan, regulate,

implement, and monitor climate resilient urban infrastructure assets and services in economic corridors. The project activities will not intensify GHG emissions, reduce carbon sinks, or negatively impact high biodiversity areas.

51. **Assessment and reduction of GHG emissions risks**. All proposed investments for climate resilient urban services and infrastructure under Component 1 meet the conditions to be universally aligned, specifically: (i) connectivity and accessibility infrastructure between nodal cities and the extended urban region, which will avoid capacity expansion for private motor vehicles and not require a significant conversion of natural habitats or involve land use change that is likely to reduce carbon stocks; (ii) expansion of urban green areas along roads and drains as well as within parks and public open spaces that exclude energy-consuming installations; (iii) energy-efficient public buildings with renewable energy and other energy-efficient technologies, as appropriate, to achieve at least Level 1 EDGE Certification or other global certification with equivalent energy performance requirements; (iv) flood management and protection infrastructure, which will exclude energy-consuming equipment; and (v) integration of flood risk management systems across municipal jurisdictions. LED lighting will be utilized during the construction and operation of all project investments to minimize energy consumption. Given the project's programmatic approach, only the first 18 months' climate resilient investments were identified by the time of appraisal and as such, the project was exempted from GHG accounting for projects scheduled for Board Approval in the fourth quarter of FY24.

52. **Assessment and reduction of climate risks.** The selected Pourashavas and City Corporations are exposed to increasing temperature, tropical cyclones, storm surges, monsoon floods, flash floods, and sea-level rise. Roads are particularly vulnerable to the effects of flooding in Bangladesh leading to erosion, damage and higher maintenance cost of vehicles, equipment, and roads. Floods can strain road networks through transportation delays, damage to other critical infrastructure networks (e.g., energy, communication, fiber optic relays, etc.) and potentially dampen the local/regional economy. Under Component 1, the focus will be on road improvements and measures to increase their climate resilience, such and drains, embankments, berms and dikes, small bridges/culverts, vegetation/afforestation to protect roads and facilitate drainage, and permeable pavements will strengthen the adaptation of Pourashavas and City Corporations to increasing seasonal floods exacerbated by climate change.[18] Street greening measures will be integrated in the designs to help with adaptation. Enhancing the resilience of connective infrastructure (e.g., roads and drains) will help Nodal cities and adjoining UPs, to address regional and cross-boundary climate-induced flood risks.

53. **The feasibility studies and technical designs will build on recommendations from the World Bank's Climate and Disaster Risk Screening Tool by incorporating climate risk management measures as well as cluster and local-level climate and disaster risk screening**. Several factors linked to climate change are increasing the country's flood risks, including frequency of extreme precipitation events and more erratic rainfall, as well as the scale of flood-impacted areas.

54. **Component 1 will also reduce the impacts of urban heat with the incorporation of cool roofs and reflective surfaces on public buildings, urban greenery, public open green areas with nature-based solutions, where appropriate and rainwater harvesting.** Component 2 will strengthen the capacities of Pourashavas and City Corporations to understand and incorporate climate adaptation and mitigation measures, and to develop climate resilient plans and develop integrated flood management systems for the extended urban region, comprising of Pourashavas and their adjoining/contingent hinterland, that will help them address the challenges of climate change throughout key economic corridors. Fourteen Nodal cities and Selected Pourashavas will be able to access funds from sub-component 2.1 for routine O&M activities to increase their adaptive capacities.

55. **Regarding food safety, the project considers that climate-induced flooding can adversely impact transport to/from and operation of municipal, wholesale, and wet markets leading to food safety concerns.** Similarly, severe heat can pose food safety risks if not properly stored. This component will build capacity and raise awareness on the importance of food

[18] To make roads more resilient to climate-induced flooding, the following measures will be adopted, as appropriate: (i) drainage structures; (ii) strategically placed embankments/berms/dykes to protect road sections prone to flooding; (iii) use of geotechnical materials to insulate the road base/sub-base from water ingress; (iv) raising road level sections on higher embankments; (v) adoption of appropriate materials to make the sub-base more water resistant; (vi) in major flood plains, provision of small bridges/culverts to allow water to freely flow under roads that traverse a flood plain; (vii) use of strategically placed vegetation/afforestation to protect roads and facilitate drainage; and (viii) permeable pavements, when and as appropriate. This will be part of an integrated urban flood risk management system to help cities.

safety, and measures to address food safety risks, such as the use of digital platforms for inventory management, real-time monitoring for food safety (climate-responsive technology) and efficient waste management practices that reduce methane emissions (e.g., waste prevention/source reduction, reuse, recycling, organic waste diversion, etc.).

Economic Analysis

56. **The project has used demand driven approaches to identify typologies of sub-projects that could benefit from investments at the cluster level to enhance regional cohesiveness and integrity.** An economic analysis was undertaken with a conservative approach. [19] It considered only benefits that could be quantified at project appraisal, and as such the calculated rate of return is underestimated. Accordingly, the benefits of roads and bridges include savings in terms of reduced travel time, vehicle operating costs, reduction in accidents and reduced GHG emissions; reductions in economic losses due to property damages are linked to drains; changes in market and travel revenues are associated with productive investments such as urban markets, bus terminals and connectivity. The benchmarks for benefits across segments were based on published research in Bangladesh with population and vehicle population as predominant drivers. In the absence of benchmarks, the benefits across components and the impact due to clustering of projects are assumed conservatively. The Project is expected to create substantial additional economic, environmental, and social benefits that have not been included in the analysis due to lack of data at the time of project appraisal. These include savings in terms of reduced road accidents, economic benefits from savings in medical expenses and gain from labor income with improved livelihood opportunities, unhindered access to essentials reduction in flood related damages due to drainage improvement. Road system and streetscape improvements are likely to reduce GHG emissions with reduced traffic congestion while open green space will add to improving environmental quality. Parks and community centers are expected to improve both mental and physical well-being of the citizens. The analysis considered both "with" and "without" project scenarios. An ex-ante estimation of a possible distribution of the different types of sub-projects[20] at cluster levels suggests an economic rate of return of 32.04 percent.[21] The economic rate of return continues to be above 30 percent even with a 10 percent reduction in quantifiable benefits.

B. Fiduciary

57. **The Project satisfies the IDA Scale Up Window (SUW) eligibility criteria.** The proposed Project total financing of US$400 million equivalent will consist of concessional Shorter Maturity Loan (PBA-SML) credit in the amount of US$95 million, and a Scale-Up Window Shorter Maturity Loan (SUW-SML) credit in the amount of US$205 million; and non-concessional regular Scale-Up Window Loan (SUW) in the amount of US$100 million. The Project was endorsed for regular SUW financing, given its (a) expected robust development impact and growth dividend, (b) alignment with IDA priorities, particularly Jobs and Economic Transformation, and for climate change, and cross-cutting topics such as Governance and Institutions. The use of regular SUW will not lead to the deterioration of the country's risk of debt distress. The project was also endorsed for SUW SML, given its alignment with IDA priorities above. It also offers the country the opportunity to prioritize the completion of the implementation of the several revenue generating activities it has earmarked for most of the participating Pourashavas to enhance their independence from Government subvention as their own source revenues grow. Bangladesh is eligible to receive SUW-SML financing and remained at low risk of debt distress in the latest Joint Bank-Fund DSA completed in October 2023.

Financial Management (FM)

58. **FM will be carried out by the PMU with support from a Financial Management Specialist (FMS) who will report to the Project Director**. FM risks include: (i) delayed recruitment of qualified FM personnel; (ii) lack of FM capacity in the

[19] The government assessed a portfolio of subprojects that contained 44 road and drain projects, and another 5 so-called productive investments.

