



Validation Report

Reference Number: PVR-370
Project Number: 29041
Loan Number: 1947
December 2014

Bangladesh: Urban Governance and Infrastructure Improvement (Sector) Project

Independent Evaluation Department
Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
DMF	–	design and monitoring framework
EIRR	–	economic internal rate of return
FWC	–	female ward councilors
GAP	–	gender action plan
LGED	–	Local Government Engineering Department
O&M	–	operation and maintenance
PCR	–	project completion report
RRP	–	report and recommendation of the President
TA	–	technical assistance
UGIAP	–	Urban Governance Improvement Action Program
UMSU	–	urban management support unit

NOTE

In this report, “\$” refers to US dollars.

Key Words

asian development bank, bangladesh, gender action plan, independent evaluation department, infrastructure, management, municipal, pourashava, urban governance

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PROJECT BASIC DATA

Project Number:	29041	PCR Circulation Date:	Jul 2012	
Loan Number:	1947	PCR Validation Date:	Dec 2014	
Project Name:	Urban Governance and Infrastructure Improvement (Sector) Project			
Country:	Bangladesh		Approved (\$ million)	Actual (\$ million)
Sector:	Water and Other Municipal Infrastructure and Services	Total Project Costs:	87.00	87.23
ADB Financing: (\$ million)	ADF: 60.00	Loan: (SDR equivalent, million)	60.00	65.10
			45.46	39.49
	Borrower:	27.00	22.13	
	OCR: 0.00	Beneficiaries:	0.00	0.00
Others:		0.00	0.00	
Cofinancier:		Total Cofinancing:	0.00	0.00
Approval Date:	28 Nov 2002	Effectiveness Date:	4 May 2003	25 Aug 2003
Signing Date:	3 Feb 2003	Closing Date:	31 Dec 2009	08 Dec 2010
Project Officers:	H. Kim Md. N. Huda Md. N. Huda M. N. Islam	Location ADB headquarters ADB headquarters Bangladesh Resident Mission Bangladesh Resident Mission	From Dec 2002 Dec 2004 Apr 2007 Sep 2009	To Nov 2004 Mar 2007 Aug 2009 Dec 2010
Validators:	I. Green, Consultant	Peer Review:	E. Gozali, Principal Evaluation Specialist, IED1	
Quality Reviewer:	F. Ahmed, Lead Results Management Specialist, IED2	Director:	W. Kolkma, IED1	

ADB = Asian Development Bank; ADF = Asian Development Fund; IED1 = Independent Evaluation Department, Division 1; IED2 = Independent Evaluation Department, Division 2; OCR = ordinary capital resources; PCR = project completion report; SDR = special drawing right.

I. PROJECT DESCRIPTION

A. Rationale

1. The project was formulated as a sector loan to support the government's sector investment plan for 22 *pourashavas* (secondary towns).¹ The project was designed to assist selected *pourashavas* to (i) enhance accountability in municipal management and strengthen capabilities in providing municipal services; and (ii) develop and expand physical infrastructure and urban services to increase economic opportunities, and to reduce vulnerability to environmental degradation, poverty, and natural hazards.

¹ ADB. 2002. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Technical Assistance to the People's Republic of Bangladesh for Urban Governance and Infrastructure Improvement (Sector) Project*. Manila.

B. Expected Impact

2. The expected impact was human development and good urban governance in *pourashavas* to enhance their ability to lead sound and balanced urban development as demonstrated through (i) faster and sustained economic growth, (ii) reduction of urban poverty, (iii) slowdown of migration to megacities, (iv) improved urban environmental conditions, and (v) enhanced human development opportunities.

C. Expected Outcome

3. The expected outcomes were (i) increased economic opportunities and reduced vulnerability to environmental degradation, poverty, and natural hazards through improved urban infrastructure facilities; and (ii) enhanced accountability in municipal management and strengthened capabilities to deliver urban local municipal services. This validation notes that the outcome indicators presented in the design and monitoring framework (DMF) were weak and caused confusion. Indicators for outcome (i) were completion of the various investment programs (construction), which were more at the output level. Indicators for outcome (ii) focused on approval of rules and regulations (such as cabinet approval of the National Urban Sector Policy and amendment of the Pourashava Ordinance). This validation is of the view that the more appropriate indicators for progress in governance were the project output indicators that tracked compliance with specific requirements outlined in the Urban Governance Improvement Action Program (UGIAP).

