



# Completion Report

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Project Number: 45102-001  
Technical Assistance Number: 7918  
July 2016

## Support to Urban Infrastructure Development and Financing

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TA Number, Country, and Name:			Amount Approved: \$1,700,000.00	
TA 7918-REG: Support to Urban Infrastructure Development and Financing			Revised Amount:	
Executing Agency: ADB	Source of Funding: Urban Environmental Infrastructure Fund under the Urban Financing Partnership Facility		Amount Undisbursed: \$197,687.05	Amount Utilized: \$1,502,312.95
TA Approval Date: 16 Nov 2011	TA Signing Date: 16 Nov 2011	Fielding of First Consultants: 12 Feb 2012	TA Completion Date Original: 30 Nov 2013	Actual: 30 Dec 2015
			Account Closing Date Original: 30 Nov 2013	Actual: 31 Mar 2016

### Description

This technical assistance (TA) was designed to channel resources from the Urban Environmental Infrastructure Fund (UEIF) to support ADB's operations departments respond better and expeditiously to the urgent need of developing and financing key urban environmental infrastructure investments in cities. Besides providing a support for project development, the TA was also designed to support capacity building and knowledge development of governments on infrastructure investment planning and programming as well as on project delivery including private sector participation in financing and implementing public investments. ADB was the executing agency (EA) of this TA.

### Expected Impact, Outcome, and Outputs

Given DMCs challenges in the development and financing of urban infrastructure, the TA was considered highly relevant. The TA's expected impact was improved infrastructure services in developing member countries' (DMCs) cities. The TA's outcome was more urban environmental infrastructure projects designed, particularly projects leveraging private finance through guarantees and other forms of credit enhancement. The TA's expected outputs were: (i) pipeline of economically, environmentally and financially viable projects available for financing; (ii) financing leveraged for select projects; and (iii) improved capacity of DMC governments and entities to identify, develop and implement urban infrastructure projects.

### Delivery of Inputs and Conduct of Activities

The TA had three components with activities running in parallel across each project. As part of **Component A: Project preparation and implementation of innovative, environmental, pro-poor urban infrastructure**, the TA funds were allocated to support project preparatory technical assistance (PPTA) activities of selected projects, as well as funding for pre-PPTA assessment studies intended to inform draft project concepts. As part of **Component B: Support for establishment of credit enhancement mechanisms to facilitate innovative financing of environmental, pro-poor urban infrastructure**, the TA supported the design and financed the implementation of innovative financing mechanisms for pro-poor community urban environmental infrastructure. As part of **Component C: Capacity development, knowledge and networking support for innovative, environmental and pro-poor infrastructure**, the TA supported the preparation of knowledge products and reference governance frameworks for city officials and staff, and capacity building and training activities for urban infrastructure management in select cities. DMCs and stakeholders valued the capacity development initiatives conducted in areas such as integrated urban infrastructure, strategy planning, and financial management among others and appreciated the support received in project preparation and identifying options for innovative financing of urban infrastructure.

A total of 109 person-months and 40 international and national individual consultants were engaged under the TA, working across the three components. Recruitment of consultants was done in accordance with ADB's Guidelines on the use of Consultants (as amended from time to time). Most of the consultants were able to perform their tasks satisfactorily. ADB as an EA was satisfactorily able to manage the expectations from the projects supported by the TA. There were no deviations from the TA design, but the TA was extended three times due to adjustments in the timelines of the PPTAs and the need to provide start-up support for the management of the Urban Climate Change Resilience Trust Fund (UCCRTF) and other activities under the Urban Financing Partnership Facility (UFPF). Twelve percent of the funds were not utilized as the activities approved and financed cost less as envisioned during the TA design.

### Evaluation of Outputs and Achievement of Outcome

**Output 1: Pipeline of economically, environmentally and financially viable projects available for financing.** Five ensuing projects were supported by the TA: PHI: Piloting Innovative Solid Waste Management where a pre-PPTA assessment was also conducted to test financing viability options for SWM investments in the Philippines to support the preparation of the ensuing Solid Waste Management Sector Project; MON: Ulaanbaatar Water and Wastewater Operation Improvement for the Ulaanbaatar Urban Services and Ger Areas Development Improvement Program; IND: Karnataka Integrated and Sustainable Water Resource Management Investment Program; IND: Karnataka Integrated Urban Water Management Investment Program; and IND: Bangalore City Cluster Development Investment Program. However, the TA was not able to achieve its target of 30 projects developed through its streamlining mechanism. The target on projects to be assisted was based on the initial assumption where TA will support a combination of PPTAs and direct charges activities

Changes in direct charges ceiling cost during the TA preparation and inception, resulted in fewer direct charge activities than anticipated.