[20] The ex-ante estimation assumes that most of the subprojects estimated to fall in the category of so-called non-revenue investments (that includes transport and drainage infrastructure) is expected to make up the bulk of the investments at Pourashava level. These investments will be complemented by so-called productive investments that are referring to different types of urban markets, transport terminals, parks, and community centers (the economic viability of only a very small sample of subprojects had been assessed at the time of appraisal).

[21] Under current Bank guidelines, a project is marked economically feasible when the economic rate of return (ERR) exceeds the hurdle rate of 6 percent.

Pourashava and City Corporations, and a poor internal control environment; (iii) inordinate delays in resolving external audit observations and implementation of the recommendation of the internal auditor; and (iv) lack of efficient inventory and asset management, especially at the Pourashava and City Corporation levels. Mitigation measures include: (i) conducting advance procurement to have the FMS in place when the credit becomes effective; (ii) carrying out periodic internal audits to assess operational efficiency and to strengthen the internal control environment through implementation of an agreed action plan; (iii) strengthening inventory management procedures; (iv) introducing an effective asset management system; (v) arranging periodic bipartite/tripartite meetings involving project representatives, the ministry, Pourashavas/City Corporations and external auditors (Foreign Aided Project Audit Directorate, FAPAD); and (vii) establishing audit committees to follow up on the implementation of audit recommendations and to provide appropriate clarifications on external audit reports.

59. **Certain parts/expenditures which would be financed on a joint financing basis using counterpart funds and a specific financing percentage outlined in the Financing Agreement.** There are expenditures which will be financed only with counterpart funds including items that cannot be financed as per Country Financing Parameters (e.g., vehicles, fuel, etc.).

60. **Funds Flow, Disbursement, and Monitoring:** The applicable disbursement method would be based on Interim Unaudited Financial Reports (IUFRs) and disbursement may be sought as "advance reimbursement" and "direct payment". Two Designated Accounts (DAs) (one for PBC and the other for non-PBC) will be established in a nationalized commercial bank acceptable to IDA, in the form of Convertible Taka Special Account, managed by LGED. Expenditures incurred against the advances deposited in the DAs will be documented based on the payments reported in quarterly IUFRs.

Procurement

61. **Procurement will be carried out in accordance with the World Bank Procurement Regulations for IPF Borrowers, Fifth Edition, September 2023 ("Procurement Regulations") and the provisions stipulated in the Project Procurement Strategy for Development (PPSD) and the procurement plan.** The project will also be subject to the World Bank's Anticorruption Guidelines, dated October 15, 2006, and revised in January 2011 and July 2016. The project will use the World Bank's Systematic Tracking of Exchanges in Procurement (STEP) to plan, record, and track procurement transactions. Procurement will be done at the LGED and Pourashava and City Corporation levels. All procurements, in applicable cases, shall be carried out by all project implementing agencies in the Bangladesh e-GP system.

62. **Procurement will involve goods, works, consulting and non-consulting services.** LGED will be responsible for the procurement of goods, consulting, and non-consulting services, while the selected Pourashavas and City Corporations will be responsible for procurement of works for their respective sub-projects. LGED has been involved in other Bank-funded projects and has substantial experience in handling procurement under World Bank and other development partners financed projects. Some of the proposed Pourashavas also have familiarity with the overall World Bank procedures. The Pourashavas and City Corporations will implement their procurement activities with comprehensive support of LGED. Pourashavas with less familiarity with World Bank Procurement Regulations will be provided with training.

63. **LGED has prepared a draft Project Procurement Strategy for Development (PPSD) with assistance from the Bank.** Residual procurement risk after mitigation measures is assessed as 'Substantial'. The key risks are (i) involvement of a large number of local bodies with varying capacity; (ii) weak technical and procurement capacity of Pourashava staff; (iii) slow decision making and government approval processes and (iv) weak internal control functions and limited accountability. These are mitigated through close monitoring with the support of the DSM, hiring experienced procurement consultants, regular fiduciary trainings, reviews monitoring of procurement activities by LGED and a robust complaint management system. The Use of Rated Criteria will be mandatory for all international procurements of goods, works and non-consulting services. The PPSD includes the procurement cycle timeline which will be used to measure performance. The World Bank's procurement supervision will be ensured through implementation support in the form of prior review for major contracts and post review for other contracts on an annual basis based on need.

C. Legal Operational Policies

64. **The OP 7.50 directive on International Waterways is applicable to this Project as it will finance activities that may use or risk polluting waters of the Padma, Brahmaputra, Meghna, Feni, Karnaphuli rivers and/or their tributaries, which are considered international waterways**. The exception to the riparian notification requirement according to paragraph 7(a) of the Policy applies because activities are limited to upgrading and modernization of localized drainage improvement work which will not adversely change the quantity and quality of water flows to another riparian. The exception to the notification requirement has been approved by World Bank management on December 6, 2023.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	Yes
Projects in Disputed Area OP 7.60	No

D. Environmental and Social

65. **Environmental and social impacts of sub-projects in some of the Nodal cities for infrastructure for adapting to climate change and natural disasters with possible implications for the cluster. These will include** regional bus terminals, community centers, and markets may have pronounced impacts. Environmental concerns encompass potential water pollution from construction runoff, inadequate drainage systems leading to climate change impacts, and air pollution during construction. However, these impacts are generally temporary and limited to the construction phases and will be mitigated per the provisions of the Environmental and Social Management Framework (ESMF) and ESIA. Solid and liquid waste management from the infrastructure such as kitchen markets and bus terminals will require proper collection and disposal during operation phase. Environmental risk has been assessed as Substantial. Social risks are also substantial due to the location and scale of civil works for these small and medium size infrastructure. A few of these may involve land acquisition (using counterpart funds) of varied scales and involuntary resettlement of project affected people (PAPs) largely with economic displacement, especially in the Nodal cities. Even though construction workers will be plentiful at the Pourashavas, the social risks also account for unavoidable influx of non-local laborers and the associated risk of GBV including sexual exploitation and abuse (SEA) and sexual harassments (SH) at works sites and in the neighboring communities. Based on the Bank's SEA/SH Risk Assessment Tool for civil works investments and the project's SEA/SH risks are assessed as "Moderate." In realizing the potential risk and impacts, the project has developed measures for the GBV/SEA/SH action plan accordingly to respond to the related risks and ways to best manage those risks. A SEA/SH Action plan will be developed to support the implementation of SEA/SH mitigation measures. Some of the mitigation measures will include sensitizing of the implementing agencies, contractors, and workers, raising community awareness, mapping of GBV service providers, and signing of code of conduct by project workers. Overall E&S risks are rated substantial.

66. **Investments for revenue generation and improvement of cost recovery approaches may affect citizens of all economic classes, if not inclusive.** Presence of ethnic minority communities with distinct characteristics of indigenous peoples is not likely in urban areas and their lands will be avoided for any civil works at any other locations in adjacent rural areas. Efforts will be made to minimize land acquisition and physical displacement by using available land, where possible.

