

**ASIAN DEVELOPMENT BANK  
Independent Evaluation Department**

**SECTOR ASSISTANCE PROGRAM EVALUATION**

**FOR THE URBAN SECTOR AND WATER SUPPLY AND SANITATION  
IN BANGLADESH: AN EXPLORATORY EVALUATION OF THE  
PROGRAMS OF ADB AND OTHER AID AGENCIES**

In this electronic file, the report is followed by Management's response, and the Board of Directors' Development Effectiveness Committee (DEC) Chair's summary of a discussion of the report by DEC.



## Evaluation Study

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Reference Number: SAP: BAN 2009-02  
Sector Assistance Program Evaluation  
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# Urban Sector and Water Supply and Sanitation in Bangladesh

An Exploratory Evaluation of the Programs of ADB and Other Aid Agencies

Independent Evaluation Department

Asian Development Bank

## CURRENCY EQUIVALENTS

(in averages by fiscal year [July to June])

Currency Unit – Taka (Tk)

average	<u>2000–2001</u>	<u>2001–2002</u>	<u>2002–2003</u>	<u>2003–2004</u>	<u>2004–2005</u>	<u>2005–2006</u>	<u>2006–2007</u>	<u>2007–2008</u>
Tk 1.00 =	\$0.0185	\$0.0174	\$0.0173	\$0.0169	\$0.0163	\$0.0149	\$0.0145	\$0.0145
\$ 1.00 =	Tk53.93	Tk57.45	Tk57.90	Tk59.01	Tk61.39	Tk67.08	Tk68.87	Tk68.80

## ABBREVIATIONS

ADB	–	Asian Development Bank
ADP	–	annual development program
BMDF	–	Bangladesh Municipal Development Fund
BRM	–	Bangladesh Resident Mission
DANIDA	–	Danish Agency for International Development Aid
DFID	–	Department for International Development
DPHE	–	Department of Public Health Engineering
EA	–	executing agency
FY	–	fiscal year
HYSAWA	–	Hygiene, Sanitation and Water Services
IED	–	Independent Evaluation Department
IEG	–	Independent Evaluation Group
IMED	–	Implementation Monitoring and Evaluation Division
IUDP	–	Integrated Urban Development Project
JBIC	–	Japan Bank for International Cooperation
JICA	–	Japan International Cooperation Agency
LCG	–	Local Consultative Group
LGD	–	local government division
LGED	–	Local Government Engineering Department
MDG	–	Millennium Development Goal
MSP	–	Municipal Services Project
NGO	–	nongovernment organization
O&M	–	operation and maintenance
PBA	–	performance-based allocation
PCR	–	project completion report
PIU	–	project implementation unit
PRSP	–	poverty reduction strategy paper
PSU	–	policy support unit
RAJUK	–	Rajdhani Unnayan Karttripakhya (Capital Development Authority)
SDP	–	sector development program
STIFP	–	Secondary Towns Infrastructure Flood Protection Project
SWAp	–	sectorwide approach
TA	–	technical assistance
UDD	–	Urban Development Department
UGIIP	–	Urban Governance and Infrastructure Improvement Sector Project
UNDP	–	United Nations Development Programme
UPPR	–	Urban Partnerships for Poverty Reduction
USAID	–	United States Agency for International Development
WASA	–	Water and Sewerage Authority
WSS	–	water supply and sanitation

## NOTE

In this report, "\$" refers to US dollars.

### Key Words

adb, asian development bank, bangladesh, department for international development, dfid, flood protection, ied, independent evaluation department, integrated urban development project, japan bank for international cooperation, japan international cooperation agency, jbic, jica, oed, sanitation, social housing, urban transport, water supply, world bank, wss evaluation

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### Independent Evaluation Department, SE-15

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The guidelines adopted by the Independent Evaluation Department (IED) for avoiding conflict of interest in its independent evaluations were observed in the preparation of this report. Alex Jorgensen was the consultant on thematic aspects of the evaluation. Mujibur Rahman was the consultant on water supply and sanitation. Sarwar Jahan was the consultant on the urban sector. Mary Grace Alindogan did background research and administered a questionnaire survey. Mr. Rahman had prior involvement in government committees regarding the water supply and sanitation sector. Mr. Jahan was team leader of an ADB-funded TA on urban sector policy. IED holds that the potential conflicts of interest have been adequately managed. The team leader of the study and his director had no prior involvement in operations in Bangladesh.

## EXECUTIVE SUMMARY

Bangladesh, a patchwork of villages regularly interspersed with towns (see Map 1), has a population of 159 million, the seventh largest in the world. The urban landscape is dominated by the megacity of Dhaka and the major city and port of Chittagong. All other towns in this densely populated country are below one million, although some will be passing that population soon. The Government of Bangladesh (the Government) has had limited resources to help the development of the many villages making the transition into small towns serving the surrounding agricultural areas as service centers and markets. Infrastructure investments are not keeping pace with the growth of the urban population, and the Government lacks funds and arrangements for operation and maintenance of facilities and services. There are now over 300 secondary towns (*pourashavas*) with populations of 15,000–500,000, and the number is growing. With their local governments languishing due to lack of budgets and decision-making powers, the economic conditions are not very buoyant and, in many cases, the environmental and social conditions are poor. Due to lack of planned growth, makeshift settlements lacking basic services have come up around many of the towns. For instance, only 100 or so secondary towns have a piped water supply network, usually covering only a small part of the town; the water is available at most a few hours per day and needs to be boiled for consumption. Lack of drainage infrastructure is a major problem, leading to long periods of waterlogging and putrid conditions. The floods and cyclones of the past years have also damaged many towns and cost human lives, and have exacerbated the unhygienic conditions caused by the total absence of sewerage systems and only partial coverage of household septic tanks.

Government investments have been similarly lacking in Dhaka and Chittagong. Dhaka is a major growth center but is increasingly constrained by thousands of slum areas, traffic congestion, power outages, water shortages, accumulating garbage, and severely polluted rivers surrounding it due to indiscriminate dumping of industrial and residential waste. Conditions in Chittagong are the same, though on a smaller scale.

International and bilateral organizations have supported a number of projects for the urban sector in Bangladesh; more projects have been dedicated to the far more populous rural sector—the latter was about 80% of the total population in 2000. Before this time, the World Bank focused its urban assistance on Dhaka and Chittagong, while the Asian Development Bank (ADB) catered more to a small selection of larger secondary towns, though it also financed one integrated urban development project in Dhaka in the 1990s. Coverage of the urban environment by ADB and the World Bank was limited. Among the four larger development partners of the Government, two, Japan and the United Kingdom, did not focus on the urban sector in those times; the United States Agency for International Development, Netherlands, and the Danish Agency for International Development Aid (DANIDA) were the other funding agencies active in the sector, particularly in urban water supply, with the United Nations Development Programme (UNDP) and United Nations Children's Fund active in slums and sanitation. A variety of local and international nongovernment organizations (NGOs) supported aspects of slums and sanitation as well. All of this added up to a very scattered presence and incomplete coverage, only marginally compensated for by a sprinkling of government projects.

Historically, external agencies have provided some 40%–50% of the Government's investment budget in Bangladesh; a smaller percentage has been funded by such agencies in the urban sector and in water supply and sanitation (WSS). By the early 2000s, most of it went into urban water supply, roads, drainage, and flood protection measures. There was also some expenditure on slum improvement, microcredit, bus and truck terminals, and markets; less went

into sanitation, solid waste management and sewage treatment, sites and service development, social housing, and urban transport systems. By the mid 2000s, the support of aid agencies started increasing relative to that of the Government. The Government has had a program addressing a variety of urban needs, but all in rather *ad hoc* fashion. For instance, it included a significant portion of its budget for new town development in the outskirts of Dhaka for the upper and middle classes. Progress in housing has, however, been dwarfed by the huge financing needs in this sector, particularly for low-income housing, which are not addressed by the small investments made by the private sector. The scarce government funds available, and the limited capacity of government agencies to mobilize more finance and manage more self-financing town development schemes, have all led to a shortage of affordable low-income housing, resulting in a proliferation of slums.

The scope of this evaluation of developments in the urban sector and WSS covers the years 2001–2008. The evaluation attempts to cover the work of ADB, as well as that of its development partners—the Department for International Development (DFID), the Japanese Government, and the World Bank—in the context of the overall development effort made by the Government and the aid community. The four development partners worked together on a joint country strategy in 2005, which led to this evaluation initiative. The decision to evaluate the assistance to the urban sector and WSS was made by ADB’s Independent Evaluation Department in coordination with DFID’s Evaluation Department, evaluators of the Government of Japan, and the World Bank’s Independent Evaluation Group. The main questions concern the relevance of the aid provided to the two sectors, the positioning of the various development partners, and the degree of success of the various interventions. The evaluation also takes into account the Government’s own program in the sectors, although comparison of the success of external interventions versus government interventions was difficult due to time constraints and lack of access to the Government’s own evaluation findings. The evaluation team obtained a large number of documents, including evaluations, from the other three partners; a number were available publicly on their websites. The evaluation also took into account some of the work of other agencies in the two sectors. This was done through interviews with funding agency representatives and study of information available on websites.

At the start of the decade, the period under scrutiny in this evaluation, poverty was still widespread in Bangladesh, although already declining. Urban poverty was less rampant than rural poverty but could be harsher due to poorer environmental conditions in the urban areas and loss of social (family and community) networks among the many rural migrants. Depending on the source used, 20%–35% of the urban population was estimated as poor in 2000, while 38%–53% of the rural population was estimated as poor. Most of the country already enjoyed water supply from an improved source, mainly hand pump operated tubewells, constructed by the private sector and paid for by individual households. But arsenic and other contamination of the water from these improved sources mitigated some of the progress reported earlier. Sanitation coverage was still very incomplete, especially in rural areas—only about half of the population had a hygienic latrine, while almost 40% continued to resort to defecation in the open.

By 2008, progress in the urban sector was mixed. Urban poverty was on the decline, from 20% to 15% in 2005; while rural poverty had dropped from 38% to 29%. However, the number of slums was on the rise, and many aspects of the urban environment had deteriorated, with *safe* water supply covering only 50%–60% of the urban population, even when perhaps 85% had access to an improved source. The coverage in sanitation (latrines, toilets) and hygienic behavior had improved significantly.

What role did the aid agencies play in this development? It is unlikely that their urban sector programs have played a large role in the decline of urban poverty or the economic growth achieved. The amount of financing and other support provided to Bangladesh were probably insufficient for this. The economic growth achieved over the period was likely the result of “trickle down” effects of overall economic growth in urban areas. It was most likely the result of the development of the garment industry, good harvests in recent years, and the increasing quantum of remittances from the overseas labor force. Aid agencies active in the urban sector have played a modest role in general, but projects focused on decongesting and developing urban areas did have positive effects on urban living conditions. The urban sector outside Dhaka has received comparatively minor investments from the Government and funding agencies—generally insufficient to create a major improvement in the urban environment. The following discussion summarizes developments through various types of projects and in various subsectors of the urban sector and WSS, and then reviews some aspects of aid harmonization and alignment.

### **Analysis of Coverage and Performance of External Programs**

**Integrated Urban Development Projects (IUDPs).** These have been supported by ADB and the World Bank since the early 1990s. The experiences of both the World Bank in Dhaka, and ADB in Dhaka and secondary towns with such projects were varied; there was lack of success in Dhaka and Chittagong due to the complexity of the projects, but reasonable achievements were made in the more straightforward secondary towns. The mixed experiences in Dhaka in particular discouraged the World Bank from follow-up interventions in the 2000s, although it did work for a number of years on the new Dhaka WSS project. But this was approved only at the time of finalizing this report. The World Bank has so far approved only one IUDP for secondary towns, the Municipal Services Project. This was in 1999. Its project implementation unit (PIU) is still operational, and the Project has been extended with a supplementary loan to finance emergency rehabilitation works. The original loan also included a major component for the creation of the Bangladesh Municipal Development Fund (BMDF) in a second phase of the project. While the IUDP loan has been moderately successful, the performance of the BMDF has been more controversial. It has delivered in more than 100 pourashavas a package of infrastructure investments that were appreciated by the local governments. But they all complained about the need to contribute 10% of the cost, and about the 15% repayment after completion. Development partners have been unwilling to contribute funds to the BMDF due to a perceived lack of added value of the Fund, and discomfort with the disparate investment funds in some towns. The World Bank is still deciding whether or not to replenish the Fund. The BMDF is in danger of closure due to lack of new capital. ADB has not contributed funds to the BMDF. Instead, it channeled its loan funds through the Local Government Engineering Department (LGED). In the 2000s, ADB approved a loan for the Urban Governance and Infrastructure Improvement (Sector) Project (UGIIP). The UGIIP has had significant success, due in part to the capability of LGED, which is an experienced project implementation agency, and in part to appropriate design focusing on good governance and capacity development. There is, however, concern about possible overlap of work between the BMDF and LGED. While the UGIIP requires loan repayment of income-generating investments (water supply, sewerage, and solid waste management), drainage and road works are not repaid. As indicated above, the BMDF is criticized by the towns for requiring partial repayment of drainage and road works, which are most of the BMDF investments.

**Urban Water Supply.** A considerable portion of external investment in urban areas has gone into urban water supply, not channeled through IUDPs but through separate projects

dedicated to water supply. The World Bank was among the first agencies active in the sector, and focused on water supply for Dhaka and Chittagong. However, after almost four decades, it discontinued its support in 2001 due to lack of progress in reforms and governance. An agreement among several external agencies to reengage with the water supply and sewerage authorities of Dhaka and Chittagong was signed only by end-2007. ADB was assigned the role of assisting in the rehabilitation and augmentation of water supply systems in Dhaka; DANIDA was to fund the building of a water treatment plant in Dhaka; and the World Bank would focus on extending these systems to slums. The comprehensive agreement strengthened the decision of the Japan Bank for International Cooperation to support the water supply sector in Bangladesh, and it approved a large loan for a water supply project in Chittagong. ADB had, until 2007, dealt mainly with water supply in secondary towns; a variety of other agencies, but principally DANIDA and the Netherlands, had worked in some secondary towns as well. Despite this, the coverage of piped water supply systems remains incomplete due to insufficient funds. All of the investments suffered from systemic constraints, such as lack of local capacity, and political control of water tariffs. Despite these limitations, 85% of the urban population has access to drinking water from an improved source, a figure that has not improved since the 1990s. Most sources are tubewells with handpumps, sunk by private households and developers, which are lowering local groundwater tables to a worrying degree. The quality of the water is also an issue; many of the wells are contaminated with arsenic and bacteria. Also, the water levels of deep aquifers are dropping in many towns, especially in larger industrial areas in and around Dhaka.

**Rural Water Supply.** Water supply in villages is almost completely based on handpumps and deep well extraction. The World Bank has attempted to promote private sector participation in piped municipal water supply, with limited success. It was successful in screening millions of tubewells in the country and marking the considerable portion of arsenic-contaminated ones (around 20%). The exercise should probably be repeated; arsenic and bacteriological contamination have remained a persistent problem in many areas, which may have lowered the coverage of safe drinking water supply in rural areas to below 60%, although water availability per se is not a serious problem, except in the poorest slum areas in major towns and cities.

**Flood Protection.** ADB financed major flood rehabilitation programs in Dhaka and 15 larger towns through the 1989 Flood Action Plan. The six towns helped by ADB's first project under this plan have improved flood protection, and the Independent Evaluation Department rated the project as *successful*. The World Bank had one large project in this sector, around the notoriously flood-prone Sirajganj area. This was rated as moderately successful, although the town was severely flooded in both 2004 and 2007. The Project probably stopped two rivers from merging, which would have led to the irretrievable loss of a large land area. In 2004, ADB approved a second loan for the remaining nine towns designated by the Flood Action Plan, but progress is slow.

**Emergency Flood and Cyclone Rehabilitation.** Several ADB projects have played a beneficial role, as they included rehabilitation of municipal components, which were implemented effectively and on schedule. The World Bank had somewhat less activity in this sector; the funds reallocated under several existing projects to deal with the damage caused by the 2007 flood emergencies were yet to start disbursing at the time of the field missions for this evaluation. DFID has provided major complementary disaster relief support over the years, although DFID's 2006 country evaluation rated these as less than satisfactory.

**Urban Drainage.** There have been no externally supported projects dedicated to this important area, but IUDPs, flood protection, and emergency rehabilitation projects in secondary towns have all included significant drainage components. The World Bank launched a major project in Dhaka for drainage and sewerage at end 2008. Drainage investments have generally worked well, although unplanned urban development reduces the impact of the drainage works. The need dwarfs the supply. For instance, the UGIIP has funds sufficient to cover only about a fifth of the actual need in the towns it covers.

