



Completion Report

Project Number: 29041
Loan Number: 1947(SF)
July 2012

Bangladesh: Urban Governance and Infrastructure Improvement (Sector) Project

CURRENCY EQUIVALENTS

Currency Unit		–	taka (Tk)
		At Appraisal	At Project Completion
		(15 October 2002)	(08 December 2010)
Tk1.00	=	\$0.01728	\$0.01416832
\$1.00	=	Tk57.85	Tk70.58

ABBREVIATIONS

ADB	–	Asian Development Bank
CULG	–	Committee on Urban Local Governments
EIRR	–	economic internal rate of return
FIRR	–	financial internal rate of return
FWC	–	female ward councilors
GAP	–	gender action plan
GPD	–	governance program development
km	–	kilometer
LGD	–	Local Government Division
LGED	–	Local Government Engineering Department
LGRDC	–	Ministry of Local Government, Rural Development and Cooperatives
m	–	meter
MDS	–	management, design and supervision
MSU	–	municipal support unit
NGO	–	nongovernment organization
O&M	–	operation and maintenance
PCR	–	project completion review
PEM	–	performance, evaluation and monitoring
PIU	–	project implementation unit
PMO	–	project management office
PPRC	–	Pourashava Performance Management System
SPAR	–	subproject appraisal report
STIDP	–	Secondary Towns Infrastructure Development Project
TA	–	technical assistance
TLCC	–	town level coordination committee
UGIAP	–	Urban Governance Improvement Action Program
UMSU	–	urban management support unit

NOTE{S}

- (i) The fiscal year (FY) of the Government and its agencies ends on 30 June. FY before a calendar year denotes the year in which the fiscal year ends, e.g., FY2012 ends on 30 June 2012.
- (ii) In this report, "\$" refers to US dollars.

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BASIC DATA

A. Loan Identification

1.	Country	Bangladesh
2.	Loan Number	1947-BAN(SF)
3.	Project Title	Urban Governance and Infrastructure Improvement (Sector) Project
4.	Borrower	People's Republic of Bangladesh
5.	Executing Agency	Local Government Engineering Department
6.	Amount of Loan	SDR45,461,000
7.	Project Completion Report Number	BAN 1329

B. Loan Data

1.	Appraisal	
	Date Started	19 August 2002
	Date Completed	22 August 2002
2.	Loan Negotiations	
	Date Started	25 October 2002
	Date Completed	25 October 2002
3.	Date of Board Approval	28 November 2002
4.	Date of Loan Agreement	3 February 2003
5.	Date of Loan Effectiveness	
	In Loan Agreement	4 May 2003
	Actual	25 August 2003
	Number of Extensions	1
6.	Closing Date	
	In Loan Agreement	31 December 2009
	Actual	08 December 2010
	Number of Extensions	1
7.	Terms of Loan	
	Interest Rate	1% per annum
	Maturity (number of years)	32 years
	Grace Period (number of years)	8 years
8.	Terms of Relending (if any)	Not applicable

9. Disbursements

a.	Dates		
	Initial Disbursement	Final Disbursement	Time Interval
	21 November 2003	08 December 2010	85.60
	Effective Date	Original Closing Date	Time Interval
	25 August 2003	08 December 2010	88.70

b.	Amount (million)					
Category ^a or Subloan	Original Allocation	Last Revised Allocation	Amount Canceled/ (Added)	Net Amount Available	Amount Disbursed	Undisbursed Balance
01	32.58	29.03	(3.55)	29.03	24.84	4.19
02A	0.76	0.76	0.00	0.76	2.67	(1.91)
02B	0.38	0.38	0.00	0.38	0.00	0.38
02C	1.59	1.36	(0.23)	1.36	0.81	0.55
02D	0.30	3.00	2.70	3.00	0.28	(0.62)
02E	0.30	0.00	(0.30)	0.00	0.00	0.00
03A	5.91	4.43	(1.48)	4.43	4.27	0.16
03B	1.37	3.00	1.63	3.00	5.36	(2.36)
04	2.27	2.27	0.00	2.27	1.26	1.01
05	0.00	0.00	0.00	0.00	0.00	0.00
Total	45.46	44.23	(1.23)	44.23	39.49	1.40
(SDR)						
Equiv. (\$)	60.00	67.25	(2.00)	67.25	65.10	2.15

()= negative; SDR = special drawing rights

^a 01: civil works Part A; 02A: microcredit Part B; 02B: community poverty reduction Part B; 02C: Institutional reform and capacity building Part B; 02D: vehicle and equipment Part B; 02E: unallocated Part B; 03A: consulting services Part C; 03B: O&M Part C; 04: interest during construction; 05: unallocated

10. Local Costs (Financed)

- Amount (\$): 37,532,262
- Percent of Local Costs: 63%
- Percent of Total Cost: 43%

C. Project - Data

1. Project Cost (\$ million)

Cost	Appraisal Estimate	Actual
Foreign Exchange Cost	21.50	27.57
Local Currency Cost	65.50	59.66
Total	87.00	87.23

2. Financing Plan (\$ million)

Cost	Appraisal Estimate	Actual
Implementation Costs		
Borrower Financed	27.00	22.13
ADB Financed	55.70	63.16
Total	84.00	85.29
IDC Costs		
Borrower Financed	0.00	0.00
ADB Financed	4.30	1.94
Total	87.00	87.23

ADB = Asian Development Bank, IDC = interest during construction.

3. Cost Breakdown by Project Component (\$ million)

Component	Appraisal Estimate	Actual
A. Infrastructure Improvement		
Drainage	11.20	18.82
Roads	25.30	33.18
Solid Waste Management	4.00	0.20
Slum Improvements	3.30	1.55
Low Cost Sanitation	3.30	0.44
Municipal Services	15.00	9.01
Nongovernment Organization Participation	1.00	0.87
Poverty Alleviation Fund	1.00	1.70
Water Supply	2.60	1.21
Subtotal (A)	66.70	66.98
B. Consulting Services	7.90	6.35
C. Incremental Staff Cost	5.20	10.72
D. Institutional Reform and Capacity Building	2.90	1.24
E. Interest During Construction	4.30	1.94
Total (A+B+C+D+E)	87.00	87.23

4. Project Schedule

Item	Appraisal Estimate	Actual
Date of Contract with Consultants Management Design and Supervision		
Date of Contract	June 2003	December 2003
Completion of Engineering Designs	March 2008	March 2009
Civil Works Contract		
Date of Award	June 2008	June 2009
Completion of Work	June 2009	June 2010

5. Project Performance Report Ratings

Implementation Period	Ratings	
	Development Objectives	Implementation Progress
From 1 January 2002 to 31 December 2002	Satisfactory	Satisfactory
From 1 January 2003 to 31 December 2003	Satisfactory	Satisfactory
From 1 January 2004 to 31 December 2004	Satisfactory	Satisfactory
From 1 January 2005 to 31 December 2005	Satisfactory	Satisfactory
From 1 January 2006 to 31 December 2006	Satisfactory	Satisfactory
From 1 January 2007 to 31 December 2007	Satisfactory	Satisfactory
From 1 January 2008 to 31 September 2008	Satisfactory	Satisfactory
From 1 October 2008 to 31 July 2009	Satisfactory	Highly Satisfactory
From 1 August 2009 to 31 December 2010	Highly Satisfactory	Highly Satisfactory

D. Data on Asian Development Bank Missions

Name of Mission	Date	No. of Persons	No. of Person-Days	Specialization of Members
Inception mission	8–23 Aug 2003	3	18	a, c
Project review mission	24–27 Feb 2004	1	4	a
Project review mission	17–21 Dec 2004	1	5	a
Project review mission	8–15 Jun 2005	1	8	a
Project review mission	23–30 Nov 2005	1	8	a
Midterm review mission	30 Jul–10 Aug 2006	3	24	a, b, c
Special project administration mission	19–27 Nov 2006	1	9	a
Project review mission	25 Nov –9 Dec 2007	2	30	b, c
Project review mission	21–25 Oct 2008	2	10	b, c
Project review mission	1–10 Oct 2009	1	10	a
Project review mission	30 Dec 2009–6 Jan 2010	1	16	b
Project review mission	9–15 Jun 2010	1	28	b
Project completion review	14–18 Feb 2012	3	15	b, c, d

a= portfolio administration unit head, b = project implementation officer, c = project implementation analyst, d= staff consultant.

I. PROJECT DESCRIPTION

1. The Urban Governance and Infrastructure Improvement (Sector) Project was formulated in response to a request by the Government of Bangladesh to continue providing assistance to the urban sector for rehabilitation and enhancement of urban development and services, initially in 22 *pourashavas* (secondary towns) nationwide, and to assist in further decentralization and strengthening of urban governance. The project was to provide support and assistance to the *pourashavas* for mitigation of urban poverty and thus contribute to the country's overall economic growth.

2. The objective of the project was to promote human development and good urban governance in Bangladesh's secondary towns by assisting the selected *pourashavas* to (i) enhance accountability in municipal management and strengthen their ability to provide improved municipal services; and (ii) develop and expand physical infrastructure and urban services to increase economic opportunities, and to reduce the vulnerability of inhabitants of the secondary towns to environmental hazards and poverty. The project also sought to support active participation by the community—and particularly women—in municipal management and services. The project followed a performance-based sector loan approach that allowed allocation of loan funds to the qualified *pourashavas*. The project framework at appraisal, compared with the achievements of the project, is in Appendix 1.¹

3. **Project Components and Outputs.** The project comprised three parts:

- (i) **Part A: Urban infrastructure improvement.** This component would improve and/or expand municipal infrastructure in three phases, including roads and bridges, storm water drainage, low cost sanitation, solid waste management, municipal facilities, and slum improvement.
- (ii) **Part B: Urban governance improvement.** This component would implement an action program in five key result areas in three phases over 6 years. The *pourashavas* could become eligible for phase II and phase III financing based on successful performance of activities and parameters under the Urban Governance Improvement Action Program (UGIAP).
- (iii) **Part C: Capacity building and implementation assistance.** This component provided support for project management, detailed engineering design, construction supervision, nongovernment organization (NGO) assistance to community-based activities, and facilitation of community mobilization.

4. The executing agency for the project was the Local Government Engineering Department (LGED) under the Ministry of Local Government, Rural Development and Cooperatives (LGRDC), Local Government Division (LGD). ADB provided a loan of SDR45,461,000 (equivalent to \$60 million at project appraisal) from ADB's Special Funds Resources, which financed part of the cost (about 69%) of the project.² The remaining investment cost was financed by the government (\$22.80 million equivalent), the *pourashavas* (\$3.90 million equivalent), and the beneficiaries (\$0.30 million equivalent).

¹ The project framework at appraisal was subsequently modified to conform to ADB's revised design and monitoring framework.

² 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 (Loan 1947-BAN[SF]), approved for the amount of \$60 million equivalent on 28 November 2002.

II. EVALUATION OF DESIGN AND IMPLEMENTATION

A. Relevance of Design and Formulation

5. The project's focus on improvement of social and economic infrastructure, poverty reduction, urban governance through community participation and empowerment of women, implementation assistance, and local capacity building of the *pourashavas* proved to be satisfactory and highly relevant. The project was designed when ADB's country assistance plan for 2000–2002 was in force.³ The overall strategic objective of the country assistance plan was poverty reduction by creating better development opportunities for the poor. The country assistance plan also provided that ADB's future intervention strategy in urban areas would include a focus on development of small and secondary towns through a sector development program combining physical investment with policy reform and capacity building, including community participation in infrastructure development and continued institutional strengthening. The government's interim national poverty reduction strategy emphasized the role of the local government as a key instrument for poverty reduction by ensuring improved quality and enhanced accountability of public services in urban areas.⁴ The project was also consistent with the government's Fifth 5-Year Plan for the urban subsector,⁵ which included strategies for entrusting the *pourashavas* with enhanced development roles by undertaking an increasing number of development programs, and empowering the *pourashavas* to raise resources through a broadening of the conventional tax base. The project was also relevant to ADB's ongoing Country Partnership Strategy (2005–2010) and the government's Sixth 5-Year Plan (2011–2015) at completion. The project's design and formulation were thus relevant to the development strategies of both ADB and the government, at both appraisal and completion. There was no major change in the project design during implementation.

6. Lessons stemming from post-evaluation of two⁶ of the eight ADB loans providing assistance to the urban subsector in Bangladesh were (i) direct involvement by the *pourashava* chairpersons and their staff in implementing the project activities would play an important role in ensuring greater ownership of the constructed facilities; and (ii) the ultimate benefits of urban infrastructure projects can be disseminated once the improvement of infrastructure is associated with community participation to ensure proper operation and maintenance (O&M) of these facilities and ultimate delivery of services. These lessons were followed in designing the project at appraisal (see footnote 2), and were mostly accomplished at project completion. Project preparation was carried out by two ADB-assisted technical assistance (TA) projects.⁷ The project was ultimately based on reports on feasibility, the environment, land acquisition and resettlement, and poverty reduction, as well as discussions with the government and other stakeholders. The project's performance-based approach resulted in significant changes in practices and attitudes in the *pourashavas*.

³ ADB. 1999. *Country Assistance Plan: Bangladesh, 2000–2002*. Manila.

⁴ Government of Bangladesh. 2002. *A National Strategy for Economic Growth, Poverty Reduction and Social Development (i-PRSP)*. Dhaka.

⁵ Government of Bangladesh. Planning Commission, Ministry of Planning. *The Fifth Five-Year Plan, 1997–2002. Chapter VII (pp. 139–146)*. Dhaka.

⁶ ADB. 2001. project performance audit report. *Dhaka Urban Infrastructure Improvement Project*. Manila. (Loan 942 BAN[SF]); ADB. 2005.

Project Completion Report: Secondary Towns Infrastructure Development Project II. Manila (Loan 1376-BAN[SF]).

⁷ ADB. 1997. *Technical Assistance to Bangladesh for the Third Urban Development Project*. Manila, and ADB. 2001. *Technical Assistance to Bangladesh for the Urban Governance and Infrastructure Improvement Project*. Manila.

B. Project Outputs

7. Project outputs after completion substantially conformed to the project design at appraisal. The major outputs achieved under each of the components are briefly described below; details of the appraisal and detailed assessment targets compared with the actual outputs are in Appendix 1.

1. Part A: Urban Infrastructure Improvement Component

8. The urban infrastructure improvement component helped the *pourashavas* improve infrastructure and accommodate increased traffic and accelerated movement of commercial goods and services, leading to enhanced economic activities and increased income of *pourashava* dwellers, and thereby contributing to economic development. Under the urban roads and bridges subcomponent the project improved about 581 kilometers (km) of urban roads (versus 402 estimated at appraisal), 264 meters (m) of new bridges (versus 270 m at appraisal), and 581 m of new culverts (versus 550 m at appraisal). The improved roads generated an increase of 52.80% in motorized traffic movement, and the construction works created about 537,249 person-days of direct and 246,515 person-days of indirect employment opportunities.⁸ The project also rehabilitated 116.21 km of drains, compared to an appraisal target of 200 km, and constructed 187.05 km of drains, compared to the target of 130 km. However, only 450 out of an appraisal target of 12,000 twin pit latrines were constructed due to lack of public demand caused by the unfavorable financing terms. Also, only 58 of the 84 public toilets provided for under the project were constructed due to the lack of interest on the part of *pourashava* management to consider maintenance needs. The project also improved *pourashava*'s slum areas by undertaking environmental improvements in the *pourashava* areas, which generated 676 person-days of employment, and contributed to improved solid waste management by providing 35 new trucks (compared to 47 at appraisal), 315 rickshaw vans (against 242 at appraisal), 145 transfer stations (against 60 at appraisal), and one controlled dumping facility (compared to 30 at appraisal). Under the water supply subcomponent, the project provided four production tube wells (compared to the appraisal target of two), two treatment plants with overhead tank (compared to one targeted at appraisal), and 13.97 km of distribution pipeline (compared to 8 km at appraisal). Under the municipal facilities subcomponent, the project completed 10 kitchen markets (12 at appraisal), 14 bus terminals (18 at appraisal), a truck terminal (2 at appraisal), and 11 slaughter houses (18 at appraisal).

9. The original allocation of \$43.0 million was increased to \$44.13 million, largely because of a gain in the taka due to SDR-dollar and taka-dollar exchange rate fluctuations during implementation, and lower-than-estimated bid prices for the civil construction works. Changes in actual infrastructure unit output resulted from actual eligible demands in the field during implementation, and were financed under the sector loan modality.

2. Part B: Urban Governance Improvement Component

10. The component comprises community poverty alleviation activities, microcredit, and institutional reform and capacity building of the *pourashavas* focusing on the implementation of the Urban Governance Improvement Action Program (UGIAP). The UGIAP included five key results areas: (i) citizen awareness and participation, (ii) women's participation, (iii) integration of the urban poor, (iv) financial accountability and sustainability, and (v) administrative

⁸ Government of Bangladesh. 2010. Local Government Engineering Department. *Report on Benefit Monitoring and Evaluation*. Dhaka.

transparency. The *pourashavas* were required to perform successfully under each target associated with the key results areas to qualify for further investment under phase II and phase III of the project.