67. **A framework approach for managing environmental and social (E&S) risks has been adopted given that the exact locations of the sub-projects will be finalized during the implementation; once finalized a detailed and precise assessment of potential risks will be conducted**. The LGED has prepared necessary E&S documents, including an ESMF, Labor Management Procedure (LMP), Stakeholder Engagement Plan (SEP), Resettlement Policy Framework (RPF), and Ethnic Minority Community Framework (EMCF) to guide E&S risk management. The ESMF outlines principles and guidelines for addressing E&S risks, including procedures for risk screening and the use of appropriate E&S tools. Site-specific E&S assessments will be conducted, proportionate to the E&S risk level of the sub-projects as revealed through

the screening process and ESMPs) and where required, RAP and EMCP will be prepared, budgeted, and implemented to address site-specific E&S concerns. In addition, LGED has prepared an ESCP in agreement with the World Bank to outline actionable steps, timelines, responsibilities, and capacity development efforts for E&S risks management. The ESMF will be updated, if the Contingency Emergency Response Component (CERC) is activated, contingent on the nature and scope of any emergencies that may arise. All these documents have been reviewed and cleared by the World Bank for public disclosure.

68. **The ESS8 on Cultural Heritage is also relevant as some of the nodal cities are historically old with listed or recognized heritage sites in and around the cities.** Although the activities under the project are not likely to influence any of the known heritage sites, the ESMF will include a Chance Finds Procedure to illustrate the course of action to be taken in case any culturally significant objects/practices are discovered during implementation.

Citizen engagement

69. **Citizen engagement is to ensure the contribution of citizens to the successful implementation of the project.** This is described in the SEP and in the LMP. The project will ensure that beneficiaries participate in consultations for project planning, implementation, and evaluation, and will monitor this in the Results Framework. Strategies and detailed plans for consultations as well as their associated costs are budgeted, and the grievance mechanism will include the actions for the identification and processing of complaints. The project will aim to minimize potential impacts, conflicts, and dissatisfaction of stakeholders on the project or any of its interventions. The preparation and disclosure of SEP will also be included in the ESCP. Project-affected parties will have access, as appropriate, to project grievance mechanisms, local grievance mechanisms, the World Bank's corporate Grievance Redress Service and the World Bank Inspection Panel. The share of grievances reported through the project grievance redress mechanisms that are responded to and addressed will be monitored in the project Results Framework.

Gender

70. **Most urban areas in Bangladesh lack systemic and prioritized consideration for women's safety, access, and usability – restricting opportunities to benefit from social and economic activities that urban areas offer**.[22] Key underlying issues causing gender gaps in access to urban services include (i) under-representation of women in urban planning, design, and decision-making[23] which translates into a lack of prioritization and funding for investments that respond to women's needs and (ii) infrastructure design and public spaces which do not take into consideration women's needs[24] and risks of GBV.[25] The project will support: (i) increasing women's leadership and representation in urban planning, design, and decision-making by requiring TLCCs to appoint women as co-chairs and as members. With the chair, the co-chair will have a substantive decision-making role in the selection and design of sub-projects; (ii) training and capacity building for women in leadership and as members in TLCCs; and (iii) integrating gender-sensitive features (e.g., adequate pavements, sidewalks, lighting, public toilets, dedicated open spaces, etc.) in infrastructure design as identified by the community.

Universal accessibility

71. **Sub-projects under Component 1 will be designed to increase accessibility for all urban residents, including persons with disabilities. The project will invite community members to participate in the planning, designing, and implementation processes, including the poor, women, the elderly, and persons with disabilities**. This will be complemented by capacity building activities under Component 2, including introductory sessions and technical training on disability inclusion and universal accessibility, to raise the awareness of participating Pourashavas/City Corporations and LGED officials on the benefits of implementing considerations of universal accessibility, as well as to identify the

[22] With regards to urban transport services, access is limited for women in terms of mobility and walkability due to a mixture of poorly designed and planned infrastructure and services (such as lack of adequate pavements, sidewalks, lighting, public toilets, and dedicated spaces).
[23] In the 2016 local elections, only 12 women were elected as chairpersons out of 1,251 Union Parishads.
[24] 2017 report by Action Aid on "Gender Responsive City Structure" stated that in a survey of Dhaka city, 42% of women mentioned the lack of security in parks and open spaces as preventing them from fully accessing these places. The situation of public toilets is also very critical. Some 96% of those interviewed mentioned lack of security 96%, inadequate number 95%, 54% unhygienic, and 91.5% unusable.
[25] According to the 2015 Violence Against Women Survey in Bangladesh, the third most likely location for sexual violence after their place of work and their husbands' home was vehicles/roads/streets (Bangladesh Bureau of Statistics, 2016)

challenges and opportunities. Technical training, tailored to the type of infrastructure and services selected by the different Pourashavas/City Corporations, will support subproject preparation under Component 1.

Climate Co-Benefits

72. **The Project will support participating cities to identify climate risks, and mainstream climate adaptation and mitigation planning in their planning and investments.** Through eligible expenditures, they can improve climate resilience and low carbon development. Additional climate change considerations are mainstreamed throughout the project's design, including urban planning and infrastructure features that take into consideration the identified disaster and climate risks of the city and specific sites, as well as the use of materials and technologies that contribute to lower emissions. All interventions will incorporate measures to mitigate heat stress (e.g., increase green spaces, restore water bodies). Finally, the project itself is intended to be an initiative through which targeted cities, clusters and the urban communities can engage in practical solutions to address climate and disaster risks. As part of the preparation for the project, an urban climate risk assessment was conducted which details the level and distribution of various types of climate and disaster risks for the 14 nodal cities and seven clusters under present and future contexts.[26] The analysis has helped with investment planning for local urban level actions and the incorporation of climate and disaster risk resilience measures in project activities. More details are provided in a separate Technical Note on the project's expected climate Co-Benefits (CCB). The CCB team evaluated the climate commitment of the project at decision review and concluded that total climate co-benefit is US$209 million and 52.4 percent (more can be achieved with close targeting).

V. GRIEVANCE REDRESS SERVICES

73. ***Grievance Redress.*** Communities and individuals who believe that they are adversely affected by a project supported by the World Bank may submit complaints to existing project-level grievance mechanisms or the Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the Bank's independent Accountability Mechanism (AM). The AM houses the Inspection Panel, which determines whether harm occurred, or could occur, as a result of Bank non-compliance with its policies and procedures, and the Dispute Resolution Service, which provides communities and borrowers with the opportunity to address complaints through dispute resolution. Complaints may be submitted to the AM at any time after concerns have been brought directly to the attention of Bank Management and after Management has been given an opportunity to respond. For information on how to submit complaints to the Bank's Grievance Redress Service (GRS), visit http://www.worldbank.org/GRS. For information on how to submit complaints to the Bank's Accountability Mechanism, visit https://accountability.worldbank.org.

VI. KEY RISKS

The overall risk to achieving the PDO is Substantial.

74. **Institutional capacity for implementation and sustainability risk - Substantial.** Institutional capacity risk is rated substantial due to weak Pourashava and City Corporation capacity for implementation, and the lack of Pourashava/Union Parishad cooperation arrangements. This risk is mitigated by the role of the LGED as implementing agency due to its extensive experience in urban infrastructure projects funded by the World Bank and its country-wide presence. RUTDP preparation has introduced the use of Memorandum of Understanding (drafted by LGED, cleared by the Bank to be administered by PMU), a Legally binding instrument, to be signed between the Pourashavas and the Union Parishads to allow cross-boundary investments such as basin-wide drainage systems that benefit both entities, but which is prohibited by the Local Government Act 2009. This institutional risk will be mitigated by the innovative development of an alternative arrangement for Pourashavas/Union Parishad boundary coordination and cooperation that is being piloted under the project. Further, institutional risk would also be mitigated by the recruitment of DSM consultants with budget to monitor

[26] Urban Climate Risk Analysis, Global Facility for Disaster Reduction and Recovery's (GFDRR) City Resilience Program (CRP), September 2023.

progress and provide institutional strengthening support to the PIUs. PMU will report on progress through quarterly implementation reports and will be verified by Bank missions.

