



The World Bank

Local Government COVID-19 Response & Recovery Project (P174937)

REPORT NO.: RES51632

RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
LOCAL GOVERNMENT COVID-19 RESPONSE & RECOVERY PROJECT
APPROVED ON FEBRUARY 24, 2022
TO
PEOPLE'S REPUBLIC OF BANGLADESH

URBAN, RESILIENCE AND LAND

SOUTH ASIA

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ABBREVIATIONS AND ACRONYMS

ECNEC	Executive Committee of National Economic Council
ESCP	Environment and Social Commitment Plan
ESMF	Environmental and Social Management Framework
GoB	Government of Bangladesh
LGCRRP	Local Government COVID-19 Response & Recovery Project
LGD	Local Government Division
LGED	Local Government Engineering Division
LGI	Local Government Institution
PFM	Public Financial Management
PIC	Project Implementation Committee
PIU	Project Implementation Unit
PMU	Project Management Unit
POM	Project Operations Manual
RMSU	Regional Municipal Support Unit
ULGI	Urban Local Government Institution
WBG	World Bank Group



BASIC DATA

Product Information

Project ID P174937	Financing Instrument Investment Project Financing
Environmental and Social Risk Classification (ESRC) Moderate	
Approval Date 24-Feb-2022	Current Closing Date 30-Jun-2026

Organizations

Borrower People's Republic of Bangladesh	Responsible Agency Local Government Division, Ministry of Local Government, Rural Development, and Cooperatives, Local Government Engineering Department, Ministry of Local Government, Rural Development and Coopera
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Project Development Objective (PDO)

Original PDO

To strengthen urban local governments' response to the COVID-19 pandemic and preparedness for future shocks.

Summary Status of Financing (US\$, Millions)

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
IDA-70330	24-Feb-2022			30-Jun-2026	300.00	0	298.93

Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No



I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

1. **The Bangladesh Local Government COVID-19 Response and Recovery Project (LGCRRP) was approved by the World Bank Board on February 24, 2022, and by the Executive Committee of National Economic Council (ECNEC) of the Government of Bangladesh on March 22, 2022.**

2. **In its letter to the Bank, dated April 13, 2022, the Economics Relations Division (ERD) of the Ministry of Finance stated that ECNEC, during its deliberations, has made the decision to change the project implementing agency from the Local Government Division (LGD) to the Local Government Engineering Department (LGED) and to change the end of project implementing time from June 30, 2026 to December 31, 2025.**¹ The ERD requested the Bank for amending the approved Financing Agreement (FA) to reflect these changes. These changes are acceptable to the Bank as (i) both LGD and LGED fall under the purview of the Ministry of Local Government, Rural Development & Cooperatives, and the LGED has a long experience of effectively managing World Bank projects; and (ii) changing the implementing period ending on December 31, 2025 is not likely to cause any major change in project implementation.

3. **This Restructuring Paper aims at addressing the request of the ERD to change the implementing agency from the LGD to LGED, and move the project closing date to December 31, 2025.** Upon completion of these amendments, the FA will be signed by the Bank and the Government of Bangladesh (GoB). Upon signing, the FA can proceed to be declared effective.

II. DESCRIPTION OF PROPOSED CHANGES

Project implementation at the client level is in the preparatory stage.

¹ Other minor changes requested are: two edits in draft Financing Agreement: (i) Article V (5.03) to be changed to Article V (5.02); and definition of City Corporation in Appendix Section I (4) to be updated to say city corporation means a municipal corporation created by the Local Government (City Corporation) Act, 2009 instead of Amended Act.



Changes to implementation arrangements

4. **The LGED, with rich experience in managing the World Bank and other donors financed projects, will be responsible for project implementation.** There will be no change in the implementation structures under this Project. The LGED will establish a Project Management Unit (PMU), headed by a Project Director (PD), and assisted by two Deputy Project Directors (DPDs), all of whom will be officials deputed by LGED. In addition LGED will depute one qualified officer to act as Procurement focal person for monitoring, supporting, and reporting on PIU's and ULGI procurement. The PMU will be responsible for core project management functions and the coordination of project activities, including: (a) credit administration, credit disbursement and compliance monitoring; (b) project monitoring & evaluation (M&E); (c) financial management (FM) and reporting; and (d) supervising and supporting the Regional Municipal Support Units (RMSUs).

5. **As a result of change of the implementation agency from LGD to LGED, senior official from LGED will be added to the Project Steering Committee (PSC) and to chair the Project Implementation Committee (PIC).** There are also some adjustments in the regional implementation arrangements as suggested by the LGED. This includes the engagement of the existing **Regional Municipal Support Units (RMSUs)** instead of establishing new Regional Support Centers (RSC). The project will engage the RMSUs of LGED in each of the eight administrative divisions of Bangladesh. These RMSUs will have the role as envisaged for the RSCs and be accountable to the PMU, work under the supervision and guidance of the two DPDs and senior regional LGED officials, and will be staffed by LGED staff and consultants. Within its divisional jurisdiction, each RMSU will: (a) ensure project coordination with administrative authorities and sector departments; (b) provide Urban Local Government Institutions (ULGIs) with backstopping and technical assistance; and (c) provide quality assurance with respect to technical issues, environmental and social safeguards, procurement and financial management.