**Sanitation.** The Government has taken a firm lead in this sector, a situation less in evidence in most other sectors. The National Sanitation Program is endeavoring to provide full coverage of sanitation in the country by 2010 and has provided earmarked funds for sanitation in the annual block allocation that the Government makes available to towns and villages. Progress is ahead of the 2015 Millennium Development Goal, particularly in rural areas, where the Program funds septic tanks, pit latrines, and hygiene education. External agencies also provide major support through large NGOs, although this is not always harmonized with the government programs. The hygiene-oriented Community-Led Total Sanitation program is supported by the Government and the Bangladesh Rural Advancement Committee, focusing on provision of subsidies to construct pit latrines. ADB has included latrine programs and hygiene education in a variety of its projects but has not dedicated any loans to sewage collection and treatment. The World Bank's new project in Dhaka, which was earlier referred to, includes a major component for rehabilitating and expanding sewage collection and treatment. The Government's 2006 Sector Development Program (SDP) report, prepared with assistance from DANIDA, argues that most urban investments in the coming years should be in sewerage.

**Solid Waste Management.** Although at least half of the urban projects of the four development partners have had useful components in this field, there have been few dedicated projects, and hardly any successful sanitary landfill undertakings in the country. Most of the projects are dealing with garbage disposal and hygiene awareness. A few small dedicated Japanese projects have done pioneering work in Dhaka, including creation of a landfill outside the city. ADB is supporting eight landfill sites, but progress is slow. Much more effort and investment are required.

**Urban Transport.** Only the World Bank has had a dedicated project in urban transport that went beyond asphaltting roads, to try and improve traffic and transport systems. The Dhaka Urban Transport Project was, however, a mixed success. A variety of issues reduced the success of the Project, ranging from inappropriate design, land acquisition, and safeguards issues to coordination problems due to the complicated institutional situation of Dhaka. Based on that experience, the World Bank withdrew from the urban transport sector, and ADB is not yet involved. However, traffic problems are coming to a head in Dhaka, and something needs to be done quickly or the city will lose whatever investment appeal it holds. The Government has recently issued a Strategic Transport Plan for Dhaka. A variety of high-cost solutions are proposed in it, and their feasibility needs to be checked.

**Housing.** Given the overwhelming number of slums in Dhaka, Chittagong, and other cities and towns in Bangladesh, social/low-income housing and housing finance targeting the poor would seem self-evident areas of priority attention by the Government, the private sector, and the aid community. The World Bank and ADB included residential sites and services components in their IUDPs in Dhaka in the 1990s, but both trials did not deliver good outcomes fast enough due to the many problems that low-income groups face in obtaining financing for housing, even when the plots are made available to them. At the end of the 1990s, only one

ADB project included two small pilot sites and services schemes. Externally supported housing finance projects were never launched in Bangladesh.

**Urban Poverty.** Agencies like UNDP, the United States Agency for International Development, and DFID have financed or implemented projects entirely dedicated to the plight of the urban poor, i.e., to helping people living in slums in big cities or temporary settlements around secondary towns. The evaluations of these projects have generally been positive. A sizeable DFID-funded project implemented by UNDP, the 2007 Urban Partnerships for Poverty Reduction Project, is trying to scale up successful pilot approaches. Since the Government has proved unwilling to borrow foreign exchange for projects exclusively targeting the poor, ADB and the World Bank have attempted to include small components in their infrastructure loans for slum improvement. In each participating secondary town, a small package would be dedicated to helping the poor directly in their communities. This evaluation deemed this appropriate in the absence of the Government and other aid agencies dealing more comprehensively with slums and poverty. The evaluation also corroborated the success of such efforts, with huge impact on those benefiting. But due to the small scale of the operations, the overall impact remains limited.

**Capacity Development.** The capacity of local governments is widely acknowledged to be weaker than that of the Central Government. All funding agencies in the two sectors have either dedicated projects or technical assistance (TA) to developing capacity and have included major capacity-building components in all loans to the sectors. Due to the adverse institutional context, project-based assistance can only temporarily alleviate some of the capacity constraints. Based on observations in 11 towns visited as part of this evaluation, it is expected that the current governance improvement action plans, fostered by both the World Bank's Municipal Services Project and ADB's UGIIP, will provide impetus to upgrade local capacities in a more sustainable way in the project towns. Even if the policy context remains a constraint in the future, improved capacity at the local levels can be a significant factor in the improvement of the urban environment. On the WSS side, the situation is allegedly different—the experienced engineers in the Department of Public Health Engineering (DPHE) are retiring and are not being replaced quickly enough. The technical capacity of DPHE is at risk of decline. At the local levels, aid agencies other than the four major development partners have funded some major capacity development initiatives, but policy reform seems a precondition for major progress.

**Policy and Institutional Reform.** Some improvements were made in urban sector policies with the Government's adoption of the Pourashava Ordinance of 2008, influenced by earlier ADB TA on urban sector policy. The improvements were modest; the Caretaker Government in place since January 2007 did not want to take responsibility for more significant reform, including adopting a proposal, made through ADB TA, for a new urban sector policy. Some institutional reform is being achieved with respect to the Dhaka Water and Sewerage Authority as a result of recent major ADB support. Other than these two aspects, few urban sector reforms have been achieved in the 2000s, in contrast with the 1990s, when the Government approved a number of policies. The same is the case for policy reform in WSS. The major change here was the adoption, nominally perhaps, of the SDP for the WSS sector in Bangladesh, with assistance in its preparation by DANIDA. Since then, further progress has been slow—preparation of the anticipated sector investment plan has not yet begun, nor has the needed institutional reform of DPHE made much headway. Other funding agencies have been slow to support the program as well.

**Aid Harmonization.** The four development partners' joint country strategy exercise in 2005 was the springboard to the signing of a more specific partnership agreement

in November 2007 among five agencies and the Government regarding WSS in Dhaka and Chittagong. This paved the way for the resumption of major new lending and grant provision to Dhaka and Chittagong, with a commitment from the Government to address the necessary policy reforms. Although the level of coordination among a wider group of aid agencies in the Local Consultative Group had been modest up to the time of the partnership agreement, the extent of cofinancing of projects in the urban sector and WSS has been higher than that in other sectors. The issue of external support for the Government's favored model of financing urban investments, through the BMDF or PIUs in LGED, remains to be resolved. The SDP started for the WSS sector is moving forward very slowly and is yet to be translated into a sector investment plan with real commitments from the aid community. The evaluation notes a gradual move from a situation in which every funding agency was pursuing its own agenda to one in which joint responses are beginning to be organized. However, this has been achieved without clear leadership from the side of the Government. More significant gains from aid harmonization can be made only when the Government takes a firmer lead in assigning tasks and organizing processes.

**Alignment with Government Systems.** A questionnaire survey organized for this evaluation registered views of project directors, both inside and outside the urban sector and WSS, regarding externally supported projects, and the role of external agencies and the Government in the projects. It also investigated the role of PIUs and consultants. As per the views of the project directors for the projects of the four development partners, not all problems are related to complexity introduced by external agencies. The project directors marked government-related problems, in fact, more frequently than external agency-related problems. Government-related problems included slow government decisions, weak decisions or policies, lack of staff, and weak ownership. Within this context, externally supported projects were seen as offering many advantages, a steady and more secure supply of funds being one of the most important, plus more access to advice, better design, better monitoring systems, and more transparent procurement, among others. The main aid agency-related problems were identified as (i) added complexity related to the enforcement of the external agenda, (ii) excessive procedures and paperwork, and (iii) delays introduced by slow external decision making. An additional problem, more particular to the urban sector and WSS, was the high and rising cost of land and other issues involving land acquisition, as well as opposition from civil society or the private sector to project works in crowded urban areas. The alternative of aid agencies pooling funds for the annual development program, with a much more hands-off approach, might not automatically and immediately lead to much better results. Agencies working slowly towards a good reform and investment framework, and aligning their project approaches, might be a more realistic perspective than the pooling of their funds in a sectorwide approach (SWAp) such as is promoted by the 2005 Paris Declaration through its indicator 9. The latter would have to be careful to retain the positive aspects of external involvement while reducing the transaction costs, inevitable gaps in coverage, and differences in approaches.

**Project Implementation Units.** All projects in the urban sector and WSS reported the use of PIUs for project management and implementation, even more so than projects in other sectors. But PIUs always consisted of a mix of government agency staff and externally recruited staff. This evaluation finds that a mix of staff is generally beneficial for capacity development and optimal efficiency in implementation. Compared with many other countries in Asia and the Pacific, the PIUs were seldom dominated by foreign consultants. Projects in the two sectors, however, did have a lot of local consultant support, and this had led to some substitution of apparently ineffective government staff. The extent to which this took place was not more than in other sectors or countries. It is deemed to be a general result of the project approach, rather than the externally supported project approach per se. All in all, any capacity erosion that may

take place seems more related to such factors as the project approach itself and lack of career paths in the civil service than to an explicit role of aid agencies favoring PIUs and the reliance on consultants.

## Assessment

This evaluation assesses both the overall effort of the aid agencies in the urban sector and WSS, and the role of ADB in particular. As prescribed by current IED guidelines, both bottom-up and top-down assessments are employed to arrive at an overall assessment of ADB's sector assistance program. Bottom-up assessment criteria used are relevance, effectiveness, efficiency, sustainability, and impact: ratings are on a four-point scale, e.g., highly relevant, relevant, less relevant, and irrelevant. The top-down assessment follows a similar rating procedure and relies on assessment of ADB's sector positioning, ADB's contribution to sector results, and ADB's performance. In this executive summary, most attention will be paid to the bottom-up assessment.

**Relevance.** The program offered by the development partners has been *relevant* to the needs and potential of the urban sector and WSS. Both sectors deserve attention: the urban sector because cities and towns have high potential to stimulate economic growth and to enable direct targeting of the hardcore poor; and WSS is integral to urban improvements and achievement of several of the Millennium Development Goals. There are significant downsides to non-intervention by aid agencies in the urban sector—in Dhaka, non-intervention in a large part of the decade has led to worsening of congestion and a downward spiral in livability. Reform works halted. External support is now growing. Capital injections and an external push for reforms and capacity development are all required. ADB's role as the agency with the highest financial support has been *relevant*. ADB has remained engaged over the decade, has expanded its program, and took a lead role in the 2005 joint country strategy work and in the 2007 partnership agreement with Dhaka and Chittagong.

**Effectiveness.** A distinction needs to be made between the role of the development partners in Dhaka and Chittagong, and that in the smaller towns. In Dhaka and Chittagong, there has been a lack of assistance over much of the present decade. New investments in Dhaka and Chittagong have been approved only since end-2007 (no expenditure has been incurred yet). In the secondary towns, the interventions by ADB, DFID, the World Bank, and some other agencies have been *effective*, with very few investments being wasted or underutilized as far as this evaluation has been able to determine. However, coverage of the more than 300 secondary towns in Bangladesh remains incomplete due to lack of funds and an approach focusing on small subsets of towns in each project. The main positive outcomes of the various projects have been capacity development and the revitalization of many local governments. Governance action plans have led to increased revenues in the towns. The combined outcomes have helped keep a number of secondary towns from deteriorating. In urban water supply, the challenges are still daunting, as most towns still do not have piped water supply and rely on tubewells sunk into depleting deep aquifers. In rural areas, little piped water supply is available, but water from tubewells, as a result of individual household initiatives, has expanded steadily over the past decade and a half. In rural sanitation, open defecation rates have gone down from about 40% at the start of the decade to about 15% this year, which is a great success. Development partners' and, specifically, ADB's interventions in WSS can be assessed as *effective* on balance.

**Efficiency.** It is clear that the often long delays experienced in project startup and implementation have been common to all development partners. Government and, to a smaller

extent, external agency and other sector-specific constraints have been largely to blame for this. But, particularly, projects of ADB and the World Bank have been complex, with high costs in implementation assistance and capacity building. A more systematic division of the tasks among the four development partners should lead to better approaches, more sector expertise being built up, better institutions, and simpler implementation arrangements. Aid harmonization in the sector has progressed over the years but could have developed faster; prior to 2005, not much was achieved. In the context of weak institutional capacity, and in the absence of collaboration within an overall framework (SDP) or SWAp, the development partners continue to rely on PIUs and large, *ad hoc* capacity development programs. This has considerable transaction costs and cannot address systemic issues such as civil service conditions and recurrent budgets. This evaluation assesses the aid programs as being *less efficient*. This also applies to ADB's program.

**Sustainability.** Major reforms were agreed to in WSS for Dhaka and Chittagong, but only at a relatively late stage in the decade; some are now under way. DPHE needs restructuring and a major program in capacity development. The Dhaka Water and Sewerage Authority has just started a process of adjusting its organogram and revising its rules and regulations. The Government and development partners must consider supporting more wholeheartedly the Government's SDP for WSS and a sector investment plan. There was little reform in the urban sector during 2001–2008. An urban policy was prepared with help from ADB but has not been approved. Some ordinances were approved very recently under the Caretaker Government. The Pourashava Ordinance of 2008 may make some difference in terms of allowing more voice to be given to the urban populations in local government, and more transparency. More systemic constraints have remained unresolved, such as low resource transfers, lack of revenue-generating powers and capacity of local governments, and lack of discretion in personnel decisions of local governments. Their resolution would require the starting of a decentralization exercise. There is little external support for operation and maintenance budgets in either of the sectors. In view of all of this, the *sustainability* of the various external investments is *less likely*. There is little reason to rate ADB-funded projects higher in terms of their sustainability.

**Impact.** ADB's Key Indicators<sup>1</sup> reflect that coverage with improved sanitation facilities increased from 32% in 2000 to 36% in 2006. Water supply from an improved source did not increase in relative coverage over the same period and is under threat of further arsenic contamination. Average life expectancy at birth improved from 58 years in 1995 to 64 years in 2006, while under-five mortality decreased from 92 per thousand live births in 2000 to 69 per thousand live births in 2006. Impacts on the urban sector in other respects have been variable. Overall, this evaluation rates the impact of the external aid agencies, including ADB, as substantial (if at the expense of large transaction costs).

**Top-down Assessment.** The evaluation regarded ADB sector positioning, ADB contribution to sector results, and ADB performance all as satisfactory. ADB responded well to the evolving development challenges and priorities of the Government, built on its comparative advantage, and designed its program in a manner that by and large took into consideration the support available from other aid agencies. It was the biggest player in the two sectors, and its support was provided consistently. However, it played the role of leader among aid agencies less effectively; not all opportunities for more effective leveraging of the Government may have been grasped over the period. ADB's program contributed modestly to the reduction in urban poverty, substantially to improved public health, substantially to environmental improvements

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<sup>1</sup> ADB. 2008. *Key Indicators 2008*. Manila.

(notably in flood protection and drainage), and substantially to improvements in social relations and institutional development in the project towns.

**Overall Assessment.** The 2000s saw changing approaches of the four development partners, particularly with regard to enforcing good governance in projects, addressing urban poverty reduction, and utilizing the private sector and NGOs in projects. Their application has had varying success. However, the evaluation notes positive developments, particularly in the last 2 years. One positive aspect noted overrides, perhaps, all others: the Government and development partners now recognize the importance of well-run towns and cities. In this sense, the urban program as externally supported has been successful, in spite of the constituent ratings of low efficiency and sustainability. This evaluation does not provide a full rating of the development partners' performance over the decade, although it has made assessments of various aspects. Using IED's rating system, this evaluation finds ADB's program in the two sectors in the 2000s *successful*.

### Conclusions and Lessons

- (i) Development partners should support those financing mechanisms that engender greater municipal accountability as well as promote local resource mobilization to ensure the sustainability of subprojects. This approach involves a financing package consisting of proportions of loans and grants that are determined by the revenue-generating potential of the subprojects, thereby leveraging the funding for greater cost recovery in projects that is necessary to repay the loan portions.
- (ii) Good options for project cofinancing in the urban sector and WSS in Bangladesh exist due to the large number of secondary towns, the large number of subsectors, and the variety of needs and potential in the two sectors. In the absence of SWAPs, scaling up individual interventions made possible through cofinancing is a good option.
- (iii) Problems are coming to a head in the larger cities, especially in housing, transport, slums, and solid waste. Special problems are posed by arsenic contamination in rural water supplies and by water supply in Dhaka. Provided that development partners are supported by the Government, they need to conduct more analysis in the more difficult sectors. There is a need for more comprehensive frameworks for investments, policy and institutional reform, and capacity development.
- (iv) Development partners need to consider the implications of differences in financing models and conditions for nonrevenue-generating urban infrastructure and services in the secondary towns. It is not good if one town under one project has to contribute to the financing of a road, and another town, under another project, does not. There is a need for greater coordination, aid agency harmonization, and alignment with government systems and priorities, although the Government should also play a more leading role.

### Recommendations

**Recommendations for the Aid Community.** This report makes a large number of recommendations to the aid community in the last sections of the last chapter. A main recommendation is that an effort is required to support, in a phased manner, the

decentralization of powers to local bodies. Another recommendation is that the SDP-WSS process needs to be picked up by the development partners. A sector investment plan, with strong spatial differentiation, could be a good basis for stepping up the coordination and harmonization in WSS to one level higher than where it is at present. Development partners should promote and fund detailed national planning and programming in the urban sector. A new level of cooperation and division of work would require an effective urban sector unit in the Bangladesh Resident Mission to monitor the positioning, complementarity, and effectiveness of nationally funded and externally funded projects in an integrated fashion.