75. **Fiduciary risk - Substantial.** Fiduciary risks are substantial due to weak technical capacity of the procurement and FM staff at the Pourashava /PIUs, and the lack of familiarity of some of Pourashavas/ City Corporations with the World Bank's Procurement Regulations. Other risks include possible delays in procurement due to weak technical preparation, slow decision making and government approval processes, the risk of fraud and corruption primarily due to weak internal control functions and asset management practices in the Pourashavas. These risks will be mitigated through capacity building and technical assistance, and by: (i) assigning qualified staff in LGED; (ii) hiring of qualified Procurement consultants on a need-based approach with Terms of References acceptable to the World Bank; (iii) hiring a DSM consultant for the technical preparation of procurement documents and supervision of contract implementation; (iv) reviewing and monitoring of procurement activities of Pourashavas by LGED; (v) using the government's electronic procurement (e-GP) system for applicable cases; and (vi) providing fiduciary training to relevant officials.

76. **Environment and Social Risk - Substantial.** While the environmental and social impacts in Pourashavas and city corporations are expected to be limited, activities in Nodal cities, particularly the construction of larger infrastructure such as regional bus terminals, community centers, and wholesale/Pourashava markets, could have more pronounced impacts. These risks will be mitigated through comprehensive considerations of various environmental and social issues throughout the project's lifecycle, including robust screening and impact assessment processes, use of eligible and negative scheme lists, and preparation and implementation of requisite E&S planning documents including ESMPs, RAPs and EMCP following the Project (ESMF, LMP, SEP, RPF, EMCF). LGED has allocated a budget for the implementation of the ESMF, which will include training for Pourashavas and City Corporations for the management of E&S and oversight by the PMU and DSM.

77. **Stakeholder risk – Substantial.** Project design will require intensive engagement with a broad range of stakeholders at the city-, cluster-, and national levels, however, Pourashavas have weak outreach and limited capacity to engage with stakeholders, including those that might hold opposing views. To mitigate this risk, the Project will utilize extensive information, education, and communication campaigns, followed by a participatory capital investment planning process to identify, and prioritize investments with inputs from all key stakeholders. This will include inputs from professional planning and municipal engineering groups with experience in participatory planning.

VII. RESULTS FRAMEWORK AND MONITORING

PDO Indicators by PDO Outcomes

Baseline	Closing Period
Enhance access to climate resilient urban infrastructure and services in selected clusters	
People with enhanced resilience to climate risks (Number (Thousand))	
Jul/2024	Oct/2030
0	17000
➢Of which female beneficiaries (Number (Thousand))	
Jun/2024	Oct/2030
0	9500
Users satisfied with enhanced climate resilient infrastructure and services provided by the project (Percentage)	
Jun/2024	Oct/2030
0	80
➢Of which female users satisfaction (Percentage)	
Jun/2024	Sept/2030
0	45
Strengthen urban management capacity in selected urban clusters.	
Pourashava Development Plans, adopted by Nodal Cities, each of which incorporates a Cluster Development Plan and a Climate Resilience Action Plan. (Number) PBC	
Jul/2024	Oct/2030
0	14
Nodal Cities and Pourashavas have increased their own source revenues by 20 percent from the baseline. (Number) PBC	
Jul/2024	Oct/2030
0	81
Operation and maintenance plans approved and implemented by the Pourashavas (Number)	
Jun/2024	Sept/2030
0	81

Intermediate Indicators by Components

Baseline	Closing Period
Component 1: Climate Resilient Urban Services and Infrastructure Investments	
Length of improved access to sustainable transport infrastructure (urban and rural roads) and services. (Kilometers)	
Jul/2024	Oct/2030
0	780
Length of drains constructed or improved. (Kilometers)	
Jul/2024	Oct/2030
0	413
Length of new or upgraded pedestrian walkways and footpaths constructed or improved. (Kilometers)	
Jul/2024	Oct/2030
0	350
Area of new or improved walkable public spaces built. (Hectare(Ha))	
Jul/2024	Oct/2030
0	50
Municipal (Poura) and wholesale markets constructed or improved. (Number)	
Jul/2024	Oct/2030
0	10
Component 2: Institutional Strengthening, TA ,Project Management and Operational Support	
Beneficiaries involved in consultations for project planning/ implementation/evaluation. (Number (Thousand))	
Jul/2024	Oct/2030
0	15
➢Of which female beneficiaries. (Number (Thousand))	
Jul/2024	Oct/2030
0	8
Share of grievances received that are addressed. (Percentage)	
Jul/2024	Oct/2030
0	100
Training modules developed and updated by LGED. (Number)	
Jul/2024	Oct/2030
0	10

Nodal Cities and Pourashavas have established a Town-Level Coordinating Committees (TLCCs) with at least one-third female membership and female panel mayor as a co-chair. (Number) PBC	
Jul/2024	Jun/2026
0	81
Urban market stakeholders trained on risks related to hygiene and food safety. (Number)	
Jul/2024	Oct/2030
0	1000
Women accessing urban infrastructure services and public spaces. (Percentage)	
Jun/2024	Sept/2030
0	20
Component 3: Contingent Emergency Response	

Performance-based Conditions (PBC)

Period	Period Definition
Period 0	July 1, 2024 to June 30, 2025
Period 1	July 1, 2025 to June 30, 2026
Period 2	July 1, 2026 to June 30, 2027
Period 3	July 1, 2027 to June 30, 2028
Period 4	July 1, 2028 to June 30, 2029

Baseline	Period 1	Period 2	Period 3	Period 4	Period 5
1:Pourashava Development Plans, adopted by Nodal Cities, each of which incorporates a Cluster Development Plan and a Climate Resilience Action Plan. (Number)					
0		14			
13,750,000.00	0.00	0.00	0.00	0.00	0.00
PBC allocation		13,750,000.00	As a % of Total PBC Allocation		36.91%
2:Nodal Cities and Pourashavas have increased their own source revenues by 20 percent from the baseline. (Number)					
0					81
15,000,000.00	0.00	0.00	0.00	0.00	0.00
PBC allocation		15,000,000.00	As a % of Total PBC Allocation		40.27%
3:Nodal Cities and Pourashavas have established a Town-Level Coordinating Committees (TLCCs) with at least one-third female membership and female panel mayor as a co-chair. (Number)					
0		81	0		

8,500,000.00	0.00	0.00	0.00	0.00	0.00
PBC allocation		8,500,000.00	As a % of Total PBC Allocation		22.82%