Financial Management



6. **According to the most recent FM assessment of LGED, carried out under WeCARE project², the residual FM risk is substantial.** Appropriate measures have already been put in place under the Project to mitigate the fiduciary risks, including digitized systems for accounting, financial reporting, and annual audit of ULGI and the PMU under LGED. IDA funds will flow to a Designated Account (DA) to be opened in a nationalized commercial bank and will be operated by the Project Director. Funds will then be disbursed to the operational accounts to be opened for the grant by the ULGIs in nationalized commercial banks. Funds to be transferred to ULGIs will be considered as advances. Monthly/quarterly fund utilization reports will be considered as the documentation needed to adjust such advances. Unspent IDA funds at the level of ULGIs shall be returned to the DA upon completion of the project.

7. **The Project Director in LGED, as Drawing and Disbursement Officer (DDO) will be responsible for all the fiduciary arrangements agreed upon under the project.** FM consultants will be supporting DDO for accounting, record keeping, financial reporting, and auditing purposes. The project will continue to follow report-based disbursement. The existing financial reporting system will be used for the project unless there is a major challenge in terms of consolidating financial reports in the agreed format on a quarterly basis for onward submission to the Bank. In such a case, an off-the-shelf accounting software will be procured which should be able to generate financial reports in the agreed formats. Eligibility criteria, external auditing, operations manual and other fiduciary controls agreed upon in the original project design will remain the same. However, all the financial management related contracts will follow the Bank's prior review method irrespective of value thresholds.

Procurement

8. **The LGED, through the PMU, will be responsible for carrying out all procurement activities under Component 2.** Procurement under Component 2 entails mainly consulting services by firms and individual consultants. Procurement of consulting services packages for the selection of firms will follow Quality and Cost-Based Selection, Consultant's Qualifications Based Selection, or Fixed Budget-Based Selection methods, while individual consultants will mostly be hired through competitive selection procedures.

9. **The procurement risks remain the same and will be addressed through:** (a) assignment of qualified LGED officers to act as focal persons for monitoring, supporting, and reporting on project and ULGI procurement; (b) designation of a procurement focal point in each participating ULGI; (c) recruitment of appropriately qualified and experienced consultants in the PMU to be responsible for coordinating and supporting project and ULGI procurement; (d) procurement planning at all levels, in accordance with the Project Operations Manual (POM), which will be monitored and reported on by the PMU; (e) detailing in the POM the procurement procedures and time standards for bid validity periods, evaluation of bids, review by the World Bank/PMU, and the approval process to be followed by ULGIs as stipulated in the ULGI participation agreements, to ensure that contracts are signed within the original bid validity period; (f) use of the Government's electronic procurement system; (g) regular World Bank reviews of project-related procurement activities; and (h) use of the Systematic Tracking of Exchanges in Procurement (STEP) for all procurement activities.

Environmental and Social Safeguards

² Western Economic Corridor and Regional Enhancement (WeCare) Program (P169880)



10. **The project environmental and social (E&S) risks rating remains the same – “moderate” since no change in PDO and project activities or implementation approach are made.** All the Environmental and Social Management Framework (ESMF) documents including the Environmental and Social Commitment Plan (ESCP), cleared and disclosed at appraisal, have been revised and re-disclosed for change in implementing agency from LGD to LGED. LGED is more experienced than LGD in ESF implementation and requires no additional support. The E&S risks and impacts will be managed following the E&S planning documents as negotiated in ESMP including the Stakeholders Engagement Plan, the Labor Management Procedures and the E&S Management Framework.

11. In summary, the LGD will be replaced by LGED in FM, Procurement and Safeguards paragraphs and Annex 1 of Project Appraisal Document. As a result of the project implementing period change, disbursement arrangements, institutional arrangements will be amended. In addition, as the Regional Support Center (RSC) will be replaced by the existing Regional Municipal Support Unit of LGED, RSC will be dropped from the legal covenants.

The amended Financing Agreement that reflects the proposed changes in implementation arrangements are attached to this restructuring paper.

III. SUMMARY OF CHANGES

	Changed	Not Changed
Implementing Agency	✓	
Results Framework	✓	
Loan Closing Date(s)	✓	
Disbursements Arrangements	✓	
Legal Covenants	✓	
Institutional Arrangements	✓	
Implementation Schedule	✓	
DDO Status		✓
Project's Development Objectives		✓
PBCs		✓
Components and Cost		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Disbursement Estimates		✓
Overall Risk Rating		✓
Financial Management		✓



Procurement		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

IV. DETAILED CHANGE(S)

IMPLEMENTING AGENCY

Implementing Agency Name	Type	Action
Local Government Division, Ministry of Local Government, Rural Development, and Cooperatives	Implementing Agency	Marked for Deletion
Local Government Engineering Department, Ministry of Local Government, Rural Development and Coopera	Implementing Agency	New

LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IDA-70330	Not Effective	30-Jun-2026		31-Dec-2025	30-Apr-2026