D. Outputs

4. The project had three major outputs and several sub-outputs: (i) urban infrastructure enhanced through improved or expanded nominated municipal infrastructure facilities; (ii) urban governance improved as measured in five key result areas: (a) citizen awareness and participation, (b) women's participation, (c) integration of the urban poor, (d) financial accountability and sustainability, and (e) administrative transparency; and (iii) strengthened capacity and implementation capabilities in central and local government. As a performance-based sector program, infrastructure funds were disbursed to the selected *pourashavas* in three stages, according to preestablished performance criteria. To be included in the project, *pourashavas* were required to implement the existing UGIAP.

E. Provision of Inputs

5. The total project cost at appraisal was estimated at \$87.0 million equivalent, comprising \$21.5 million (about 24.7%) in foreign exchange and \$65.5 million equivalent (about 75.3%) in local currency. The actual project cost at completion was \$87.2 million equivalent, including a foreign exchange cost of \$27.6 million and local currency cost of \$59.7 million equivalent. The Asian Development Bank (ADB) financed about 75% of the total project cost, while the government and the *pourashavas* financed the remaining 25.4%. ADB's midterm review mission identified \$4.4 million in anticipated loan savings that accrued from the appreciation in the SDR-dollar exchange rate, and the depreciation of the taka against the dollar. Of this anticipated loan saving, \$2.0 million was canceled in 2008, keeping the balance as a provision for future project commitments and contingencies. On the closing of loan accounts in December 2010, ADB canceled an additional \$2.2 million that remained undisbursed.

6. The ADB loan was supported by an associated technical assistance (TA) grant for \$400,000 for the Supporting Urban Governance Reform.² The overall objective of the TA was to provide technical and administrative support to the Committee on Urban Local Governments. The Local Government Engineering Department (LGED) was the executing agency for this TA.

F. Implementation Arrangements

7. The executing agency was the LGED under the Local Government Division of the Ministry of Local Government, Rural Development and Cooperatives. An interministerial steering committee chaired by the Local Government Division secretary was established, and consisted of officials from government ministries and agencies as envisaged at appraisal. A project management office was established within the LGED led by a full-time project director. The project director was responsible for overall project implementation, coordination, technical guidance, financial control, monitoring, and supervision of all activities under the project; and reported to the chief engineer of the LGED. A project implementation unit, headed by the respective *pourashava* chair, was established in each *pourashava*. In addition, the project established a national urban management support unit (UMSU) in Dhaka, and regional UMSUs at the offices of the LGED's four regional superintending engineers.

II. EVALUATION OF PERFORMANCE AND RATINGS

A. Relevance

8. The project completion report (PCR) rated the project *highly relevant*.³ The relevance criterion considers the relevance of project objectives and design and looks at the extent to which (i) the proposed outcome of the project is consistent with the country's development priorities and strategy, beneficiary needs, and ADB's country and sector strategies and corporate goals and policies—both at appraisal and evaluation; (ii) the design and approach including the modalities and instruments are an appropriate response to the identified problem;⁴ and (iii) the results chain on project inputs, activities, outputs, outcomes, and impacts is logical and underlying assumptions are appropriate. The latter are discussed below.

9. **Consistency of project objectives:** This validation concurs with the PCR's assessment that the project's objectives and components were consistent with (i) the government's national poverty reduction strategy, emphasizing the important role of local urban governments by ensuring improved quality and enhanced accountability of public services;⁵ (ii) the government's Fifth Five-Year Plan for the urban subsector,⁶ which included strategies for entrusting the *pourashavas* with enhanced development roles and empowering them to raise resources; and (iii) the overall strategic objective of ADB's country assistance plan for 2000–2002⁷ to reduce poverty by generating development opportunities for the poor. The PCR also noted that the project continued to be relevant throughout the implementation of the project, and that there was no major change in the project design during implementation.