Monitoring & Evaluation Plan: PDO Indicators by PDO Outcomes

Enhance access to climate resilient urban infrastructure and services in selected clusters	
People with enhanced resilience to climate risks (Number (Thousand))	
Description	People provided with access to at least one type of enhanced urban infrastructure under the project that incorporate climate risk management measures and are based on analysis of past patterns and trends, as well as future projections of use. The types of urban infrastructure services include the following: • people within one kilometer range of the new or enhanced roads with street furniture, plantation, traffic management and road safety features, and gender-inclusive design features (e.g., adequate pavements, footpaths, streetlights/lighting, etc.); • people within 1000 meter range of new or enhanced drainage systems; • people in the within 1000 meter range of the new or enhanced walkways and footpaths with gender-inclusive design features (e.g., adequate pavements, footpaths, streetlights/lighting, etc.); • people, including disabled, aged, and children, within a 1000 meter range of new or enhanced walkable public spaces (such as parks, green spaces, water-side developments) with gender-inclusive design features (e.g., adequate pavements, footpaths, streetlights/lighting, public toilets and dedicated open spaces); and • people within 1000-meter range of new or enhanced wet markets and wholesale markets that have provisions for drainage systems, access to clean water, and waste disposal; and integrate gender-inclusive design features (e.g., lighting, dedicated open spaces, and public toilets).
Frequency	Annually
Data source	PMU / Consultant Reports
Methodology for Data Collection	This indicator will be measured based on MGSP WB Guidelines
Responsibility for Data Collection	PMU / PIUs / Consultants
Of which female beneficiaries (Number (Thousand))	
Description	Description, frequency, data source, methodology for data collection and Responsibility for data collection same as for men
Users satisfied with enhanced climate resilient infrastructure and services provided by the project (Percentage)	
Description	Percentage of users expressing satisfaction with improved urban infrastructure under the project that incorporates climate risk management measures and are based on analysis of past patterns and trends, as well as future projections of use. The types of urban infrastructure services include the following: • new or improved roads with street furniture, plantation, traffic management and road safety features, and gender-inclusive design features (e.g., adequate pavements, footpaths, streetlights/lighting, etc.). • new or improved drains. • new or improved walkways and footpaths with gender-inclusive design features (e.g., adequate pavements, footpaths, streetlights/lighting, etc.). • new or improved walkable public spaces (such as parks, green spaces, water-side developments) with gender-inclusive design features (e.g., adequate pavements, footpaths, streetlights/lighting, public toilets and dedicated open spaces); and of new or improved wet markets and wholesale markets that have provisions for drainage systems, access to clean water, and waste disposal; and integrate gender-inclusive design features (e.g., lighting, dedicated open spaces, and public toilets).
Frequency	**Two times [6 months before mid term review; 6 months before closing of RUTDP SOP1]**
Data source	PMU / Consultant Reports
Methodology for Data Collection	This indicator will be measured based on surveys to be conducted on an annual basis after the urban infrastructure sub-projects enter service. The surveys will disaggregate the gender of the respondents. User satisfaction could be measured using a 5-point scale (1: unsatisfied; 2: moderately satisfied; 3: neutral; 4: moderately satisfied; 5: satisfied).
Responsibility for Data Collection	PMU / DSM / PIUs / Consultants
Of which female users satisfaction (Percentage)	
Description	Description, frequency, data source, methodology for data collection and Responsibility for data collection same as for men
Strengthen urban management capacity in selected urban clusters.	

Pourashava Development Plans, adopted by Nodal Cities, each of which incorporates a Cluster Development Plan and a Climate Resilience Action Plan. (Number) PBC	
Description	Number of PDPs incorporating Cluster Development Plans and climate resilience action plans that are approved and implemented by the selected Nodal cities following technical assistance under the project. Implementation of the plans requires that annual budget resources are allocated in the city budgets and the relevant departments execute the plans. Detailed requirements for the plans are included in the Project Implmentation Manual.
Frequency	Annually
Data source	PMU / Consultant Reports
Methodology for Data Collection	This indicator will be collected from PMU progress reports and measured based on the monitoring of the PMU and consultants. It will be assessed once each participating Nodal city approves and implements the plans.
Responsibility for Data Collection	PMU / DSM / PIUs / Consultants
Nodal Cities and Pourashavas have increased their own source revenues by 20 percent from the baseline. (Number) PBC	
Description	The Selected Nodal Cities and Pourashavas have increased own source revenue (OSR) by 20% from the baseline. This PBC is progressively scalable and calculated at USD 246,913 /Selected Nodal City or Pourashava that achieves PBC2, and the achievement of this PBC by the Selected Nodal City or Pourashavas will be verified at the end of each Fiscal Year. Each Selected Nodal City or Pourashava that achieves this PBC will only be eligible to receive the PBC allocation once during the Project implementation period.
Frequency	Annually
Data source	PMU, PAM, Consultant Reports
Methodology for Data Collection	PMU, MSU and PAM progress reports verified during missions by Bank's FM Specialist
Responsibility for Data Collection	PMU/MSU/PAM
Operation and maintenance plans approved and implemented by the Pourashavas (Number)	
Description	Number of operation and maintenance plans that are approved and implemented by the participating Pourashavas following capacity building under the project. Implementation of the plans requires that that required annual budget resources are allocated in the Pourashava budgets and the relevant departments execute the plans. Detailed requirements for the plans are included in the Project Implementation Manual.
Frequency	Annually
Data source	PMU / Consultant Reports
Methodology for Data Collection	This indicator will be collected from PMU progress reports and measured based on the monitoring of the PMU and consultants. It will be assessed once each participating Pourashavas approves the plans.
Responsibility for Data Collection	PMU / DSM / PIUs / Consultants

Monitoring & Evaluation Plan: Intermediate Results Indicators by Components

Component 1: Climate Resilient Urban Services and Infrastructure Investments	
Length of improved access to sustainable transport infrastructure (urban and rural roads) and services. (Kilometers)	
Description	Kilometers completed and put into service through project investments. Roads will integrate street furniture, plantation, traffic management and road safety features, and gender-inclusive design features (e.g., adequate pavements, footpaths, streetlights/lighting, etc.).
Frequency	Annually
Data source	PMU / Consultant Reports
Methodology for Data Collection	This indicator will be collected from PMU progress reports and reports produced by the contractor and verified by the supervisor.
Responsibility for Data Collection	PMU / DSM / PIUs / Consultants
Length of drains constructed or improved. (Kilometers)	
Description	Kilometers completed and put into service through project investments
Frequency	Annually
Data source	PMU / Consultant Reports
Methodology for Data	This indicator will be collected from PMU progress reports and reports produced by the contractor and verified by the

Collection	supervisor.
Responsibility for Data Collection	PMU / PIUs / Consultants
Length of new or upgraded pedestrian walkways and footpaths constructed or improved. (Kilometers)	
Description	Kilometers completed and put into service through project investments. Pedestrian walkways and footpaths will integrate gender-inclusive design features (e.g., adequate pavements, footpaths, streetlights/lighting, etc.).
Frequency	Annually
Data source	PMU / Consultant Reports
Methodology for Data Collection	This indicator will be collected from PMU progress reports and reports produced by the contractor and verified by the supervisor.
Responsibility for Data Collection	PMU / DSM / PIUs / Consultants
Area of new or improved walkable public spaces built. (Hectare(Ha))	
Description	Hectares of of new or improved public spaces constructed by project investments (including parks, green spaces, water-side developments) that are accessible to disabled people, aged people, and children. Public spaces will integrate gender-inclusive design features (e.g., adequate pavements, footpaths, streetlights/lighting, public toilets and dedicated open spaces).
Frequency	Annually
Data source	PMU / Consultant Reports
Methodology for Data Collection	This indicator will be collected from PMU progress reports and reports produced by the contractor and verified by the supervisor.
Responsibility for Data Collection	PMU / PIUs / Consultants
Municipal (Poura) and wholesale markets constructed or improved. (Number)	
Description	Number of wet markets and wholesale markets that are constucted or improved that have provisions for drainage systems, access to clean water, and waste disposal; and integrate gender-inclusive design features (e.g., lighting, dedicated open spaces, and public toilets).
Frequency	Annually
Data source	PMU / Consultant Reports
Methodology for Data Collection	This indicator will be collected from PMU progress reports and reports produced by the contractor and verified by the supervisor.
Responsibility for Data Collection	PMU / PIUs / Consultants
Component 2: Institutional Strengthening, TA ,Project Management and Operational Support	
Beneficiaries involved in consultations for project planning/ implementation/evaluation. (Number (Thousand))	
Description	Number of beneficiaries participating in consultation activities conducted in the planning, implementation, or evaluation of project investments.
Frequency	Annually
Data source	PMU / Consultant Reports
Methodology for Data Collection	This indicator will be collected from PMU progress reports and minutes of consultation meetings. The number of female beneficiaries will be disaggregated.
Responsibility for Data Collection	PMU / PIUs / Consultants
Of which female beneficiaries. (Number (Thousand))	
Description	Description, frequency, data source, methodology for data collection and Responsibility for data collection same as for men
Frequency	Annually
Data source	PMU / Consultant Reports
Methodology for Data Collection	This indicator will be collected from PMU progress reports and minutes of consultation meetings. The number of female beneficiaries will be disaggregated.
Responsibility for Data Collection	PMU / PIUs / Consultants
Share of grievances received that are addressed. (Percentage)	