**Output 2: Financing leveraged for select projects.** The TA supported the development of an output-based financing arrangement for the community toilet component of the IND: Karnataka Integrated Urban Water Management Investment Program. Other activities under this component included a feasibility study for a public-private partnership (PPP) arrangement for waste-to-energy development for the PHI: Piloting Innovative Solid Waste Management project which was subsequently included in the project design of the ensuing project loan. Mechanisms for the involvement of private sector in implementation of urban infrastructure projects were also included in the designs of the other three projects (MON: Ulaanbaatar Water and Wastewater Operation Improvement for the Ulaanbaatar Urban Services and Ger Areas Development Improvement Program; IND: Karnataka Integrated and Sustainable Water Resource Management Investment Program; and IND: Bangalore City Cluster Development Investment Program). None of these projects though were able to incorporate the use of guarantees in the design of their project financing schemes basically due to their public investment nature.

**Output 3: Improved capacity of DMC governments and entities to identify, develop and implement urban infrastructure projects.** The TA supported the capacity development and institutional strengthening activities on development of policy instruments for infrastructure financing and training for the city of Ulaanbaatar staff on monitoring systems for non-revenue water reduction. An individual consultant was also hired to help start-up the UCCRTF activities including the preparation of the publication, “Urban Climate Change Resilience: A Synopsis” in 2014 intended to inform ADB staff and DMCs on the concepts behind building climate change resilience of cities through infrastructure investments. ADB project officers, consultants and partners found the publication informative which has become reference material for projects and activities involving UCCR. A flagship study in South Asia on planning, finance and governance towards city competitiveness was also carried out with the aim of helping decision-makers evaluate their current performance and development action plans to enhance their respective city’s competitiveness from planning, governance, and finance perspectives. The study covered the cities of Gazipur and Khulna (Bangladesh), Kurunegala (Sri Lanka), and Pokhara (Nepal). The report will be published by the South Asia Regional Department (SARD) in 2016. The TA also supported an assessment study for pro-poor and inclusive urban transport project planned for the cities of Palembang, Surakarta, and Yogyakarta. The TA fell short of its target of providing support to 10 projects indicated in the DMF due to the need to divert funds to support UFPF management and the start-up activities to establish the UCCRTF.

The TA was able to achieve its outcome with the aforementioned outputs providing pre-PPTA and PPTA support for the development of the investment loan projects which featured innovative financing in project design. Of the five investment projects, three are already approved by ADB while two are scheduled for approval in 2016. A number of studies and assessments were also prepared, which provided a situational landscape for potential development assistance that ADB can provide to DMCs.

### **Overall Assessment and Rating**

The TA is rated as successful. All five PPTAs supported by the TA developed a project pipeline with a combined ADB loan amount of \$930 million—though two are still awaiting approval by ADB. The TA not only supported the development of urban infrastructure investments but also ushered financing components involving private sector participation and grant financing using output-based mechanisms to ensure service delivery of basic infrastructure to communities. Private sector participation in infrastructure development is one of Strategy 2020’s Drivers of Change, and is also consistent with the 3E Agenda (economy, equity, and environment) of ADB’s Urban Operational Plan (2012–2020) that include strategic physical and social infrastructure provision and innovative financing in its results framework. In terms of efficiency, the TA fund was not fully utilized (88%) but was able to deliver the needed outputs including extending support to UCCRTF start-up activities which provided an additional project leveraging resource for ADB projects. On the TA’s effectiveness, the TA was able to provide readily accessible resources for project preparation. The TA provided support to the development of urban environmental projects targeting poor communities with the expected long term impact of having environmentally sustainable communities in DMCs—this though, is a subject of future evaluation.

### **Major Lessons**

While the intention of channeling UEIF funding through a TA is a good concept, there appears to be a mismatch between the allocated fund resources to the TA against the target of supporting 30 projects (Output 1). Setting targets should be realistically matched with the resources if future TAs of similar concept will be designed. There were targets involving the use of guarantees and credits in designing financing schemes of projects. Consultations should be held with the Private Sector Operations Department (PSOD) on how this could possibly be included in future TA designs.

### **Recommendations and Follow-Up Actions**

The TA’s pre-PPTA activities provided another layer of project preparedness by providing a realistic landscape on perceived needs by the DMCs and also what investments would be workable for the DMCs. At the project design level, this support is already being provided by the Cities Development Initiative for Asia (CDIA). This pre-PPTA or landscape assessment could support ADB’s operations departments in their project processing exercise as an onset of a Country Partnership Study exercise.