² ADB. 2002. *Technical Assistance to the People's Republic of Bangladesh for Supporting Urban Governance Reform*. Manila.

³ ADB. 2012. *Completion Report: Urban Governance and Infrastructure Improvement (Sector) Project in the Republic of Bangladesh*. Manila.

⁴ The desired results (project goals [impact], objectives [outcomes] and components [outputs], and implementation assistance [inputs] are reflected in the project framework.

⁵ Government of Bangladesh. 2002. *A National Strategy for Economic Growth, Poverty Reduction and Social Development (i-PRSP)*. Dhaka.

⁶ Government of Bangladesh. Planning Commission, Ministry of Planning. *The Fifth Five-Year Plan, 1997–2002*. Chapter VII. Dhaka. pp. 139–146.

⁷ ADB. 1999. *Country Assistance Plan: Bangladesh, 2000–2002*. Manila.

The project remained relevant to ADB's Country Partnership Strategy (2005–2010) and the government's Sixth Five-Year Plan (2011–2015) at completion.

10. **Appropriateness of project design.** This validation concurs with the PCR in noting that (i) the project design was relevant as it was based on “reports on feasibility of the environment, land acquisition, and resettlement, and poverty reduction as well as discussions with the government and other stakeholders” (PCR, para. 6); and (ii) the project design incorporated lessons learned from earlier projects. It also incorporated innovative performance-based principles to project financing to reform the practices and the attitudes of the *pourashavas*. This involved a phased and demand-driven allocation of loan proceeds based on mutually agreed and pre-defined performance criteria and the commitment to undertake governance reform. This was an improvement from previous supply-driven approaches, where investment components were predetermined at project appraisal and the participating *pourashavas* were left unaccountable for their implementation performance.

11. **Logic and assumptions of the results chain.** The results chain, linking outputs and outcomes, was logical for the most part. Selected activities largely support the intended outcomes to increase economic opportunities and enhance accountability and governance in municipal management.⁸ However, the project implementation experience suggested that some of the project activities and reforms were not exceptionally robust in advancing governance, for example, in enhancing financial accountability and viability in municipal management (para. 15). Given this weakness in the results framework, this validation rates the project *relevant*.

B. Effectiveness in Achieving Project Outcome and Outputs

12. The PCR considered the project *highly effective*. The effective criterion looks at whether the project outcome as defined in the DMF was achieved or is expected to be achieved. Achievement is measured by measuring the extent by which indicators achieved the targets over and above the established baselines. Each outcome is analyzed below.

13. **Outcome: increased economic opportunities and reduced vulnerability to environmental degradation, poverty, and natural hazards.** This validation reiterates the earlier point that the DMF outcome indicator of “investment programs being implemented” does not provide a basis for measuring this outcome. This validation notes that the text and associated appendixes of the report and recommendation of the President (RRP) had identified appropriate indicators, but these did not form part of the DMF⁹ and no data was provided against baselines in the DMF or elsewhere. Notwithstanding, this validation notes that the improvement of roads and bridges contributed to savings on vehicle operating costs and travel time, which may indirectly contribute positively to the economic activities in the *pourashavas*. Improved drainage network enhanced property value and reduced vulnerability to environmental degradation and natural hazards (flooding and diseases). In general, outputs made some

⁸ This is notwithstanding the poor selection made in the outcome indicators for governance progress (para. 3).