Description	Percentage of grievances reported through the project grievance redress mechanism that were responded to and addressed in a timely and satisfactory manner in accordance with the Project Implementation Plan
Frequency	Annually
Data source	PMU / Consultant Reports
Methodology for Data Collection	To be collected from PMU progress reports and minutes of consultation meetings
Responsibility for Data Collection	PMU / PIUs / Consultants
Training modules developed and updated by LGED. (Number)	
Description	Number of capacity building modules developed for on the topics of improvement of operational and financial performance, including increasing own-source revenue mobilization, municipal financial management systems, safeguards management, gender-responsive planning and design, and O&M of urban municipal (Poura) and wholesale markets.
Frequency	Annually
Data source	PMU / Consultant Reports
Methodology for Data Collection	This indicator will be collected from PMU progress reports and measured based on the monitoring of the PMU and consultants. It will be assessed once each participating Pourashava completes the preparation of the plans.
Responsibility for Data Collection	PMU / PIUs / Consultants
Nodal Cities and Pourashavas have established a Town-Level Coordinating Committees (TLCCs) with at least one-third female membership and female panel mayor as a co-chair. (Number) PBC	
Description	Percentage of Town-Level Coordinating Committees of participating Nodal cities and Pourashavas with at least one third female members and a female panel mayor appointed as co-chair.
Frequency	Annually
Data source	PMU / Consultant Reports
Methodology for Data Collection	This indicator will be collected from PMU progress reports and minutes of the Town-Level Coordinating Committee meetings of participating Nodal cities and Pourashavas. These can be complemented by perception surveys conducted at intermediate periods.
Responsibility for Data Collection	PMU / Consultants
Urban market stakeholders trained on risks related to hygiene and food safety. (Number)	
Description	Number of vendors, municipal agents and inspectors who have received training on topics related to food safety, food waste management and risks related to hygiene
Frequency	Annually
Data source	PMU and consultants reports
Methodology for Data Collection	This indicator will be collected from PMU progress reports and measured based on the monitoring of the PMU and consultants
Responsibility for Data Collection	**PMU**
Women accessing urban infrastructure services and public spaces. (Percentage)	
Description	Percentage increase in the number of women accessing improved urban infrastructure services and public spaces.
Frequency	Beginning (baseline), mid-term, and end-of-project
Data source	PMU/ Consultant reports
Methodology for Data Collection	This indicator will be measured based on surveys of female beneficiaries. The methodology will be elaborated in the PIM.
Responsibility for Data Collection	PMU/ TPM/ COnsultant
Component 3: Contingent Emergency Response	

Verification Protocol: Performance Based Conditions

Pourashava Development Plans, adopted by Nodal Cities, each of which incorporates a Cluster Development Plan and a Climate Resilience Action Plan. (Number)	
Formula	A cluster development plan (CDP) for each of the seven (7) clusters has been prepared and approved by LGED, and a climate resilience action plan prepared for each Pourashavas. A Pourashava development plan (PDP) has been prepared, incorporating the CDP and the climate resilience action plan following standardized guidelines issued by LGED, and with technical support from LGED and its consultants, and has been adopted by each of the 14 Nodal Cities
Description	CDP prepared and approved by LGED, climate resilience action plan prepared for each Pourashavas and both plans incorporated into the PDP, and the PDP approved by their respective Pourasahva Councils, and recorded in the Minutes of the Pourashava Coordination Meetings
Data source/ Agency	Achievements of the PBC targets will be verified by an independent Performance Assessment Monitoring (PAM) consultants to be hired by LGED as per the Terms of Reference (ToRs) agreed with the World Bank. LGED will prepare technical reports to document the status of achievement of PBC targets to the PAM. The PAM will verify based on the signed copy of the PDPs approved by the respective Pourashava Councils and recorded in the Pourashava Coordination Meeting Minutes.
Verification Entity	Outlined in the M&E table.
Procedure	A cluster development plan (CDP) for each of the seven (7) clusters has been prepared and approved by LGED, and a climate resilience action plan prepared for each Pourashavas. A Pourashava development plan (PDP) has been prepared, incorporating the CDP and the climate resilience action plan following standardized guidelines issued by LGED, and with technical support from LGED and its consultants, and has been adopted by each of the 14 Nodal Cities
Nodal Cities and Pourashavas have increased their own source revenues by 20 percent from the baseline. (Number)	
Formula	The Selected Nodal Cities and Pourashavas have increased own source revenue (OSR) by 20% from the baseline. This PBC is progressively scalable and calculated at USD 246,913 /Selected Nodal City or Pourashava that achieves PBC2, and the achievement of this PBC by the Selected Nodal City or Pourashavas will be verified at the end of each Fiscal Year. Each Selected Nodal City or Pourashava that achieves this PBC will only be eligible to receive the PBC allocation once during the Project implementation period.
Description	Audited financial statements of the Selected Nodal City or Pourashavas
Data source/ Agency	Achievements of the PBC targets will be verified by independent PAM consultants to be appointed by LGED as per the TORs agreed with the World Bank
Verification Entity	Outlined in the M&E table.
Procedure	The Selected Nodal Cities and Pourashavas have increased own source revenue (OSR) by 20% from the baseline. This PBC is progressively scalable and calculated at USD 246,913 /Selected Nodal City or Pourashava that achieves PBC2, and the achievement of this PBC by the Selected Nodal City or Pourashavas will be verified at the end of each Fiscal Year. Each Selected Nodal City or Pourashava that achieves this PBC will only be eligible to receive the PBC allocation once during the Project implementation period.
Nodal Cities and Pourashavas have established a Town-Level Coordinating Committees (TLCCs) with at least one-third female membership and female panel mayor as a co-chair. (Number)	
Formula	The target is for all the Selected Nodal Cities and Pourashavas to have TLCCs (with at least one-third female members (already mandated by law) and co-chaired by a female panel mayor.
Description	Data source/ Agency
Data source/ Agency	PBC will be verified by independent PAM consultant to be appointed by LGED as per the TORs agreed with the World Bank, based on the approved TLCC membership as recorded in the TLCC meeting resolutions, and the notification issued by LGD designating the female panel mayor as a co-chair.
Verification Entity	utlined in the M&E table.
Procedure	The target is for all the Selected Nodal Cities and Pourashavas to have TLCCs (with at least one-third female members (already mandated by law) and co-chaired by a female panel mayor.