11. **Citizen awareness and participation.** Under the broader spectrum of community poverty alleviation activities, communities in the *pourashavas* were mobilized and organized with the assistance of the selected NGOs to form 15-member primary groups headed by women. The Slum Improvement Committee and Community Development Committee formed under UGIAP supervised all development works in the slum and cluster areas. The project helped formation of 1,660 primary groups and 249 slum improvement and community development committees for 24,000 families in 30 *pourashavas* (including the three *pourashavas* dropped after phase I due to non-performance). With the assistance of the NGOs the project also provided education on primary healthcare to about 498 community healthcare workers to improve the community's primary health. The project also helped establish about 166 satellite schools run by 166 female teachers selected by the slum improvement and community development committees; the satellite schools enrolled 5,294 students. The NGOs engaged under this subcomponent provided leadership training to 462 poor women, and skill development training to 3,040 women in the 30 *pourashavas* (including the three disqualified during transition from phase II to phase III).⁹ Since the project followed a sector loan approach, the targets were set during implementation.

12. As envisaged at appraisal, the *pourashavas* implemented the five key results areas with 35 preset activities under the UGIAP (para. 10) to improve the overall governance systems. This included establishment of various local-level town committees—town level coordination committee (TLCCs), ward level coordination committee (WLCCs), and gender and environment subcommittee (GESCs)—involved in carrying out public awareness publicity campaigns, preparing a poverty reduction action program, enhancing the collection efficiency and size of the holding tax, conducting property assessments, and preparing and providing the O&M budget. All the project *pourashavas* established a mass communication cell, TLCC and town planning unit; these were fully functional during the implementation period and generally remained so following the project, as observed by the project PCR mission. TLCCs were considered the main vehicle for implementing UGIAP and mobilizing public opinion from the representative citizen groups on the issues relating to urban development. TLCCs were established in all 30 *pourashavas*, each with 63 members representing a cross section of urban dwellers. Each TLCC included 11 women and three members representing the poor. All *pourashavas* organized regular meetings, including quarterly and need-based meetings prior to preparation of their budgets.

13. **Women's participation.** A key output of the project is its contribution to increased (i) women's participation in the administration and development program of the *pourashavas*, and (ii) benefits from project services. Ensuring women's participation was a performance criteria under the UGIAP, and activities in this area have resulted in increased participation of the female ward councilors (FWCs) in *pourashava* activities and committees with clearly defined terms of reference. All 27 *pourashavas* formed GESCs that were chaired by the FWCs, and involved FWCs and women in TLCCs and WLCCs, as per the UGIAP. The provision of TLCCs and WLCCs is now incorporated in the Municipal Act 2009 as citizen forums at the municipality

⁹ Phase I included 22 *pourashavas*. Phase II began in July 2006 and included 30 *pourashavas*. Three phase-I *pourashavas* were dropped due to poor performance in implementing UGIAP (reducing the total to 19), while 11 new *pourashavas* were included (resulting in a total of 30). Phase III commenced in July 2008 and included 27 *pourashavas* (three phase-II *pourashavas* were dropped due to poor performance).

and ward levels, and applicable to all *pourashavas*. The project had a detailed gender action plan (GAP) guiding integration of gender in development activities at the central and *pourashava* levels. All *pourashavas* developed and implemented *pourashava*-level GAPs consistent with UGIAP and the project GAP. The GAP provided for women's involvement in a wide range of development activities including active participation in motivational campaigns, chairing and participating in different committees, being recruited as staff and acting as infrastructure caretakers. About 305 women were recruited at project completion by *pourashavas* and facilities were created for women in the design of municipal infrastructures. The FWCs discharged their responsibility, particularly to promote women's participation in *pourashavas'* affairs, by regularly visiting households and conducting courtyard meetings with women, which was very effective in raising awareness about the rights and responsibilities towards *pourashavas* and to identify priority development interventions. Women learned to voice their needs and opinions and to address social issues such as early marriage and dowry. Anecdotal evidence showed that women's involvement has proven useful in increasing revenue earning by *pourashavas* and improving solid waste management. Women's leadership was also promoted in slum improvement committees and through microfinance support for self-employment. The implementation of the GAP was monitored regularly as an activity under UGIAP.

14. **Integration of the urban poor.** The project also successfully integrated the urban poor by implementing the poverty reduction action program targeting about 24,900 families. The NGOs engaged by the *pourashavas* assisted in implementing the program through community mobilization, providing microcredit facilities, imparting leadership and skill development training and delivering a health and educational assistance program in all the *pourashavas*. However, to be sustainable the poverty reduction action program needs to be adopted by the *pourashavas* and continued using their own resources. The project also assisted the ultra-poor community by providing average microcredit of about Tk10,000 per person, with a repayment period of 1 year, repaid in weekly installments. NGO community development workers collected the repayments and deposited these to the revolving bank account. At completion, the project had disbursed about Tk80 million as seed money and a total of Tk152 million to 15,200 families, with a recovery rate of about 93% at completion. However, prudence for including a microcredit subcomponent under the project was not unqualified, and there is a broad social consensus that microcredit programs are best entrusted to large NGOs that have systematized mechanisms and specialize in using microcredit as poverty reduction tool.¹⁰

15. **Financial accountability and sustainability.** The project successfully supported the *pourashavas* in attaining financial accountability and sustainability for financial self-sufficiency to pay the dues of other service organizations and sustain the infrastructure built under the project. At project completion, the average collection of holding tax by the project *pourashavas* improved to Tk215.93 million (70.95%) of the target and/or demand compared to Tk198.58 million (65.25%) in the previous financial year (2008-09); eight *pourashavas* performing outstandingly, collecting more than 80% of the target revenues. Collection of taxes on government holdings also increased from Tk71.29 million (61.63%) in FY2009 to Tk74.67 million (64.54%) in FY2010. Inadequate financial allocations by the government continues to cause non-payment of about 25% of public holding taxes. However, collection of revenue from "other own source" recorded a decline from Tk515.31 million (73.79%) in FY2009 to Tk473.65 million (67.82%) at project

¹⁰ ADB excluded any provision of microcredit under its next loan to the urban sector (ADB. 2010. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People's Republic of Bangladesh for Second Urban Governance and Infrastructure Improvement (Sector) Project*. Manila (Loan 2462-BAN[SF], approved for the amount of \$87.0 million equivalent on 4 November 2008).

completion. Ten *pourashavas* performed well under the leadership of their mayors, with an average collection of 80%; this was offset by the poor performance of five *pourashavas*, however. The project should have provided an incentive mechanism for poorly performing *pourashavas* that could have encouraged continued good performance on tax collection even after graduation to phase III of the project. Also, performance by the 27 *pourashavas* (excluding those that dropped out) in paying their electricity bills was poor, causing the unpaid electricity bills to rise from Tk6.54 million in FY2009 to Tk9.89 million at project completion. Payment of electricity bills for street lights and water supply was more or less satisfactory, while payment of telephone bills was excellent, with no arrears. All 27 *pourashavas* successfully computerized their tax and accounting records, enhancing the transparency of their financial transactions.

16. **Administrative transparency.** The project promoted transparency in *pourashava* administrations and citizen's participation in *pourashava* affairs. Ward-level committees were established in all selected *pourashavas* and tasked with raising mass awareness, making recommendations on operational issues, and initiating and participating in municipal development plans. The regional LGED offices conducted the overall evaluation and monitoring of progress and quality of physical works. The *pourashavas* regularly sent LGED monthly reports on the progress of civil works and financial performance; quarterly reports on civil works, revenue mobilization, reassessment of tax collection, and payment of electricity and telephone bills; and monitoring reports on UGIAP implementation.

3. Part C: Capacity Building and Implementation Assistance

17. Under this component, the urban management wing of LGED was strengthened by establishment of the Urban Management Support Unit (UMSU), and consulting services were provided for subproject design and supervision and institutional strengthening of the *pourashavas*. Recognizing the limitations of the project-based institutional approach adopted under the ADB assisted Secondary Towns Infrastructure Development Project (STIDP) I and STIDP II projects,¹¹ the project supported four regional offices of LGED, instead of 10 envisaged at appraisal,¹² and its national headquarters in Dhaka, and provided sustained capacity building programs to all *pourashavas* within their restricted boundaries. To best use the available resources for capacity building, the ADB-sponsored Pourashava Support Unit and the World Bank-sponsored Municipality Support Unit (MSU) were absorbed into the UMSU. The PCR Mission noted that the UMSU has been fully owned by the borrowers and is being supported with the assistance of development partners since project completion in 2010. In addition to the capacity-building training under UMSU, the project provided various training programs, including 16,087 trainee-days of orientation, training, and workshop programs under different modules, on: UGIIP and UGIAP implementation; urban planning relating to UGIAP implementation; administration and maintenance of accounts; community mobilization, social and gender issues, and poverty reduction; and financial management of the *pourashavas*. These trainings helped enhance *pourashava* capacity and are likely to be sustained by being embedded in their systems.

¹¹ ADB. 1990. *Report and Recommendations of the President to the Board of Directors on a Proposed Loan to the People's Republic of Bangladesh for the Secondary Towns Infrastructure Development Project*. Manila; ADB. 1995. *Report and Recommendations of the President to the Board of Directors on a Proposed Loan to the People's Republic of Bangladesh for the Secondary Towns Infrastructure Development Project II*. Manila.

¹² During project implementation, the ADB-assisted PSU and the World Bank-assisted MSU were harmonized to avoid duplication and strengthen donor coordination. As part of this, the ADB-assisted Pourashava Support Unit provided support for six LGED regional offices, and the World Bank-assisted Municipality Support Unit supported six. See the report and recommendation of the President (footnote 2, above), para. 33.

C. Project Costs

18. The total project cost at appraisal was estimated at \$87.0 million equivalent, comprising \$21.50 million (about 24.7%) in foreign exchange and \$65.50 million equivalent (about 75.29%) in local currency. Total ADB financing was estimated at \$60.0 million equivalent (about 69% of the total project cost), which included the entire foreign exchange cost of \$21.50 million and \$38.50 million equivalent (59% of local cost) in local currency. The local currency cost covered expenditures on civil works, local equipment and materials, O&M of project facilities, incremental administrative costs, consulting services, and institutional development. The actual project cost at completion was \$87.23 million equivalent, including a foreign exchange cost of \$27.57 million and local currency cost of \$59.66 million equivalent. ADB financed about 74.63% of the total project cost, while the government and the *pourashavas* financed the remaining 25.37%. The actual local cost financing at completion was \$59.66 million equivalent (91%). ADB's midterm review mission (31 July–9 August 2006) identified \$4.43 million in anticipated loan savings that accrued from the appreciation in the SDR–dollar exchange rate, and depreciation of the taka against the dollar. Of this anticipated loan savings, \$2.0 million was cancelled on 7 July 2008, keeping the balance as a provision for future project commitments and contingencies. On the closing of loan accounts on 8 December 2010, ADB cancelled an additional \$2.15 million that remained undisbursed. Detailed allocation and/or reallocation and actual disbursement of ADB financing is given in Appendix 2.

D. Disbursements

19. At loan closing, \$65.10 million equivalent (SDR39.49 million), including \$1.94 million equivalent (SDR1.26 million) for interest during construction, was disbursed. The total amount actually disbursed was thus higher than the loan amount (\$60.0 million equivalent) envisaged at appraisal in spite of cancellation of \$4.15 million in loan savings, because of depreciation of the dollar and taka (para.18). Of the amount disbursed, \$27.57 million was disbursed to meet direct and indirect foreign exchange costs and \$37.53 million to meet local currency expenditures. The initial disbursement was made on 21 November 2003, and the final disbursement on 8 December 2010. The rise in disbursement flow in 2005 (\$10.63 million), 2008 (\$10.12 million), and 2009 (\$13.96 million) reflected the momentum of and progress made on civil works under part A: urban infrastructure improvement, while the lull in disbursement in 2003 (\$4.0 million), 2004 (\$2.36 million) and 2010 (\$6.50 million) represented the initial start up delay and reduced work during the closing years. Details of projected and actual disbursements on a yearly basis are in Appendix 3.

20. As envisaged at appraisal, an imprest account was established by LGED and ADB's statement of expenditures procedure was followed to reimburse eligible expenditures and liquidate advances to the imprest accounts. LGED's imprest account was well maintained and the statement of expenditures procedure facilitated timely payments to the consultants and contractors.

E. Project Schedule

21. ADB approved the loan on 28 November 2002. The loan agreement was signed on 3 February 2003 and became effective on 25 August 2003. Following the initial startup delays due to protracted recruitment and mobilization of the management, design and supervision (MDS) consultant and delay in subproject selection, implementation began in February 2004. Thereafter, in FY2009, 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*. Complications were also experienced by some *pourashavas*, particularly relating to site selection for bus terminals and solid waste disposal areas. These delays were overcome, however, and adjusted during the later project implementation period through the concerted efforts of LGED, the MDS consultants, and ADB. Notwithstanding, following a request by the borrower on 23 March 2009, on 29 April 2009 ADB extended the loan closing date by 1 year (from 31 December 2009 to 31 December 2010), allowing 2 years for completion of the phase-III works, which were ongoing at the time.¹³ A comparison between the project schedule at appraisal and completion is in Appendix 4.

F. Implementation Arrangements

22. LGED, under the LGD of the LGRDC, was the executing agency for the project. An inter-ministerial steering committee chaired by the LGD secretary was established, comprising senior officials of several government ministries and agencies as envisaged at appraisal. The steering committee met regularly every 6 months, reviewed project progress, and provided guidance on implementation and policy issues, as required. A project management office (PMO) was established within LGED led by a full-time project director at the level of a superintending engineer. The project director was directly 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 LGED. A project implementation unit (PIU), headed by the respective *pourashava* chairperson, was established in each *pourashava*. A group of individual consultants were engaged to provide technical support and hands-on training at the local level. In addition, the project established a national UMSU in Dhaka headed by a full-time superintending engineer, and assisted by three deputy directors, one each for governance program development, general administration and training coordination, and database development and performance evaluation and monitoring. Regional UMSUs were established at the offices of LGED's four regional superintending engineers. Although all these sections were not always adequately staffed, they generally functioned satisfactorily (with the assistance of incremental project staff) in delivering outputs and achieving the project purpose.

G. Conditions and Covenants

23. The status of compliance with loan covenants is in Appendix 5. All major loan covenants were generally relevant and practical, given the expanse and complexities of the project. However, the covenants on O&M (schedule 5, para. 20 of the loan agreement) and staffing of the *pourashavas* (schedule 5, para. 1 of the loan agreement) are considered ambitious, as compliance required strong government support, particularly in terms of an adequate budgetary allocation. The borrower and the executing agency generally complied with the covenants and substantially met reporting requirements. LGED, however, submitted their project completion report with inordinate delay on 4 March 2012 (delayed by 15 months), and the data and information provided were inadequate and not up-to-date (covering only the period until June 2010, which marked the conclusion of consultant's contract, and the government's development project proforma). As warranted by the loan covenants, LGED maintained separate records and accounts on transactions for goods and services financed under the loan. Imprest account with Bangladesh Bank and subproject operating accounts of the PMO, UMSU, RUMSU and PIUs with Bangladesh Krishi Bank were opened on time and operated satisfactorily. The accounts were audited annually by the government and independent auditors, and the audited accounts were generally submitted to ADB on time and substantially met the requirements of the relevant

¹³ Implementation of phase III works commenced in July 2008.

covenant. All audit observations were settled with the foreign aided project audit department (FAPAD) satisfactorily.

24. The Committee on Urban Local Governments (CULG), headed by the LGRDC minister, was formed (required under schedule 5, para. 15 of the loan agreement) in a timely manner on 22 February 2004 and submitted final recommendations on four areas,¹⁴ most of which await government approval. Periodic evaluations of the performance of the *pourashavas* following UGIAP criteria were completed on time. The GAP was regularly monitored and implemented by the *pourashavas*. As stipulated by the loan covenants, the executing agency implemented the project, ensuring wider participation of women in running the *pourashavas*.

H. Related Technical Assistance

25. The ADB loan included an associated TA grant for \$400,000 for Supporting Urban Governance Reform.¹⁵

26. The overall objective of the TA was to provide technical and administrative support to CULG in four areas (footnote 14). LGED was the executing agency for this TA. The TA agreement was signed on 13 August 2003 and implemented over 14 months. The TA team comprised six national individual consultants with 34 person-months of intermittent inputs to work on the first three issues outlined in footnote 14, and provision for 4-person months of intermittent inputs by an international consultant. However, due to the unavailability of a suitable international consultant and at the request of LGED, ADB engaged a national consultant for 3 months to review the government's long-term strategy for municipal development. The TA team was fielded by 1 July 2004 and completed their assignments by 5 September 2005. The consultants submitted reports on recommendations regarding the National Urban Sector Policy; review of the Pourashava Ordinance, 1977; review and reform of holding system; and *upazila* town future development master plan. Three workshops were organized under the TA in which consultant's progress and draft reports were shared with government and stakeholder representatives. Details of the TA and its outputs are in the TA completion report in Appendix 6. Overall, the TA was rated *successful*.

