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Title: Sector Assistance Program Evaluation Urban Sector and Water Supply and Sanitation in Bangladesh

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I. Introduction

1. This proposal for a Sector Assistance Program Evaluation (SAPE) Urban Services and Water Supply and Sanitation (WSS) in Bangladesh has been prepared to (i) feed into a Country Assistance Program Evaluation (CAPE) Bangladesh planned for 2009; and (ii) follow up on an agreement made between representatives of the World Bank's Independent Evaluation Group, the Department for International Development (DFID) Evaluation Department, evaluation departments of the Japan International Cooperation Agency and the Japan Bank for International Cooperation (JBIC), and Asian Development Bank's (ADB) Operations Evaluation Department (OED). The agreement was that the four evaluation units would undertake evaluation work towards a joint study of aspects of their parent organizations' development assistance to Bangladesh over approximately the past decade. As the funds channeled through this assistance are estimated at around 80% of all development aid to Bangladesh, such work would be in a reasonably good position to address the impact of aggregate donor aid on a country, and raise more strategic issues regarding the use of development aid. As a minimum, such evaluation work could lead to valuable lessons, and give guidance as to further collaboration in Bangladesh in the future. OED committed to produce sector assistance evaluations of ADB's program in (i) education, and (ii) urban sector and WSS, in which special attention would be paid to approaches taken by its development partners as well as nationally funded and implementation projects.¹

2. This approach paper will continue with an analysis of the state of the urban sector and WSS in Bangladesh, ADB's program in the sector, other donors' programs, culminating in a proposal for the nature and methodology of the SAPE.

II. Urban Sector and Water Supply and Sanitation in Bangladesh

3. The level of urbanization is relatively low in Bangladesh (25% in 2005, or 35 million people) compared to some other Asian countries; but the populations involved are very large, and they are growing at double the overall population growth rate, i.e., around 2.5% annually. If this continues, then by 2030, half of the population (some 90 million) will be urban. Small towns have so far grown modestly, but major urban centers, especially Dhaka, have grown very rapidly. Dhaka is one of the fastest growing mega-cities in the world, with an

¹ OED earlier produced a CAPE Bangladesh in 2003, which assessed ADB's program as implemented from 1986 onwards.

estimated 300,000 to 400,000 new migrants, mostly poor, arriving to the city annually.² The government's policy is to steer migration away from the major cities, by improving services and the economy of small towns. The growth of the big cities is due to the opportunities these offer for livelihoods, but has also resulted in severe shortage of basic urban infrastructure, serviced land, and housing. The access of the urban population to safe drinking water in Bangladesh has improved, but over 6 million still have no such access. Urban sanitation has remained a serious problem in all cities and towns, and is perhaps regressing. Local flooding has remained frequent and is a constant threat. Raw sewage and industrial pollutants continue to be discharged into the rivers, and contaminate groundwater and ponds. Perhaps half of the urban population of Bangladesh lives in slums and squatter settlements, and at least 30% live under the poverty line.

4. Serious concern regarding both major flood and urban development in the late-1980s prompted the Government to engage in a policy reform process, and request support from development partners. The Government approved a national Flood Action Plan in 1989, a National Housing Policy in 1993, and an Urban Management Policy in 1994 to strengthen *pourashavas* (municipalities) and enhance their financial autonomy. Work is still ongoing on the Pourashava Ordinance of 1977 (deals mainly with WSS) and a National Urban Sector Policy. ADB helped with the formulation of these various plans and policies. The Government and ADB have also been working on WSS, although the National Policy for Safe WSS, approved in 1998, was not prepared with help from ADB. The Government prepared a Sector Development Framework for WSS, and a National Policy for Arsenic Mitigation in 2004.

III. ADB Sector Strategy and Program

5. **1990s.** Over the 1990s, ADB paid significant attention in its investment programs to flood protection following disasters that affected urban and rural areas in the late 1980s. ADB approved two loans in 1991 and 1992, in support of flood control projects in Dhaka and other urban centers under the Government's Flood Action Plan. Next to flood protection for urban areas, ADB financed urban infrastructure projects in 1989, 1990, and 1993; usually with a focus on WSS. A 1995 loan to the sector incorporated important incentives for institutional reform designed to enhance cost-effectiveness of sector management, and for greater participation of communities, nongovernment organizations (NGOs), and private contractors. Likewise, more emphasis was laid on cost recovery and the institutional capacity of the local authorities to ensure the sustainability of investments in infrastructure, particularly operation and maintenance. The six loans provided by ADB over the 1990s totaled \$310 million. In addition, four technical assistance (TA) grants totaling \$2 million were provided in the late-1990s.