ANNEX 1: Implementation Arrangements and Support Plan

COUNTRY: People's Republic of Bangladesh
Bangladesh Resilient Urban and Territorial Development Project

1. **LGED will function under the overall guidance and supervision of the LGED Chief Engineer (CE). The Additional Chief Engineer (Urban Management) will assist the CE and provide support and guidance to the Project Director (PD).** It will provide technical support to the Pourashavas and City Corporations to develop high quality sub-projects, not only through a quality assurance function, but also by promoting cross-fertilization of experiences and knowledge sharing across the participating Pourashavas and City Corporations. Project Implementation Units (PIUs) at the Pourashavas and City Corporations will implement subprojects under the supervision and monitoring of LGED. The PIM will detail the roles, responsibilities, and actions assigned to each of the implementing actors.

2. **The PSC will meet every six months or as needed.** The PSC will include a Deputy Secretary, Joint Secretary (Planning wing) and Joint Secretary (Development) from LGD, representatives of Finance Division, Economic Relations Division, and Implementation Monitoring and Evaluation Division (IMED) of Ministry of Planning, representatives of concerned Sector/Division and Programming Division of Planning Commission, representative of General Economic Division, NEC-ECNEC & Coordination Wing of the Planning Division, representative from the Planning Unit of LGED, and RUTDP Project Director, LGED. Senior Assistant Secretary/Deputy Secretary (Planning) of concerned branch of LGD will serve as member-secretary of the PSC. The PMU will provide technical and administrative support to the PSC.

3. **The PIC will meet every six months and on a need basis and, where necessary, provide the PSC with technical and operational suggestions and recommendations.** The PIC will include representatives from the Finance Division, Economic Relations Division, the Implementation Monitoring and Evaluation Division, the concerned Sector and Programming Division of Planning Commission, General Economic Division, NEC-ECNEC and Coordination Wing of the Planning Commission, representatives of the Planning wing and Development wing of LGD, representative of the Planning Unit and PD of LGED. A representative from the Planning Unit of LGED will serve as a member Secretary.

4. **The PMU will be headed by an appointed Project Director (PD).** A senior engineer at the level of LGED Superintending Engineer, experienced in World Bank projects, will be appointed as the PD. The PD will be supported by two Deputy Project Directors (DPDs), three Senior Assistant Engineers (Sr. AEs), and other technical staff with qualifications and experience acceptable to the World Bank. The PD, DPDs, Sr. AEs, and other supporting staff will be deputed from existing LGED officials and seconded to the project. The PMU's responsibilities will include: (i) preparation and execution of the Partnership Agreements with the Nodal Cities, City Corporations and Pourashavas; (ii) preparation and execution of Memorandum of Understanding (MoU) between Pourashavas and the adjoining Union parishads, if necessary, included for investments; (iii) preparation of the first 18-months' sub-projects; (iv) selection and management of consultants to assist PIUs and LGED for subproject preparation, design, supervision, and management (DSM), Third-Party Monitoring (TPM), Operational Audit, PAM, PMU and MSU Consultants and other consultants; (v) review and approve design and bid documents and bid evaluation reports prepared by the PIUs to ensure compliance with World Bank procurement guidelines; (vi) will supervise the PIUs in implementing subprojects in accordance with the Financing Agreement; (vii) approve payment certificates issued by the PIUs for works and O&M contracts and authorize payment; (viii) assist and evaluate eligibility of Nodal cities and Pourashavas to meet the PBCs in consultation with the Bank; and (ix) management of funds.

5. **The PMU will be supported by individual consultants for financial management, ES management, M&E, and Design, Supervision, and Management (DSM) consultants.** The DSM consultants will be responsible for the: (i) preparation of detailed technical and engineering designs and estimates; (ii) supporting procurement, economic analysis, and

management of environmental and social aspects compliances; and (iii) M&E and (iv) preparation of PDP including climate resilient plans, five-year capital investment plans.

6. **The MSU made up of hired individual consultants with ToRs acceptable to The Bank, will support the PMU**. The MSU will be responsible for: (i) designing and providing necessary training for capacity-building; and (ii) managing training consultants. It will draw on the training materials developed under MGSP and MSP.

7. **Project Implementation Units (PIUs)**. A Project Implementation Unit (PIU) at the City Corporation/ Pourashava will be established with regular Pourashava and City corporation staff deputed on a part-time basis.[27] The PIU will be responsible for the overall implementation of sub-projects under the supervision of LGED. Their responsibilities include: (i) identifying and proposing sub-projects for review and clearance by PMU; (ii) procurement of the sub-projects under the supervision of PMU, (iii) assessment and management of E&S risks of subprojects with the assistance of DSM, (iv) signing of contracts with the contractors, (v) take necessary actions to handover the site to the contractors, (vi) technical supervision for implementation, (vii) preparing reports on subproject implementation performance, (viii) contributing to mid-term review report/data generation, and (ix) hosting field level implementation and supervision support missions.

8. **TLCCs in Pourashavas.** The TLCCs are headed by the mayor as Chair and composed of local citizens, public officials including representatives of District Administration, LGED, Department of Public Health Engineering, Roads and Highways Department, Public Works Department, Directorate of Social Welfare, Department of Cooperatives, etc. They are also required by law to have one-third female members. The TLCCs will prioritize sub-projects from the PDP and multi-year capital investment plan using a participatory process. The PIU will finalize the prioritized subprojects identified by TLCCs for approval by the Municipal Councils (MCs). Under the project, TLCCs will be required to appoint a female panel mayor as co-Chair who, together with the chair, will have a substantive decision-making role in the selection and design of the sub-projects to ensure they incorporate gender-responsive features.

Project Implementation Manual

9. **LGED-PMU has prepared a draft PIM which will be finalized with concurrence from the Bank prior to Board approval.** The PIM will provide details of the arrangements and procedures for the implementation related to: (i) administrative, accounting, auditing, financial management, disbursement and procurement procedures, as agreed for the Project; (ii) institutional arrangements for the oversight, coordination, management and day-to-day implementation of the Project; (iii) arrangements for preventing, detecting, reporting, investigation, remediation and otherwise addressing fraud and corruption, including compliance with the Anti-Corruption Guidelines, for the Project; (iv) environmental and social management arrangements, including on grievance redressal mechanism, sexual exploitation and abuse and sexual harassment (SEA/SH) for the Project; (v) monitoring and evaluation, reporting and communication for the Project; (vi) PBCs, Verification Protocols, and verification arrangements for the PBCs; (vii) detailed eligibility criteria, negative list, appraisal, approval, expenditures and administration arrangements and procedures for the sub-projects; and (viii) such other administrative, financial, technical, and organizational arrangements and procedures as shall be required for the Project. The PIM will also include cross-boundary planning guidelines for Pourashavas, City Corporations.

Partnership Agreement

10. **Prior to receiving project funds, each participating Nodal City, Pourashavas and City Corporations will sign a Partnership Agreement with LGED**. Under this agreement, each Nodal city, Pourashava, City Corporation will: (i) carry out subproject(s) with due diligence and efficiency and in accordance with sound technical, economic, environmental, social,

[27] PIUs will be headed by the mayor who will be supported by: (i) the Chief Engineer/Superintending Engineer/Executive Engineer/Assistant Engineer/ Chief Executive Officer in City Corporations, and (ii) Executive Engineer/Assistant Engineer/Poura Nirbahi Kormokorta (PNO) in Pourashavas.

financial, and managerial standards and practices satisfactory to the World Bank, and in accordance with the PIM, the environmental and social documents (including the ESCP), the requirements of the grievance redress mechanism, the provisions of the Anti-Corruption Guidelines, and the Procurement Regulations; (ii) enable the LGED-PMU and the Bank to inspect the subproject(s), their operation and any relevant records and documents related to the subproject(s); and (iii) prepare and furnish such relevant information as per the request of the LGED-PMU and the Bank.