I. Consultant Recruitment and Procurement

1. Consultant Recruitment

27. Recruitment of consultants was as planned at appraisal,¹⁶ and complied with ADB's Guidelines on the Use of Consultants. Five teams of consultants were engaged: (i) three for the PMO, including (a) management, design and supervision consultants; (b) monitoring and evaluation consultants, and (c) facilitators; and (ii) two for the UMSU.¹⁷ The consultants' teams were fielded by 28 April 2004, with the MDS consultants mobilized early (on 10 January 2004), and all tasks completed by June 2010. It was envisaged at appraisal that the project would need an input of 59 person-months of international and 3,947 person-months of national consulting

¹⁴ The four areas included (i) preparation of draft national urban sector policy paper, (ii) review and amendments of the Pourashava Ordinance, 1977, (iii) holding tax assessment, and (iv) proposed reforms of Bangladesh municipal finance management act.

¹⁵ ADB. 2002. *Technical Assistance to the People's Republic of Bangladesh for Supporting Urban Governance Reform*. Manila (TA 4003-BAN, for \$400,000, approved on 28 November 2002).

¹⁶ Consultant recruitment was, however, delayed by 5 months due to delayed loan effectiveness and absence of provision for advance action in project design.

¹⁷ Report and recommendation of the President (footnote 2, above), para. 53–54.

services. The actual input of consulting services at completion was 49.91 person-months of international and 3,854 person-months of national consultants, with no additional cost. The reduction of international and national consultants' inputs was justified because inputs for all international and national consultants, except facilitators, were reduced to meet actual project needs. The facilitator inputs were increased from 880 person-months to 1,363 person-months of national consultant services to meet the enhanced demand for capacity building and microcredit administration services in the *pourashavas* that emerged during project implementation. A summary of consultant inputs is in Appendix 7.

2. Procurement

28. Procurement of civil works, goods and services was carried out through local competitive bidding in accordance with ADB's Procurement Guidelines as envisaged at appraisal. This also complied with the government's Public Procurement Regulations, 2003 (subsequently replaced by Public Procurement Rules, 2008) and the Public Procurement Act, 2006. ADB approved the government's local competitive bidding procedures for the single-stage, one-envelope system, which was followed for procurement of civil works. The streamlined procurement plan enabled faster contract awards. Subprojects were selected after evaluation of the subproject appraisal reports submitted by the *pourashavas*. Civil works contract packages (506 packages and 1,929 schemes) were procured for construction and/or rehabilitation of urban infrastructure. Procurement of all contract packages went smoothly, except for a few incidents in which competing bidders made allegations regarding a lack of integrity in the procurement process; these were adequately addressed by the executing agency following ADB's Anticorruption Policy, to the satisfaction of ADB.

J. Performance of Consultants, Contractors, and Suppliers

1. Consultants

29. The performance of the consultants under all five packages was generally satisfactory. The engineering designs prepared by the MDS consultants were generally adequate and supervision of the civil construction works was generally satisfactory. Performance of the UMSU consultants in supporting CULG with respect to the four key areas (footnote 14) was timely and satisfactory. However, further improvement in coordination between the PMO and UMSU could have reduced bureaucratic disputes between the heads of these two units and contribute favorably to their operational efficiency, in terms of comprehension and expediency.

2. Contractors

30. Most of the project contractors performed satisfactorily (with vigilant, continuous monitoring by the *pourashavas*), and the quality of the completed works compared favorably with the average standard of similar works in Bangladesh. However, in some cases, the quality and quantity of the items supplied as part of civil works contracts, particularly for bus terminals and markets, were found to be less than satisfactory. The ADB project review mission of June 2010 advised LGED to identify and where possible replace the problematic items, in coordination with the concerned *pourashava(s)*. *Pourashava* compliance with ADB advice has been satisfactory. The implementation delays that did occur (para. 21) were due to a sudden rise in the prices of major construction materials, inclement weather, and in some cases, lack of management capacity on the part of the contractors. This threatened to adversely affect the timely completion and quality of some contracts, but was eventually corrected through the involvement of the executing agency, with monitoring and guidance by ADB.

3. Suppliers

31. The performance of the suppliers in delivering construction equipment, vehicles (including special purpose vehicles), and field and office equipment was generally satisfactory. The cost and quality of the vehicles and equipment compared satisfactorily to that available in the general market.

K. Performance of the Borrower and Executing Agency

32. Notwithstanding the complexity of the project with multiple components and many target beneficiaries, the performance of the borrower, executing agency and the *pourashavas* was *highly satisfactory*. This contributed to successful achievement of project implementation. The steering committee performed well and fulfilled most of its tasks in monitoring project implementation and providing strategic guidance, particularly on inter-ministerial issues, as needed. The performance of LGED is rated *highly satisfactory* in steering and assisting the *pourashavas* on procurement, infrastructure development, implementation of UGIAP, and capacity building by effective coordination with UMSU. The government provided counterpart funds regularly and no shortages were reported during project implementation. The government promulgated the Pourashava Act 2009, mandating that the TLCCs be embedded in the *pourashavas*. The government has sustained the CULG created by the project, which is being used for ADB's follow-up project. The draft National Urban Sector Policy prepared by the UMSU has been reviewed and prepared for early approval by the cabinet. LGED established the PMO on time and played a pivotal role in activating the PIUs to construct a large network of secondary town infrastructure (para. 8). Although this was the first project for LGED based on a sector loan modality, LGED managed it well, with effective guidance by ADB. The capacity of the *pourashavas* was enhanced in procurement, implementation of infrastructure, and UGIAP by handling these tasks themselves with the assistance of LGED and ADB. As required, the *pourashavas* generally complied with the performance criteria and action plan under UGIAP and drafted a strategic development vision paper. The accountability and capacity of the *pourashavas* was substantially enhanced; in particular, the executing agency and the *pourashavas* achieved commendable progress in empowering women through implementation of the GAP.

L. Performance of the Asian Development Bank

33. ADB's performance is rated *highly satisfactory* in its timely response to assist the government in formulating and implementing a follow up urban development project after the successful implementation of STIDP I and STIDP II (footnote 11). The project design incorporated lessons from the previous ADB-assisted urban sector development projects. Project formulation and implementation arrangements were generally satisfactory. Since this was the first urban project in Bangladesh using a sector loan approach, ADB closely guided LGED and the *pourashavas* throughout the implementation process. ADB also closely supervised *pourashava* staffing issues, financial and operational action plans, and in particular, *pourashava* performance on the five key results areas under UGIAP (para. 10). ADB responded quickly to issues that emerged during project implementation. The Bangladesh resident mission carried out close and effective coordination through monthly meetings with the executing agency and project review missions. ADB fielded one inception mission, nine project review missions, a midterm review mission (30 July–10 August 2006), and a special project administration mission; the missions were quite effective in identifying and resolving implementation issues upfront.

III. EVALUATION OF PERFORMANCE

A. Relevance

34. The project design envisaged sustainable economic growth by optimizing the poverty reduction potential of a well planned and decentralized urbanization process that would mitigate the diseconomies of urban congestion and environmental degradation. The project design also emphasized assistance to the *pourashavas* for investments in infrastructure, adequate maintenance of services, and strengthening the capacity of local authorities. This was relevant to the project and remained relevant at completion. The project design was also relevant to ADB's operational strategy of improving urban facilities and environmental protection (see para. 5). The BME report (see footnote 8) demonstrated that the construction of urban infrastructure under the project substantially improved the health and environmental conditions of the inhabitants of the secondary towns. In addition, earnings from the markets and bus terminals constructed under the project have broadened the *pourashavas'* revenue base. Overall, the project was *highly relevant*.

B. Effectiveness in Achieving Outcome

35. The project is considered *highly effective*, because the project's outcome, as envisioned at appraisal, was fully achieved. The project completed the targeted construction of roads and bridges, generating an increase in motorized traffic movement and creating new employment opportunities (para. 8). Implementation of the drainage component created an integrated drainage network, and protected the system from blockage and encroachment. The completed bus terminals, supermarkets and kitchen markets developed under the project contributed to the sustainable financial health of the *pourashavas*. The improvement of slum facilities led to enhanced access of slum dwellers to safe drinking water, sanitary latrines, footpaths, drainage, solid waste management and street lighting, and generated new employment. Direct benefits accrued from the improvement of roads and bridges and contributed to savings on vehicle operating costs, and the value of time of passengers and vehicles, which in turn contributed to increased economic activities in the *pourashavas* and their peripheries. The benefits arising from the improved drainage network included enhanced property values and improved environmental conditions. In general, all the project components made notable contributions to poverty reduction in the selected *pourashavas* and beyond. The project also helped in enhancing the *pourashavas'* accountability and capacity (para. 32). An assessment of project impacts and benefits based on the sample *pourashavas* visited by the PCR mission is in Appendix 9.

C. Efficiency in Achieving Outcome and Outputs

36. The reevaluation of the project shows higher incremental economic benefits and revenue at project completion compared to appraisal, particularly for the roads and bridges subcomponents. The overall recalculated economic internal rate of return (EIRR) is 32.40%, which is higher than at appraisal, and the net present value of the roads project is Tk11,437 million, which supports the better performance assumed at appraisal. This shows that the investment has been *highly efficient*.¹⁸ The EIRR for roads and bridges at the *pourashava* level varies from 11.7% to 53.4%. The recalculated financial internal rate of return (FIRR) for various revenue-generating components is: (i) water supply and sanitation, 21%; (ii) municipal facilities,

¹⁸ According to the guidelines of ADB's Independent Evaluation Department, if the estimated EIRR exceeds 18%, a project is normally rated *highly efficient*.

15%; and (iii) bus and truck terminals, 16%. The recalculated EIRRs and FIRRs as well as the supporting assumptions are given in Appendix 10.

D. Preliminary Assessment of Sustainability

37. The *pourashavas*' accomplishment in attaining financial accountability and sustainability for financial self-sufficiency to pay the dues of other service organizations and maintain the infrastructure built under the project was significant but still remained inadequate. All 27 *pourashavas* successfully computerized tax and accounting records, thereby ensuring enhanced transparency in their financial transactions (para. 15). Filling key staff positions in the *pourashavas*, proper recording and reporting, and generation of sufficient revenue for O&M are the key issues with respect to sustainable institutional development. The PCR mission noted substantial progress with respect to these issues, except the generation of sufficient funds to meet the increased demand for O&M funds created by the new infrastructure in the short term. The sustainability of the *pourashavas*' accomplishments depend on (i) improved availability of O&M funds from increased revenue earnings generated by the facilities built under the project in the medium term, (ii) enhanced citizens' awareness regarding their responsibility to regularly pay holding taxes, and (iv) visible empowerment of women through efficient and continued implementation of the GAP. Overall, therefore, the project outputs are rated *less likely to be sustainable*.

E. Impact

38. An initial environmental examination of the project area indicated that no significant adverse environmental impact was associated with the project. Project activities did not interfere with the ecosystem, as all works were of limited scale and carefully designed to avoid any adverse environmental impact. All physical works were generally undertaken in areas owned by the *pourashavas* and free from any encumbrance, and consequently, no land acquisition and resettlement was undertaken. However, a resettlement and indigenous peoples framework was prepared at appraisal, as required under ADB's safeguard policy for sector loans. The 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. 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 poverty reduction of the ultra poor. As assessed by the benefit monitoring and evaluation report (footnote 8), the target urban population (and particularly slum dwellers) benefited significantly from reduced traffic congestion, improved public health, and better living conditions.

IV. OVERALL ASSESSMENT AND RECOMMENDATIONS

A. Overall Assessment

39. The project is rated *successful* based on a review of its relevance, effectiveness, efficiency, and sustainability. The project followed a sector approach which is most appropriate for a multi-component project with performance-based allocation and reallocation of loan funds, and allowed flexibility. The project contributed to a significant improvement in several areas of urban development and management: (i) a considerable increase in holding tax collection, (ii) streamlining activities to reduce backlog in payment of electricity bills by the *pourashavas*, (iii) improved environmental conditions, (iv) a better road network, (v) an improved water supply in selected *pourashavas*, and (vi) enhanced women's participation in the administration and

operation of *pourashavas*. The project also initiated several institutional and sectoral reforms, including the new Pourashava Act promulgated in 2009, which emphasizes the role of town and ward-level coordination committees, and the draft Urban Sector Policy, as part of the loan covenants, and as tasks under the associated TA (footnote 15).

B. Lessons Learned

40. For a complex multi-component project, regular monitoring of the implementation progress and *pourashava* performance by the executing authority is indispensable. Regular interaction between the borrower and ADB, and ADB and the *pourashavas* through the PMO contributed greatly to the success of the project. The use of a sector modality proved highly appropriate for performance-based allocation of funds among the competing *pourashavas*. This approach should be followed in all future ADB assistance to the *pourashavas*. However, when implementing a multi-component urban development project spread over a large geographical area, provision for strong consultant support, and advance action to select and field the consultants immediately after loan effectiveness is important to avoid startup delays.

41. The government needs to put in place a powerful central monitoring system, preferably embedded in the LGD, to regularly review and assess the progress and sustainability of urban development. Implementation experience suggests that secondary towns development projects generally require capacity building in the *pourashavas* and strong institutional support.

C. Recommendations

1. Project Related

42. **Future monitoring.** 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 LGED under the project to monitor overall performance of the *pourashavas* and provide support for sustainable capacity building. Under an incentive mechanism, the release of funds under government's Annual Development Program should be linked to the overall performance of the *pourashavas*.

43. **Covenants.** The executing agency complied with most of the loan covenants, except a few covenants that were considered ambitious (para. 23). Full compliance with some of these covenants required a substantial change in government policy and practices, and was beyond the control of project management. Early government approval of the National Urban Sector Policy, and amendment of Pourashava Ordinance 1977,¹⁹ drafted under the project, would pave the way for compliance of these covenants under future ADB-assisted projects for urban development.

44. **Future action or follow-up.** The new infrastructure constructed under the project created additional demand for O&M funds, and the government could provide such support for the first few years through the allocation of adequate funds to the *pourashavas*. However, the *pourashavas* should provide medium-term funding for O&M from their own revenue earnings, which would lead to long-term financial self reliance. To ensure accountability, the TLCCs should include representation from a broad base of social groups and communities. The Ministry of LGD should take timely action to ensure that (i) the *pourashavas* fill vacant staff positions by December 2013, (ii) lease all completed revenue-generating facilities at appropriate

¹⁹ The government promulgated the new Pourashava Act in 2009.

market rental rates by December 2013, (iii) the Ministry of Finance and other relevant line ministries allocate adequate funds to clear all public holding tax to the *pourashavas* by FY2013; and (iv) the *pourashavas* pay all current and past-due electricity bills by June 2013.

45. **Additional assistance.** The project successfully assisted the CULG, headed by the minister for LGRDC (para. 26), to initiate the long-awaited sector reforms by providing recommendations for amendment of the Pourashava Ordinance 1977, and drafting the National Urban Sector Policy (footnote 15). ADB should assist CULG with additional urban sector reforms through future interventions.²⁰

46. **Timing of the project performance audit report.** A validation report on the project should be prepared by 2014 to assess the medium-term sustainability and long-term impacts of the project. To ensure availability of the needed data, ADB should require that the borrower continue monitoring the completed project and report project benefits until the fielding of ADB's project validation mission.

2. General

47. The government should expedite approval of the national urban policy, and thereby set mandatory directions for the *pourashavas* to meet the government's strategic plan for urban sector development. To ensure enhanced donor coordination, the merger of the ADB-assisted UMSU and the World Bank-assisted MSU should be further sustained and institutionalized.

48. Support for including a microcredit subcomponent under the project was not unqualified, and there is a broad social consensus that microcredit programs are best entrusted to large NGOs that have systematized mechanisms and specialize in using microcredit as poverty reduction tool, rather than embedding these programs in a development project. This approach has been applied for the Second Urban Governance and Infrastructure Improvement (Sector) Project (footnote 10).

49. Given the complex and protracted approval procedures of the government and executing agencies and/or *pourashavas*, advance action for procurement of equipment and materials, recruitment of consultants, and provision for retroactive financing should be considered in all future ADB-supported urban development projects in Bangladesh.

²⁰ CULG has sustained and is being used under the ongoing ADB-assisted Second Urban Governance and Infrastructure Improvement (Sector) Project (footnote 10).