LEGAL COVENANTS

Loan/Credit/TF	Description	Status	Action
IDA-70330	1. Schedule 2, Section I.A.2 - The Recipient shall establish within three (3) months of the Effective Date and maintain, throughout the period of implementation of the Project, the Project Steering Committee ("PSC")	Not yet due	No Change



	with a mandate, composition, and resources as provided for in the Project Operations Manual.		
IDA-70330	2. Schedule 2, Section I.A.3 - Within four (4) months of the Effective Date, the Recipient, shall establish and maintain at all times during the implementation of the Project, the PMU within the LGD, with functions and resources satisfactory to the Association, and with staff in adequate numbers and with qualifications, experience and terms of reference satisfactory to the Association.	Not yet due	No Change
IDA-70330	3. Schedule 2, Section I.A.4 - Within four (4) months of the Effective Date, the Recipient shall establish Regional Support Centers (“RSCs”) in each of the administrative divisions of the Recipient, with staff in adequate numbers and with qualifications, experience and terms of reference satisfactory to the Association.	Not yet due	Marked for Deletion
IDA-70330	4. Schedule 2, Section I.A.5 - Within four (4) months of the Effective Date, the Recipient shall establish Project Implementation Units (PIUs) within each participating ULGI, with staff in adequate numbers, responsible for the planning, budgeting, implementation of the Project and coordination of the activities with the PMU.	Not yet due	No Change
IDA-70330	5. Schedule 2, Section I.A.6 - Within eighteen (18) months of the Effective Date, the Recipient shall recruit a consultancy firm or such number of individual consultants, with the qualifications, experience and terms of reference satisfactory to the Association to provide technical assistance to the ULGIs for the preparation of local preparedness plans.	Not yet due	No Change
IDA-70330	6. Schedule 2, Section I.B.1 - Within three (3) months from the Effective Date, the Recipient shall prepare and adopt a Project Operations Manual in form and substance satisfactory to the Association.	Not yet due	No Change



IDA-70330	7. Schedule 2, Section I.C.2 - For the provision of Covid-19 Response Grants under Part 1 of the Project, the Recipient shall cause LGD to enter into an agreement with each Eligible ULGI (“Participation Agreement”) on terms and conditions satisfactory to the Association.	Not yet due	No Change
IDA-70330	8. Schedule 2, Section I.E. - The Recipient shall ensure that the following expenditures are financed exclusively out of its own resources and not out of the proceeds of the Credit: (i) all land required for the purposes of the Project, and provide, promptly as needed, the resources needed for this purpose; (ii) taxes exceeding 15%; (iii) recurrent expenditures such as workshop allowances, sitting allowances, cash per diems, honoraria and fuel;(iv) salaries of the Recipients’ civil servants; and (v) purchase of vehicles.	Not yet due	No Change



Results framework

COUNTRY: Bangladesh

Local Government COVID-19 Response & Recovery Project

Project Development Objectives(s)

To strengthen urban local governments’ response to the COVID-19 pandemic and preparedness for future shocks.

Project Development Objective Indicators by Objectives/ Outcomes

Indicator Name	PBC	Baseline	End Target
(i) Strengthened urban local governments’ response to the COVID-19 pandemic			
Person days of temporary work provided under public work schemes (Number)		0.00	1,500,000.00
Person days of temporary work provided under public work schemes - Female (Number)		0.00	750,000.00
People provided with improved urban living conditions (CRI, Number)		0.00	5,000,000.00
People provided with improved urban living conditions - Female (RMS requirement) (CRI, Number)		0.00	2,500,000.00
(ii) Strengthened urban local governments’ preparedness to future shocks			
Urban local governments with local climate and disaster preparedness plans developed and adopted in a participatory manner (Number)		0.00	240.00
Municipal infrastructure construction or maintenance works that incorporate climate risks under the LGCRPP (Number)		0.00	80.00



Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	End Target
Component 1: COVID-19 Response Grants			
Public hand-wash and toilets, primary health care clinics rehabilitated, updated, or constructed (Number)		0.00	100.00
Length of roads and drains maintained and/or rehabilitated through labor-intensive public works schemes (Kilometers)		0.00	200.00
ULGIs that undertake interventions on local economic development (Number)		0.00	10.00
ULGIs that implement labor-intensive public works schemes (Percentage)		0.00	25.00
Women provided with paid employment under public works schemes (Number)		0.00	10,000.00
ULGIs that undertake interventions on improving safety of municipal/local markets (Number)		0.00	50.00
Annual CRG utilization rate of participating ULGIs for financing COVID response and recovery plan priorities (Percentage)		0.00	80.00
Component 2: Implementation and capacity development support, digital technology, and project manage			
ULGI officials benefitting from COVID-19 response and recovery specific trainings and technical support (Number)		0.00	1,980.00
ULGIs using MIS grant monitoring web-based portal (Number)		0.00	339.00
ULGIs that have developed and adopted Own-Source Revenue Improvement Plans (Number)		0.00	10.00



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Indicator Name	PBC	Baseline	End Target
Number of ULGIs that receive technical training to incorporate climate, disaster and disease outbreak mitigation measures in annual plans and municipal projects (Number)		0.00	341.00



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