### Recommendations Specifically for Consideration by ADB Management

Recommendation	Responsibility	Time Frame
1. ADB should put emphasis on economic, sector, and thematic work in (i) Dhaka water supply; (ii) pourashava water supply, flood protection, and urban infrastructure; (iii) urban transport; and (iv) decentralization or devolution of powers to local governments.	SARD	Next 2 years
2. To support (1) above, ADB should assign more human resources to the Bangladesh Resident Mission, dedicated to the urban sector, and consider posting a specialist with a brief to enhance policy dialogue with other aid agencies and the Government. The size of the current and future urban sector and WSS loans and grants merits this.	BPMSD and SARD	Immediately
3. ADB should consider the relationship among ADB, LGED, and the BMDF, notably in terms of the complementarity of their assistance with that provided by the BMDF. Financing conditions should be harmonized.	SARD	Next 12 months

ADB = Asian Development Bank, BMDF = Bangladesh Municipal Development Fund, BPMSD = Budget, Personnel, and Management Systems Department, BRM = Bangladesh Resident Mission, LGED = Local Government Engineering Department, SARD = South Asia Regional Department, WSS = water supply and sanitation.

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Map 1









## I. INTRODUCTION

### A. Purpose of the Evaluation

1. This Sector Assistance Program Evaluation of the Urban Sector and Water Supply and Sanitation (WSS) in Bangladesh was conducted for various reasons. First, the Asian Development Bank's (ADB) program in these two related sectors had been considerable over the years, and larger than that of any other aid agency. The Program had not yet been evaluated in a holistic sense, and with a sizeable pipeline program, there was good reason to take stock of achievements at this stage. Furthermore, ADB's Medium-Term Strategy, 2006–2008 had assigned a priority role for urban infrastructure in ADB's strategy, and the large program in Bangladesh can hold lessons for other countries. Second, the findings of the evaluation will assist in preparing the Country Assistance Program Evaluation for Bangladesh, planned for 2009. Third, the evaluation follows up on an agreement made in mid-2007 among representatives of the Department for International Development's (DFID) Evaluation Department, the evaluation department of the Japan Bank for International Cooperation (JBIC) (also on behalf of the Japan International Cooperation Agency [JICA]), the World Bank's Independent Evaluation Group (IEG), and ADB's Independent Evaluation Department (IED).<sup>1</sup> The agreement was that the four evaluation partners would participate in a joint evaluation exercise of their parent organizations' development assistance to Bangladesh over approximately the years 2001–2008. ADB, DFID, the Japanese Government, and the World Bank had produced a joint country assistance strategy in 2005. Each evaluation partner would pay special attention to the positioning of various aid agencies in the two macro sectors and would address strategic issues in these sectors regarding the use of development aid, such as those raised in the 2005 Paris Declaration on Aid Effectiveness.<sup>2</sup> As a minimum, the evaluation work was to give guidance as to further collaboration in Bangladesh in the future. IED committed to produce sector assistance evaluations of ADB's programs in (i) education, and (ii) urban sector and WSS, in which special attention would be paid to approaches taken by its development partners as well as nationally funded and implemented projects.<sup>3</sup> The offer to provide an evaluation of the urban sector<sup>4</sup> and WSS combined was based on the need for comprehensive sector coverage, and the circumstance that WSS is already a large component of any urban sector program. The evaluations were scheduled in the IED work program for 2008.<sup>5</sup>

2. In practice, the simultaneous evaluation of the two sectors in one report has a significant influence on its nature, which is wide ranging. Where convenient, the developments in each of the two sectors are discussed separately. This report is an experiment in evaluation of the ADB program in relation to and in comparison with the programs of its main development partners.

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<sup>1</sup> IED was named the Operations Evaluation Department, or OED, until end-December 2008.

<sup>2</sup> Organisation for Economic Cooperation and Development. 2005. *Paris Declaration on Aid Effectiveness*. Available: <http://www.oecd.org/dataoecd/11/41/34428351.pdf>

<sup>3</sup> IED earlier produced a Country Assistance Program Evaluation for Bangladesh in 2003, which assessed ADB's program as implemented from 1986 onwards.

<sup>4</sup> This study largely follows the conventional definition of urban development as used by multilateral development banks when they set out to provide development policy lending or investment projects to cities and towns. The definition does not include direct economic development in urban areas, but covers improving enabling conditions for such economic development, and the provision of public goods and the uplift of slum populations. Urban energy supply is not included, but development of bus and truck terminals and of markets is.

<sup>5</sup> In March 2008, the other evaluation partners decided to change the agreement as to the sector evaluations and pursue a more limited joint evaluation. IED, with the consent of its partners, continued with its original plan.

## B. Scope

3. As agreed among the four partners in 2007, the evaluation was to provide assessments of the aid interventions that were ongoing in the period 2001–2008<sup>6</sup> in the sectors of integrated urban development, urban WSS, rural WSS, urban roads and traffic, urban housing, slum improvement, urban flood protection, urban drainage, capacity development, and urban governance.<sup>7</sup> Assessments would be made of the relevance of the aid program, its effectiveness, efficiency, and sustainability. The focus would be the programs of the four development partners, since these provide more than two thirds of all official development aid to Bangladesh. Within this, the focus would be on ADB's program. The aim is to increase the impact of external assistance on the urban sector and WSS in Bangladesh through learning and improved collaboration and complementarity. The intended outcomes of the evaluation are (i) an improved aid program in the two sectors; (ii) improved performance of ADB in the two sectors; and (iii) improved aid harmonization and alignment of aid with country plans, systems, and needs.

## C. Limitations

4. This evaluation took place with limited resources and under time constraints. It relied to a great extent on secondary sources such as project completion reports (PCRs) and project performance evaluation reports. DFID, JBIC, and the World Bank all submitted the most important of these documents to the evaluation team, including some strategy documents. For other aid agencies, documents were sometimes available on their websites. Nevertheless, this evaluation was not in a position to comprehensively collect all potentially relevant materials. Four missions were organized with direct involvement of IED staff of 1–2 weeks duration each in the period April–September 2008. Two Bangladeshi experts were involved, as consultants, for a period of 6 weeks; and an international consultant was employed for 1 month. The local governments of 11 secondary towns (*pourashavas*) were visited,<sup>8</sup> governance and capacity issues discussed, and major assets created by projects inspected. Data were gathered, and opinions of mayors and other local stakeholders were recorded as regards the various externally supported programs in their municipalities (Table 1). Several agencies dealing with Dhaka were visited, and one slum was studied. Interviews were conducted with many external stakeholders and senior representatives of executing agencies (EAs) in Bangladesh, and with representatives of nongovernment organizations (NGOs). A questionnaire was sent in August 2008 to the directors of all ongoing projects financed by the four partners in Bangladesh, including in the urban sector and WSS. The project directors of all 10 major ongoing urban projects of the four development partners responded. In other sectors, the response rate was 60%, which this evaluation deems sufficient for a comparison of the urban and WSS sector with other sectors in Bangladesh. The total number of responses received was 96.

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<sup>6</sup> This includes operations that were started or completed at any point over this period.

<sup>7</sup> Partly on the assumption that the joint evaluation will deal with related sectors such as urban primary health and rural infrastructure (possibly with components in *pourashavas*) in which ADB has also invested loans, these sectors are not included in this sector assistance program evaluation.

<sup>8</sup> Feni, Gopalpur, Jessore, Kushtia, Lakshmpur, Narail, Narayanganj, Nouapara, Shajzadpur, Sirajganj, and Tongi.

**Table 1: Pourashavas Visited and Their Projects in the Urban Sector and WSS**

Pourashava	UGIIP	MSP	BMDF	LPUPAP/ UPPR	STIDP/ STIDP2	STIFP/ STIFP2	EDDRP/ EFDRP	Total
Feni	X		X	X	X		X	5
Gopalpur	X	X	X					3
Jessore		X	X	X		X		4
Kushtia	X		X	X	X	X		5
Lakshmipur	X		X	X			X	4
Narail		X	X					2
Narayanganj	X		X	X			X	4
Nouapara	X		X					2
Shazhadpur	X		X			X	X	4
Sirajganj		X	X	X	X	X	X	6
Tongi	X		X	X			X	4
<b>Total</b>	<b>8</b>	<b>4</b>	<b>11</b>	<b>7</b>	<b>3</b>	<b>4</b>	<b>6</b>	<b>43</b>

BMDF = Bangladesh Municipal Development Fund, EDDRP = Emergency Disaster Damage Rehabilitation Project, EFDRP = Emergency Flood Damage Rehabilitation Project, LPUPAP = Local Partnerships for Urban Poverty Alleviation Project, MSP = Municipal Services Project, STIDP = Secondary Towns Infrastructure Development Project, STIFP = Secondary Towns Integrated Flood Protection Project, UGIIP = Urban Governance and Infrastructure Improvement (Sector) Project, UPPR = Urban Partnerships for Poverty Reduction, WSS = water supply and sanitation.

Source: Field visits conducted for this evaluation, July–September 2008.

5. The Study does not aspire to being an impact evaluation of external aid in a developing country. Many of the projects undertaken in the period have not yet been completed and cannot be fully evaluated. A thorough assessment of the efficiency and effectiveness of external aid to the two sectors would require a complementary study of the effectiveness and efficiency of the Government-funded program in the sectors. This could then serve as a counterfactual. The Study did not have access to the evaluations of the Government's Implementation Monitoring and Evaluation Department (IMED). A serious problem has also been the discrepancies in official statistical data on the urban sector and WSS, which makes these data difficult to use in the evaluation. The Report pays more than the usual attention to the positioning and relevance of the programs of the external agencies. Some of the detail usually achieved in evaluations concentrating on ADB's program is traded for a broader overview and more comparison with the programs of others. The assessment of the efficiency of ADB's program, in particular, may be limited, but the positioning of ADB's work vis-à-vis that of others should be much more clear in this report. The evaluation aims to provide the reader with a plausible assessment of the role of external agencies in the sectors, including ADB. A draft of this document was circulated for comments to relevant government agencies and the aid community. The comments have been taken into account.

#### **D. Organization of the Report**

6. Chapter II discusses the state of urban development and WSS coverage in the country, and reviews the policies that the Government has employed to improve the situation in the last 10 years in both sectors. Chapter III reviews the types of interventions that the Government and the development partners have financed, and the investment needs. Chapter IV reviews what has happened in the various subsectors, focusing on interventions of the four development partners but not omitting a review of the work of other agencies if these have had a significant presence in the sectors. Subsectors discussed are (i) integrated urban development, (ii) urban WSS, (iii) rural WSS, (iv) urban flood protection, (v) urban drainage, (vi) sanitation, (vii) solid waste management, (viii) urban roads and transport, (ix) urban housing and slum development,

(x) urban poverty, (xi) capacity development, and (xii) policy and institutional reform. The Review is concise due to page limitations; a fuller discussion of the sectors is appended. Chapter V discusses issues of aid harmonization and alignment of the systems, approaches, and procedures of development partners in the two sectors with those of the Government. It does this, mainly, by analyzing the results of the questionnaire survey. Chapter VI assesses the overall efforts of (i) development partners in general, and (ii) ADB in particular, in terms of their relevance, efficiency, effectiveness, and sustainability. The last chapter provides for extensive lessons and recommendations.

## II. URBAN SECTOR AND WATER SUPPLY AND SANITATION IN BANGLADESH

### A. Context

7. The context in which urban areas are to be developed in Bangladesh is not very favorable. Bangladesh is poor and agriculturally oriented; most of the rice and other cereal produce is consumed by the farmers themselves and not traded. Agriculture employs over 60% of the working population but provides only 20% of the gross domestic product.<sup>9</sup> Gross national income per capita was around \$440 in 2004. Economic growth in the country was slow until the last decade, when it rose to around 5%–6% annually, but Bangladesh still belongs to the group of poorest countries. Other than the garment industry, the country has few industries that could serve as a basis for growth poles. The economy has a large reliance on migratory labor, which does not have many multiplier effects. Trading within the country and with neighboring countries is made difficult by the limited transport and communication infrastructure, which is in part due to the topography of the country, fragmented as it is by many non-navigable rivers and the lack of bridges. Frequent floods impede urban development, as they damage infrastructure and require the creation of extensive flood protection works. Nevertheless, the contribution of urban areas to the gross domestic product has been estimated at close to 50% at present (footnote 9), with a quarter of the national population.

8. The governance context for urban development has not been favorable either. An enabling political, policy, and regulatory context is required, relying on a government with vision and grasp of urban development issues. Stable government is needed, leaving considerable space for self-government to towns and cities, which is a prerequisite for them to prosper. Bangladesh, however, has had a history of unstable and polarized politics, limited revenues, weak governance, and large budget deficits, which have led to red tape and a reapproval culture. Revenue collection, although improving, is very low, even compared with surrounding poor countries. Discretionary expenditure by local governments does not sit well in this context. As in other sectors, even petty expenditure decisions taken by local governments are scrutinized at the center, stifling their initiative.

9. Responsibilities for the urban sector are fragmented. Development authorities, such as the Capital Development Authority (RAJUK [Rajdhani Unnayan Karttripakhya]) are under the jurisdiction of the Ministry of Housing and Public Works. So is the Housing and Settlements Directorate. Urban local governments, such as city corporations and municipalities, are under the jurisdiction of the Ministry of Local Government and Rural Development and Cooperatives, which includes the Local Government Engineering Department (LGED) and the Department of Public Health Engineering (DPHE). This situation is allegedly not conducive to coordinated development of the sector, leading to inefficient use of scarce resources.

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<sup>9</sup> Nazrul Islam (2006). Bangladesh. In: Roberts, Brian and Trevor Kanaley. 2006. *Urbanization and Sustainability in Asia. Case Studies of Good Practice*. ADB and Cities Alliance. Manila.

## B. The State of Urban Development

10. Bangladesh's level of urbanization may be as yet relatively low (25%) compared with some other Asian countries, but it already has a very large urban population, estimated at around 38 million in 2005. This easily surpasses that of Thailand or Viet Nam, for instance. Urban population growth is around double the overall population growth rate, i.e., around 4% annually (footnote 9). If this continues, by 2030, half of the population (some 90 million) will be urban. Many villages all over the country have grown into towns, and especially the major urban centers have grown very rapidly. Dhaka is one of the fastest growing mega-cities in the world, with an estimated 300,000–400,000 new migrants, mostly poor, arriving in the city annually.<sup>10</sup> A recent IEG evaluation assessed the annual growth of Dhaka between 1999 and 2005 at an astonishing 9%.<sup>11</sup> Not only is the Dhaka metropolitan area growing fast,<sup>12</sup> but also the major satellite towns around it such as Tongi and Narayanganj. The Government's policy is to steer migration away from the major cities by improving services and the economy of more remote small towns. Much headway with this has not been made, however, due to lack of resources and insufficient discipline and policy enforcement capacity. The growth of the big cities arises from the irresistible pull that livelihood opportunities create in them, but this growth has simultaneously resulted in severe shortages of basic urban infrastructure, serviced land, and housing. Over six million of the urban population have no access to drinking water from an improved source, although coverage has improved over the years. Urban sanitation has remained a serious problem in all cities and towns. Local flooding has occurred frequently and is a constant threat. Drainage works are insufficient, which leads to waterlogging and water pollution. Raw sewage and industrial pollutants continue to be discharged into the rivers and to contaminate groundwater and ponds. A serious problem is also garbage pollution; with garbage collection just beginning to be organized, urban solid waste management is mostly absent. Other serious problems encountered in urban areas are the weak economic base of most towns and cities; insufficient transport facilities and poor management of traffic; inadequate education, health, and recreation services; air pollution; deteriorating law and order (escalating crime and violence); and social problems (child abuse, oppression of women, prostitution, drug addiction, and begging; footnote 9). Although urban poverty is less widespread than rural poverty, it is often more conspicuous and more severe due to poorer environmental and social conditions in the urban areas. Depending on the use of different sources for the estimate of poverty lines, 20%–35% of the urban population was poor in 2000, and 38%–53% of the rural population. Over a third of the urban population lives in slums.<sup>13</sup>

11. A large World Bank-sponsored household survey held in 2000, the base year for this evaluation, demonstrated that, generally, less than 20% of the population of the four major cities in Bangladesh were satisfied with the main urban services provided such as WSS, electricity,

<sup>10</sup> World Bank. 2007. *Bangladesh Dhaka: Improving Living Conditions for the Urban Poor*. Washington, D. C.

<sup>11</sup> World Bank. 2007. *Project Performance Assessment Report on the Dhaka Urban Transport Project in Bangladesh*. Independent Evaluation Group. Washington, D.C. (Credit 3163-BD).

<sup>12</sup> Dhaka, Bangladesh Disaster Risk Management Profile. Last Update July, 2006. In spite of the declared government policy of decentralized administrative and economic development introduced in the 1980s, the actual development in the huge export-oriented ready-made garments sector during the 1980s shows an overwhelming concentration in Dhaka City. More than 80% of the garment concerns of the country are located there. In the case of several other large industrial subsectors, Dhaka has more than 80% of the national enterprises. The dominance of Dhaka is even more overwhelming in several of the smaller manufacturing activities, such as rubber products, in which Dhaka contributes nearly 100% of the total jobs, furniture (97%), publishing (96%), footwear (84%), leather goods (82%), and electrical machinery (72%).