⁹ Some relevant indicators were found in the RRP text but were not detailed in the DMF so it is difficult to ascertain what was tracked during project implementation. RRP Appendix 13, Summary Poverty Reduction and Social Strategy mentions the use of household survey results to provide data for beneficiaries stratified by low income, poor, and hard core poor; employment generation for skilled and unskilled as measured in labor person years, disaggregated by gender and by informal and formal sectors; incidence of waterborne and vectored diseases; mortality and morbidity rates; and school attendance rates. Further, Appendix 14, para. 4 states that an improved drainage network would help reduce damage to houses, household goods, and business activity in the target areas and hence also impact on land values. The DMF has no such indicators. Further example on roads, the indicators such as vehicle operating costs, travel time, safety statistics (RRP, Appendix 14, paras. 8–9), are also not reflected in the DMF.

indirect contributions to poverty reduction, and the slum improvement program and microcredit facilities contributed partly to poverty reduction of the ultra-poor.

14. The project implemented a poverty reduction action program targeting about 24,900 families. The PCR noted that about 800,000 person-days of direct and indirect employment—temporary jobs for project construction—were generated. The PCR failed to point to any evidence of the people's propensity to migrate to megacities, and that the project initiatives successfully reduced poverty in a sustainable manner. The project claimed to assist the ultra-poor community by providing microcredit, but no data was provided on this initiative. The PCR also noted that the proportion of overall benefits accruing to the communities cannot be estimated because of limited field data available.¹⁰ Finally, even at the end of the project, it is unclear if the achievements can be attributed to the project interventions.

15. **Outcome: enhanced accountability in municipal management and strengthened capacity for delivering urban local municipal services.** The PCR discussion for this outcome was very brief. As mentioned in para. 3, outcome indicators for governance in the DMF (PCR, Appendix 1) were not very useful or appropriate. Output indicators for the following five key governance result areas were assessed: (i) citizen awareness and participation, (ii) women's participation, (iii) integration of the urban poor in the decision-making process, (iv) financial accountability and sustainability, and (v) administrative transparency. These are consistent with the UGIAP, and their achievements are presented in the output section of the DMF. Adequate progress was reported in the governance output areas (i) to (iii)—i.e., public disclosure of information and participation of women and the poor. Progress in areas for (iv) and (v) were less—i.e., financial accountability and sustainability, and administrative transparency.

16. The project helped increase women's participation in the administration and development program of the *pourashavas* and helped them benefit from project services. All 27 *pourashavas* formed gender and environment subcommittees that were chaired by the female ward councilors, and involved female ward councilors and women in town level coordination committee and ward level coordination committee, as per the UGIAP. The provision of town level coordination committees and ward level coordination committees is now incorporated in the Municipal Act 2009 as citizen forums at the municipality and ward levels, and applicable to all *pourashavas*. The project had a detailed gender action plan, guiding the integration of gender in development activities at the central and *pourashava* levels. All *pourashavas* developed and implemented *pourashava*-level GAPs consistent with the UGIAP and the project gender action plan. About 305 women were recruited by *pourashavas*, and facilities were created for women in the design of municipal infrastructure.

17. This validation notes that the PCR did not provide sufficient evidence for a *highly effective* rating, which is given only when project achievements exceed expectations or targets. In balance, this validation considers that there was enough progress made on the project's two outcome areas, and rates the project *effective*.

C. Efficiency of Resource Use in Achieving Outcome and Outputs

18. The PCR rated the project *highly efficient*. Efficiency is a measure of how well the project used resources in achieving the outcome, and the criterion addresses two questions: (i) how the economic internal rate of return (EIRR) compares with the opportunity cost of capital (currently estimated at 12%); and (ii) whether the economic benefits have been achieved at least cost. This validation notes that the overall recalculated EIRR is 32.4%, which is higher than the appraisal calculation of 31.2% (PCR, Appendix 10, para. 11), and also higher than the

¹⁰ Footnote 3, Appendix 9, Assessment of Project Impacts and Benefits.

benchmark cost of capital of 12%.¹¹ Under the ADB evaluation guidelines, this would *prima facie* rate the project *highly efficient*.¹²