Financial Management (FM)

11. **The FMS will be responsible for** the following actions: (i) managing the overall FM and disbursement functions to support the implementation of project activities at the PMU level; (ii) assessing the FM capacity of the Pourashavas and City Corporations; (iii) arranging necessary customized training for the Pourashavas; and (v) assessing the requirements of funds for infrastructure activities under approved subprojects and O&M activities of the Pourashavas. The FMS will be assisted by a Junior Financial Management Specialist (Jr. FMS) and an Accounts Officer, two Accountants and an Account Assistant, deputed from the existing LGED staff, preferably with experience in World Bank financed projects.

12. **Funds Flow and Disbursement**. Separate books of accounts will be maintained for PBC, non-PBC, and government financing. Two Designated Accounts will be opened with a nationalized commercial bank, one will be for PBC and the other for non-PBC expenditures. Disbursement would be based on IUFR, Disbursement mechanism will include "advance reimbursement" and "direct payment". For both

13. the PBC and non-PBC, World Bank funds may be advanced to the DAs based on six months' forecast of project fund requirements, which will be included in the IUFRs and submitted to the Bank within 45 days from the end of each quarter. Under non-PBC, expenditures incurred against the advances deposited to the designated account (DA) will be documented based on the expenses reported in the quarterly IUFRs. For PBC, documentation of the advances will be based on achievement of each PBC target and payment Eligible Expenditure Programs EEP[28] expenditure, at least equivalent to the value of the condition met, reported in the quarterly IUFR. Counterpart contribution would be in the form of joint financing and parallel financing.

14. **Fund transfer to City corporation and Pourashavas.** The World Bank portion of the Project allocations will not be passed directly to Pourashavas/City Corporations. The fund will be transferred to the contractors' bank accounts through electronic bank transfer from the DA based on invoices certified by PIUs and approved by the PD. Upon actual payment, the Pourashava will send Bank Statement and relevant proof of payment (money receipts etc.) for the PIU to account for the expenditures in the books of accounts and claim in IUFR. The project will explore payment through mobile banking channel replacing use of Force account, wherever it is feasible.

15. **Retroactive Financing** up to SDR 310, 000 from the concessional credit (only for consultant services for the preparation of the first 18 months' implementation readiness subprojects – technical designs, safeguards reports and disclosure, costs estimate, preparation of bid documents, and others) may be allowed for eligible expenditures paid by the Government on or after July 1, 2023. LGED will need to agree with the World Bank on the specific budgeted expenditures before the provision for Retroactive Financing is approved.

16. **Budgeting**. A budget will be prepared and maintained for the entire term of the project, and detailed budgets for each fiscal year will also be produced based on the Procurement Plan and other relevant work plans to provide a framework for FM purposes.

[28] "Eligible Expenditure for PBCs" or EEPBCs means the cost of routine preventative operation and maintenance for eligible infrastructure to be supported by achieving PBCs in accordance with agreed procedures acceptable to the Association and as ascertained in the interim unaudited financial report submitted for disbursement.

17. **Application of Country Financial Parameters (CFP).** As per the CFP, World Bank financing will not apply to specified categories of recurrent expenditures such as workshop allowances, sitting allowances, cash per diems, fuel, and honoraria. The list of excluded categories may be updated, from time to time, based on implementation experience. World Bank financing will also not cover expenditures related to vehicles, and taxes will be allowable up to 15 percent of the total World Bank credit.

18. **Counterpart contribution** would be in the nature of joint financing for withdrawal categories 2(a), 2(b) and 3 and the financing percentage is included in the withdrawal table in the Financing Agreement. Counterpart contribution in form of parallel financing would also finance physical contingency, Land acquisition, Resettlement/Retrofitting, and Livelihood, vehicles, customs duty and salaries and allowances of Government civil servants/staff. In case of sub-component 2.3, disbursements would be first made under the Concessional Credit to the extent of USD 500,000 before disbursement under the Non-Concessional Credit.

19. **External Audit**. The Foreign Aided Project Audit Directorate (FAPAD) will express an opinion on the project financial statements in accordance with international standards of auditing and submit the report within six months of the end of each FY. In addition, the auditor will be required to provide a detailed management letter containing the auditor's observations on the internal controls. There is no outstanding audit report.

20. **Internal Audit**. The project will engage a private auditor to conduct at least two rounds of internal audit over the life of the project to evaluate the project's internal control functions and operational effectiveness. Based on the recommendations of the internal auditor, the project will prepare an Action Plan and monitor its implementation. The ToR for the internal audit function will be shared with the World Bank for endorsement prior to the engagement of the auditor.

21. **Audit Committee**. An Audit committee will be formed under the PMU, with representation from the department and the line ministry to oversee the actions taken on the audit observations raised in the external and internal audit reports. The ToR for the Audit Committee will be shared with the World Bank.

Procurement

22. All Procurement related to the project will be conducted in accordance with the World Bank Procurement Regulations as agreed in the Financing Agreements. The following table shows the potential risks and associated mitigation measures:

23. Additional mitigation measures include:

- **Identify procurement focal point (PFP)**. LGED shall nominate a procurement focal point for the Project familiar with Bangladesh PPR 2008 and World Bank Procurement Regulations September 2023. The PFP will help the respective agencies in day-to-day procurement follow-up and in the preparation of periodic procurement reporting.
- **e-Government Procurement (e-GP)**. All works and national goods procurement will be conducted using the e-Government Procurement (e-GP) system. Pourashava and city corporations' staff and related bidders will receive training on e-GP by the Project. Any procurement following national market approach carried out outside the e-GP (manual procurement) shall not be eligible for Bank financing. The implementing agencies shall not use Limited Tendering Method (LTM) as per Bangladesh PPR 2008.
- **Procurement under PBC** (O&M Contracts and others) shall follow the Bank Procurement Regulations
- **A system for handling complaints** will be established, along with a database for recording, monitoring, and following up on all the procurement activities under the project. All the complaints will be properly and timely recorded in STEP.

24. A Project Procurement Strategy for Development (PPSD) has been prepared by LGED with assistance from the Bank. The PPSD spells out the detailed procurement arrangements for the project including the detailed risk mitigation measures. The procurement of works by the Pourashavas and City Corporations will be reviewed and monitored by LGED and the detailed review and monitoring mechanism has been incorporated in the PPSD. LGED has initiated the advance contracting for selection of consultants for Design, Supervision and Management (DSM). Residual procurement risk after mitigation measures is assessed as 'Substantial' due to procurement responsibilities decentralized to the Pourashavas and City Corporations.

25. For each contract to be financed by the World Bank, the procurement/selection methods, the need for pre-qualification/initial selection, estimated costs, prior review requirements, evaluation options, and time frame will be reflected in the Procurement Plan which will be uploaded in STEP and updated as and when necessary, with the approval of the World Bank.

Implementation Support Plan

26. The World Bank's implementation support plan consists of scheduled full implementation support missions every six to twelve (6-12) months (covering technical issues, fiduciary, environmental, social, and governance aspects), and short review missions for problem solving and timely follow-up. Between missions, close follow-up will be maintained on implementation through virtual methods. A Mid-Term Review will be conducted jointly by the GoB and the World Bank to assess the overall status of project implementation vis-à-vis the appraised project and agree on changes, if needed. Such changes will thereafter be formalized with the agreement of the GoB and the World Bank.