6. **2000s.** From 2000 onwards, ADB approved two loans and related TA for emergency disaster damage rehabilitation to deal with the aftermath of the floods of 2004 and 2007, respectively; both had components helping *pourashavas* (municipalities with above 100,000 population). In 2004, ADB also approved a second phase of the Secondary Towns Integrated Flood Protection Project, which included sanitation and slum development components. ADB separated the larger urban WSS investments from other urban services investments, and approved a loan for the Urban Governance & Infrastructure Improvement (Sector) Project in 2002 with the Department of Public Health Engineering, and a Secondary Towns Water Supply and Sanitation Project in 2006 with the Local Government Engineering Department. Both projects used a performance-based approach, in which large segments of the over 300 *pourashavas* had to compete for investment funds by first implementing governance

² World Bank. 2007. *Bangladesh Dhaka: Improving Living Conditions for the Urban Poor*. Washington, DC.

reforms. A second phase of Urban Governance & Infrastructure Improvement (Sector) Project is currently being prepared. December 2007, a major water supply project was approved for Dhaka, as an indicator of ADB's new focus on WSS in the large cities. Excluding the rehabilitation loans, the urban development and WSS loans totaled \$341 million so far. In addition, nine grants totaling around \$7 million were provided, most of them for preparation of the loan projects.

7. **Current status.** ADB's program in urban services and WSS has been modest compared to the program in some other sectors such as transport and energy. ADB is however expanding its urban activities; and is focusing more on water supply in Dhaka. ADB has not undertaken significant activities in urban housing over the past decade, except for some slum development activity. Neither has ADB yet engaged in any sewage treatment.

IV. Development Partners in the Sector

8. The main partners are Danish International Development Agency, DFID, Japan, Netherlands, United Nations Development Programme, United Nations Children's Fund, and World Bank. Work undertaken by the development partners is briefly described in Appendix 1; a list of completed, ongoing, and pipeline projects and TA of ADB, Government and development partners, is in the Supplementary Appendix. A study of these documents leads to the conclusion that donor congestion, if any at all, is modest in the WSS and urban services, with ADB and World Bank, DFID, Danish International Development Agency, JBIC, the Netherlands and United Nations providing most of the funds among the development partners.³ It is likely that many are to some extent involved, especially through local NGO channels. The development partners have not yet initiated a sector-wide approach in the sector, unlike the education and health sectors. There is some degree of co-financing of projects among major development partners but it does not seem to be higher than in other sectors. Approaches are varied—some partners are starting to provide budget support of some sort, others have switched to providing funds through NGOs; most continue to use the project model. This model has, however, come under criticism in some reports.⁴ By end-2007, the major development partners in the sector signed a joint partnership framework with the Government regarding reforms and further investments in the WSS sector, particularly in Dhaka and Chittagong. ADB concentrates on water supply in Dhaka, JBIC on water supply in Chittagong, and World Bank on sewerage and drainage.

9. Major evaluations of aid to the urban and WSS sectors in Bangladesh have not been undertaken over the past decade, although ADB and the World Bank have issued a few project completion reports and project evaluations. The level of fragmentation of investment in the sector can be assessed more comprehensively when nationally funded projects are also taken into account. A study of such projects is intended to be part of the evaluation, serving also as counterfactuals, including an assessment of the added value of foreign-funded and -administered projects vis-à-vis nationally funded projects. Appendix 2 reviews some of the findings of OED's 2003 CAPE and two other recent project completion reports and one Project Performance Evaluation Report.

³ This paper has not attempted to present a complete overview that would take into account possibly many complementary smaller interventions by smaller bilateral partners and international NGOs.

⁴ World Bank. 2005. *Bangladesh Country Water Resources Assistance Strategy*. Bangladesh Development Series: Paper No 3. Washington DC.

V. Main Assumptions, Scope, and Questions

10. This approach paper assumes that there will be special interest in a sector evaluation of ADB's program that pays more than the usual attention to approaches and outcomes of the other development partners. The actual coverage of the programs of the development partners by this SAPE will be determined during the first joint mission, planned for June 2008. OED will approach the partners for permission to study their programs in some detail; and hold discussions with country office staff, and obtain access to necessary information. The proposal also assumes that there will be some degree of collaboration between the main evaluation partners regarding this evaluation, and the overall country evaluation. This would enable more information exchange with development partners regarding approach and outcomes of their programs. Lastly, this proposal assumes that the evaluation can address some main issues raised in the 2007 joint concept note for the evaluation of the macrosector, such as aid harmonization and alignment with country systems, and the impact of aggregate official development assistance on sector development.

11. The scope of the SAPE is (i) all ADB interventions that were ongoing in the period 2000–2008⁵ in the sectors of urban infrastructure and the related services, urban housing, urban and local governance, urban drainage and flood protection, and all WSS (urban and rural); and (ii) to the extent feasible, the interventions of development partners in the same sectors over the same period, particularly World Bank, JBIC and Japan International Cooperation Agency, and DFID.⁶ The aim, or intended impact, is positive urban and WSS development in Bangladesh. The intended outcomes of the SAPE are (i) an improved ADB program in the sector; (ii) improved aid harmonization and alignment of aid with country plans, systems, and needs; and (iii) improved impact of development aid on the development of the urban sector and the WSS sector in Bangladesh.