<sup>13</sup> A slum, as defined by the United Nations agency UN-HABITAT, is a run-down area of a city characterized by substandard housing and squalor and lacking in tenure security. The term as used in this evaluation refers to deteriorated housing areas inhabited predominantly by the poor, as well as to informal settlements with squatters.

garbage disposal, transport and traffic control, and police.<sup>14</sup> An ADB-sponsored survey held among poor people in secondary towns in 2007 showed an even worse picture.<sup>15</sup> The roots of these problems are viewed as a combination of the following major factors: (i) absence of urban planning; (ii) lack of financial resources; (iii) weak implementation of plans; and above all, (iv) ineffectual urban governance, meaning (a) lack of accountability or transparency, and inefficiency; (b) lack of awareness among ordinary people; (c) lack of devolution of power and authority; (d) inadequacy of qualified professionals; and (e) absence of good leadership at the city level (footnote 9). Appendix 1 compares urban and rural poverty.

### C. The State of Water Supply and Sanitation

12. **Water Supply.** The conditions needed for proper access to clean water by households and businesses seem favorable in a low-lying, water-rich country like Bangladesh but are in practice not as favorable as apparent upon superficial observation. Bangladesh is situated mainly in a river delta, and this gives ample opportunity for the exploitation of surface water in most parts of the country. However, the river water available is often very turbid, polluted, and salty in coastal areas; and it fluctuates significantly in level and quality between the monsoon and dry seasons. The groundwater table has, in practice, been the major source of drinking water. It offers great opportunities for sinking shallow wells and deep wells in most areas, and these have gradually been availed of by most of the population, with help from both public and private sector providers. There are now around 7.0 million tubewells (hand pump tubewells, deep set tubewells, and deep tubewells) in the country, 5.5 million of which were constructed by the private sector for private owners, the rest by the Government (1.2 million) or by NGOs (0.3 million). The average number of people served by a tubewell is 20.<sup>16</sup> The tubewells have ensured basic levels of drinking water supply to most of the population, and this could be called a success of sorts, although the poor often still have no access close to their homes.<sup>17</sup> Unfortunately, although 80% of the population have access to some form of improved water supply (a figure sometimes questioned because of conflicting surveys), arsenic contamination of wells has complicated the situation by causing considerable health problems since it was discovered in 1993. Between 16% and 25% of all existing wells in Bangladesh are contaminated by arsenic, some seriously. A recent study undertaken as part of the preparation for the Government's 2005 Sector Development Program (SDP) suggests that the present bacteriologically and chemically *safe* coverage may even be as low as 59%. Moreover, more than 25% of the people are using unsafe tubewells, leading to the recognition that other water quality issues require immediate attention.<sup>18</sup> Estimates of the number of villages where all the water sources are arsenic contaminated, and which require an immediate response, range from 1,200 to 8,000.

13. **Sanitation.** Sanitation coverage was very low in Bangladesh until recently, which made it difficult to combat the high mortality rates in the country. Conditions for widening the sanitation

<sup>14</sup> World Bank, Proshika, Survey and Research System. 2002. *Urban Service Delivery: A Score Card*. Dhaka.

<sup>15</sup> Centre for Development Services. 2008. *Final Report on the Participation of the Urban Poor in Municipal Governance*. Dhaka (TA 4707).

<sup>16</sup> DPHE noted in a comment on a draft of this report that private tubewells are owned by individual families and they seldom share water with others. Excluding users of private tubewells, the average number of users is about 80, a number increasing to about 96 persons per public water point if all rural people are considered.

<sup>17</sup> Urban water supply coverage in Bangladesh is defined as one household per connection or one street hydrant per 100 people. The standards for the definition of safe drinking water in Bangladesh are comparable to those of most other countries. They are laid down by the 1997 Environment Conservation Rules, Schedule 3.

<sup>18</sup> Danish Agency for International Development Aid. 2005. *Water Supply and Sanitation Sector Programme Support (WSSPS) Phase II. Bangladesh. Sector Policy Support Component*. Available: [http://www.danidadevforum.um.dk/NR/rdonlyres/850966D6-7006-428C-8BA0-C8FB08D0BA0E/0/CD\\_SectorCapacityBuilding.pdf](http://www.danidadevforum.um.dk/NR/rdonlyres/850966D6-7006-428C-8BA0-C8FB08D0BA0E/0/CD_SectorCapacityBuilding.pdf).

coverage were long affected by grinding poverty, the ingrained practice of open defecation outside the house, limited attention to hygiene, and increasingly high population densities. For instance, in 1991, less than 15% of the rural population had access to sanitary latrines;<sup>19</sup> use of unsanitary pits and open defecation were widespread. But gradually, the coverage increased, notably due to the sinking of tubewells, which made more water available for cleaning; greater government effort; and improved primary health care. This led to a drop in the number of fatalities from diarrheal diseases from 300,000 deaths per year in 1980 to about 150,000 in 1997. However, although conditions improved, the overall situation was still far from satisfactory at the start of the 2000s. Only 48% of the people had a hygienic latrine. Hygiene practices were poor, with only 43% of the population washing their hands with soap after defecation. About 29% of the shallow tubewells were contaminated with bacteria, mainly due to poor maintenance of the tubewell surroundings. Child mortality stood at 76 per 1,000 live births in 2003, of which 20%–25% is assumed to have been caused by a lack of adequate sanitation and hygiene behavior. Even in urban areas, sanitation coverage has remained unsatisfactory. While many have septic tanks and sanitary latrines, much of the sludge is discharged through open drains into rivers. Dhaka has only one first-stage sewage treatment plant, and it can receive wastewater from only a small portion of the city. The country also had no sanitary landfills at the start of the period under review; because only a portion of garbage was collected, much open dumping went on under unsanitary conditions, some of it in rivers.

#### **D. Government Institutions and Policy in the Urban Sector**

14. The period evaluated in this report was one of many developments, but some of the sector features have remained broadly the same.

15. **Urban Local Governments.** The structure of urban local government has long remained relatively unchanged. There are city corporations for the six largest cities (Dhaka, Chittagong, Khulna, Rajshahi, Sylhet, and Barisal), and urban municipalities (pourashavas) for 309 secondary towns (by some accounts there are more than 500 places that should qualify as towns). Smaller population centers are administered as nonmunicipal rural entities under the *union parishad* system. Urban as well as rural local governments are formed through a democratic election process, with the mayor also elected by direct vote.<sup>20</sup> The city corporations have their own planning and development authorities. They were created mostly since the end of the 1950s. *Pourashavas* are local governments of secondary towns, with sizes ranging from around 10,000 to 600,000.<sup>21</sup> They do not have their own development authorities and do not generally employ urban planners. Master plans, if any, are normally prepared for them by the Urban Development Directorate (UDD) of the Ministry of Housing and Public Works, by LGED, or by consultancy firms under their supervision.

16. **Evolution of Urban Sector Policies.** After partition of East Pakistan from India in 1947, the then provincial capital, Dhaka, experienced a significant population increase due to the influx of refugees from India. This led to major infrastructure development and building activities, which in turn led the Government to enact legislation and frame rules to regulate and control

<sup>19</sup> Planning Commission, General Economics Division. 2007. *Millennium Development Goals, Midterm Bangladesh Progress Report 2007*. Dhaka.

<sup>20</sup> Nazrul Islam. 2006. Bangladesh. In: ADB. 2006. Cities Alliance. *Cities Without Slums. Urbanization and Sustainability in Asia. Good Practice Approaches in Urban Region Development*. Manila.

<sup>21</sup> A pourashava consists of a mayor, a number of councilors whose number is fixed by the government (generally 12), and women councilors having reserved seats. Presently, they are directly elected on the basis of adult franchise. The mayor of a pourashava is considered a councilor and is paid an honorarium fixed by the Government.

urban development activities, notably the Building Construction Act of 1952, the Town Improvement Act of 1953, and the Building Construction Rules of 1953. Master Plans were prepared for Dhaka, Chittagong, Khulna, and Rajshahi cities in 1959. These were major initiatives. But, especially after the independence of Bangladesh in 1971, the plans proved inadequate as a result of the high population growth and the speed of land use changes. Despite the rapid urbanization in the country, no initiative was undertaken to plan or control urban development activities during the 1970s and 1980s.

17. Major floods and burgeoning urban development in the late 1980s finally prompted the Government to engage in a process of policy updates and policy reform. It approved a national Flood Action Plan in 1989 and a National Housing Policy in 1993, and prepared an Urban Management Policy in 1994 to strengthen pourashavas and enhance their financial autonomy. Other steps taken included the preparation of new development plans for Dhaka, Chittagong, Khulna, and Rajshahi; and the formulation of Building Construction Rules (1996), Private Residential Area Development Rules (2004), and Dhaka Metropolitan Building Construction Rules (2008). The 1993 Bangladesh National Building Code came into force only in 2006, after some modifications. Other relevant legislation includes the Bangladesh Environment Protection Act of 1995 (modified in 2000), and the Wetland Preservation Act of 1998. The various pieces of legislation enacted have remained fragmentary. Although the Government has long been aware of the rapid pace of urbanization and the associated physical, economic, and social problems, it has not yet been able to approve a comprehensive urban policy. The Urban Management Policy Statements (1994 and 1999) prepared by the Local Government Division (LGD) emphasized that all pourashavas should have adequate personnel and financial strength, provide and maintain infrastructure, implement land use plans, address poverty, ensure participation, and involve the private sector. These policy statements, however, were not enacted.

18. Some progress was eventually made regarding the role and powers of pourashavas. The Local Government Ordinance of 1976 and the Pourashava Ordinance of 1977 had created the basis for management of towns by elected councils and chairmen. The 1977 ordinance had given the pourashavas some responsibilities, as well as revenue-raising powers; but in practice, the Central Government exerted more oversight than needed as per the ordinance itself. The Pourashava Ordinance was finally amended in 2008 to increase the pourashavas' responsibilities for town planning and development, public health and sanitation, water supply and sewage disposal, and maintenance of public infrastructure. It is now mandatory for the pourashavas to prepare master plans within 5 years from the date of creation of a new pourashava, or from the date of enforcement of the Ordinance for the old or already created pourashavas. Participation of selections of the citizenry in decision-making processes has improved. The position of chairman has been upgraded to mayor, but the symbolic honorarium paid has not changed. It is yet to be determined whether the new Ordinance leads to less resort to central government endorsements and red tape.

19. A sector development plan for the urban sector, or for any of the possible components other than WSS (see para. 24), such as urban housing, urban drainage, and slum improvement, has not been prepared so far. Flood management of relevance to urban areas can, to some extent, be considered covered by the 1988 Flood Action Plan, and later by the National Water Management Plan of 2000, which was finally approved in 2004. Recently, the Government approved a Strategic Transport Plan for Dhaka (2008). The absence of plans in most other subsectors makes it difficult for this evaluation to establish the gaps in funding and complementarity or overlap in interventions by different financing sources. This study focuses on WSS in Section E below, for which policies, as well as an SDP, were prepared recently.

## E. Government Institutions and Policy in Water Supply and Sanitation

20. **Water Supply and Sanitation Institutions.** The conditions of government involvement in WSS have not evolved very much over the years. The Ministry of Local Government and Rural Development and Cooperatives has remained responsible for a large part of the main implementation and supervision responsibilities regarding public sector WSS in the country, mainly through its subordinate departments: (i) LGD, which does policy formulation and strategic planning for the sector, and monitoring; (ii) DPHE, which is responsible for providing WSS services in areas not served by water and sewerage authorities (Dhaka and Chittagong), and for provision of technical assistance (TA) to local bodies responsible for WSS; (iii) LGED, which is responsible for rural infrastructure and assistance to municipalities, including WSS in some externally supported integrated development projects; (iv) local government institutions such as *union parishads*, *upazila parishads*, and *pourashavas*, which are responsible for managing communal WSS systems; and (v) the National Institute for Local Government, which is responsible for much of the capacity development of local bodies. All these institutions rely on funds from the Ministry of Finance, the Planning Commission, and external agencies as well as, in some cases, their own resources and funds donated by international NGOs and the private sector. In the 2000s, some new players arrived on the scene, notably the Bangladesh Municipal Development Fund (BMDF) and the Hygiene, Sanitation and Water Services (HYSAWA) Fund. These funds, which are registered as government-owned companies, have so far received financing only from international agencies.

21. **WSS Policies.** Unlike the urban sector, the WSS sector benefited from much policy development in the period under review, starting in 1998 with the approval of the National Policy for Safe WSS. This was probably the most significant policy for the sector, emphasizing the principles of user participation, decentralization of WSS management to local government institutions and community-based organizations, and involvement of NGOs and the private sector in WSS service delivery. The policy supports, for instance, that tariffs should be established on the basis of costs (except in the case of educational and religious institutions). It also supported a new role for the water supply and sewerage authorities (WASAs) in Dhaka and Chittagong: to promote collective initiative in slums and among squatters in accessing water supply services for payment. Subsequently, the Government approved the Sector Development Framework (2004), the National Sanitation Strategy (2005), and the Pro-Poor Strategy (2005). These were important steps. For instance, the Pro-Poor Strategy laid down that the hard-core poor were eligible to obtain drinking water at subsidized cost (50% of cost). The Government approved a National Policy for Arsenic Mitigation in 2004 to specifically address the widespread arsenic contamination of groundwater. The water supply policies were embedded in the National Water Management Plan (2004), dealing with overall water resource management.

22. The Government has, furthermore, endorsed the Millennium Development Goals (MDGs), which include reducing by half the proportion of people without sustainable access to safe WSS by 2015. The Government's Poverty Reduction Strategy of 2005 includes improvement of WSS as one of its seven strategic focal points. The 2005 Strategy aims to reduce poverty by 30%, extreme poverty by 5%, and child mortality to 31 per 1,000 live births by 2015. WSS is included as a focal issue, as the Government recognizes that water-related diseases account for the majority of deaths of infants and children under 5 years old in the country.

23. The 2004 Sector Development Framework has suggested optimistic targets and time scale for implementation of the WSS sector improvements. It aims for 100% coverage of basic

WSS services in towns and rural areas during 2005–2015. The coverage target for piped water supply in urban areas is 70% by 2010 (presently at 20%), and 90% by 2015. While the MDG set the target of halving the percentage of people without safe water and basic sanitation by 2015, the Government set a more ambitious target in 2005: in the case of sanitation, 100% coverage by 2010. This target requires a 12% per annum increase in coverage—a difficult task, especially as most of the people still without sanitation facilities are likely to belong to the poor and hardcore poor segments of the population.

24. The Government's goals, and the priority accorded to the provision of safe drinking water and appropriate sanitation, are consolidated in its new SDP—Water and Sanitation Sector in Bangladesh, which was approved in January 2006. The SDP assembled all the relevant national and international policies, strategies, and targets and drew up a 10-year framework for development and cooperation in the sector. A Policy Support Unit (PSU) in DPHE, supported by the Danish Agency for International Development Aid (DANIDA), is the overseer of this SDP and is currently involved in formulating proposals for reform and drawing up a sector investment plan. In early 2009, a team of consultants started working on the revision of the SDP.

### **III. INVESTMENT IN THE URBAN SECTOR AND IN WATER SUPPLY AND SANITATION**

#### **A. Government and External Investments in the Urban Sector**

25. The urban sector, as defined in this evaluation, did not get separate attention in the Government's poverty reduction strategy papers (PRSPs) of 2003 and 2005. Only in the new PRSP, approved by the Caretaker Government in November 2008,<sup>22</sup> was some attention paid to the challenges of urbanization, and strategies for urban development were briefly listed. For the period covered by this evaluation, the Government had not defined needs and set medium-term investment targets for the urban sector. Nevertheless, a partial indication of the priority attached to developing the sector can be gleaned from the Government's annual development programs (ADPs), which list the public investments planned and in progress. In fiscal year (FY) 2007–2008, the allocation for urban roads, drainage, housing, and water supply was Tk14,509 million, or around 9% of the total allocation, which comes to the equivalent of \$213 million. External contributions were estimated to add the equivalent of another \$78 million in aid, channeled through externally funded projects. This turned the total allocation into around \$290 million, \$37 million of which is provided as a block allocation over which the local governments have some discretion. This amount has to be distributed among over 300 municipalities, including Dhaka, Chittagong, and some other sizeable cities. The result is that the amounts of annual investment funds available for each town are rather small. A block allocation would come to the equivalent of around \$100,000 per town per year. For FY2008–2009, the overall allocation to urban and water supply was increased, but the block grants to local governments were halved. Overall, the Government's planned investment can be assumed to be around \$8 per capita per year, and external investment (in loans and grants) less than \$3. These are hardly amounts that can be expected to make a major difference to agglomerations with large needs and beset by tremendous problems. The real investment need must be much higher than the ADP allocates, but has not been projected by any stakeholder so far. It is important to remember that the Government invests more than aid agencies in this sector.

<sup>22</sup> Government of the People's Republic of Bangladesh. 2008. *Moving Ahead: National Strategy for Accelerated Poverty Reduction II (FY 2009-2011)*. General Economics Division, Planning Commission. Dhaka.

## B. Government and External Investments in Water Supply and Sanitation

26. Like the urban sector, WSS is not a recognized sector in budgetary terms; investments are subsumed under the heading of physical planning, water supply, and housing. If the overall amount under this heading is limited, then the amount reserved for WSS must be of necessity even more limited. Unlike the urban sector, however, more detailed estimates are available for the actual needs of the WSS sector.