19. The basis for such an EIRR calculation should be grounded on empirical data on actual costs and benefits of the project intervention. These should in large part be based on the DMF indicators for each component and outcome and the associated baselines and targets. But this was not always the case. The paucity of useful and comparable data for the EIRR is also mentioned in the PCR (PCR, Appendix 10, para. 3), which states that “many of the income generating project facilities were either not in full operation or have yet to be fully completed. Actual operation and maintenance (O&M) costs were also not available as the municipalities have not carried out facility O&M.” Appendix 10, para. 6 of the PCR further states that as “water meters were not installed,” water usage by beneficiaries was based on the capacity of the newly created facilities. Nevertheless (i) the EIRR calculation at completion utilized the government’s benefit and monitoring evaluation report and the PCR of the executing agency (PCR, Appendix 10, para. 3) and these would have provided some empirical verification of results; (ii) the qualitative assessment (PCR, Appendix 10, para. 15) did support some of the additional benefits as highlighted in the RRP; (iii) the output targets for each component, established during project appraisal, were in large part achieved with no cost overruns though with some understandable delays in project implementation,¹³ and (iv) the EIRR rating was sufficiently high that even with sensitivity analysis, in the worst case scenario, the EIRR rating remained above the benchmark of 12%. On balance, this validation rates the project *efficient*.

D. Preliminary Assessment of Sustainability

20. The PCR recommended a rating of *less likely sustainable*. The sustainability criterion looks at the probability that the project outcomes will be maintained over the economic lifetime of the project and that any risks can be managed.

21. Critical to sustaining the first outcome of “increased economic opportunities and the reduction in the vulnerability to environmental degradation, poverty and natural hazards,” is the financial sustainability of the *pourashavas*, generating funds to finance expenditure, in particular the operation and maintenance of the assets and inclusive poverty reduction initiatives. The PCR noted that at project completion all the *pourashavas* had successfully computerized tax and accounting records (PCR, para. 37), and that the average collection of holding tax in 2010 had improved to almost 71% of the target and/or demand compared with 65% in 2008–2009 (PCR, Appendix 9, para. 3 ii). However, it was inconclusive as to whether, without the support of project funds, this upward trend would continue, given that the targets were not met during project implementation.

22. The PCR mission in 2010 also noted that civil works were in good condition in the selected *pourashavas* visited, but it was less clear on whether this would continue to be supported with additional O&M funding either from the central government or from the *pourashavas*’ own revenue-raising efforts. This was particularly important since the *pourashavas*’ revenue from “other own sources” recorded a decline from 2009 to project

¹¹ Footnote 3, Appendix 10, Table A10.1.

¹² Independent Evaluation Department. 2006. *Guidelines for Preparing Performance Evaluation Reports for Public Sector Operations*. Manila: ADB.

¹³ Following a request by the borrower, ADB extended the loan closing date by 1 year (from 31 December 2009 to 31 December 2010) because of (i) initial startup delays due to protracted recruitment and mobilization of the management, design, and supervision consultant and delay in subproject selection; and (ii) the project experienced implementation delays caused by unusual price increases for construction materials, inclement weather, frequent changes in and time-consuming replacement of consultants’ staff, and occasional transfers of project staff to non-project *pourashavas*.

completion—there was a fall in non-tax revenue and there was no contingency plan in place to remedy this situation. Thus, *pourashavas* face significant challenges to be financially self-reliant and to effectively manage their funds. The degree to which the central government would be willing to decentralize authority and accountability with the necessary financial devolution remained unclear at the end of the project. In the longer term, this would have spillover effects on the *pourashavas'* capacity to manage O&M expenditure and on broader objectives such as integrating the urban poor and ultra-poor communities to share in the *pourashavas'* economic development. The project implemented a poverty reduction action program, targeting about 24,900 families but the PCR did not provide evidence to suggest that such poverty reduction initiatives were taken over by the *pourashavas* and supported beyond what the project funded.

23. There are some positive indications: improved accountability in municipal management, strengthened delivery of urban local municipal services, higher citizen awareness and engagement in *pourashava* affairs, and in particular the enhanced role of women. The project provisions relating to the engagement of women and civil society were incorporated in the 2008 Pourashava Ordinance and the 2009 Pourashava Act. Increased transparency of *pourashava* administration and the regular monitoring of *pourashava* accountability reports by the LGED were observed. While these were important first steps, the PCR did not provide evidence that these measures improved accountability and strengthened capacity. Given the above, this validation concurs with the PCR assessment that the project's outcomes are *less than likely sustainable*.