DESIGN AND MONITORING FRAMEWORK

Design Summary	Appraisal Performance Indicators/Targets	Project Achievements	Key Issues And Recommendations
1. Impact Promote human development and good urban governance in secondary towns and support them to lead a sound and balanced urban development	Faster and sustained economic growth Reduction of urban poverty Slowdown of migration to mega-cities Improved urban environmental conditions Enhanced human development opportunities	The administration of the <i>pourashavas</i> has been decentralized and made transparent with increased participation by the stakeholders through TLCC. Women's participation in <i>pourashava</i> affairs was enhanced through FWCs and implementation of the GAP. Living conditions of <i>pourashava</i> dwellers, including the slum dwellers, were remarkably improved by provision of roads, drains and access to safe water under the project	See paras.10-17
2. Outcome 2.1 Develop and improve urban infrastructure facilities to increase economic opportunities and to reduce vulnerability to environmental degradation, poverty, and natural hazards 2.2 Enhance accountability in municipal management and strengthen the capacities of urban local municipal services delivery	Investment programs in each participating municipality covering subsectors such as roads and bridges, drainage, low-cost sanitation, solid waste management, municipal facilities, water supplies and low income community upgrading Cabinet approval of National Urban Sector Policy Amendment of the Pourashava Ordinance Revision of holding tax rules and schedules Preparation of strategic development vision papers by <i>pourashavas</i> Adoption of urban governance action program by <i>pourashavas</i>	The project improved and/or constructed roads and bridges, drains, water supply, solid waste management, public toilets and slaughter houses in 27 <i>pourashavas</i> at a cost of \$29.03 million. The improved roads generated an increase in motorized traffic of 52.80%, and generated about 800,000 person-days of direct and indirect employment The National Urban Policy was drafted under the associated Supporting Urban Governance Reform TA and is awaiting cabinet approval The government promulgated the new Pourashava Act in 2009 The <i>pourashavas</i> drafted strategic development vision papers with the assistance of the PMO and UMSU consultants All project <i>pourashavas</i> adopted and generally complied with the performance criteria and action plan under UGIAP	See paras.8 See para.26 and Appendix 6 See paras.10-17

3. Project Outputs		Rehabilitation completed by 31 December 2010	
3.1 Part A: Urban Infrastructure Improvement			
(i) Urban roads and bridges	Rehabilitation: 219 km Repair : 162 km Widening: 21 km	Rehabilitation: 569.27 km Repair : 7.92 km Widening: 4.27 km New bridges: 264.60 m New culverts: 857.41 m Traffic signs: 581	See para.8
(ii) Drainage	Rehabilitation: 200 km New drains: 130 km	Rehabilitation: 116.21 km New drains: 187.05 km	
(iii) Sanitation	Twin pit latrines: 12,000 Public toilets: 84	Twin pit latrines: 450 Public toilets: 58	
(iv) Solid Waste Management	New trucks: 47 Rickshaw vans: 242 Transfer station: 60 Controlled dumping: 30	New trucks: 35 Rickshaw vans: 315 Transfer stations: 145 Controlled dumping: 1	
(v) Water Supply	Production tubewells: 2 Treatment plant: 1 Overhead tank: 1 Distribution pipeline: 8 km Hand tubewells	Production tubewells: 4 Treatment plant: 2 Overhead tank: 2 Distribution pipeline: 13.97 km	
(vi) Municipal Facilities	Kitchen markets: 12 Bus terminals: 18 Truck terminals: 2 Slaughterhouses: 18	Kitchen markets: 10 Bus terminals: 14 Truck terminals: 1 Slaughterhouses: 11	
(vii) Slum Improvement	Employment generation: 676 person-years Facilities in the slum area improved	Employment generation: 800,000 person-days Facilities in slum area markedly improved	
3.2 Part B: Urban Governance Improvement			
(i) Citizen Awareness and Participation	Publicity boards and information kits (2003)	All committees were formed and working	See para.10-16

(ii) Women's Participation	Formation of town-level committee (2003) and regular meetings thereafter (4/year) Preparation of participatory Municipal Development Plan (2005)	Mass Communication Cell (MCC), Town Level Coordination Committee (TLCC), Town Planning Unit (TPU), and Ward Committees (WC) established at all 27 <i>pourashavas</i> (total of 303). Wards were extensively involved in public dissemination through publicity boards, leaflets, newspaper notices, posters, holding of public rallies in wards, e-mails, and regular meetings of the committees. These activities were closely monitored by PMO using a prescribed monitoring format. Base map prepared	
	Formation of Gender and Environment Committee by 2003	All committees were formed in 30 <i>pourashavas</i> . 193 meetings held. Activities completed as planned	
	Development of TORs for female commissioners by 2004	TORs completed in 2004	
	Implementation of activities related to GAP	305 women were recruited in the 30 <i>pourashavas</i> as female ward commissioners (FWCs) and 2,253 courtyard meetings organized by the FWCs	
	Introduction of GAP monitoring system by 2005		
(iii) Integration of the Urban Poor	Development of Poverty Reduction Action Program (PRAP) by 2004	Introduced in 2005	
	Formation of a slum improvement committee by 2004, health and education program, skills training		
(iv) Financial Accountability and Sustainability	PRAP monitoring system by 2005	All <i>pourashavas</i> implemented the PRAP for 24,900 families. A total of 37 NGOs in 33 <i>pourashavas</i> (83 packages, with each package covering 300 families) implemented the PRAP, including community mobilization, microcredit, IGA training and delivery of the health and education program	
	Minimum 10% increase in holding tax collection each year		
	Regular and interim holding tax appraisal		
	Positive increase in nontax revenues each year	The NGOs have completed survey on identifying the beneficiaries, training and lending activities. In addition, 1,029 tube-wells and 3,495 twin-pit sanitary latrines have been installed in 30 project <i>pourashavas</i>	
	Payment of power bills (minimum 80% for current bill and 60% for arrears in 2 years) Telephone bills (minimum 80% current bills		

	<p>and 60% arrear bills in 2 years)</p> <p>Minimum 20% of development budget to be reserved for O&M work each year</p> <p>Computerization of tax and accounting records</p>	<p>PRAP monitoring system introduced and established</p> <p>Average tax collection of 27 <i>pourashavas</i> improved to 70.95% compared to 65.25% in the previous year. Eight <i>pourashavas</i> collected more than 80% of the target.</p> <p>All <i>pourashavas</i> regularly re-assessed the tax demand</p> <p>Collection of other own-source revenue declined to 67.82% in FY2009, causing a fall in nontax revenue</p> <p><i>Pourashavas</i>' unpaid electricity bills rose from Tk6.54 million in FY2009 to Tk 9.89 million in FY2011.</p> <p>All <i>pourashavas</i> fully pay their telephone bills on a regular basis</p> <p>All <i>pourashavas</i> have kept this provision in their annual budgets</p> <p>Computerized tax bills are being prepared and delivered by all <i>pourashavas</i>.</p> <p><i>Pourashavas</i> began preparing the inventory assessment but had not completed it at project completion.</p>	
(v) Administrative Transparency	Infrastructure inventory assessment and mapping by 2005		
3.3 Part C: Capacity Building and Implementation Assistance			
(i) Capacity Building	<p>Development of TORs for municipal staff by mid-2005</p> <p>Formation of ward committees by mid-2004,</p> <p>Training of chairpersons and ward commissioners by mid- 2005</p> <p>Development of the work program of UMSU by March 2003</p>	<p>Terms of reference developed for municipal staff.</p> <p>Ward committees formed and functional.</p> <p>Training of chairpersons and ward commissioners undertaken and completed satisfactorily.</p> <p>Work program completed on time</p>	See para.17

	Preparation of manuals and training programs by December 2003, organization of training programs and consulting services.	UMSU provided various capacity-building training programs— including orientation, training, and workshops—for a total of 16,087 trainee-days	
(ii) Implementation Assistance	Timely establishment of PMO	The PMO was established in a timely manner	
Activities/Inputs PART A: Urban Infrastructure Improvement Roads and bridges. Drainage Sanitation Solid Waste Management Water Supply. Municipal Facilities Slum Improvement	\$25.3 million \$11.2 million \$3.3 million \$4.0 million \$2.6 million \$15.0 million \$3.3 million	Part A: Urban Infrastructure Improvement \$33.18 million \$18.82 million \$0.44 million \$0.20 million \$1.21 million \$9.01 million \$1.55 million	
PART B: Urban Governance Improvement Citizen Awareness and Participation: Women's Participation: Facilitators Support to the Urban Poor: Facilitators Financial Accountability and Sustainability	Facilitators (20 person-months per <i>pourashava</i>) Facilitators (12 person-months per <i>pourashava</i>) Facilitators (4 person-months per <i>pourashava</i>) and NGOs Facilitators (4 person-months per <i>pourashava</i>)		
PART C: Capacity Building and Implementation Assistance Capacity Building (UMSU) PEM consultants GPD consultants Incremental staffing	276 person-months (national) 11 person-months (international), 108 person-months (national) 1 director, 3 deputy directors, 3 assistant directors, 6 staff at the national UMSU	181.46 person-months (national) 10.72 person-months (international), 84.53 person-months (national) 1 director, 2 deputy directors, 3 assistant directors, 13 staff at national UMSU	

Incremental staffing	20 executive engineers to lead the training activities, 10 regional training coordinators, 20 support staff) at regional UMSUs	18 executive engineers, 21 regional training coordinators, 35 support staff at regional UMSUs
Implementation Assistance		
MDS consultants	48 person-months (international) and 2,437 person-months (national)	39.19 person-months (international), 2,039.21 person-months (national)
Monitoring and evaluation consultants	246 person-months (national)	186 person-months (national)
Deputation of LGED technical staff	1 sub-assistant engineer and 2–4 work staff to each <i>pourashava</i>	1 sub-assistant engineer and 4 work staff to each <i>pourashava</i>
Incremental staffing (10 assistant engineers and 10 sub-assistant engineers) at regional LGED offices to supervise the work of PIUs	10 assistant engineers and 10 sub-assistant engineers at regional LGED offices to supervise the work of PIUs	3 executive engineers, 4 assistant engineers and 8 sub-assistant engineers at regional LGED offices to supervise the work of PIUs
Incremental staffing at PMO	29 officers and 23 technical staff at PMO	18 officers and 12 technical staff at PMO

ADB= Asian Development Bank, Km = kilometer, m = meter, PIU = project implementation unit, PMO = project management office, UMSU = urban management support unit.

Source: Asian Development Bank.

**ALLOCATION AND/OR REALLOCATION AND ACTUAL DISBURSEMENT
OF ADB FINANCING BY CATEGORY**

(\$ million)						
Loan Category	Category Name	Bank Financing (%)		Original Bank Allocation	Revised Allocation (7 July 2008)	Actual Disbursement
		% FX	% LC			
01	Civil Works-Part A	27.00	39.00	43.00	44.13	37.88
02A	Microcredit-Part B	0.00	100.00	1.00	1.15	4.12
02B	Community Poverty Reduction-Part B	0.00	50.00	0.50	0.58	0.00
02C	Institutional Reform and Capacity Building-Part B	0.00	100.00	2.10	2.07	1.24
02D	Vehicle and Equipment-Part B	100.00	100.00	0.40	4.56	5.48
02E	Unallocated- Part B	100.00	100.00	0.40	0.00	6.35
03A	Consulting Services- Part C	100.00	100.00	7.80	6.74	8.09
03B	O & M - Part C	100.00	68.00	1.80	4.56	1.94
04	Interest During Construction	0.00	0.00	3.00	3.46	0.00
05	Unallocated	0.00	0.00	0.00	0.00	0.00
Total				60.00	67.25	65.10

FX = foreign exchange, LC = local currency, O&M = operation and maintenance.
Source: Asian Development Bank loans financial information system.

YEARLY DISBURSEMENT BY CATEGORY

(\$)

CAT	Year								Total
	2003	2004	2005	2006	2007	2008	2009	2010	
01	1,000,086.0	1,436,842.0	6,039,384.0	4,312,460.0	6,086,957.0	5,585,372.0	9,640,603.0	3,780,177.0	37,881,881.0
02A	0.0	0.0	440,330.0	253,624.0	437,276.0	581,263.0	2,010,604.0	394,964.0	4,118,061.0
02B	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
02C	0.0	133,723.0	259,733.0	140,321.0	187,572.0	104,362.0	271,114.0	139,940.0	1,236,765.0
02D	175,752.0	124,549.0	1,978,769.0	453,364.0	893,459.0	1,652,378.0	109,915.0	91,258.0	5,479,444.0
02E	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
03A	1,202,289.0	625,343.0	987,388.0	1,459,692.0	835,051.0	307,434.0	137,259.0	791,043.0	6,345,499.0
03B	1,621,873.0	17,910.0	865,178.0	1,283,517.0	733,809.0	1,524,445.0	1,330,830.0	718,889.0	8,096,451.0
04	0.0	30,182.0	66,501.0	156,281.0	255,449.0	373,526.0	465,322.0	593,406.0	1,940,667.0
05	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	4,000,000.0	2,368,549.0	10,637,283.0	8,059,259.0	9,429,573.0	10,128,780.0	13,965,647.0	6,509,677.0	65,098,768.0

CAT= Category.

IMPLEMENTATION SCHEDULE

Description	Q2	2003				2004				2005				2006				2007				2008				2009				2010			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Loan Preparation																																	
Loan Effectiveness																																	
Recruitment of Consultants																																	
Assignment of Project Staff (PMO, PIU, and UMSU)																																	
Preparation Report on Development Vision Pourashavas																																	
Phase 1																																	
Training, Preparation, and Implementation of UGIAP																																	
SPAR Phase 1																																	
Subproject Agreement																																	
Surveys, DED, and Contract Designs																																	
Bid Processing and Contract Awarding																																	
Physical Implementation and Supervision																																	
Land Acquisition for Phase 2 Physical Investments																																	
Performance Monitoring Phase 1																																	
Performance Evaluation for Phase 2																																	
Review Compliance with Entry Conditions ¹																																	
Phase 2																																	
Implementation of UGIAP (Phase 1 Pourashavas)																																	

Description	02	2003				2004				2005				2006				2007				2008				2009				2010			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Training, Preparation, and Implementation of UGIAP ^a																																	
Review Report Development Vision Pourashavas																																	
SPAR Phase 2 and Agreement																																	
Land Acquisition for Phase 3 Physical Investments																																	
Surveys, DED, and Contract Designs																																	
Bid Processing and Contract Awarding																																	
Physical Implementation and Supervision																																	
Performance Monitoring Phase 2																																	
Performance Evaluation for Phase 3																																	
Phase 3																																	
Implementation of UGIAP																																	
Review Report Development Vision Pourashavas																																	
SPAR Phase 3 and Agreement																																	
Surveys, DED, and Contract Designs																																	
Bid Processing and Contract Awarding																																	
Physical Implementation and Supervision																																	
Performance Monitoring Phase 3																																	

DED= detailed engineering design, SPAR=subproject appraisal report, UGIAP= Urban Governance Implementation Action Program

^a For pourashavas initially not selected

■ Appraisal
■ Actual

STATUS OF COMPLIANCE WITH MAJOR LOAN COVENANTS

SL No.	Covenant	Reference in Loan Agreement	Status of Compliance	Remarks
1	Municipal Development. The Borrower shall cause MLGRDC to establish CULG to guide the Borrower's long-term strategy for municipal development, including preparation of the draft National Urban Sector Policy, recommending reforms for the collection of holding taxes, and recommending amendments to the 1977 Pourashava Ordinance to reflect the need for improved and better urban management. The Borrower shall cause CULG to complete its responsibilities as described in its terms of reference within two years from the approval by Bank of the TA for Supporting Urban Governance Reform. The MLGRDC shall ensure that the recommendations of CULG are submitted for cabinet approval.	Schedule 5, para. 17	Complied with CULG was established and sustained	Complied with
2	The Borrower shall cause MLGRDC to set up PPRC within LGD by 31 December 2003. The PPRC shall require technical and secretarial support from UMSU, through its PEM, including the collection of relevant information and the preparation of the Draft Performance Evaluation Report. The PPRC shall consist of the secretary of LGD (as a Chairperson), chief engineer of LGED, director General of LGD, representatives from the Planning Commission and the ERD of the MOF, a representative from the IMED, a renowned urban governance specialist nominated by LGD, a Bank representative and director of UMSU as the	Schedule 5, para. 18	Complied with PPRC was established and was supported by UMSU	Complied with

	member secretary.			
3	<p>SUBPROJECT APPRAISAL PHASE-1</p> <p>The Pourashavas shall be responsible for the preparation of a Vision Paper outlining their needs and the development assistance required. In principle, these needs should be based on a strategic development vision, including a draft land use plan (prepared in a participatory manner).</p> <p>After completing the Vision Paper, each Pourashava, with the assistance of the PMO and the design consultants, shall prepare the SPAR for the Bank's review and approval. A SPAR shall be prepared for each phase, and shall describe (i) the visions for municipal development and a declared commitment to carry out the UGIAP; (ii) the Subproject need, rationale, scope, target beneficiaries and benefits, potential constraints, and mitigation measures; (iii) Subproject component locations, design standards, analysis of least-cost options, cost estimates, implementation arrangements and schedule, and procurement arrangements; (iv) environmental and social assessment (including a resettlement plan and/or indigenous peoples plan, if required under the applicable laws and regulations and the Bank's policies and guidelines; (v) financial and economic justification of the Subproject and its components; (vi) financing plan, together with financial sustainability analysis; and (vii) an implementation plan for UGIAP showing how the Pourashava shall achieve the performance targets under the</p>	Schedule 5, paras. 9-11	<p>Complied with</p> <p>Pourashavas prepared the subproject appraisal report based on needs and strategy</p>	Complied with