27. This is because of the landmark *SDP Water and Sanitation Sector in Bangladesh*,<sup>23</sup> which was produced in 2005 through a DANIDA-funded project in the Unit for Policy Implementation of LGD. It worked out a number of scenarios, then chose the one most likely to be feasible, considering the status of the particular subsector, the willingness for change, and the present and projected sector capacity. It estimated that the total investment cost of the sector, including capacity-building costs, will be about \$5 billion over 2005–2015. About half of the total requirement would be for urban sanitation, while urban water supply would account for another quarter (the scenario is one of moderate coverage and moderate service levels). Thus, three quarters of the investment needs would be for urban areas.

28. The total sector investments for different components would be divided into three main domains with respect to sector stakeholders: (i) public, which includes contributions from the Government, external agencies, WSS utilities, and any private sector investments and would amount to 78% of the total investment; (ii) NGOs, taking a share of 7%; and (iii) individuals, who would buy services like tubewells and latrines directly from the market, and who would contribute 15% of the total investment needed. In the public domain, the Government would be expected to contribute 30% of the resources (about \$4 billion for the 10-year period), while WSS utilities would generate 15%, and private sector investments a modest amount of 5%. The aid agencies would be expected to share the other half of the cost. Fifty-one million dollars (about 1% of the total investment cost) is viewed as required for sector capacity building and reforms. The SDP expects that the external agencies would be willing to share most of the TA costs. The scenario would deliver (i) accelerated growth in rural water supply, with special attention to the arsenic problem and low water table areas; (ii) continuation of the already strong National Sanitation Campaign; (iii) moderate coverage and moderate service levels in urban water supply, which also needs major reform and efficiency improvements, as present urban capacity is seen as very low; and (iv) a less ambitious scenario in urban sanitation, relying on sewer systems and small-bore sewers, where there is similarly a major lag in coverage and capacity.

29. The SDP report assessed how much of the annual investment required was being covered in 2005. The rural sanitation program was regarded as on course at the present level of investment. The financing situation for urban water supply was viewed as encouraging, with various external agencies contributing to infrastructure development, policy reform, and capacity development. Urban sanitation was seen as the most critical factor in terms of investment requirement—about half of the total investment (\$2 billion over 10 years) would be needed for this—but almost negligible amounts were invested in 2005. The most expensive part was seen as the sewer systems, which are required in high-density areas where on-site sanitation is not feasible. The report concluded that, against a level of investment of \$75 million per annum in 2000–2005, an investment of \$382 million would be required to achieve the target in 2015. The government requirement would be about 2.5 times higher than the amount financed in

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<sup>23</sup> Unit for Policy Implementation. 2005. *Sector Development Programme Water and Sanitation Sector in Bangladesh*. Dhaka.

2005, and the external requirement would be about six times higher, from \$32 million to \$192 million annually.

30. These estimates are questioned by some aid agencies, and the PSU sees sector reforms as essential preconditions for meaningful investment. The question whether the sector has the absorptive capacity to construct efficiently, and the financial capacity to sustain the results, does not have a straightforward answer. The results of the questionnaire survey of the 10 main ongoing urban and WSS projects show that half of the project directors think that their sector gets sufficient external support, but the other half do not think so, even though they regard the absorptive capacity as good (Appendix 2, question 11).

### C. Externally Supported Projects Ongoing in 2001–2008

31. If only a fifth of the essential WSS needs were covered in 2005, it is of interest how the development partners utilized their contributions, and how ADB, DFID, the Japanese Government, and the World Bank compared with other agencies. ADB has topped the list of externally supported projects that have been ongoing over some or all of the period from 2001 to September 2008, with 14 projects (Appendix 3, Table A3.1). The World Bank had nine; DFID five; and Japan five projects. The amounts for the sector as approved from 2001 onwards are: ADB, \$770 million (including the urban components of the emergency loans); World Bank, \$218 million (including the 1999 infusion of the Municipal Services Project [MSP]); DFID, \$218 million; and Japan, the equivalent of \$165 million. The amount of ADB funds may be somewhat overestimated, as the urban components of a number of disaster rehabilitation projects were included, whereas funds for emergency projects of other development partners may have been less visible and, therefore, underreported by the other partners. On the other hand, Table A3.1 in Appendix 3 does not take into account a loan for a project approved by ADB at the end of October 2008.<sup>24</sup> The World Bank had some major loans approved in 1996 and 1999 but then cancelled one ongoing project and was not able to disburse much on another. In the 2000s, up to end-November 2008, the World Bank had only three loan approvals in the urban sector and WSS, and these concerned smaller projects. The World Bank, however, approved a \$149 million loan for the Dhaka Water Supply and Sanitation Project in November 2008 after many years of preparation,<sup>25</sup> and another major environmental project for Dhaka is under preparation.<sup>26</sup> The total assistance approved by the four development partners between 2001 and September 2008 stood at 22 projects and \$920 million; this compares with 19 projects and the equivalent of \$230 million or so approved in assistance by other aid agencies in the sector (Appendix 3, Table A3.2). These figures exclude TA, which adds another \$30 million or so (Appendix 3, Table A3.3).<sup>27</sup>

32. Of these projects, the four development partners funded 10 in WSS, 5 in integrated urban development, 2 in urban primary health with some sanitation, 2 in urban flood protection, and 1 dedicated to transport in Dhaka. In addition, there were urban components in three damage rehabilitation projects to cope with the aftermath of floods and cyclones.

<sup>24</sup> ADB. 2008. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan for the Second Urban Governance and Infrastructure Improvement Project*. Loan 2462-BAN, approved on 29 October 2008, for \$87 million. Manila.

<sup>25</sup> World Bank. 2008. *Project Appraisal Document on a Proposed Credit in the Amount of SDR94.8 Million (US\$149 Million Equivalent) to the People's Republic of Bangladesh for a Dhaka Water Supply and Sanitation Project*. Washington, D.C.: approved 2 December 2008 for \$149 million.

<sup>26</sup> The Dhaka Integrated Environment and Water Resources Management Project. The World Bank is also funding a study called Industrial Compliance and Pollution Control in Greater Dhaka.

<sup>27</sup> The exact quantities are not always easy to derive from websites, and several may well underreport or overreport the actual amounts spent/to be spent.

Other agencies usually had smaller projects than the four development partners and focused less on investment projects. The Italian, Netherlands, and Danish governments had some sizeable investment projects in particular. The United Nations Children's Fund financed a varied program, mainly in rural WSS, some of it cofinanced with DFID and other agencies. The Islamic Development Bank funded two smaller investment projects in water supply. Among the other agencies, only the United Nations Development Programme (UNDP) funded a sizeable integrated urban development project (IUDP) over the period (later it implemented one funded by DFID). In the ADP for 2007–2008, 26 projects were listed as cofinanced by funding agencies, 15 of which were investment projects and 11 were TA. The total cost involved was \$818 million at the time, 73% of which was foreign aid; the Government still contributed the equivalent of over \$200 million of its own funds. External funds included considerable loan amounts, although highly concessional (with a grant element of 50%–60%).

33. As Tables A3.1 to A3.3 in Appendix 3 demonstrate, the situation in the two sectors is complex, with many funding agencies involved in small projects, and many changes over the years, reflecting varying inputs, commitments, and cofinancing agreements. The number of projects running concurrently makes it difficult to plan and oversee the particular developments for any given partner or indeed for the Government.

#### **D. Government-Sponsored Projects Ongoing in 2007–2008**

34. The ADP for 2007–2008 reflects 115 nationally funded projects, apart from 26 externally supported ones. An indication of the number, type, and status of the Government's own projects, not externally cofinanced, and ongoing in FY2007–2008, is provided in Table 2. This listing is based upon the projects under the category of Physical Planning, Water Supply and Housing in the 2007–2008 ADP, which can be held to include all projects in the urban sector and WSS.

35. The nationally funded projects commit the equivalent of around \$2,420 million, and an allocation of around \$260 million in FY2007–2008. The other projects commit around \$ 818 million, \$593 million of which is to be financed externally, and \$225 million to be financed by the Government. Nationally funded projects may be disbursed more slowly than cofinanced projects. Yet, as nationally funded projects spend probably two thirds of all public funds available to the two sectors, surely any sector review should include them.

36. The nationally funded projects include several types that outside agencies would not normally come forward to assist in financing, such as the development of new towns around Dhaka, which are to be ultimately self-financing but for which no private party or commercial bank can be found as financier, and for which parastatal housing finance institutions are absent. The RAJUK-sponsored Purbachal New Town Project and Uttara Model Town are megaprojects around Dhaka that take up a third of the total cost to be incurred by the sector and that received in 2007–2008 almost a quarter of the ADP allocation; although funds are intended to flow back into the exchequer eventually through the sale of plots to households and businesses. Together with the Jhilmil town project, RAJUK is developing 41,215 residential and 1,770 commercial plots under the three projects. The Integrated Project for Development of the Hatirjheel area, including Begunbari Khal, is another such megaproject in Dhaka, but it is not self-financing and will probably not be funded (or offered for funding) by any external agency directly due to the controversial involuntary resettlement and environmental safeguard issues connected with it. The Project, which aims to restore and protect the water bodies in Dhaka, is indirectly endorsed for funding by the Government through the Japan Fund for Debt Cancellation.

**Table 2: Bangladesh Annual Development Program for 2007–2008, 100% Government-funded Projects in the Physical Planning and Housing Sector**  
(million Taka)

Classification	Projects	Total Estimated Cost	Expenditure up to End 2006	Allocation for 2007-2008
<b>Infrastructure</b>				
Arsenic Mitigation				
Arsenic Mitigation	1	2,677	0	400
Construction of Commercial Buildings and Markets in Towns				
Construction of Commercial Buildings/ Development of Commercial Areas	5	1,202	175	354
Construction of Kitchen Markets/Terminals	3	2,184	8	861
Construction/Repair of Government Offices and Structures				
Construction of Government Offices	12	14,704	9,953	1,064
Construction of Government Residences	2	190	48	55
Construction/Expansion of Jails	7	10,603	3,910	1,110
Construction of Monuments	1	58	25	2
Establishment of Fire Service and Civil Defense Stations	5	5,093	1,456	291
Public Housing				
Construction of Residential Flats	5	9,797	343	336
Development of Residential Areas	4	7,772	1,457	895
Development of Site and Services Plots for Low and Middle Income Group	9	2,825	159	713
Rehabilitation of Scattered Slum Dwellers	1	4,679	8	2
Roads/Transportation				
Construction and Improvement of Roads	15	3,649	1,275	995
Construction of Bridges	2	190	0	102
Infrastructural Development of Transport System	1	163	83	42
Water Supply and Sanitation				
Improvement and Rehabilitation of Water Supply and Sanitation	17	17,223	3,685	3,628
Solid Waste Management/Construction of Landfill	1	300	0	300
Construction of Drains and Rehabilitation of Damaged Sewerage System	3	2,488	917	370
Other Infrastructure Projects				
Environmental Improvement/ Construction of Park	3	633	64	102
Infrastructure Improvement	7	4,472	630	716
Special Town Improvements by Rajdhani Unnayan Kartripakhya (RAJUK):				
Integrated Project for Development of Hatirjheel area including Begunbari Khal	1	16,000	0	500
Purbachal New Town Project (Yusufganj)	1	33,117	387	3,000
Uttara Model Town (3rd Phase)	1	23,402	549	1,000
<b>Non-Infrastructure</b>				
Preparation of Plans	6	468	67	184
Procurement of Equipment/Computerization of Management Information System	2	660	0	660
<b>Total</b>	<b>115</b>	<b>161,871</b>	<b>25,197</b>	<b>17,678</b>

Note: Tk = \$0.0045.

Source: Government of Bangladesh. Planning Commission. *Annual Development Programme 2007–2008*. Dhaka.

37. The ADP authorizes annual releases for many other projects for which external agencies would not come forward, such as 12 government office construction projects, seven jails, five fire services and civil defense stations, a park, monuments, and nine projects for residential flats and areas for government servants. These commit \$37 million (14%) of the 2007–2008 ADP for physical planning and housing.

38. The ADP includes 16 WSS projects that are not externally cofinanced (\$53 million in 2007–2008), 15 projects for constructing or improving municipal roads (\$15 million), 7 projects for infrastructure development (\$11 million), 3 modest drain and sewer projects (\$3 million), and 9 small projects developing sites and services plots for low- and middle-income groups (\$10 million). Public housing projects (other than the model town projects) commit \$28 million, or 11% of the physical planning and housing sector, in 2007–2008. There is also a \$39 million arsenic mitigation project, not externally funded; a park; and a landfill. Furthermore, there are various projects to construct kitchen markets, bus terminals, commercial buildings, and

commercial areas, all on a self-financing basis, with the funds advanced by the Government, which takes the risk. All of these projects are operating in areas where externally supported projects are also operating, and the level of complementarity with such other projects, the approach, and the conditions of funding and repayment are unclear in the absence of a narrative section in the ADP or any other publicly available planning document in this regard.

39. It can be derived from the 2007–2008 ADP that nationally funded projects take at least as long to complete as externally funded ones. The total allocation reserved for nationally financed physical planning and housing projects for 2007–2008 is only 10.7% of their total estimated cost. This suggests that it may take over 9 years to complete the average project. The ADP shows that foreign-funded projects do only slightly better, with an allocation of 11.6% (aid agencies would provide 12.4% of their share of the cost in 2007–2008, and the Government 9.6% of its share). This puts the average duration of an externally supported project in the range of slightly more than 8 years, a figure consistent with ADB-wide averages.<sup>28</sup> From this statistic alone, it can be derived that nationally funded projects are not much more efficient than foreign-supported ones. Nationally funded projects may, however, suffer because of the priority given to foreign-funded ones.

#### IV. COVERAGE AND PERFORMANCE OF THE PROGRAMS OF AID AGENCIES

40. As was established by a previous ADB-wide urban sector evaluation,<sup>29</sup> urban sector projects have been rated slightly above the average of all ADB projects and programs. Water supply projects have been rated slightly below average, although the lower success rate of many rural water supply projects weighed heavily in this finding. The same is the case with World Bank interventions in the two sectors, worldwide. A report by IEG pointed especially to lower than average institutional impacts in both urban development and WSS projects.<sup>30</sup> This overall finding is confirmed when looking at the completion reports and evaluation reports of the projects completed in Bangladesh; the performance of ADB-funded projects is rated as mostly *successful*, except for the first attempts, and the performance of World Bank-funded projects is rated mixed, with some rated as *moderately unsatisfactory*. As project directors of all 10 ongoing urban and WSS projects indicated in the questionnaire survey, the projects face about the same number and types of implementation challenges as other infrastructure projects, pointing to the systemic nature of many of the constraints in Bangladesh. Only 20% of the present generation of urban sector and WSS projects were expected to be completed on time or before time, for example (Appendix 2, question 7).

41. This chapter focuses on various components of the urban sector and WSS, and the performance of externally supported projects in the sectors, while often distinguishing between performance in megacities and secondary towns. Due to page limitations, this chapter presents a summary of a longer discussion, which is in Appendix 5. Those interested in a more complete review with more attention to context and project-specific assessments are referred to it. The discussion here starts with the review of the performance of a typical urban sector intervention promoted by the development partners, the IUDP. This is followed by reviews of the performance of the partners in urban WSS, rural WSS, urban flood protection, urban drainage, sanitation, solid water management, urban roads and transport, urban housing and slum development, urban poverty, capacity development, and policy and institutional reform. Many projects combine investments in these areas; an overview of the types of investments

<sup>28</sup> ADB. 2008. *Annual Report on 2007 Portfolio Performance*. IED. Manila.

<sup>29</sup> ADB. 2006. *Special Evaluation Study on the Urban Strategy and Operations*. Manila.

<sup>30</sup> World Bank. 2007. *Annual Review of Development Effectiveness (ARDE) 2006*. IEG. Washington, D.C.

made by the various projects of the four development partners undertaken in the 2000s is in Table A6.1 of Appendix 6; a listing of all the cities and towns by size and inclusion in externally supported projects is in Table A6.3 of that same appendix.

### A. Integrated Urban Development Projects

42. IUDPs are area-based projects that usually work with one or more local governments to holistically improve the urban environment, economy, and living conditions. They do this on the principle that if the problems in an area are interconnected, so must be the solutions. ADB and the World Bank have a long history of working with area-based integrated development projects, and this approach has also found expression in the urban sector. Since the early 1990s, six IUDPs have been implemented in Bangladesh; a seventh was approved in December 2008 (footnote 26). Even when the urban sector projects were not IUDPs, elements of poverty targeting, gender development, and governance action plans have often been added to make infrastructure projects more inclusive. The World Bank and ADB started their IUDP approach more or less at the same time. The World Bank approved its first loan for an IUDP for Dhaka and Chittagong in 1988;<sup>31</sup> ADB approved a loan for an IUDP in Dhaka in 1989.<sup>32</sup> Coordination problems in complex Dhaka, however, proved daunting for both projects. Involuntary resettlement was another big issue. Several components did not deliver the outcomes expected; others did better. The mixed experiences in Dhaka probably discouraged the World Bank from follow-up interventions in the 2000s, although the new Dhaka WSS project is again rather inclusive. ADB did not follow up its initial IUDP in Dhaka either.