E. Impact

24. The PCR did not provide an assessment of impact. This would be difficult because of inadequate information available on three of the five dimensions of impact listed in the project DMF. The project also assisted the ultra-poor community by providing microcredit but the conclusion was drawn that microcredit programs are best entrusted to large professional nongovernment organizations that specialize in using microcredit as a poverty reduction tool.

25. The PCR noted that the initial environmental examination of the project area indicated no significant adverse environmental impact associated with the project. All physical works were generally undertaken in areas owned by the *pourashavas* and free from any encumbrance. Consequently, no land acquisition and resettlement were undertaken. The PCR stated that improved roads and drains, solid waste disposal, sanitation, and construction of public toilets and water supply facilities ushered in commercial, environmental, and social benefits to the target population. Further, the community development and awareness program fostered bonding and a participatory attitude among the stakeholders, which helped achieve the project goals. The slum improvement program and microcredit facilities contributed to reducing poverty of the ultra-poor. Given the evidence concerning the sustainability of project initiatives, this validation assesses the project impact *moderate*.

III. OTHER PERFORMANCE ASSESSMENTS

A. Performance of the Borrower and Executing Agency

26. The PCR rated the performance of the borrower, executing agency, and the *pourashavas* *highly satisfactory*. The PCR noted that the steering committee fulfilled its tasks in providing strategic guidance. The LGED assisted the *pourashavas* on procurement, infrastructure development, implementation of the UGIAP, and capacity building by effective coordination with the UMSU. The government promulgated the Pourashava Act 2009, mandating that the town level coordination committees be embedded in the *pourashavas*. The

LGED established the project management office and played a pivotal role in activating the project implementation units to construct secondary town infrastructure.

27. The delays caused by unusual price increases for construction materials, inclement weather, frequent changes in and time-consuming replacement of consultants' staff were minimized by focused attention of the borrower; and the request for an extension was prudent. However, the transfers of project staff to non-project *pourashavas* should have been avoided; this undoubtedly impacted on the ability to ensure that the project funds were utilized efficiently and that there was adequate continuity. This validation also notes that, following a request by the borrower, ADB extended the loan closing date by 1 year (from 31 December 2009 to 31 December 2010). The borrower and the executing agency generally complied with the covenants on paper, but the willingness of the government to devolve authority and manage commensurate financial resources at the *pourashava* level is still unclear. The PCR also noted that the LGED submitted their PCR after 15 months, and the data and information provided were inadequate and not up-to-date. On that basis, this validation assesses the performance of the borrower *satisfactory*.

B. Performance of the Asian Development Bank

28. The PCR rated ADB's performance *highly satisfactory*. The project design incorporated lessons from the previous ADB-assisted urban sector development projects and closely guided the LGED and the *pourashavas* throughout the implementation of their first loan project using a sector loan. Although ADB fielded 13 missions to closely supervise *pourashava* staffing issues, financial and operational action plans and, in particular, *pourashava* performance on the five key results areas under the UGIAP, there are areas where the project could have been strengthened. This validation has noted the weaknesses with impact and outcome, design and monitoring, and the uncertain sustainability of the project. These and the initial delays to project implementation (recruitment and mobilization of the management, design, and supervision consultant) were standard project risks for which risk management strategies were required. Further, other project documents highlight issues, which ADB should have brought to the attention of the government, and the midterm review of the project should have provided the basis for reassessing project deliverables. This validation assesses ADB performance *satisfactory*.

IV. OVERALL ASSESSMENT, LESSONS, AND RECOMMENDATIONS

A. Overall Assessment and Ratings

29. The PCR rated the project *successful*. This validation gives criteria ratings of *relevant*, *effective*, *efficient*, and *less than likely sustainable*. The overall validation rating is *successful* (see table).