	<p>Project. The selection of the Subproject components shall be based on criteria agreed between the Borrower and the Bank. The SPAR shall include summary initial environmental examinations (or summary environmental impact assessments) and resettlement plans, if required under applicable laws and regulations and the Bank's environmental guidelines and Policy on Involuntary Resettlement.</p> <p>Following the Bank's approval, each Pourashava and the PMO shall prepare a subproject agreement to be signed by the Pourashava chairperson and the chief engineer of the LGED. A Subsidiary Loan Agreement shall also be signed by the Pourashava chairperson and the MOF, if the Subproject involves relending of loan proceeds from the Borrower to the Pourashavas. No funds shall be provided to a Pourashava under any phase until the subproject agreement and the Subsidiary Loan Agreement (if required), both satisfactory to the Bank, have been executed. Subproject implementation shall proceed under the PMO/PIU framework.</p>			
4	<p>SUBPROJECT APPRAISAL PHASE-2</p> <p>At the end of Phase 1, each Pourashava shall be evaluated by the Borrower and the Bank for its performance in achieving targets under UGIAP. If a Pourashava fails to meet any of the minimum performance targets specified in UGIAP, it shall not be allowed to proceed to Phase-2. Those Pourashavas that meet the minimum performance targets shall be further rated into two groups</p>	Schedule 5, paras. 12-13	<p>Complied with</p> <p>Pourasavas' performance on UGIAP was evaluated and the non-performing pourashavas were excluded from Phase-II</p>	Complied with

	<p>"fully satisfactory" (i.e., meeting all of the criteria for fully satisfactory performance under the UGIAP) and "partly satisfactory" (i.e., meeting only the minimum requirements). A "fully satisfactory" Pourashava shall be provided with a larger budget (up to 40 percent of the total investment requirement assessed during the Bank's project preparatory technical assistance for the Project) for Phase 2, while a "partly satisfactory" Pourashava shall be given a lower budget (up to 20 percent of the total investment required).</p> <p>Phase 2 shall be open to all pourashavas classified by the Borrower as category A or category B that have not been included under Phase 1 and are acceptable to the Borrower and the Bank. In the event a new pourashava applies for participation in phase 2, a team from the UMSU's PEM section shall visit to assess the situation in the pourashava and provide guidance on the selection procedure. Following the visit, the pourashava shall prepare a Vision Paper, which shall provide detailed information on the development assistance required and its qualification to meet the entry criteria. The request shall be submitted to the PPRC through the PEM section of UMSU for its review and decision. After approval by the PPRC, PMO shall then proceed with the preparation of the SPAR for Phase 2 of the Project covering up to 20 percent of the total investment demand assessed by PMO. With the approval of the SPAR by the Bank, the Pourashava shall follow the same procedures as described in paragraphs 10 and 11 of this Schedule for further</p>			
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	processing of the Subproject.			
5	<p>SUBPROJECT APPRAISAL PHASE-3</p> <p>Entry by a Pourashava into Phase 3 shall depend on the performance of the Pourashava in achieving the targets under UGIAP during Phase 2. Only those Pourashavas which maintain a "full satisfactory" rating during Phase 2, shall be eligible to proceed to Phase 3 to fully utilize the Loan proceeds and other resources under Part A of the Project. A Pourashava with a previous rating of "partly satisfactory" shall be eligible to continue under Phase 3 of the Project only if its performance has improved to the "fully satisfactory" level. No new pourashava shall be admitted under Phase 3. Eligible Pourashavas under Phase 3 shall prepare SPARs for the Bank's review and approval. With the approval of the SPAR by the Bank, the Pourashava shall follow the same procedures as described in paragraphs 10 and 11 of this Schedule for further processing of the Subproject.</p>	Schedule 5, para. 14	<p>Complied with</p> <p>Pourasavas' performance on UGIAP was evaluated and the non-performing pourashavas were excluded from Phase-III</p>	Complied with
6	<p>The Borrower shall cause LGED to adopt and fully carry out the Gender Action Plan (GAP) during the Project implementation period. The Borrower shall require the PMO to prepare field manuals for the GAP and conduct training for the PMO and PIU staff. The implementation of the GAP shall be closely monitored and the progress shall be reported in the quarterly reports to the Bank.</p>	Schedule 5, para. 15	<p>Complied with</p> <p>LGED adopted and implemented GAP satisfactorily</p>	Complied with
7	<p>The Borrower shall ensure that each Pourashava completes the preparatory work for land acquisition prior to its submission of a SPAR for each phase. Actual land acquisition shall be completed within 180 days from the</p>	Schedule 5, para. 16	<p>Complied with</p> <p>Each pourashavas prepared SPAR on time</p>	Complied with

	signing of the subproject agreement for each phase; otherwise, the component shall be removed from the SPAR. If any involuntary resettlement of residents is required for land acquisition, a resettlement plan prepared in accordance with applicable laws and regulations and the Bank's Policy on Involuntary Resettlement and the Land Acquisition and Resettlement Framework.			
8	The Borrower shall require the Pourashavas in the Chittagong Hill Tracks to implement the Indigenous Peoples Framework.	Schedule 5, para. 19	Complied with Pourashavas in CHT (Rangamati) prepared indigenous people's framework.	Complied with
9	The Borrower shall establish immediately after the Effective Date, an imprest account at Bangladesh Bank. The imprest account shall be established, managed, replenished and liquidated in accordance with the Bank's "Loan Disbursement Handbook" dated January 2001, as amended from time to time, and detailed arrangements agreed upon between the Borrower and the Bank. The initial amount to be deposited into the imprest account shall not exceed the equivalent of the estimated Bank-financed expenditures for the first six months of Project implementation	Schedule 3, para. 15(a)	Complied with LGED established Imprest account on time	Complied with
10	The Borrower shall (i) maintain, or cause to be maintained, separate accounts for the Project; (ii) have such accounts and related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to the Bank; (iii) furnish to the Bank, as soon as available but in any event not later than nine	Article IV, Section 4.06 (b)	Complied with LGED established project account on time	Complied with

	(9) months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the Loan proceeds and compliance with the covenants of this Loan Agreement as well as on the use of the procedures for imprest account/statement of expenditures), all in the English language; and (iv) furnish to the Bank such other information concerning such accounts and financial statements and the audit thereof as the Bank shall from time to time reasonably request.			
11	Without limiting the generality of Section 4.02 of this Loan Agreement, the Borrower shall cause the Pourashavas to make available, promptly as needed, the funds, facilities, services, and other resources which are required for the operation and maintenance of the Project facilities in their respective jurisdictions.	Schedule 5, para. 20	Being complied with	Being complied with and monitored under the follow up project, UGIIP II
12	Established, Staffed, and Operating PMU/PIU The Executing Agency of the Project shall be LGED, under the overall supervision of LGD. An inter-ministerial steering committee chaired by the secretary of LGD shall be established to oversee the Project, and shall consist of senior-level representatives from LGD, LGED, the Planning Commission, the Economics Relations Division and the Finance Division of the Ministry of Finance, the Implementation Monitoring and Evaluation Division of the Ministry of Planning, National	Schedule 5, para. 1	Complied with The steering committee was established on time	Complied with

	Institute for Local Government, Department of Public Health Engineering, Ministry of Women and Children Affairs, and representatives of the Pourashavas. The steering committee shall be established, and hold its first meeting, within three months of the Effective Date of the Project. The steering committee shall meet at least once every six months to review the progress of the Project and guide the future direction.			
13	Fielding of Consultants The services of consultants shall be utilized in the carrying out of the Project, particularly with regard to: (i) Project implementation (PMO/PIU) comprising: (a) management, design and supervision; (b) monitoring and evaluation; and (c) urban governance-related issues including facilitation to enhance community participation; and (ii) capacity building (UMSU) comprising: (a) performance evaluation and monitoring; and (b) governance program development. The terms of reference of the consultants shall be as determined by agreement between the Bank and LGED.	Schedule 4, para. 1	Complied with All five groups of consultants were recruited and fielded	Complied with
14	LGED shall set up a project management office (PMO), led by a full-time project director (PD) at the level of a superintending engineer. The PD of the Project shall be charged exclusively with the execution of the Project and shall have no other duties within the urban sector wing of LGED. The PD supported by PMO shall coordinate all activities under the Project, and shall be directly responsible for overall project implementation, monitoring and supervision under the guidance of the director in	Schedule 5, para. 2	Complied with The PMO was established and PD was designated on time	Complied with

	charge of urban management wing of LGED (at the rank of additional chief engineer or superintending engineer) who reports to chief engineer.			
15	The PMO shall (i) prepare the overall Project implementation plan and consolidated annual work plan, (ii) assist the Pourashavas in implementing the UGIAP, (iii) assist Pourashavas in preparing feasibility studies and SPARs, (iv) monitor and supervise all Project management activities, (v) organize monitoring and evaluation activities, (vi) ensure the satisfactory implementation of the GAP and other activities under the summary poverty reduction and social strategy; and (vii) prepare necessary progress reports and the Project completion report. The PD shall be supported by two deputy project directors (DPDs), one each for (i) technical, engineering, and supervision; and (ii) environment, sanitation and slum improvement (ESSI). The PMO shall be properly staffed and assisted by consultants with expertise in engineering, finance and accounting, social and gender development, and urban management. In particular, the staffing requirements shall reflect the need to accommodate the tasks related to urban governance, and social and gender development.	Schedule 5, para. 3	Complied with The PMO carried out all tasks and responsibilities satisfactorily	Complied with
16	In each Pourashava, a PIU shall be established as soon as the respective Pourashava enters into a subproject agreement with LGED. The PIU shall be headed by the Pourashava chairperson and shall comprise three sections (i) infrastructure improvement section; (ii) environment, sanitation and slum improvement section; and (iii)	Schedule 5, para. 4	Complied with PIUs were established and staffed in each pourashavas as required	Complied with

	<p>urban governance improvement section. The chairperson shall be assisted by the Pourashava CEO for day-to-day operations of the Subproject. The PIU shall be located within the Pourashava office and be responsible for (i) preparation of an annual development program for the respective Pourashava; (ii) preparation of Subproject component proposals; (iii) tendering of works and services; (iv) implementation of construction works; (v) implementation of GAP, UGIAP, and a resettlement plan in accordance with the LandAcquisition and Resettlement Framework, if required; and (vi) accounting for expenditures. Training of PIU staff shall be organized at the commencement of Project implementation for civil works, slum improvement, sanitation, and regular administrative responsibilities.</p>			
17	<p>The infrastructure improvement section shall be responsible for the implementation of all physical infrastructure works and headed by the head of the engineering department of the concerned Pourashava. The environment, sanitation and slum improvement section shall undertake all environmental and slum improvement activities and shall be headed by the Health Officer of the Pourashava. Additional technical staff shall be deputed from LGED in order to support the municipal engineer and the health officer. The number of the LGED technical staff deputed to PIU (at the level of Sub-assistant engineer and Work Assistant) shall depend on the size of the Pourashava and the workload of the Subproject. For close</p>	Schedule 5, para. 5	<p>Complied with</p> <p>The infrastructure improvement sections in each PIUs performed their tasks satisfactorily</p>	Complied with

	supervision of all physical works including environmental activities, the regional superintending engineer of LGED shall be empowered to carry out regular supervision, monitoring, and reporting of all project implementation activities to PMO and director in charge of the urban management wing. The offices of the regional LGED superintending engineer shall be strengthened by two additional staff (one assistant engineer and one sub-assistant engineer). The quality of construction materials shall be ensured with the help of LGED's district laboratory (or other qualified institution).			
18	The urban governance improvement section, headed by the secretary of the Pourashava, shall be responsible for the implementation of the UGIAP. A group of facilitators (as individual consultants) shall be engaged to provide the necessary technical support and hands-on training at the local level. In addition, PMO shall make necessary provisions to meet the budget requirements of the Pourashavas in supporting the activities under UGIAP.	Schedule 5, para. 6	Complied with The urban governance improvement section of each PIUs implemented the UGIAP satisfactorily	Complied with
19	Each PIU shall have an accounting section, directly under the Pourashava chairperson, to deal with the procedural aspects and the recording of the financial transactions and preparation of liquidation statements and replenishment requests to the PMO.	Schedule 5, para. 7	Complied with Each pourashava had an accounting unit under the pourashava chairperson	Complied with
20	The national UMSU in Dhaka shall be headed by a full-time director at the level of additional chief engineer or superintending engineer assisted by three deputy	Schedule 5, para. 8	Complied with The UMSU was staffed and carried out its tasks satisfactorily	Complied with

	<p>directors, one each for (i) Governance Program Development (GPD); (ii) General Administration and Training Coordination; and (iii) Database Development and Performance Evaluation and Monitoring (PEM). The GPD section shall be responsible for developing tailor-made capacity building programs related to the implementation of UGIAP. The GPD shall also develop orientation programs on the objectives, approach, and entry requirements of the Project and arrange training of trainers. The General Administration and Training Coordination section shall be responsible for general administration (including the budget and staffing requirements of the UMSU) and shall also assume responsibility for coordinating training programs and modules to be conducted by the ten regional UMSUs. The regional UMSUs shall be established at the offices of the regional superintending engineer. Incremental staff and operational budget shall be provided to the regional offices of LGED to organize and conduct trainings for the Pourashavas within their respective jurisdictions. Finally, the PEM section shall be responsible for monitoring and evaluation of the performance of the Pourashavas in achieving the targets in UGIAP. The PEM shall also serve as the secretariat for the PPRC. The PEM shall also prepare an annual ranking of the performance of all pourashavas in the territory of the Borrower and disseminate the results to the general public through national media, own publications and web site. For this purpose, the PEM</p>			
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	shall set up and maintain a database for municipal performance and design a scoring system for performance measurement.			
21	The Borrower shall furnish, or cause to be furnished, to the Bank quarterly reports on the carrying out of the Project and on the operation and management of the Project facilities. Such reports shall be submitted in such form and in such detail and within such a period as the Bank shall reasonably request, and shall indicate, among other things, progress made and problems encountered during the quarter under review, steps taken or proposed to be taken to remedy these problems, and proposed program of activities and expected progress during the following quarter.	Section 4.07(b)	Complied with The borrower submitted Quarterly reports to ADB regularly	Complied with
22	Promptly after physical completion of the Project, but in any event not later than three (3) months thereafter or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, in such form and in such detail as the Bank shall reasonably request, on the execution and initial operation of the Project, including its cost, the performance by the Borrower of its obligations under this Loan Agreement and the accomplishment of the purposes of the Loan.	Section 4.07(c)	Complied with The borrower submitted project completion report	Delayed compliance
23	Monitoring and Evaluation. To ensure that Project activities and facilities are managed efficiently and that the benefits reach the target groups, a monitoring and evaluation (ME) program shall be included within the framework of the Bank's Project	Schedule 5, para. 21	Complied with LGED prepared the Benefit monitoring and evaluation (BME) report submitted to ADB in time	

	<p>Performance Management System (PPMS). PPMS activities shall be conducted periodically to gather information through multiple sources to determine whether the input deliveries for implementing project activities have rendered expected benefits to the intended beneficiaries. The PPMS shall also detect any deficiency and discrepancy between the plan and the execution of the Project in using the resources efficiently so that timely corrections can be made to update the Project and thus improve the benefits, outcomes, and impact. The PMO shall conduct initial baseline physical and socioeconomic surveys and submit a detailed implementation plan for monitoring performance and for preparing benchmark information for the Bank's review and concurrence within six months of the Effective Date. Thereafter, PMO shall submit annual ME reports to the Bank throughout the implementation of the Project.</p>			
24	<p>Project Review. Because of the large number of Pourashavas and components to be covered under the Project, Project implementation reviews shall be conducted by the Bank at least two times a year, and a formal midterm review shall also be carried out jointly by the Borrower and the Bank. The Project implementation reviews shall include a review of the Pourashava's financial performance and staffing, the implementation of the UGIAP and GAP, physical progress on Project implementation, and capacity building activities.</p>	Schedule 5, para. 22	<p>Complied with</p> <p>ADB fielded one inception mission, nine project review missions, one mid-term review mission and one special project administration mission</p>	Complied with