43. The World Bank has approved only one loan for an IUDP for *secondary towns* so far, and that was in 1999.<sup>33</sup> The MSP implemented by LGED, worked in 14 towns and the two city corporations of Rajshahi and Khulna. It covered mainly towns on the western side of Bangladesh, with the agreement at the time that ADB would concentrate on the eastern side. The approach was similar to that of ADB—infrastructure development in some selected towns, coupled with capacity building. The Project has been extended to 2011 with a supplementary loan of \$25 million to finance emergency rehabilitation works in 67 secondary towns. The MSP, however, also included a second phase, with \$70 million of the \$138.6 million loan dedicated to the creation of the BMDF in 2002 under the Companies Act of Bangladesh. The component in LGED has been moderately successful in its infrastructure delivery program in the towns, with some major successes in capacity development of pourashava staff all over Bangladesh. The performance of the BMDF component has been more controversial. The BMDF has delivered a package of infrastructure investments in more than 100 pourashavas, which, as this evaluation notes, was appreciated and did not give rise to many complaints from the pourashava mayors interviewed for this evaluation. The model is fully demand driven and gives all pourashavas of a particular class an equal chance; it avoids the pitfall of being supply driven or politically driven, as has been the problem with many more conventional projects. These conventional projects address only a subset of the towns; many are overlooked or need to wait many years for another project to come along. The cost of maintenance of the BMDF has been

<sup>31</sup> World Bank. 1988. *Memorandum and Recommendation of the President of the International Development Association to the Executive Directors on a Proposed Credit of SDR34.4 Million to the People's Republic of Bangladesh for the Urban Development Project*. Washington, D.C.

<sup>32</sup> ADB. 1989. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the People's Republic of Bangladesh for the Urban Development Project*. Manila (Loan 942-BAN[SF]), approved 12 January 1989, for \$24.2 million; and ADB. 2001. *Project Performance Audit Report on the Dhaka Urban Infrastructure Improvement Project in Bangladesh*. Manila.

<sup>33</sup> World Bank. 1999. *Project Appraisal Document on a Proposed Credit in the Amount of SDR100 Million (\$138.6 Million Equivalent) to the People's Republic of Bangladesh for the Municipal Services Project*. Washington, D.C.

low—only 3% of the seed fund has been set aside for administrative costs and consulting services. But some aid agencies perceived a lack of added value of the BMDF in dispensing disparate and limited investment funds to a variety of towns in the absence of prior comprehensive and participatory planning exercises. The capacity developed in the towns was modest; consultants were generally asked to prepare the projects and were used to implement them. BMDF supervision was limited due to the small number of staff it has had so far. This is in spite of the fact that getting more staff should be relatively simple, as the BMDF is independent. It has no field formations. LGED proved reluctant to provide support in capacity development and design issues. Some pourashavas submitted to the evaluation mission that the required 15% repayment of the sum invested, and the 1.5% service charge, could not easily be mustered, especially for nonrevenue-generating investments such as in roads and drains. These two formed the majority of the investments made. The Government and other agencies, such as ADB, continue to follow their own model, which relies on either government EAs or management contractors. They do not require a 10% up-front contribution and the repayment of part of the investment for nonrevenue-generating subprojects (for revenue-generating subprojects, there is a 50% repayment requirement, which is identical to that of the BMDF), which has created a dual system for infrastructure financing in the country and may, therefore, have led to either indecision or calculated behavior on the part of some of the pourashavas. The controversy regarding the role of the BMDF in the urban sector, in the context of a well-performing LGED doing urban work funded by ADB, and supported by some other agencies as well, has led to the World Bank taking very long in deciding to replenish the BMDF. (Another reason is allegedly that the World Bank's International Development Association was cash strapped in 2008.) The Government has not wanted to provide funds so far but has recently taken steps to find other agencies to support the BMDF. At this stage, the future of the BMDF is uncertain, as it suffers from lack of capital and has high staff turnover as a result. Demand for its services is, however, high. The World Bank is considering a tiding-over credit until the situation becomes clearer. According to the BMDF, the Government is considering a Tk400 million equity injection into the Fund.

44. ADB had two secondary towns integrated development projects in the 1990s, which were assessed as successful in terms of the infrastructure delivered, although the PCRs considered sustainability less likely.<sup>34</sup> In response to the sustainability concerns, ADB approved the Urban Governance and Infrastructure Improvement (Sector) Project (UGIIP) in 2002, with a different setup and with much more attention to governance action plans in the secondary towns.<sup>35</sup> The UGIIP funded investments in roads, drainage, markets, terminals, streetlights, garbage trucks, and other infrastructure in some 30 towns, next to administering special packages of investments and activities for the poor in all of these towns. The UGIIP was implemented in three phases, the third one having just started up at the time of the evaluation mission in August 2008. In each phase, the participation of each town in the second phase of the Project was dependent on the prior completion of an ambitious governance action plan (Appendix 5, Table A5.1). Noncompliance would result in exclusion from the funding offered. Full compliance could lead to a larger package of investment than partial compliance. This worked well, as compliance was high, and only three towns were dropped due to insufficient compliance. The mayors interviewed often viewed the outcome of the action plans

<sup>34</sup> ADB. 2000. *Project Completion Report on the Secondary Towns Infrastructure Development Project in Bangladesh*: Loan 1059-BAN(SF), approved for \$43 million on 4 December 1990. Manila; and ADB. 2005. *Project Completion Report on the Secondary Towns Infrastructure Development Project II in Bangladesh*: Loan 1376-BAN(SF), approved for \$65 million on 19 September 1995. Manila.

<sup>35</sup> ADB. 2002. *Report and Recommendation 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*: Loan 1947-BAN(SF), approved for \$60 million on 28 November 2002. Manila.

as the main benefit of the project. For instance, as a result of the action plans, the local government's own telephone and electricity bills were settled. There were governance actions in six fields: (i) citizen awareness and participation, (ii) urban planning, (iii) women's participation, (iv) integration of the urban poor, (v) financial accountability and sustainability, and (vi) administrative transparency. The more direct involvement of the urban population in the selection of new infrastructure, as well as in planning and management exercises, has been a major benefit of the project. Some of the progress with the action plans at the time of the evaluation field visit has been summarized in Table A6.2 in Appendix 6. The UGIIP's capacity development component was also successful, leading to computerization of various tasks and databases in the pourashavas and increased tax collection and water tariff collection. The Project is widely deemed successful, which is confirmed by the high level of compliance of the 30 or so pourashavas with the governance action plans. Unfortunately, some of the contracted staff that the project funded in the pourashavas, e.g., town planners, were not regularized. Yet, the results were positive enough for ADB's approval of UGIIP 2 by October 2008 (footnote 24). Thus, in IUDPs, ADB seems to have worked out a model that makes the best of performance-related incentives. Unfortunately, it does not square entirely with the model of the BMDF and remains project- and project implementation unit (PIU)-based.

## B. Urban Water Supply

45. A considerable portion of external investment in urban areas has gone into urban water supply and has remained outside the context of IUDPs. ADB and the World Bank have supported projects dedicated to urban water supply in Bangladesh. In 2007, the Japanese Government approved a loan of SDR100 million for the Karnaphuli Water Supply Project in Chittagong. DFID's main activities in urban water supply are part of the £17 million Advancing Sustainable Health Project,<sup>36</sup> which has both rural and urban water supply components, the latter notably in the slums of Dhaka and Chittagong. WaterAid is the management contractor supervising the implementation of this program through some 20 NGOs, and outside the context of government implementation processes. The evaluation mission had occasion to visit one slum in Dhaka and noted that the NGOs involved had been highly active and had achieved some good results. DFID is also funding urban water supply activities through the Urban Partnerships for Poverty Reduction (UPPR) Project,<sup>37</sup> approved in 2007 and implemented by UNDP. This model, based on an earlier UNDP project, uses consultants and contractuals as facilitators rather than NGOs, and the earlier project has achieved good results with this approach.

46. The World Bank had discontinued its decades-old support for water supply investment in Dhaka and Chittagong by 2001. The Implementation Completion Report for the Fourth Dhaka Water Supply Project rated the outcome as *unsatisfactory* in 2002.<sup>38</sup> Other agencies did not step in to support Dhaka WASA or Chittagong WASA. An agreement among agencies to reengage with the two WASAs was signed only at end-2007, after a 6-year gap in assistance. ADB agreed to help with the rehabilitation and augmentation of water supply systems in Dhaka. DANIDA was to fund the building of another water treatment plant, whereas the World Bank would focus on extending the systems to slums. ADB had, until that point, dealt mainly with water supply in secondary towns; a variety of agencies, principally DANIDA and the

<sup>36</sup> WaterAid Bangladesh and DFID. 2006. Advancing Sustainable Environmental Health Bangladesh. *Project Memorandum*. Dhaka.

<sup>37</sup> DFID and UNDP. 2007. Urban Partnerships for Poverty Reduction. *Project Memorandum*. Dhaka.

<sup>38</sup> World Bank. 2002. *Implementation Completion Report (IDA-29260) on a Credit in the Amount of SDR51.0 Million (US\$80.3 Million Equivalent) to the People's Republic of Bangladesh for a Fourth Dhaka Water Supply Project*. Washington, D.C.

Government of the Netherlands, had worked in some secondary towns as well at one time or another. The coverage of piped water supply systems in the hundreds of towns has, however, remained incomplete due to insufficient funds. All of the investments made have, furthermore, suffered from systemic constraints such as lack of local capacity, and political control of water tariffs. Due to the loose definition applied, and the huge number of hand pump-based tubewells sunk by private households, it can still be held that around 85% of the urban population has access to drinking water from an improved source.<sup>39</sup> The degree of safety of this water is, however, not clear, as there are arsenic- and bacteriologically contaminated tubewells. Also, the water levels of the deep aquifers are lowering in Dhaka and various other cities.<sup>40</sup> A detailed guiding framework for the development of groundwater resources does not exist as yet but is under preparation by the Water Resources Planning Organization. Water supply from improved sources does not guarantee the availability of safe water. A World Bank report recently estimated that the percentage of the urban population benefiting from access to safe WSS services is only 50% (footnote 25).

### C. Rural Water Supply

47. Water supply in rural areas is almost completely based on hand pumps and deep well extraction. ADB has not been active in rural water supply, unlike the World Bank and DFID. The World Bank operates through DPHE and to some extent through the Social Development Foundation. DPHE has attempted to promote private sector participation in rural water supply but has so far not been successful. The Social Development Foundation was more successful, but the scale is very small: some six pilot schemes were able to attract cofinancing from private investors. An earlier project specializing in the mitigation of arsenic contamination was more successful, especially in the screening and marking of contaminated wells.<sup>41</sup> Arsenic and bacteriological contamination have, however, remained a persistent problem in many areas. This may have lowered the coverage of safe drinking water supply in rural areas by about 20%, although water availability per se is not a serious problem, except for the poorest.

48. DFID has successfully funded rural WSS in several large projects. It operates through United Nations organizations and NGOs, rather than through government agencies. The Advancing Sustainable Environmental Health Project, funded by DFID and WaterAid, and implemented through WaterAid Bangladesh as management contractor, is the major intervention in this area, and is still ongoing. It operates in 19 of the 64 districts in Bangladesh, apart from Dhaka and Chittagong. DFID's own annual review process noted that the Project was working well and was surpassing the targets. Next to DFID and the World Bank, DANIDA has been a long-time player in the rural water supply sector. DANIDA's recent HYSAWA fund (\$30 million) attempts to do for the rural water supply sector what the BMDF has attempted to

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<sup>39</sup> World Bank. 2008. *World Development Indicators 2008*. Washington, D.C.

<sup>40</sup> In the coastal belt, the water table is declining for both shallow and deep aquifers. The shallow aquifers regain the water level during the monsoon, while the deep aquifers do not. The Barisal and Khulna regions are experiencing such a decline in the production wells of Khulna and Barisal cities. In the Sylhet area, the shallow artesian aquifers are also declining. In the northern Barind areas, the shallow to mid-level artesian aquifers are being mined and the water table is declining. In the northern districts, the shallow aquifers are heavily used for irrigation, and the water table lowers significantly during the dry period, when the normal suction pumps do not function so that deepset pumps increasingly need to be used. During the monsoon, the water table recharges, and hand pumps can be used again.

<sup>41</sup> World Bank. 2007. *Implementation Completion and Results Report (IDA-31240 SWTZ-21082) on a Credit in the Amount of SDR24.2 Million (US\$44.4 Million Equivalent) to Bangladesh for Arsenic Mitigation Water Supply*. Washington, D.C.

do for the urban sector.<sup>42</sup> HYSAWA's target area does not cover the whole country, however, and may fall in the same trap of helping to establish dual systems.

#### **D. Flood Protection in Urban Areas and Emergency Damage Rehabilitation**

49. ADB played a major role in Dhaka in flood protection in the 1990s, and in some 15 towns that were designated by 1989's Flood Action Plan as in need of ADB support. The Dhaka flood protection works largely withstood the 1998 floods and reduced the level of inundation of west Dhaka significantly, but also led to problems with runoff control. During the 2004 floods, both western Dhaka and eastern Dhaka (i.e., low-lying areas outside the flood protection embankments) were inundated. This was due less to structural failures or damage to the flood protection works than to operational faults. Pumps operated, but the sluice gates and regulators were not closed in time.

50. The six towns helped by ADB's first project in this area have been well protected; an IED evaluation rated the Project as *successful*, although it also questioned whether the added institutional and policy development components had been meaningful.<sup>43</sup> In 2006, ADB approved a loan for another flood protection project, for the remaining nine towns designated by the Flood Action Plan.<sup>44</sup> The Project again has institutional-, policy-, and poor-oriented components. The World Bank had a loan for a large project in this area as well, which covered the area in and around the notoriously flood-prone town of Sirajganj.<sup>45</sup> This was also rated as *satisfactory*, although Sirajganj itself was severely flooded in both 2004 and 2007.<sup>46</sup> The Project probably stopped two rivers from merging, which would have led to the irretrievable loss of a large part of Sirajganj and Pabna districts.

51. ADB had three flood and cyclone damage rehabilitation projects over the period reviewed, one approved in 1998, one in 2005, and one in 2008. The last one, which also dealt with cyclone damage, was supported by significant funds from JBIC. The projects had significant municipal components and therefore played an important role in restoring a severely damaged urban environment in dozens of towns. They were conducted speedily and efficiently, as corroborated by the PCRs. The World Bank also had activity in emergency rehabilitation. However, the funds reallocated under several existing projects to deal with the damage caused by the 2007 flood and cyclone emergencies were yet to start disbursing at the time of the field mission for this evaluation (mid-August 2008). Those of ADB were already being utilized, with many roads, bridges, and culverts under repair. ADB's speedy approach relies on an experienced hands-on unit in the Bangladesh Resident Mission (BRM) and directly selected supervision consultants, and also uses individual consultants recruited under TA.

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<sup>42</sup> Government of Bangladesh, Ministry of Foreign Affairs, Denmark. 2005. *Water Supply and Sanitation Sector Programme Support, Phase II, Bangladesh Water Supply and Sanitation Component HYSAWA Project*. Project Document.

<sup>43</sup> ADB. 2003. *Project Performance Audit Report on the Secondary Towns Integrated Flood Protection Project in Bangladesh*. Manila (Loan 1202-BAN[SF]), approved 3 December 1992 for \$55 million equivalent.

<sup>44</sup> ADB. 2004. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the People's Republic of Bangladesh for the Secondary Towns Integrated Flood Protection Project Phase 2*. Manila. (Loan 2117-BAN[SF]), approved 2 December 2004 for \$80 million.

<sup>45</sup> World Bank. 1995. *Staff Appraisal Report Bangladesh River Bank Protection Project*. Washington, D.C.

<sup>46</sup> World Bank. 2002. *Implementation Completion Report (IDA-27910; IDA-2791 1) on a Credit in the Amount of SDR111.2 Million (US\$152.0 Million Equivalent) to the People's Republic of Bangladesh for a River Bank Protection Project*. Washington, D.C.

52. DFID has not had flood protection projects but has provided some major complementary disaster relief assistance over the years, which has also helped, although DFID's 2006 country evaluation rated its efficiency as leaving much to be desired.

### **E. Urban Drainage**

53. The four development partners and other agencies have not dedicated any projects to urban drainage over the period studied, but IUDPs, flood protection, and emergency rehabilitation projects in secondary towns have all included significant drainage components. In the IUDPs, they were often the biggest component after roads. Drainage components have usually been successful, but their impact has sometimes been reduced by continuing haphazard urban development that obstructs natural drainage. While the Government of Japan had some small investments in storm water drainage in Dhaka in the 2000s, the World Bank is about to launch a major project in Dhaka regarding mainly drainage and sewerage called, somewhat surprisingly, the Dhaka WSS project.<sup>47</sup> This evaluation reviewed drainage master plans completed for 22 secondary towns under the ADB-supported UGIIP and estimated that the Project had funds sufficient to cover only about a quarter of the actual needs. The UGIIP created or repaired about 178 kilometers (km) of primary or secondary drains in 30 towns in its phases I and II, i.e., almost 6 km per town. The BMDP created 176 km in 76 towns, or around 2.3 km per town on average. The evaluation team, visiting 11 towns in the monsoon season, observed many severely waterlogged areas. Other towns may be worse off, as most will not have a similar project to the UGIIP, which is addressing the issue, and the Government's ADP is not very active in this field either. This means that many drainage needs most likely remain unmet in the towns of Bangladesh, even in towns serviced by externally supported projects. These towns need careful planning of new roads, walls, and structures to avoid further aggravation of the drainage problems.