Overall Ratings

Criteria	PCR	IED Review	Reason for Disagreement and/or Comments
Relevance:	Highly relevant	Relevant	Post completion, the linkage between selected project activities/outputs and governance outcomes (e.g., financial accountability and sustainability) were not established (para. 11).
Effectiveness in achieving project outcome and outputs:	Highly effective	Effective	There were shortfalls in output and outcome attainment. As such, the project cannot be considered <i>highly effective</i> (paras. 13–17).

Criteria	PCR	IED Review	Reason for Disagreement and/or Comments
Efficiency in achieving outcomes:	Highly efficient	Efficient	Although outputs were delivered, it is not clear from the methodology of the EIRR calculation at the end of the project whether reliable data was being used for the calculation (paras. 18–19).
Preliminary assessment of sustainability:	Less likely sustainable	Less than likely sustainable	
Overall Assessment:	Successful	Successful	
Impact:	Not rated	Moderate	Refer to paras. 24–25.
Borrower and executing agency:	Highly satisfactory	Satisfactory	Change in personnel and poor implementation of loan assurance (para. 27).
Performance of ADB:	Highly satisfactory	Satisfactory	Project monitoring and data collection could have been strengthened (para. 28).
Quality of PCR:		Less than satisfactory	Refer to para. 34.

ADB = Asian Development Bank, EIRR = economic internal rate of return, IED = Independent Evaluation Department, PCR = project completion report.

Note: From May 2012, the Independent Evaluation Department views the PCR's rating terminology of "partly" or "less" as equivalent to "less than" and uses this terminology for its own rating categories to improve clarity.

Source: ADB Independent Evaluation Department.

B. Lessons

30. This validation agrees with the lessons learned as indicated in the PCR, in particular, the performance-based sector lending approach and the successful mainstreaming of gender issues. More rigorous assessment of the fund raising and management of the *pourashavas* and the O&M management capacity at the central and local levels of government need to be factored into future project design. The DMF was not well prepared and this inhibited results monitoring, although project progress monitoring at output levels was adequate.

C. Recommendations for Follow-Up

31. This validation concurs with the PCR that the *pourashavas* should be brought under a single management system with a strong and permanent monitoring unit. With this objective, the government should strengthen and use the UMSU established within the LGED under the project to monitor and support the performance of the *pourashavas*.

32. The new infrastructure constructed under the project created additional demand for O&M funds. The government needs to provide financial support to the *pourashavas* in the short term while looking at innovative approaches to fund raising to enable the *pourashavas* to be financially self-sufficient in the longer term.

V. OTHER CONSIDERATIONS AND FOLLOW-UP

A. Monitoring and Evaluation Design, Implementation, and Utilization

33. Although a benefit monitoring and evaluation¹⁴ report was produced, it is unclear if the project performance management system was fully utilized as covenanted. Compliance is recorded but only in respect to the production of the benefit monitoring and evaluation. The evidence suggests inadequate performance monitoring indicators and targets and correspondingly weak assessment of project achievements.

B. Comments on Project Completion Report Quality

34. This validation found the PCR sufficiently candid in discussing the project implementation progress and challenges. However, the document did not adequately and comprehensively analyze its ratings, especially on project effectiveness (opportunity improvement and governance progress) and on efficiency in achieving outputs and outcome. These issues combined with the inherent weaknesses in the DMF outcome indicators caused difficulty in validating the project. This validation rates the PCR *less than satisfactory*.

C. Data Sources for Validation

35. Apart from the PCR, the RRP, and loan review mission back-to-office reports were available and used for this validation.

D. Recommendation for Independent Evaluation Department Follow-Up

36. Preparation of a project performance evaluation report is recommended in 2015 to assess the medium-term sustainability and long-term impacts of the project. To ensure availability of the needed data, ADB should require the borrower to continue and enhance the monitoring of the completed project until the fielding of ADB's project validation mission.

¹⁴ Government of Bangladesh, Local Government Engineering Department. 2010. Report on Benefit Monitoring and Evaluation. Dhaka.