25	The midterm review shall allow the Borrower and Bank to monitor the Project closely and to make appropriate adjustments in the Project design and implementation arrangements, if necessary. The midterm review shall be conducted at the end of Phase 1 or in the middle of the Project implementation period.	Schedule 5, para. 22	Complied with The mid-term review mission was fielded in July-August 2006 and its outputs were incorporated in the project implementation plan	Complied with
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TECHNICAL ASSISTANCE COMPLETION REPORT

Division: Bangladesh Resident Mission

TA No., Country and Name TA 4003-BAN: Supporting Urban Governance Reform			Amount Approved: \$400,000	
			Revised Amount: Not revised	
Executing Agency: Local Government Division, Ministry of Local Government, Rural Development and Cooperatives		Source of Funding: TASF	Amount Undisbursed: \$227,743.93	Amount Utilized: \$172,256.07
Date Approval 28 November 2002 Signing 13 August 2003 Fielding of First Consultant(s): 01 July 2004 - first 05 September 2005 - last			TA Completion Date Original: 30 November 2004 Actual: 31 August 2006 Account Closing Date Original: 30 November 2004 Actual: 19 September 2006	
Description Rapid urbanization and population growth in Bangladesh have caused vastly increased demand for urban infrastructure and municipal services. The capabilities of urban local bodies to provide urban services and maintain healthy urban environment have not grown in tandem with the pace of urbanization. In particular, their institutional capacity to plan and manage provision of urban services in an efficient and accountable manner, availability of resources to render the services, the legal and regulatory regimes and the level of autonomy in making decisions have been inadequate. Urbanization has played a major role in Bangladesh's strong growth performance and a well planned and decentralized urbanization has considerable poverty reducing potential. However, unplanned urbanization, through creating pressure on basic urban services, ultimately limits the growth potential of the economy. Planned urban development with particular focus on adequate provision of urban municipal services is essential to improve the quality of life in the urban areas and for exploiting the growth potential of the urban areas in a sustainable manner. In policy discussions with the Government, the need for managing the urbanization process in a balanced and coordinated manner and strengthening urban local governments to address the growing needs for urban municipal services was confirmed. As a sequel to these discussions, the Government decided to set up a committee on urban local governments (CULG) to consider strengthening urban local bodies and help them cope with the rapid pace of urbanization and Asian Development Bank (ADB) provided the TA to support the activities of the committee in the following four key policy issues, which were identified jointly with the Government: (i) Prepare the National Urban Sector Policy for cabinet approval containing recommendations, amongst others, on the approach to be followed in the process and pattern of urbanization in Bangladesh; identify the nature of existing urban problems; and analyze the reasons underlying the inability of city corporations and pourashavas (municipalities) to provide essential services to city dwellers. (ii) Review the existing holding tax system in the country and suggest reforms for improving collection of holding taxes from public and private sector entities. (iii) Make recommendations for the amendment of Pourashava Ordinance 1977 to reflect the needs for improved local governance and better urban management. (iv) Review the Government's long-term strategy for municipal development and make recommendations for a master plan for future development of these key urban centers.				
Expected Impact, Outcome and Outputs Impact: Planned urbanization, efficient and accountable municipal management and satisfactory municipal service delivery. Outcome: Approval by the Government of the National Urban Sector Policy; Amendments to Pourashava Ordinance 1977; Revision of holding tax rules and schedules and preparation of the Master Plan for municipal development. Outputs: Reports on National Urban Sector Policy and Review of Pourashava Ordinance; Report on Holding Tax Review and Reform; Report on Upazilla Town Master Plan Package and workshops to discuss the findings of the reports. The TA was designed with clear focus on the four policy issues, and the terms of reference (TORs) for consultants were consistent with TA scope. Based on the outline TORs in the TA Report (Appendix 12 of the RRP on the Urban Governance and infrastructure Improvement Project), detailed TORs were prepared to achieve the objectives of the TA. The executing arrangements and implementation schedule were appropriate.				

Delivery of Inputs and Conduct of Activities

Six domestic consultants involving 34 person-months of consultancy services worked in a team on the first three issues listed above, with one consultant each working specifically on holding tax and amendment of Pourashava Ordinance. The consultants were recruited individually, with a firm supplying two individual consultants. The recruitment of consultants was done cost-effectively and the consultants' inputs were of high quality. The performance evaluation reports (PER) for three consultants were accomplished on 18 February 2005 and for the remaining three on 29 May 2005. The performance of the consultants was satisfactory. The EA and other stakeholders were satisfied with the quality of work done by the consultants and other inputs provided under the TA. Three workshops were held to share the work-in-progress and the draft reports. Government officials and policy makers, urban sector experts, and civil society and local government representatives participated in the workshops. The performance of ADB and the EA was satisfactory.

For the review of the Government's long-term strategy for municipal development (the fourth issue listed above), the TA had provisions for 4 person-months of international consultancy although even after a prolonged search, it was not possible to identify and recruit any international staff for the assignment. At the executing agency (EA)'s request, in place of the international consultant, ADB processed the engagement of a domestic consultant for 3 months through minor change in TA scope but with the same TORs. The consultant's PER was accomplished on 28 September 2006 and his performance was satisfactory.

The Local Government Engineering Department as the Implementing Agency (IA) provided a fully-furnished office with telephones to the consultants. Required counterpart manpower was also provided by the IA. The TA received strong support from senior IA staff. Although the CULG, a high-powered body headed by the Minister for Local Government, Rural Development and Cooperatives, was set up before fielding the consultants, it was the consultants (in place of the CULG), who conducted the dialogues with the stakeholders. The CULG set up four sub-committees comprising policy makers, experts and local stakeholders to review consultants' report and make recommendations, with the consultant team leader co-opted into the sub-committees. Three sub-committees have submitted their recommendations and the fourth is close to finalizing the recommendations.

The TA however was able to utilize less than 50% of the budgeted amount due to a number of reasons. Money was saved due to the deployment of the domestic consultant for review of the Government's long-term strategy for municipal development, in lieu of the international consultant. The domestic consultant satisfactorily delivered the expected output. In addition, with the consultants performing most of the dialogues and meetings instead of the CULG, no additional expenses were incurred for these activities. Thus, there were savings on account of surveys, meetings and honorariums budgeted for utilization by CULG. Expenses for subcommittees formed under CULG were not also charged to the TA.

Evaluation of Outputs and Achievement of Outcome

The reports were generated through sound team-work and efficient planning and at reasonable costs. The reports were of good quality and the Government, other agencies and stakeholders were satisfied with the reports. The reports were consistent with the TORs. Recommendations received at the workshops were incorporated in the reports, as appropriate. Delivery of outputs was delayed as the consultant recruitment could not be done before setting up the CULG, which took time and there was also delay in submission of reports. On the basis of the recommendations of the four subcommittees, the CULG will prepare draft policies for cabinet approval leading to adoption of policies by the Government and amendment of laws in the Parliament.

Overall Assessment and Rating

The TA can be rated as successful. For sustaining the work done, it will be essential for the Government to implement the recommendations with appropriate adoption of policies and amendment of laws and procedures. The IA, being well-known as a high-performing agency, is expected to implement, on its own, recommendations of operational nature (not requiring legal or policy coverage) for local bodies' capacity building and better urban service delivery.

Major Lessons

The achievements under the TA depended on the excellent team-work under the committed leadership of the team-leader and the good working environment provided by the IA. The existing work-culture and the available general institutional capacity of the IA also allowed it to provide the needed support to the TA.

Recommendations and Follow-Up Actions

ADB needs to continue following up with the EA to ensure that the significant work done under the TA leads to early adoption of the national urban sector strategy, reforms of the holding tax systems, appropriate amendments in the Pourashava Ordinance and preparation of the Master Plan for municipal development. To this effect, review of progress made in implementing the legal and institutional reforms recommended under the TA has been included in the TA scope for the proposed PPTA for the Second Urban Governance and Infrastructure Improvement (Sector) Project. The PPTA will also utilize the TA reports on National Urban Sector Policy and amendment of the Pourashava Ordinance 1977, for preparing policy recommendations for improved local governance and better urban management.

Prepared by	Mohammad Z. Hossain	Designation	Senior Economics Officer
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DETAILS OF CONSULTING SERVICES

Component	Appraisal Estimate (person-months)	Actual (person-months)
1. Management, Design and Supervision Consultants		
(i) International consultant	48.00	39.19
(ii) National consultant	2,437.00	2,039.00
2. Monitoring and Evaluation Consultants		
(i) International consultant	0.00	0.00
(ii) National consultant	246.00	181.46
3. Facilitators		
(i) International consultant	0.00	0.00
(ii) National consultant	880.00	1,363.50
4. Performance Evaluation and Monitoring Consultant		
(i) International consultant	0.00	0.00
(ii) National consultant	276.00	186.00
5. Governance Program Development Consultant		
(i) International consultant	11.00	10.72
(ii) National consultant	108.00	84.53
Total		
1. International consultant	59.00	49.91
2. National consultant	3,947.00	3,854.49

Sources: ADB. 2002. *Report and Recommendations of the President to the Board of Directors on a Proposed Loan and Technical Assistance Grant to the People's Republic of Bangladesh for the Urban Governance and Infrastructure Improvement (Sector) Project*. Manila (Loan 1947-BAN[SF]); executing agency project completion reports; and findings of the project completion review mission.

GENDER ACTION PLAN ACTIVITY STATUS REPORT

I. INTRODUCTION

1. **Background of Review Mission.** The project completion review mission carried out in February 2012 reviewed implementation of the Urban Governance and Infrastructure Improvement (Sector) Project and the Gender Action Plan (GAP).¹ The mission consulted with *pourashava* council, members of the Town Level Coordination Committee (TLCC), members of community-based organizations, and male and female community members. The mission also consulted the staff of executing agency and reviewed project reports and documents.

2. The project impact was sustained improvement in the urban environment and quality of life, and the project outcome expanded access to and usage of urban infrastructure and services and improvement in urban governance.

3. The project consisted of three components: (i) urban infrastructure improvement, (ii) urban governance improvement, and (iii) capacity building and implementation assistance. The project was the first of its kind in Bangladesh to adopt a performance-based allocation of funds to provide incentives to enact governance reforms. Performance criteria covered five areas of urban governance: (i) citizen's awareness and participation; (ii) women's participation; (iii) integration of the urban poor; (iv) financial accountability and sustainability; and (v) administrative transparency. Investment funds were disbursed based on performance in these five areas and were used to improve municipal infrastructure and basic services in slums.

4. A total of 22 *pourashavas* were initially selected during phase I; three were dropped during the evaluation based on their performance in the Urban Governance Improvement Action Program (UGIAP), and new *pourashavas* were included. A total of 27 *pourashavas* ultimately continued with the project.

5. **Gender Action Plan Features:** A project-wide GAP was developed that mainstreamed gender design features across the three project components, in a manner consistent with the UGIAP criteria. Women were considered in their roles as (i) staff and change agents in the Project Management Office (PMO), *pourashavas* and nongovernment organizations; (ii) public representatives as ward counselors; and (iii) citizens of urban areas. The key elements of the GAP included: (i) ensuring women's representation and participation in local governance processes through specific provisions in Town Level Coordination Committees (TLCCs), Ward Level Coordination Committees (WLCCs), and Gender and Environment Committees; (ii) proactive involvement of women in urban planning; (iii) improved service delivery leadership in Slum Improvement Committees; (iv) gender-responsive infrastructure design and development in *pourashavas* and slum areas; (v) building the capacity of councilors and local government committees to better respond to the needs of women in communities; (vi) providing economic and socioeconomic services to poor communities; and (vii) promoting the role of women and institutionalizing processes for gender mainstreaming in project management.

6. Each *pourashava* also developed, implemented and reported against their own tailored GAP, which is consistent with the overall project GAP. Under the women's participation performance criteria the elements were (i) delineation of responsibilities of Female Ward

¹ ADB. 2002. *Report and Recommendations 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 (Loan 1947-BAN[SF]).

Commissioners (FWCs) in each *pourashava* by the Municipal Council; (ii) formation of Gender and Environment Subcommittees, headed by an FWC; (iii) organization of semi-annual rallies on the project and social and gender development at the ward level involving women; (iv) introduction of a monitoring and report system on GAP by the PMO; and (v) participation of FWCs in *pourashava* committees were mandatory eligibility requirements for entering phase 2 of the project.

II. ASSESSMENT OF GENDER-RELATED RESULTS FROM THE GENDER ACTION PLAN

7. **Practical Gender Benefits.** The project delivered practical benefits to women through the provision of gender-friendly infrastructure improvements and creation of employment opportunities in infrastructure, as well as through microfinance facilities in the slum areas.

8. Implementation of the construction and improvement of roads and drains generated 375,455 person-days of direct employment for women during July 2006 to December 2007, while construction of roads generated about 30,000 person-days of indirect employment for women. Women accounted for about a third of total employment generated from implementation of these subcomponents; this participation rate shows that urban physical infrastructure improvements can create substantial employment opportunities for women.

9. The wellbeing and safety of women and their families was addressed through establishment of (i) separate public toilets and increased tube wells in convenient locations, better footpaths and drainage, and new street lighting in slums; (ii) separate toilets and market spaces allocated for women's businesses in markets; (iii) separate toilets, ticket counters, restrooms and security in bus stations; and (iv) education and health services in slum areas.

10. The PMO issued guidelines and instructions on addressing women's needs in infrastructure. Women's participation in civil works maintenance was ensured in tube wells and public toilets (100% for tube wells and 50% for public toilets). A process to ensure gender-responsive infrastructure design and core labor standards has been institutionalized.

11. Women gained access to employment through project-supported self-employment generation, and Tk 211.54 million was distributed as microcredit to 24,900 urban poor women; this included distribution of subsequent credit. The beneficiaries raised savings deposits of Tk 30.51 million, which provided Tk 14.47 million of microcredit for 1974 poor women, thereby generating additional self-employment opportunities. BME data (FY 2006-2007) revealed that over half the female credit recipients (52.5%) ran small businesses, including grocery shops, followed by 24.7% in poultry and cattle rearing and 17.53% in small-scale enterprises.

12. Women received access to information and communication materials on issues relevant to their daily lives and living environment (e.g. sanitation, hygiene, waste management, tax collection, dowry, and early marriage) through 1,229 courtyard meetings. The meetings were a forum for women to share experiences on common issues of concern and raise these with local officials, through their respective female ward commissioners and WLCCs. Women received legitimate space to be represented and heard in governance processes through use of quotas in slum improvement committees.

13. Women were also recruited as *pourashava* staff members, with 268 women recruited in 28 project *pourashavas*.

14. **Strategic Gender Benefits.** Women's strategic interests were served and an empowerment process began with the implementation of the project, which created opportunities for participation in various committees and forums. The project introduced TLCCs and WLCCs in project *pourashavas*, with female representation as called for by the UGIAP and GAP design (women's participation was ensured as a condition under the UGIAP). Women made up 34% of TLCC members and 40% of the standing committee representatives. This provided women the opportunity to voice needs, issues and concerns and to participate in ward- and *pourashava*-level priority setting. Across all *pourashavas* women constituted 41% of WLCC members.

15. At the community level 1,540 primary groups were formed, with representation by women from poor households; women served as chair or vice-chair, which provided them the opportunity to raise issues and voice their needs. Women were involved in project implementation through provision of inputs for informed decision making. Women's awareness was raised and women led awareness-building of community women through campaigns and 489 ward-based and 62 central-level rallies that highlighted gender-related issues and social problems, as well as their responsibilities in accessing *pourashava* services.

16. Women councilors indicated that being given priority and space enabled their voices to be heard, and gave them the ability to command respect from their male peers, even if economic benefits are not forthcoming. Observations indicate that women are demonstrating confidence in speaking and expressing their opinions and needs in a range of public forums. Interventions from women at TLCC meetings added significant value in terms of the quality of discussion and analytical issues raised. Hence, UGIIP II is in effect having a transformative impact upon gender relations at the household and *pourashava* level.

17. Additionally a network of female ward councilors was formed under the project to highlight concerns, exchange experiences and develop solidarity.

18. **Control Over Resources and Changes in Livelihoods.** The project has generated resources that directly reach women, such as income through wage and self-employment. Microfinance opportunities provided access to capital. BME data (February 2010) showed that household income per microcredit recipient was increased by an average of Tk2,616 (from Tk2,976 to Tk5,592). Slum residents also gained influence over the location of their water supply, sanitation infrastructure and management and maintenance of resources.

19. The project has indirectly enabled women to increase their influence over the use of local government resources, through their roles as female councilors on gender committees, as members of WLCCs and TLCCs, and as facilitators that access the budget for GAP implementation at *pourashava* level and below. Women also gained familiarity with *pourashava* services.

20. Although women gained employment from project-related construction, the impact that this may have on decision-making power within families regarding expenditure of household budgets is not known.