12. **Approach.** The evaluation will rely on a bottom-up assessment and a top down assessment, as is discussed in OED's CAPE Guidelines. The bottom-up assessment will include an assessment of individual ADB operations, ongoing or completed since 2000, as well as the most important operations of the three other development agencies. A comparison will be made with government financed and run projects in the sector, as a way of obtaining counterfactual information. A special subject will be an assessment of the recent trend in many projects to introduce performance-based allocation and cost-recovery mechanisms. A special assessment will be made of arsenic mitigation efforts. The top-down assessment will include (i) aid harmonization in terms of sector priorities, themes, policies, and program planning; (ii) alignment with government priorities (including developments over time); and (iii) overall impact (level of success) of aggregate donor interventions on the sector. Approaches and objectives of important development partners including those of NGOs like WaterAid and BRAC will be assessed and compared. The following cross-cutting themes will be addressed, so as to provide a basis for comparison with possible other sector assistance evaluations: (i) capacity building; (ii) governance (including safeguards, anti-corruption); (iii) environment; (iv) role of private sector; (v) role of civil society and NGOs (as partners and as service providers); (vi) gender; (vii) results focus in aid programs; and (viii) transaction costs of various approaches. Lastly, there will be special attention for the outcomes specified in (i) the Government's 2005

⁵ This includes operations that were started or completed at any point over this period.

⁶ Partly on the assumption that the joint evaluation will deal with related sectors such as urban primary health, and rural infrastructure (possibly with components in pourashavas); in which ADB has also invested loans, these sectors are not included in this SAPE.

National Poverty Reduction Strategy;⁷ (ii) results as specified in 2005 in the joint results framework of ADB and its development partners⁸, and (iii) the joint partnership framework in urban WSS between Government and development partners. Further guidance on the evaluation framework, approach, and method will be taken from the parallel approach paper on the education SAPE. In line with that evaluation, ADB's urban and WSS strategies will be assessed (i) at the strategic level in terms of positioning/coherence, (ii) at the program/sector level in term of relevance, efficiency, effectiveness, sustainability and contributions to sector impacts, and (iii) at the country level comparing country Millennium Development Goals performance with ADB outcomes. An integrated rating system will be applied to the criteria mentioned above based on OED's CAPE guidelines.

13. **Inputs.** Apart from full time input by an OED evaluation specialist and half time input by an OED national officer, the study will rely on consultants for field study; and a research analyst at headquarter for background studies (Appendix 3 for draft Terms of Reference and further methodology issues). An international consultant is required to conduct a mainly top down assessment of progress in the sectors of urban development and WSS in Bangladesh, and the role of ADB in this, as well as, to a lesser extent, other development partners. A domestic consultant is required to conduct a more bottom up review of the status of urban and rural WSS infrastructure created with funding from ADB (and to a lesser extent development partners) in various locations. The evaluation will include technical and environmental sustainability of infrastructure created and cost-recovery issues. Another domestic consultant is required to conduct a bottom up assessment of other types of urban sector projects, mainly of ADB projects and TA but, if agreed, also other projects. The assessment of the harmonization and alignment issues, and other special themes, will be conducted in part by the evaluation specialist. The Joint Country Assistance Evaluation (JCAE) may require at least one more international consultant for a special topic, yet to be decided among the four evaluation partners. Hopefully, the JCAE will include a questionnaire survey of all agencies involved and managers of ongoing projects, to gather information and gauge opinions and perceptions. The findings may also support the SAPE.

VI. Time Schedule of the Evaluation

14. The first mission in April 2008 already assessed candidate local consultants, and gathered some basic information. Upon approval of the approach paper, a research analyst will be recruited to do background research. The joint June 2008 mission will lead to further decisions on the nature of the SAPE JCAE, the role of surveys, special topics, and the use of consultants. A specialized urban and WSS mission will be held later in the summer. A fourth mission in September–October 2008 will gather further information and link up with the JCAE. The budget of \$84,409 is specified in Appendix 4. After the June mission, the approach paper and its budget may need to be updated. A methodology discussion and evaluation matrix will be added. A first draft of the SAPE will be produced by end-October; approval by OED's Director General is planned for end-December 2008.

⁷ Government of Bangladesh. 2005. *Unlocking the Potential: National Poverty Reduction Strategy for Accelerated Poverty Reduction*. Dhaka.

⁸ Notably the following National Poverty Reduction Strategy country development outcomes: (i) "Improve access to and quality of infrastructure services, by strengthening sector governance and encouraging greater private sector participation;" (ii) "greater access to quality services for the poor, particularly women and other disadvantaged groups;" (iii) "effective and accountable local government bodies;" and (iv) "better mechanisms for disaster preparedness/response."