### **F. Sanitation**

54. Lack of sanitation is a major public health issue. The Government has taken the lead in increasing sanitation coverage in Bangladesh with a determination that is more evident than in other sectors under evaluation. The National Sanitation Program, begun in 2003, endeavors to provide full coverage of sanitation in the country by 2010 through a community-led total sanitation campaign. This approach rejects subsidization of latrine construction in villages, as this is deemed to undermine the sense of ownership and lead to quickly abandoned facilities. The community-led total sanitation approach relies on community involvement in setting targets for sanitation in the village, shaming of those practicing open defecation, and construction of latrines by communities and households without subsidies. This has proven to be very effective. The Government earmarks 20% of the annual block allocation to its various local government units for sanitation. For instance, the Development Assistance Allocation for pourashavas was Tk2600 million in ADP 2007–2008, which comes to about Tk20 million on average per town. Twenty percent of this (Tk4 million, or \$60,000) is to be dedicated to sanitation. For upazilas and union parishads, the system is the same: 20% of the Tk1660 million and Tk 3000 million, respectively, should be dedicated to sanitation.

55. The sanitation coverage achievements are well ahead of the MDG set for 2015. Some, however, view the 2010 target as achievable for rural areas only, where it relies on relatively modest investments in hygiene education, pit latrines, and septic tanks. The major aid effort

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<sup>47</sup> World Bank. 2008. Project Information Document (PID). *Dhaka Water Supply and Sanitation Project Appraisal Stage*. Report No.: AB4060. Manila.

taking place in this area is also contributing significantly to the achievements, comprising DFID and a range of other agencies such as DANIDA, the Netherlands, and the United Nations Children's Fund. The difference in approaches, some relying on subsidization of latrines, while others do not, is somewhat worrying, as it creates a dual system. In town areas, the coverage may already be reasonably complete, but the goal of 100% coverage by 2010 may be elusive. This is because cities require different, more capital-intensive approaches involving the introduction of sewage systems. ADB has included latrine programs and hygiene education in a variety of its urban sector projects but has not dedicated any loan to sewage systems and sewage treatment. The BMDP has also made some minor investments in sanitation over the years. The aforementioned World Bank Dhaka WSS project includes a major component for rehabilitating and expanding sewage collection and treatment. In Dhaka, major areas are not connected to functioning sewage systems, although the population density is such that there is no real alternative. The Government's 2006 SDP report, prepared with assistance from DANIDA (footnote 23), argues that the bulk of investments to be made in the coming years should be in sewage treatment, much more so than in water supply and other forms of sanitation.

## **G. Solid Waste Management**

56. Although at least half of the urban projects of the four development partners have had components in this field, there have been few dedicated projects and hardly any successful sanitary landfill undertakings in the country. Most of the projects deal with hygiene awareness, garbage collection (sometimes outsourced), provision of garbage trucks, and transport to open dump sites outside the towns. Much of the garbage is not cleaned away or is dumped in drainage channels or rivers. Pollution at the dump sites is an increasing problem. In Dhaka and in secondary towns, the rate of solid waste collection has been reported as only 40%–50%. Composting is rarely practiced. A few small Japanese projects dedicated to solid waste management have done pioneering work in Dhaka; a clean Dhaka Master Plan was produced in 2005, and a first 40 hectare landfill was created with help from JICA outside Dhaka in Matuail.<sup>48</sup> The Government is starting work on another landfill around Dhaka, the Amin Bazar landfill (Tk650 million, 20 hectares); another is planned for Khulna. Several ADB projects have also tried to create sanitary landfills in secondary towns in the past, but with limited success. ADB's Secondary Towns Integrated Flood Protection Project Phase 2 (STIFP 2, footnote 44) is attempting to create sanitary landfills in eight towns and is piloting composting plants. Planning and feasibility studies are moving slowly. Physical works have not yet started. A new SDP under preparation, provisionally called the Urban Public and Environmental Health Sector Development Program, will also address solid waste management, indicative of ADB's increasing attention to this area.

## **H. Urban Transport**

57. Only the World Bank has had a project in urban transport that went beyond constructing or rehabilitating roads: the Dhaka Urban Transport Project, approved in 1999 with a loan of \$177 million, was, however, a decidedly mixed success, the outcome rated *moderately unsatisfactory* by IEG, and the institutional development impact modest.<sup>49</sup> A variety of issues affected the progress of the project, ranging from inappropriate design (e.g., too much reliance on the city's rickshaw pullers being taken off the streets, an unrealistic assumption), land acquisition and safeguard issues, and inappropriate and poor implementation arrangements

<sup>48</sup> Pacific Consultants International, Yachiyo Engineering Co., Ltd. 2005. *Clean Dhaka Masterplan: The Study on the Solid Waste Management in Dhaka City*. Final Report: Volume 2. Main Report.

<sup>49</sup> World Bank. 2007. *Project Performance Assessment Report on the Dhaka Urban Transport Project in Bangladesh*. IEG. Washington, D.C. (Credit 3163-BD).

with two weak EAs, to coordination problems in the institutional jungle of Dhaka. The Moakhali overhead pass was successfully completed, although the traffic still jams about 1 km on either side. Traffic is said to have speeded up somewhat, but nowhere near the original targets. Many of the planned works and activities needed for a more comprehensive solution could not be successfully completed or even started. After the experience, the World Bank withdrew from the urban transport sector, whereas ADB did not feel encouraged to enter this sector either. The overall dearth of resources in the multilateral banks for concessionary lending, the often high cost of solutions, and the variety of alternative options for funding viable projects must be among the reasons why urban transport has not been picked up by funding agencies with more urgency. However, as the evaluation missions witnessed, traffic problems are coming to a head in Dhaka, and something needs to be done on short notice. With support from the World Bank, the Government issued a \$5.2 billion 20-year Strategic Transport Plan for Metropolitan Dhaka in June 2008 and expressed the intention to build a mass transit system. A variety of urban transport and traffic measures are in fact needed, and the study of their feasibility, if not their implementation, needs to be supported by the aid community. The Government has started discussions with funding agencies such as the World Bank, ADB, and JICA particularly regarding the financing of proposals for dedicated bus lanes, an elevated urban road network, and a mass rapid transit system. So far, JICA has shown most interest.

58. More modest interventions in roads and road drainage in secondary towns by ADB and the World Bank took place mainly through the UGIIP, the MSP, and the BMDF, but also, to some extent, through other projects such as in water supply and flood protection. For instance, the UGIIP created, repaired, or upgraded about 350 km of roads in its phases I and II, or about 10–15 km per pourashava; the BMDF created or upgraded 816 km in 106 towns—about 8 km per town on average. The roads created or upgraded are highly appreciated in the towns and are generally of decent quality. The evaluation team observed many. Older roads are often much worse off. For example, a road constructed in Jessore under the Secondary Towns Infrastructure Development Project II (footnote 34), completed in 2003, was already damaged by heavy traffic and in need of resurfacing. Most roads continue to lack adequate funds for operation and maintenance (O&M) due to the precarious financial position of the pourashavas responsible for them. The roads are not maintained by any central agency.

## **I. Urban Housing**

59. Given the overwhelming number of slum areas in Dhaka, Chittagong, and other cities and towns in Bangladesh, urban sites and services development, support for housing schemes, and housing finance would seem self-evident areas of priority investment for the Government, the private sector, and the aid community alike. However, almost no housing support or housing finance has been attempted in the 2000s. The World Bank and ADB included residential sites and services components in their IUDPs in Dhaka in the 1990s (footnotes 32 and 33), but neither trial delivered good outcomes fast enough, due in part to the many problems that low-income groups face in investing in housing on the plots made available to them. For instance, plot allottees could not apply for commercial loans by using the allotment as collateral. They had to wait 10 years to receive formal registration of their property. These factors in practice excluded targeted poor households from the housing loan market. At the end of the 1990s, only one other ADB project (footnote 35) still included two small pilot sites and services schemes in Barisal and Comilla. The site in Barisal worked, but in Comilla, the pourashava failed to convince landowners to provide sites. Further attempts were not made.

60. The Government is supporting some of the development authorities connected to the big cities, mainly RAJUK of Dhaka, in creating new satellite towns such as Uttara and Purbachal,

which are for the middle and higher classes and on lands often appropriated from poor rural farmers. Such land development is dwarfed by the need, but the funds advanced to the authorities take up a considerable portion of the overall public investment budget made available to the physical planning and housing sector. No funding agencies have supported development authorities in these tasks. UNDP's Local Partnership Project for Urban Poverty Alleviation (2000–2006) attempted to organize slum dwellers to acquire land ownership and to pursue land development, and the follow-on UNDP-implemented UPPR project (footnote 37), funded by DFID, is attempting to develop this approach. The absence of any external support for housing finance projects is particularly glaring.

## **J. Urban Poverty Reduction**

61. Agencies like UNDP, the United States Agency for International Development (USAID), and DFID have financed or implemented projects entirely dedicated to the urban poor, i.e., to helping people living in slums and/or in shacks and corrugated iron-dominated makeshift settlements at the edges of the towns. Interventions usually include support for microcredit or savings groups, skills training, health and education improvements, and small infrastructural improvements to the settlements. The evaluations completed for these projects have generally been positive; the small-scale participatory approaches were regarded as appropriate and effective. UPPR, the £60 million DFID-funded project implemented by UNDP since 2008, is trying to scale the approach up to six city corporations and 24 secondary towns.

62. ADB and the World Bank have not had major dedicated projects in this area, mainly due to the Government's reluctance to borrow foreign exchange for such projects. Given their interest in direct poverty reduction, the two banks have, nevertheless, attempted to include small loan components for slum improvement. The Government has gone along with this, and as a result, a small package has traditionally been included in IUDPs for each secondary town to help the poor directly in their communities. For instance, in UGIIP 2, the component for slum development is to be around 5% of the \$87 million loan. Already in loans for secondary towns in the 1990s, minor such components were included. Such components have also been included in water supply and flood protection projects. The World Bank's new WSS project in Dhaka (footnote 26) will have a \$9 million component dealing with water supply in the slums. Although slum development components increase the complexity of project implementation, this evaluation views these components as appropriate in the absence of the Government and other agencies dealing more systematically with slums and poverty. The evaluation also corroborates a reasonable level of success of past efforts, wherever they took place. For instance, an IED evaluation of STIFP recommended greater effort in this area in the future in such projects; and this was indeed followed up (footnote 44). This evaluation finds the approach, however, rather labor intensive. The direct impact on the poor communities singled out is huge, but due to the limited scale of the operations in each town, the overall impact on urban poverty reduction remains limited. The Government does not have similar interventions in this area. With a greater level of harmonization of aid agency approaches, it should be possible to arrive at more efficient distribution of the work in slums, with bilateral agencies committing themselves to taking a bigger role in targeted programs for the poor in the medium and long term.

## **K. Capacity Development**

63. **Urban Sector.** The capacity of local governments to collect taxes, develop and maintain infrastructure, and run public services is widely acknowledged to be weaker than that of the Central Government, and the degrees of freedom available to local governments to improve their capacity are even fewer. All aid agencies in the two sectors have dedicated either projects

or TA to developing capacity, or have included major components in their infrastructure projects in these areas. Due to systemic problems, low salaries, insufficient powers of local governments and lack of understanding of the needs, project-based assistance can only temporarily alleviate some of the capacity constraints, but it is not in a good position to improve local capacity in a sustainable way. Based on observations in 11 towns visited, this evaluation, however, expects that the current training units in LGED, as established through the MSP and UGIIP, will lead to a more sustainable upgrading of local capacities. This is because the training programs are well established and continue to be responsive to the needs of the governance-improvement action plans implemented in various towns. The evaluation team found evidence that even towns not part of the UGIIP wanted to apply its governance actions, for instance on computerization and tax collection. Even if policy reforms remain limited, improved capacity at the local level can make a difference. ADB TA also experimented with creating capacity among poor communities in UGIIP municipalities so that they could participate more effectively in local government.<sup>50</sup> The TA prepared a manual for municipality-level forums, and a participatory pro-poor planning, budgeting, and monitoring framework.

64. At the Central Government level, the original institution to deal with urban development, UDD, is widely viewed as having declined in capacity since the 1980s, when it was assisted by UNDP projects. No planner was appointed in UDD for nearly two decades. In the meantime, the senior planners retired and the organization became dormant for lack of staff in planning positions; only recently have some planners been recruited. Consequently, LGED came forward to do some activities that were originally under UDD.

65. **Water Supply and Sanitation.** The situation is different on the WSS side. A generation of experienced engineers in DPHE is retiring fast and is not being replaced rapidly enough by a new generation of engineers of similar caliber and experience. Without some significant action by the Government, the technical capacity of DPHE may decline. The SDP has recommended a different role for DPHE, which would require restructuring and the retraining of existing staff of the department. Multilateral agencies providing grants such as UNDP and bilateral agencies such as DANIDA, the Swedish International Development Authority, the Swiss Agency for Development and Cooperation, and USAID have taken a major role in capacity development in WSS at both the central and local levels. As noted by a study for the Water and Sanitation Program,<sup>51</sup> the staffing situation for WSS facilities at the local level is seriously deficient. The Central Government keeps close control of staff appointments at the local government level, being responsible for recruiting and transferring Class I and II staff. City corporations and pourashavas are responsible for recruitment of Class III and IV staff, but the number and designation must be approved by the Central Government. The Central Government provides for some transfers of funds to pourashavas for salaries, but it is rarely more than a fraction of the actual staff costs, meaning that taxes and water bill collections need to pay for most of the salaries of the staff. Although collection efficiency is improving, local governments do not have the freedom to raise taxes or water tariffs. This constrains staff capacity at the local government level. Staff organograms are not amended by the LGD in line with the O&M needs of new capital investments. If production wells are installed, the organogram requesting appointment of staff required to operate the system may lie unapproved for years. The required policy change to make this happen has not taken place. Sanitation is even more poorly resourced in terms of staff.

<sup>50</sup> ADB. 2005. *Technical Assistance on Participation of the Urban Poor in Municipal Governance in Bangladesh*. Manila (TA 4707-BAN, financed by the Poverty Reduction Cooperation Fund, approved on 2 December 2005 for \$480,000).

<sup>51</sup> Allison Barrett. 2008. *Urban Water Supply and Environmental Sanitation Sector Practice in Bangladesh: A Preliminary Analysis*. Report for Water and Sanitation Program-South Asia. World Bank, Dhaka.

66. The 2005 SDP defined a need for a capacity-building package of over \$50 million to raise capacity in WSS during what it calls the transition phase, from 2005 to 2015. Almost half of this was for staff in WSS agencies.

## L. Policy and Institutional Reform

67. **Urban Sector.** Some improvements were made in urban sector policies in the 2000s, first of all with the Government's adoption of the Pourashava Ordinance of 2008, influenced by earlier ADB TA on the urban sector policy.<sup>52</sup> For instance, the town-level coordination committees and ward-level coordination committees have been institutionalized, which should enhance participatory decision making and the transparency of local governments. A change in the area of gender and development is the requirement that 40% of the members of all standing committees be female. Some institutional reform is being achieved with respect to Dhaka WASA as a result of a major ADB program. Other than these two aspects, few urban sector reforms have been achieved in the 2000s, in contrast to the 1990s, when the Government approved more policies. Local governments remain very dependent in all decision making on the Central Government. External agencies have not instigated many reforms over the 2000s, although ADB tried with the earlier mentioned TA (footnote 50). The draft urban sector policy it came up with was not approved by the Caretaker Government in place in 2007 and 2008. ADB did not do more in terms of policy advice. The World Bank funded some economic and sector work in different areas (e.g., on decentralization and housing finance), but most was rather small scale and had little impact on government policy. The support that the World Bank gave to the Strategic Transport Plan may well be an exception, but the World Bank is willing to fund major investments under it only when the necessary reforms have been carried out. In 2007, the World Bank funded more work in the urban sector, such as a new urban strategy and work on urban poverty. This is not expected to have had an impact as yet.