III. OTHER FACTORS

21. **Allocation of Project Resources for Gender Action Plan Implementation.** The Urban Management Support Unit (UMSU) established under the project included a full-time gender specialist to provide orientation on gender to all *pourashavas*. The field-level facilitator team included a social and gender development expert for 3 years to support GAP implementation. Resource allocations for GAP implementation were ensured by establishing GAP and UGIAP performance criteria. All participating *pourashavas* allocated between 2.5% of their revenue budget for this purpose. The PMO prepared a GAP field manual and conducted training for PMO and Project Implementation Unit staff. Training was imparted to PPMO and *pourashava* staff and counselors on GAP implementation and monitoring.

22. **Monitoring and Reporting on Gender Action Plan Implementation.** Efforts were made by the PMO to systematize GAP monitoring and reporting. An inter-ministerial steering committee chaired by the LGD secretary was established to oversee the project and consisted of a senior-level representative from Ministry of Women and Children Affairs, among others. GAP monitoring and reporting formats were introduced and provision of sex-disaggregated monitoring data for tracking GAP progress was ensured.

23. **Factors Affecting Progress with Gender Action Plan Implementation.** GAP implementation was supported by a number of factors, including:

- (i) support from project management in implementation of GAP and allocation of resources;
- (ii) improved capacity of the project team and the *pourashavas* for gender mainstreaming, through incorporation of consultation and capacity building mechanisms;
- (iii) incorporation of gender issues within overall project activities and the incentive mechanism; and
- (iv) integration of gender dimensions across project implementation guidelines and tools for use by *pourashavas*, and provision of facilitator support.

24. **Constraints Encountered in Gender Action Plan Implementation.** Although GAP implementation went well, challenges included:

- (i) motivation of councilors was initially insufficient to hold effective monthly meetings, but improved over time;
- (ii) mayors had varied levels of understanding and commitment to GAP implementation;
- (iii) the need to strengthen accountability mechanisms for responding to gender issues between communities, gender committees, and in *pourashavas* was initially difficult and time consuming;
- (iv) there was a tendency to consider the GAP as being limited to women's participation at *pourashava* level, rather than as an integral part of the project, with the participation of women as an enabling process that contributes to achievement of project objectives. At times the tendency was to sideline gender issues from core activities;
- (v) gender committees, FWCs and project staff had limited capacity to understand their roles and responsibilities, including in relation to GAP implementation (the project took steps to clarify this);
- (vi) community facilitators had varied capacity to respond to new issues;

- (vii) difficulties were faced in preparing proper quarterly qualitative GAP reports and in using the proper monitoring format;
- (viii) it was initially difficult for female members to express their opinions, but this was overcome by providing orientation and direction to municipalities and female TLCC members;
- (ix) gender mainstreaming is a long-term process, and was hampered by discontinuation of facilitator support;
- (x) although numerical targets for women's participation have been met, challenges remain in ensuring women's participation continues, and improves in terms of effectiveness.

25. **Contribution of the Gender Action Plan and Gender Results to the Overall Project Results.** The GAP was an integral part of the project, and project activities were aligned with project components and complementary to UGIAP; GAP targets for women's participation were largely met and contributed towards achievement of overall project results. Citizen's participation was central to the success of the urban governance component, and ensured development was participatory. In addition, GAP requirements for the gender-responsive design of urban infrastructure and involvement of women in construction and ongoing maintenance helped ensure that investments were appropriately tailored to the needs of beneficiaries, and helped women benefit from infrastructure. The involvement of women in service delivery helped ensure that services better meet the needs of users. Women's participation was a performance-based criterion, and the GAP is an essential tool for *pourashavas* in meeting the requirements relating to investment fund access.

26. **Sustainability.** The most important achievement of the project was legalization of project provisions relating to women's participation in *pourashava* governance under UGIAP. An associated technical assistance project supported the Local Government Division while drafting the Pourashava Ordinance 2008, with provisions addressing women's participation included in the ordinance. The elected government then enacted the Pourashava Act 2009, forming a 50-member committee to consult with citizens in line with the TLCC. Subsequently, the Local Government Division issued a circular requiring that a third of the members be women.

27. The Pourashava Act 2009 also includes provision regarding formation of 10-member ward committees in each ward, with 40% of the members to be women. This now applies to all municipalities in the country, and has created an opportunity effective participation by women in municipal local governance and urban development.

28. The project has successfully blended development of urban physical infrastructure with governance improvement and capacity development of the *pourashavas*. Local-level planning was adopted in implementing the project, and citizens (and women in particular) played a major role. Participatory implementation increases sustainability, and the government acknowledged the merit of such participation by incorporating citizen's participation in the Pourashava Act 2009.

29. The project *pourashavas* have developed an awareness of the issues raised under the project and continue practices developed under UGIAP, GAP and PRAP. Tax collection and billing systems have improved, providing more resources for *pourashavas*. The landslide election victory of the first female mayor in Narayanganj is evidence of substantial support from female slum dwellers and others who were involved in various *pourashava*-related activities under the UGIAP.

Progress at Completion by Component

Activities, Indicators and Targets	Progress at Completion (December 2010)
<p>Component A: Urban Infrastructure Improvement</p> <p>Ensure women and men participate equally in planning and decision making</p> <p>Ensure infrastructure designs address women's needs</p> <p>Require contractors (through bidding documents) to align with core labor standards, including equal pay</p> <p>Orient contractors on core labor standards, including OHS, separate toilets and safe drinking water</p> <p>Train women on the use, operation & maintenance of community infrastructure</p> <p>Establish a monitoring system that can track and report the impact of the project on women and the implementation of core labor standards</p> <p>Include women equally in planning</p> <p>Ensure all service delivery mechanisms have participation of women, consider their needs and involve them in delivery & maintenance</p> <p>Involve women in planning, implementing & managing basic services for urban poor under the Poverty Reduction Action Program (PRAP).</p>	<p>All <i>pourashavas</i> delineated the responsibilities of female ward councilors (FWCs) and provided for their participation in the <i>pourashava's</i> committees. LGD included one FWC in the tender evaluation committee. Women have been significantly involved in consultation about <i>pourashava</i> development plans (PDPs) through TLCC, FWCs and <i>pourashava</i> visioning at the community level. The PDPs are approved by the TLCCs, which include 33% women.</p> <p>The project has an established mechanism to ensure that women will benefit directly and significantly from improved urban infrastructure (e.g. separate toilets and space allotment in markets; separate toilets, ticket counters, restrooms and female police officers in bus stations; more tube wells in convenient locations; separate public toilets, better footpaths and drainage, and new street lighting in slums). The PMO issued infrastructure guidelines and formal instructions requiring women's specific needs be given consideration.</p> <p>Women gained employment from infrastructure construction. Bidding documents and construction contracts and orientation include provisions for a 20% female employment target. Equal wage for equal work, facilities for women laborers (e.g. drinking water, separate toilets).</p> <p>Women were generally involved in maintenance, including training for maintenance. Formal instructions were given to all <i>pourashavas</i> to include specific targets for women's involvement in maintenance of specific types of infrastructure (e.g. 100% for tube wells, 50% for public toilets). This was complied with. Monitoring system for tracking and reporting on the project's impact on women and core labor standards was developed and distributed to all PIUs.</p> <p>GAP monitoring training has been conducted at the central level, including 54 representatives from all 27 <i>pourashavas</i> and 4 regional coordinators (57 men and 12 women). Orientation included guidance on measuring reduced gender wage inequality (target of 20%).</p> <p>Women have been significantly involved in consultations about slum development and PRAPs.</p> <p>1,540 primary groups composed entirely of poor women have been formed for 24,900 families in slum areas to determine their needs.</p> <p>231 slum improvement committees have been formed, with women serving as the chairperson or vice chairperson.</p>

Activities, Indicators and Targets	Progress at Completion (December 2010)
Conduct awareness-raising for women, and involve women as catalysts	Women received awareness-raising information regarding issues raised through 1,229 courtyard meetings include UGIAP (e.g. waste management, taxes, utilities), health and hygiene, prevention of child marriage, and oppression against women.
<p>Component B: Urban Governance Improvement</p> <p>Form <i>pourashava</i> gender committees led by an FWC.</p> <p>Form WLCCs and TLCCs with participation by women and marginalized groups. Ensure equitable representation of women and marginalized groups in sector working groups</p> <p>Design and deliver gender-sensitization programs for <i>pourashavas</i></p> <p>Ensure orientation for councilors for clarity on roles and responsibilities of FWCs and assign responsibilities to them accordingly</p> <p>Develop Pourashava GAPs, allocate budgets to implement</p> <p>Involve women in implementation of UGIAP, including taxes, solid waste, disaster preparedness, etc.</p> <p>Involve women citizens in different forums, ward and courtyard meetings</p> <p>Introduce gender planning & budgeting through <i>pourashava</i> GAPs</p>	<p>Gender committees have been established in all <i>pourashavas</i>, with a minimum of three FWC members (all FWCs are members); selected male colleagues make up the other members. All are headed by an FWC.</p> <p>1,417 monthly Gender Committee meetings have been convened, with minutes taken.</p> <p>Women comprise 41% of WLCCs across the <i>pourashavas</i>, and are actively participating in discussions.</p> <p>Women represent 34% of TLCC members (591 women members out of 1,750) and are actively participating in discussions.</p> <p>Women represent 40% of municipal standing committees (target of 40%).</p> <p>33 mayors (all men) and a total of 489 councilors (including 127 women) have been briefed on GAP implementation, budget allocations and release of funds at the regional level, as well as their roles and responsibilities.</p> <p>The monitoring format on GAP implementation included a range of sex-disaggregated quantitative and qualitative indicators for PIU reporting.</p> <p>Approved GAPs at the <i>pourashava</i> level were all implemented.</p> <p>Women in 489 wards have attended and expressed their views at 1,229 courtyard meetings, which were limited to women and that discussed a range of community issues.</p> <p>Women participated in 489 ward-based rallies (all wards) and 62 central rallies on creating an enabling environment for women.</p> <p>Gender-friendly work environments (e.g. seating arrangements, toilets and water facilities) were promoted for FWCs and female municipality staff.</p> <p>An allocation of 2.5% of <i>pourashava</i> revenue budgets for GAP implementation effectively constitutes gender budgeting, without being so labeled.</p>
<p>Component C: Capacity Building and Implementation Assistance</p> <p>Recruit women into PMO, UMSU and <i>pourashavas</i>, and as consultants and facilitators ensuring minimum provisions as per guidelines</p> <p>Ensure a congenial work environment for</p>	<p>11 of the 30 PMO staff were women; 15 of the 95 project consultants and facilitators were women; approximately 14 of the 111 UMSU staff are women; and 29 of the 187 PIU staff are women. Gender-friendly work environments were promoted for female staff at all levels.</p> <p>PMO developed GAP implementation guidelines and GAP</p>

Activities, Indicators and Targets	Progress at Completion (December 2010)
<p>female staff</p> <p>Develop training plan and materials that integrate gender</p> <p>Implement gender awareness program for PMO staff, <i>pourashava</i> staff and councilors, ensuring participation of all female WCs & staff</p> <p>Establish project-wide monitoring system to track and report impact of subprojects on women, and to ensure management decisions are made accordingly</p>	<p>orientation and reporting training materials.</p> <p>326 women and 542 men received GAP orientation training, including <i>pourashava</i> staff, gender committee members, community facilitators, and regional coordinators. Training was rolled out gradually.</p> <p>969 women and 2,775 men received PRAP training. This included <i>pourashava</i> staff and councilors.</p> <p>A project-wide GAP implementation format was prepared and finalized through a participatory process, which included <i>pourashava</i>-level field testing.</p>

ASSESSMENT OF PROJECT IMPACTS AND BENEFITS

1. The socioeconomic analysis is based on a review of documents related to the project, such as the reports and recommendations of the President, the project completion report prepared by the executing agency, and the project completion review (PCR) mission's discussions with executing agency officials. In addition, the PCR mission made field visits to appraise selected *pourashavas* and, where possible, obtain the views of direct beneficiaries through informal discussions. The overall assessment was limited to post-project completion physical and social conditions and performance at the time of the field visits. The assessment, nevertheless, provides reasonable feedback on the project impacts, benefits, and effectiveness of the components in general.

2. The PCR mission visited selected subprojects and subcomponents in five *pourashavas*: Narshingdi, Bhairab Bazar, Moulvibazar, Laksam, and Rangamati. Infrastructure projects visited included roads, bridges and culverts; drainage facilities; low-cost sanitation; solid waste management and water supply facilities; municipal facilities; and slum improvement works. The mission also observed progress on citizen awareness and participation, women's participation, assistance to the ultra poor, *pourashavas*' financial accountability and sustainability, and improvement of administrative transparency in the selected *pourashavas*. In addition, the PCR mission discussed with *pourashavas* assessment of the outcome of capacity building and training programs that were conducted by the urban management support unit (UMSU).

3. The benefits of each project component are discussed below:

- (i) **Part A: Urban Infrastructure Improvement.** The PCR mission visited several subprojects in all five of the *pourashavas* and noted that the works were being maintained in good condition. The construction of roads, bridges and culverts resulted in a 52.80% increase in traffic generation, taking advantage of lower vehicle operating costs, and thereby stimulated increased commercial activities in the *pourashavas*. The benefit stream to the *pourashava* dwellers includes improved access to markets and commercial centers, educational institutions, and health facilities. The improved drainage network and low-cost sanitation helped improve overall environmental conditions in the *pourashavas* and contributed to better hygienic facilities for the inhabitants. Improvement in solid waste management helped eliminate human garbage from the *pourashavas* and further improved environmental conditions, providing residents with better living conditions. The improved water supply facilities provided by the project ensured access to safe potable water and better health conditions. The completed slum improvement works generated 676 person-days of employment and improved living conditions. Construction activity during implementation generated direct and indirect employment of about 800,000 person-days for the *pourashava* population. Incomes increased as a result of enhanced commercial activity catalyzed by the improved urban infrastructure, and thereby helped alleviate urban poverty.
- (ii) **Part B: Urban Governance Improvement.** The project helped alleviate community poverty by mobilizing and organizing the community through 1,660 primary groups headed by women. These groups supervised all development works in the slum and cluster area. The project also provided microcredit to the ultra poor, facilitated by nongovernment organizations, and distributed about Tk80 million as seed money. About 93% was repaid, which is quite encouraging

and helped the microcredit recipients to become involved in income-generating activities, leading to poverty reduction. The selected *pourashavas* performed well on the urban governance improvement action plan (UGIAP), which helped build public awareness and helped representative groups participate in management and administration through the TLCCs and FWCs. The project contributed to enhanced women's participation in *pourashava* affairs through membership in various *pourashava* committees as advisors and chairpersons. Under the gender action plan envisaged by the project, increased numbers of women were recruited by the *pourashavas*, with as many as 305 women were recruited at project completion. The project also successfully integrated the urban poor by implementing the poverty reduction action program targeting about 24,900 families, who were provided training on skill development and microcredit facilitated by the nongovernment organizations. The PCR mission also noted the remarkable accomplishment by the *pourashavas* in attaining financial accountability and sustainability, as envisaged by the project, for financial self-reliance to pay the dues of other service organizations and sustain the infrastructure built under the project. At project completion (2010), the average collection of holding taxes improved to 70.95% of the target from 65.25% in 2009.

- (iii) **Capacity Building and Implementation Assistance.** The project also provided various training sessions, including orientation, training, and workshop programs, for a total of 16,087 trainee-days. Training focused on UGIAP and UGIAP implementation; urban planning relating to UGIAP implementation; administration and management of revenue generation and maintenance of accounts; community mobilization; social and gender issues; poverty reduction; and *pourashava* financial management. The UMSU conducted trainings on institutional and operational management of tax and accounts software in the selected *pourashavas*. The trainings helped enhance the overall capacity of the *pourashavas* to manage their financial, administrative and operational activities, which is likely to be sustained and embedded in the *pourashavas'* systems.

FINANCIAL AND ECONOMIC RE-EVALUATION

A. General

1. A financial and economic analysis was conducted for each project component, as planned at appraisal. The methodology employed in the evaluation of project components followed the Asian Development Bank (ADB) Guidelines for Financial Governance and Management of Investment Projects, Guidelines for the Economic Analysis of Projects, and Framework for Economic and Financial Appraisal of Urban Development Sector Projects.¹ The reevaluation involved recalculating the financial internal rate of return (FIRR) and economic internal rate of return (EIRR) for pertinent project components.

2. The methodology and assumptions adopted for financial and economic reevaluation of the project components generally followed those adopted at appraisal. The financial and economic benefits were quantified through a comparison of the sub-project conditions with and without the project for reconstruction, upgrading and widening of roads in all selected municipalities, along with bridge and drainage construction. The costs and benefits were measured in terms of border price equivalent values, with the world price numeraire, and expressed in 2010 prices in Bangladesh. For vehicle operating cost (VOC) and travel time cost (TTC) calculation data from the Roads and Highways Department (RHD) were used by vehicle categories at different international roughness index (IRI).² The costs and benefits for non-traded components were converted into economic prices using a standard conversion factor of 0.9. The project life was considered 20 years after the completion with no salvage value at the end of the project life.

3. Financial analysis was done for revenue-earning project components such as providing water supply and municipal facilities in exchange of revenue earned. This included the construction of water supply facilities, treatment plants, pipeline networks, overhead tanks, kitchen markets, supermarkets, bus and truck terminals, and slaughterhouses. However, 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. In the absence of operational data for revenue components the benefits are mostly estimated based on similar assumptions made at appraisal. The data for recalculating benefits was mostly collected from the benefit monitoring and evaluation (BME) report,³ and the executing agency's project completion report.

B. Costs

4. The cost of construction was derived from the actual costs incurred for construction of civil works, including the design and supervision consultancy but excluding interest and other charges during construction. However, the O&M cost considered the interest and other service charges during construction. The economic costs were derived from financial costs excluding taxes and duties for traded items and used world price numeraire for non-traded items. The costs were expressed in terms of 2010 prices. The O&M were derived on the basis of information collected from the project completion report (footnote 2).

¹ ADB. 2001. *Guidelines for Financial Governance and Management of Investment Projects*. Manila, ADB. 1997. *Guidelines for the Economic Analysis of Projects*. Manila, and ADB. 1994. *Framework for Economic and Financial Appraisal of Urban Development Sector Projects*. Manila.

² Bangladesh. Roads and Highways Department. 2005. RHD Road User Cost Annual Report for 2004–2005.

³ Government of Bangladesh. 2010. Local Government Engineering Department. Report on *Benefit Monitoring and Evaluation*. Dhaka.

C. Benefits

1. Financial Benefits

5. Financial benefits from the project were measured for revenue generating components such as water supply (both piped water and non-piped water), municipal facilities including construction of kitchen markets, supermarkets, bus and truck terminals and slaughter houses.

6. For the water supply project the number of beneficiary households (5,000) and new connections for water supply component (12 units) was estimated on the basis of capacity of the newly created facilities at a monthly tariff of Tk300 per household, because the water meters were not yet installed. For non-piped water the revenue considered was the water tax at 10% of holding tax of non-connected households, as suggested by the model revenue framework. The lease value of bus/truck terminals was assumed using expected Chapai Nawabganj terminal operation, kitchen markets and other markets' rental rates. The revenues from lease values of facilities are assumed different for district and upazila municipalities for different capacities. The annual lease value for bus/truck terminal facilities (the single major source of revenue) was assumed to be Tk3.0 million for district terminals, and Tk1.5 million for upazila terminals. The lease/rental value for the 13 kitchen markets and 10 slaughter houses was considered to be Tk300,000 for each improved market, irrespective of the location of the municipality.

2. Economic Benefits

7. The analysis of project benefits used assumptions similar to those used at appraisal, except for economic benefits for roads (597 kilometers [km]), including a bridge of 1,390 meters (m) and drainage construction (289 km). The economic reevaluation consisted of an economic analysis of road and drainage based on the VOC and TTC savings benefits (i.e., real transportation benefits), instead of the assumed adjacent land value increase (which can be considered as an additional benefit).

a. Road and Bridge Construction and Upgrading

8. The economic benefits considered in evaluating the roads and bridges component were (i) VOC savings for representative vehicles, and (ii) TTC savings for passengers. The values for VOCs as well as TTCs were estimated based on RHD data (footnote 2). Traffic volume data used were from BME study (footnote 3), broadly classified for motorized and non-motorized traffic. The vehicle classification was done based on LGED RIIP-II Bench Mark Study, undertaken in 2010 for different *pourashavas*. The EIRR was calculated both for overall road and bridge upgrading investment as well as for individual municipalities.

b. Drainage Construction and Flood Protection

9. The municipal drainage construction is mostly part of the road network system, aimed at carrying day-to-day drainage of wastewater and monsoon runoff. The construction of drainage is an integral part of protecting road embankments and road surface pavement, and the road and bridge EIRR therefore included the costs and benefits of the drainage component.

10. The BME study assessed the benefits of drainage separately for two types of benefits (i) residential property damage avoided, and (ii) increase in the price of adjacent land. The property damage from flooding was estimated using the values of economic losses to movable and immovable properties at the time of appraisal, in the BME study, and by the executing agency project completion report. The value of savings resulting from reduced damage to

buildings and properties was estimated per hectare. The increased value of land due to drainage was also estimated based on a recent land market survey by the project.

D. Comparison between With and Without Project Schemes

1. With the Project

11. The reevaluation of the project showed higher incremental economic benefits and revenue from the project than at appraisal, particularly for road–bridge subcomponents, which ensure higher economic activities and growth of traffic in recent years. The overall EIRR is 32.4%, which is higher than at appraisal, and the net present value of the road project is Tk11,437 million, reflecting the better performance assumed at appraisal. The EIRR for the road and bridge components at the municipal level were from 11.7% to 53.4%. The FIRR for revenue generating components such as water supply and sanitation was 21%, municipal facilities 15%, and bus and truck terminals 16% (Table A10.1 and A10.2)

Table A 10.1: Economic and Financial Assessment, With the Project (Base Case)

Project Components	With Project		
	Appraisal EIRR/FIRR	Reassessment EIRR/FIRR	NPV (Tk Million)
Construction and upgrading of roads	31.2%	32.4%	11,437
Construction and upgrading of drains	31.2%	32.4%	11,437
Construction of water supply system	22.8%	21.0%	17.73
Construction of municipal facilities	14.5%	15.0%	59.76
Construction of bus/truck terminal	13.2%	16.0%	4.06

EIRR = economic internal rate of return, FIRR = financial internal rate of return, NPV = net present value.

Source: Asian Development Bank estimates.

2. Without the Project

Under the without-project case, no investment or O&M costs would have been incurred, but problems would have multiplied, causing great inconvenience to the general public and increased social costs due to greater traffic congestion, flooding, health hazards, poverty and unemployment, as well as deprivation from inadequate municipal services due to lack of civic amenities.

E. Sensitivity Analysis

13. The sensitivity analysis was done based on (i) an increase in investment and O&M cost of 15%, (ii) reduction of benefits of 15%, (iii) combined increase in cost of 15% and reduction of benefit of 15%, and (iv) combined increase in cost of 10% and reduction in benefits of 10%. In

the case of road projects, costs are sensitive but not as much as the roughness of the road surface, while traffic has less impact on the EIRR. Results are in Table A10.2.

14. Most revenue generating sub-project components were found to be less sensitive to O&M cost increases, but more sensitive to a change in investment cost. The change in benefits in municipality facilities, water supply and sanitation and bus/truck terminal projects are sensitive but less so than investment and O&M costs. The EIRR and FIRR calculation sheet is in Tables A10.4 to A10.7.

Table A10.2: Sensitivity Analysis

Component	EIRR/FIRR Base case	Sensitivity Analysis			
		Investment and +15%	O&M -15%	O&M +15% and benefit -15%	O&M +10% and benefit -10%
Improvement of roads and bridges	32.4%	29.2%	28.5%	27%	29.8%
Construction of water supply system	21%	18%	18%	15%	17%
Construction of municipal facilities	15%	13%	14%	11%	12%
Construction of bus/truck terminal	16%	14%	13%	10%	12%

EIRR = economic internal rate of return, FIRR = financial internal rate of return, O&M = operation and maintenance.
Source: Asian Development Bank estimates.

F. Qualitative Assessment

15. The project is highly acclaimed for infrastructure improvement, capacity building and governance improvement. The most beneficial project components are infrastructure and creation of municipal facilities. The social dimensions of urban poverty reduction, microcredit intervention, supervised loan, public participation in planning and design, employment generation, women's participation and empowerment and child health and immunization have a tremendous impact on sustainability. The project has achieved a high rate of success in terms of urban governance in administering municipal development, urban planning, revenue collection, participation in infrastructure development and payment of current and outstanding utility bills.

G. Overall Conclusion

16. The project can be considered to be an effective investment, as the quantifiable benefits and revenue exceed the opportunity cost of capital for most components assessed. Returns on investment are robust and sustainable even under the pressures of cost increases and benefit reduction. As long as O&M remains sufficient the value of assets will be maintained and benefits will be preserved into the future. The proportion of overall benefits accruing to the communities cannot be estimated due to limited field data available, but the community is likely to share in the project benefits. The members of the community benefit not only from a better environment and enhanced productivity, but will also enjoy a better quality of life.

17. Overall, the project is considered to be an effective investment in terms of its appropriate and robust quantitative benefits and revenue generation. Qualitatively, the project will generate

substantial social and environmental benefits to the community, and have a long-term positive impact on poverty reduction and gender equity.

Table A10.3: Economic Internal Rate of Return for Road and Drainage Component

Municipality/City Corporation	With Project			
	Appraisal		Reassessment	
	EIRR/FIRR	NPV (Tk million)	EIRR/FIRR %	NPV (Tk million)
All 27 Municipalities			32.4	11,437
Bhairab			32.5	435
Gazipur			45.4	1,062
Ishwardi			53.3	888
Lakshmipur			11.7	31
Lalmonirhat			27.5	205
Manikganj			33.9	346
Meherpur			27.8	270
Moulvibazar			20.5	162
Narayanganj			32.6	612
Narsingdi			15.3	248
Netrakona			52.3	726
Panchagarh			50.0	692
Shariatpur			8.2	(6)
Savar			28.6	461
Shahzadpur			38.9	396
Sherpur			26.4	284
Tongi			28.8	797
ChapaiNawabganj			19.1	77
Feni			29.4	190
Joypurhat			45.7	230
Kushtia			50.4	544
Laksam			12.4	26
Noapara			24.0	161
Pabna			18.6	79
Rajbari			42.1	374
Rangamati			39.4	347

() = negative.

EIRR = economic internal rate of return, FIRR = financial internal rate of return, NPV = net present value.

Source: Asian Development Bank estimates.

Table A10.4: Road & Bridge Component under UGIP: Economic Analysis Based on Benefits of VOC and Time Savings

Road Characteristics and Capital Costs			Traffic Volumes and Vehicle Operating Costs											Auto		TOTALS						
Existing road surface (Paved or Unpaved)			UP					Heavy & Medium				Medium & Micro		Rickshaw & Motor-cycle		(Excluding Non-Motorized)						
Proposed road surface (Paved or Unpaved)			P					Truck		Small Truck		Large Bus										
Avg. roughness, 20-year period, existing routing (IRI)			7.2																			
Avg. roughness, 20-year period, project routing (IRI)			5.0																			
Length of ferry approach road without project (km.)			596.9					Est. Opening Year Traffic, AADT		11		26		1		33	20	192	192	475		
Bridge and approach with project (km.)			596.9																			
Economic capital cost (Taka 000)			3,404,673					VOC, Year 1, Without project (Tk. 000)		46682		113088		4712		141360		84816	819888	820155	2030701	
Opening year			2011																			
Est. life (years)			20					VOC, Year 1, With project (Tk.1000)		27616		53731		2589		57939		27240	315985	89944	575043	

Source: Asian Development Bank estimate.

Table A10.5: Financial Analysis of Municipal Facilities under the Urban Governance and Infrastructure Improvement (Sector) Project
(includes kitchen markets, bus and/or truck terminals and slaughter houses)

Year	C.cost	O&M	Total Cost	Lease Revenue	Rental shop	fees & charges	Total benefit	Net benefit
2007	714.09		714.09				0	-714
2008	714.09		714.09				0	-714
2009	1106.29		1106.29				0	-1106
2010	1106.29		1106.29				0	-1106
2011		127.89	127.89	750	60	30	840	712
2012		127.89	127.89	750	60	33	843	715
2013		127.89	127.89	750	60	36	846	718
2014		127.89	127.89	750	60	40	850	722
2015		127.89	127.89	750	60	44	854	726
2016		255.79	255.79	750	60	48	858	603
2017		127.89	127.89	750	60	53	863	735
2018		127.89	127.89	750	60	58	868	741
2019		127.89	127.89	750	60	64	874	746
2020		127.89	127.89	750	60	71	881	753
2021		127.89	127.89	750	60	78	888	760
2022		255.79	255.79	750	60	86	896	640
2023		127.89	127.89	750	60	94	904	776
2024		127.89	127.89	750	60	104	914	786
2025		127.89	127.89	750	60	114	924	796
2026		127.89	127.89	750	60	125	935	807
2027		127.89	127.89	750	60	138	948	820
2028		255.79	255.79	750	60	152	962	706
2029		127.89	127.89	750	60	167	977	849
2030		127.89	127.89	750	60	183	993	866
	3640.76		\$59.70			\$70.02	FIRR=	15%
Notes:							NPV=	(\$59.70)

1. operation of services assumed starts from 2012 in place of 2011

2. investment cost includes civil work, land acquisition and development

3. O&M cost assumed 3% of the capital cost for normal and 7% for periodic maintenance

4. Lease value of facilities in district town assumed Tk.3 million and in upazila Tk1.5 million/year

5. rental value of shops in kitchen market in each town is considered Tk. 2 lakh per year

Source: Asian Development Bank estimates.

Table A10.6: Financial Analysis of Water Supply Facilities under the Urban Governance and Infrastructure Improvement (Sector) Project
(includes production well, treatment plant, tanks, pipelines and hand tube wells)

(in lakh Tk.)							
Year	Capital cost	O & M cost	Total Cost	Water tariff	Rental fees	Water tax	Net benefit
2007	212.81		212.81				-212.81
2008	212.81		212.81				-212.81
2009	212.81		212.81				-212.81
2010	212.81		212.81				-212.81
2011		21.28	21.28	176.47	0	70	225.19
2012		21.28	21.28	176.47	0	74	228.69
2013		21.28	21.28	176.47	0	77	232
2014		21.28	21.28	176.47	0	81	236
2015		21.28	21.28	176.47	0	85	240
2016		42.56	42.56	176.47	0	89	223
2017		21.28	21.28	176.47	0	94	249
2018		21.28	21.28	176.47	0	98	254
2019		21.28	21.28	176.47	0	103	259
2020		21.28	21.28	176.47	0	109	264
2021		21.28	21.28	176.47	0	114	269
2022		42.56	42.56	176.47	0	120	254
2023		21.28	21.28	176.47	0	126	281
2024		21.28	21.28	176.47	0	132	287
2025		21.28	21.28	176.47	0	139	294
2026		21.28	21.28	176.47	0	146	301
2027		21.28	21.28	176.47	0	153	308
2028		42.56	42.56	176.47	0	160	294
2029		21.28	21.28	176.47	0	168	324
2030		21.28	21.28	176.47	0	177	332
FIRR=							21%
NPV=							(\$17.73)

Notes:

1. total investment cost is Tk.851.24 lakh
2. O & M cost was assumed at 2.5% of the capital cost for normal & 5% for periodic
3. approximately 5000 connections will be made collecting tariff
4. As per modal distribution of tax 10% of holding tax to be assigned for water tax

Source: Asian Development Bank estimate.

Table A10.7: Financial Analysis of Bus/Truck Terminal, Chapai Nawabganj, under the Urban Governance and Infrastructure Improvement (Sector) Project
(includes production well, treatment plant, tanks, pipelines and hand tube wells)

							(in lakh Tk.)	
Year	Capital cost	O & M Cost	Total Cost	lease value	Rental charge	license fee	Total benefit	Net benefit
2007	49.25		49				0	-49.25
2008	49.25		49				0	-49.25
2009		7.25	7	15.75	0	0	15.75	8.5
2010		7.90	8	17.33	0	0	17.33	9.42
2011		8.61	9	19.06	0	0	19.06	10.44
2012		9.39	9	20.96	0	0	20.96	11.57
2013		10.23	10	23.06	0	0	23	13
2014		11.16	11	25.37	0	0	25	14
2015		12.16	12	27.90	0	0	28	16
2016		13.25	13	30.69	0	0	31	17
2017		14.45	14	33.76	0	0	34	19
2018		15.75	16	37.14	0	0	37	21
2019		17.16	17	40.85	0	0	41	24
2020		18.71	19	44.94	0	0	45	26
2021		20.39	20	49.43	0	0	49	29
2022		22.23	22	54.37	0	0	54	32
2023		24.23	24	59.81	0	0	60	36
2024		26.41	26	65.79	0	0	66	39
2025		28.78	29	72.37	0	0	72	44
2026		31.38	31	79.61	0	0	80	48
2027		34.20	34	87.57	0	0	88	53
2028		37.28	37	96.33	0	0	96	59
2029		40.63	41	105.96	0	0	106	65
2030		44.29	44	116.55	0	0	117	72
							FIRR=	16%
							NPV=	(\$4.08)

Source: Asian Development Bank estimates.