68. **Water Supply and Sanitation.** Little policy reform took place in WSS as well in the first half of the 2000s. When the World Bank withdrew its support from the Fourth Dhaka Water Supply Project in 2002, Dhaka WASA discontinued its performance agreement with the Government; other reforms were also put on hold. The major change in the 2000s was the adoption, nominally perhaps, of the SDP-WSS Bangladesh in January 2006. This program had been prepared with assistance from DANIDA. Since the approval, progress has, however, been very slow—preparation of the anticipated sector investment started in early 2009 with the arrival of a team of consultants, whereas the necessary institutional reform of DPHE has not yet made much headway either. There appears to be some opposition to the implication of the program that the role of DPHE as implementer of water supply schemes should change to one of adviser, facilitator, and trainer. In the absence of concrete backing by the Government, other aid agencies have been slow to support the SDP as well, but the recent ADB program loan for Dhaka Water Supply Sector Development<sup>53</sup> includes some conditions that go back to the SDP, particularly a requirement for the Government to establish a Water Regulatory Commission. Another requirement is the issuance of an administrative order to decentralize and give broader autonomy to pourashavas and WASAs to (i) manage water supply, including installation and O&M; (ii) manage billing; and (iii) set and adjust water tariffs. These conditions are to be met in 2010 if the second tranche of the loan is to be released. ADB has done little TA work in this

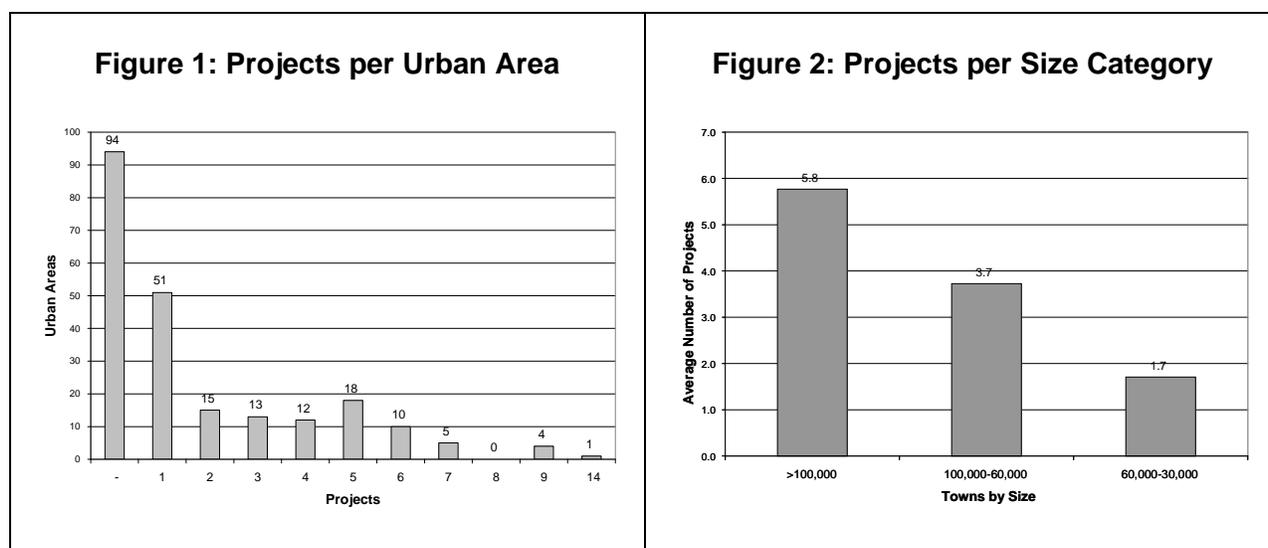
<sup>52</sup> ADB. 2002. *Technical Assistance on Supporting Urban Governance Reform in Bangladesh*. Manila (TA 4003-BAN, approved on 28 November 2002 for \$400,000).

<sup>53</sup> ADB. 2007. *Report and Recommendation of the President to the Board of Directors on the Proposed Loans and Technical Assistance Grant to the People's Republic of Bangladesh for the Dhaka Water Supply Sector Development Program*. Manila (Loans 2382- and 2383-BAN), approved on 10 December 2007 for \$200 million.

sector. It funded small-scale TA to review arsenic mitigation work and formulate a strategy, but the impact of this has been negligible.<sup>54</sup> The document was not made available on the ADB website and is hardly known.

## M. Conclusion

69. The urban sector and WSS comprise a vast field with many subsectors, external agencies, modalities, approaches, and channels. An overall approach and a harmonized program have, however, been lacking. Efficiency and complementarity could have been greater. Many towns have not received assistance from any externally supported project so far, although the larger towns generally have (Figure 1, Maps 2, 3, and 4). Smaller towns in particular are underserved (Figure 2). Almost all towns above 100,000 population had one or more externally supported projects, 86% of towns with 60,000–100,000, 69% of towns with 30,000–60,000, but only 34% of towns below 30,000; and this was the case even including emergency rehabilitation projects, which are often implemented in many towns (Appendix 6, Table A6.3).



Source: IED investigations.

## V. PERFORMANCE IN TERMS OF HARMONIZATION AND ALIGNMENT

70. This chapter assesses urban and WSS projects of the four development partners in relation to some of the aspirations reflected in the Paris Declaration, namely aid harmonization and alignment with country systems.

### A. Aid Harmonization

71. As indicated in previous chapters, there has been growing cofinancing in both the urban sector and WSS. The proportion of projects cofinanced is larger than in many other sectors, barring education and health, where there are sectorwide approaches (SWAs), and the energy sector. As per the questionnaire survey, half of the projects were cofinanced, compared with only 21% of projects in other infrastructure sectors and 29% in non-infrastructure sectors. Coordination of the various externally funded projects should, in principle, not be too difficult

<sup>54</sup> ADB. 2003. *Technical Assistance for Arsenic Mitigation Review and Strategy Formulation in Bangladesh*. Manila (TA 4170, approved on 3 September 2003 for \$120,000).

as there are never more than two dozen under implementation in the two sectors at any time. Coordination is facilitated by a local consultative group (LCG) consisting of aid agencies in the urban sector, like many others. The Local Consultative Group for Urban Development has been relatively small, compared for instance with the WSS group, and should therefore have been more manageable. However, attendance of the urban LCG has been low, since ADB and the World Bank disagreed for many years regarding the role of the BMDF in urban development. As discussed earlier, the World Bank has supported the model of a municipal development fund, whereas ADB continues to use a more traditional model of support through existing government departments, albeit with a modern performance-based allocation (PBA) mechanism for the projects it supports. The Government does not take any role in the LCG. It is continuing with its own approach, incrementally funding small investments of various kinds in various locations, without a long-term development plan for the sector. ADB-supported projects coordinate well with the DFID-supported UPPR in terms of slum development and poverty reduction in secondary towns.

72. The LCG in WSS has 30 members and has had to deal with many issues. Urban water supply was not coordinated for many years; some governments that are funding water treatment plants have not been a member, like the Government of Italy. The World Bank's disengagement from the field of WSS in Dhaka was probably a main reason for the low level of coordination. There were also rifts within the wider aid community in the early 2000s, up to 2005, about the pressure that development partners should exert on the Government to improve its governance. However, in recent years the situation has improved significantly, starting with the joint country strategy formulation process initiated by the four development partners in 2005 and early 2006. A Partnership Framework, initiated in 2007, has been the highlight of the aid harmonization effort in urban water supply. It came about as a follow up to the four development partners' earlier commitment in their joint country strategy to package interventions jointly in Dhaka and Chittagong. The ADB country director organized an informal meeting regarding ADB's preparation of a WSS intervention in Dhaka, which led to lengthy communications, first among the four development partners and the Government, and later with DANIDA and the Government of the Republic of Korea. A comprehensive agreement about funding and approach regarding WSS in Dhaka and Chittagong was signed in November 2007. This set the stage for a large pipeline of projects for Dhaka and Chittagong in the coming years, appropriate to the large needs in these two cities. Full harmonization among development partners remains difficult. DFID ultimately did not sign the agreement for reasons of reprioritization to support new initiatives such as climate change mitigation and adaptation.

73. Various other urban subsectors lack a common framework or agreement to follow the plans available. Development partners have largely left the urban transport and urban housing subsectors after some interventions in the 1990s did not work out well. ADB work in urban flood protection seems sufficient, but success in this area ultimately relies on larger flood protection measures in the country, which require a multiple of what external agencies and the Government can supply in the short term. The situation is similar for drainage problems in hundreds of towns. Master plans have been prepared for UGIIP towns, but the Government lacks funds and capacity to implement these beyond what the UGIIP has been able to fund. A government plan to prepare urban development plans for all secondary towns, to be funded through the ADP with help from the Japan Debt Cancellation Fund, is not yet approved, apparently due to this Fund ultimately not materializing.

74. In the rural water supply sector, the approach is also less than harmonized. The World Bank is promoting private sector participation in piped water supply, but various other agencies and the Government have supported programs to sink hand tubewells on a subsidized basis.

The recently piloted HYSAWA fund may create confusion for union parishad governments and private parties, as the investments are in part to be repaid by the communities. The Bangladesh Rural Advancement Committee's Water, Sanitation and Hygiene Program and WaterAid follow their own ways of providing water supply in the rural areas. Their programs have not been planned in close coordination with the substantial tubewell program funded by the Government. ADB's WSS program in secondary towns is limited to 16 towns, and this manageable number makes it relatively easy to coordinate with DANIDA's program in secondary towns in certain areas in the coastal belt and around Rajshahi. The Government has its own projects to supply piped water supply systems in towns and thanas, which are not coordinated with those of the external agencies in terms of selection and approach. As the evaluation mission witnessed in Shajadpur, many of these projects lack regular fund releases, and consequently sometimes they are not properly completed and implemented.

75. In the rural sanitation subsector, agencies' programs are more harmonized. Bilateral agencies are in the lead, with large inputs provided by DFID and the Netherlands and a number of others, and the Government providing a firmer partnership than in any of the other subsectors through the National Sanitation Program. Yet, this evaluation has some concerns about the variety in approaches, with some players in the field favoring an approach relying on free provision of latrines, others on subsidized provision, and still others relying mainly on hygiene awareness campaigns and community action. Nevertheless, rapid progress is being made towards full sanitation coverage by 2010.

## **B. Alignment with Government Systems**

76. In this evaluation, a fully aligned aid program is understood to comprise a set of interventions funded by external agencies that follow common arrangements at the country level and are in line with government plans, which provide advice as needed, provide funds preferably as budget support channeled through the ADP and the regular budget of the Ministry of Finance, use government agencies and staff to the maximum, and consequently minimize the use of PIUs<sup>55</sup> and operationally oriented consultants. The 2005 Paris Declaration on Aid Effectiveness set the aim of growing alignment with country systems with special attention to increased reliance on SWAps and the use of budget support (footnote 2). It is therefore of interest to assess the progress in terms of this widely subscribed commitment in Bangladesh. The rest of this chapter gauges the nature and appropriateness of the current arrangements for administering aid in the urban sector and WSS, including the degree of satisfaction of current project directors with the current approach, the advantages and drawbacks, and the use of PIUs and consultants.

77. In the urban sector and WSS, government agencies have so far not received any external budget support. ADB recently approved the closest proxy to this, policy lending, as part of its Dhaka Water Supply Sector Development Program (footnote 53), which includes a \$50 million program loan to be disbursed in two tranches—one at approval in 2007, and the other in 2010 upon compliance with a policy matrix. The attempts at pooling of support and at coordination made by DANIDA through the SDP have not borne fruit so far, as the other parts of this report have pointed out. SWAps have not been tried, although SWAps could address certain conditions that investment projects have not been able to achieve over the last decades, such as a fully harmonized and aligned approach, increases in government transfers from the national recurrent budget to O&M budgets of local governments, and more sustainable solutions to problems of staffing and salaries. Various agencies such as DFID and the Netherlands

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<sup>55</sup> These are defined here as all project offices dedicated to project management and/or implementation.

Government even do not channel most of their support through the Government at all, but spend it on programs run by NGOs as management contractors or by multilateral agencies (mainly United Nations agencies). Although these agencies may be effective, the sustainability of their efforts remains a worry, as well as the cost of their administration in some cases.

78. In the absence of these more aligned solutions, most projects of development partners have had to be supported by PIUs and consultants, and it has to be said that the capacity of LGED, in particular, in implementing projects through these PIUs and with help of consultants has been good. One way of gauging the need for a considerably higher level of alignment is by asking the questions whether (i) nationally funded projects do better than externally funded projects in the sectors (as this reflects the situation if aid agencies provide budget support to the Government); (ii) the present PIUs in the sectors are of the parallel nature that would erode capacity rather than create it; and (iii) the use of consultants in the foreign-funded projects is excessive and has negative effects on capacity. The questionnaire survey documents views on advantages and disadvantages, seen by project directors of EAs and management contractors in externally supported projects, that shed some light on these issues, along with a sense of the reasons why externally funded projects can still count on a great deal of popularity within the Government's EAs. The following observations can be made.

79. Regarding the first question, project directors generally saw a role for externally funded projects. Many saw distinct advantages to the involvement of external agencies in the two sectors (Table 3). This should not be a surprise, as the respondents were themselves heading externally funded projects, and project directors of nationally funded projects were not part of the survey. Notably, a more certain, steady supply of financing was frequently acknowledged as advantageous by all projects in all sectors. This evaluation sees this as understandable, given the context of the highly unreliable supply of nationally available funds (or NGO funds) to Government-sponsored projects. The question arises, however, that, if aid agencies no longer channeled their funds to projects, but rather deposited them in the national exchequer, earmarked for certain sectors, would that increase the reliability of the supply of funds to the Government's own projects? If so, then the advantage of reliable supply of funds would no longer apply to externally supported projects.

**Table 3: Advantages Seen by Project Directors of External Involvement in the Project/Program (apart from funding)**

	Urban and WSS	Other Infrastructure	Non- infrastructure	Total
More certain/steady supply of funds	80	86	78	81
Good and transparent procurement/ recruitment process	60	84	61	70
Access to technical advice or operational support by external consultants	85	55	67	64
Donor can persuade government decision makers	75	62	58	61
Catalytic effect of the Project/Program	55	64	60	61
Better design of the project/program	75	47	66	59
Intellectual or technical leadership	65	49	65	58
External quality control/ supervision by Donor project	50	55	53	54
Donor can leverage additional financial resources	70	55	49	54
Project administration/ salaries funded thru Donor	35	24	35	31
Other advantage	10	21	13	16
<i>Average</i>	60	55	55	55
N	10	38	48	96

N = all projects implemented by government agencies, WSS = water supply and sanitation.

Note: Average of following scores given: Major = 100, Minor = 50, and None/NA = 0 points; responses sorted from high to low.

Source: Questionnaire survey of project directors, 2008, Appendix 2, question 2.

80. Even excluding the advantage of reliable supply of funds, the total number of advantages seen in external support in the urban sector and WSS is even larger than the average number in the other sectors, implying that project directors see particularly large advantages associated with external agencies in the two sectors. Specific to the two sectors is the high appreciation for better design and for access to technical advice and operational support by externally funded consultants. This points to the relative complexity of urban sector and WSS projects. Given a higher appreciation for externally supported projects than for exclusively nationally funded projects, it is perhaps more understandable that the proposal for pooling of funds in a SWAp for either the urban sector or WSS has not generated much enthusiasm as yet. Project directors cannot fully foresee the benefits of the SWAp, even though many gave responses to other questions, implying that this would in fact be a good way forward. For instance, 43% of the project directors agreed with the statement that "The parent agency can also do the project without a specially designated unit, if given incentives" (Appendix 2, question 10b). Eighty-six percent held the view that regular staff outside the PIU would do more work if given more incentives (Appendix 2, question 20). This may imply that externally funded projects with PIUs and their specially favored staff may well generate disincentives for agency staff functioning outside these PIUs. When this is combined with the high level of corroboration of the problem of low pay of government employees (Appendix 2, question 23), the advantages of a SWAp become clearer—especially if salary supplements are used as incentives to all staff of the agency who are willing to work in a SWAp, and project staff and consultants are no longer specially favored.

81. The question whether it would be better to rely on Government-only implemented projects can be further gauged by comparing responses concerning the various problems encountered by the project directors. The survey investigated three main sources of problems: (i) external agencies, (ii) Government, and (iii) other sources. It was observed that Government-related problems were marked most frequently (Tables 4, 5, and 6). If the problems in the urban sector and WSS had been related more to external agencies than they were in other sectors, then this would have been a more direct incentive for a change of the project approach. As mentioned, the survey did not include project directors of nationally funded projects, to establish whether such projects face as many problems as externally supported projects do. However, there are some indications of this, as reported in the press based on a report of IMED.<sup>56</sup> It stated that 152 of 237 projects of 34 ministries, completed in FY2005–2006, took more time than required (64%). All 152 also had spent more money than approved. Some projects spent 5.8 times more time and 5.5 times more money than originally planned. The Report noted that recommendations of an ADP expenditure review commission formed by the Government had not been implemented, and that frequent transfers of project directors had contributed to failures in completing projects. Another corroborating statistic is that Government-supported projects in the physical planning and housing sector take on average even longer to complete than externally supported projects, when their planned duration should be shorter rather than longer due to their generally more limited nature.

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<sup>56</sup> Report in *Daily Star* of 15 September 2008.

**Table 4: Problems of Projects/Programs Noted by Project Directors Related to External Funding**

	Urban and WSS	Other Infrastructure	Non- infrastructure	Total
Enforcement of Donor agenda	60	45	35	42
Delays in donor responses/ decisions/ approvals	40	37	40	39
Difficult Donor forms and procedures and excessive paper work	45	39	23	32
Delays in donor disbursements	25	25	24	24
Improper staffing by consultants/ NGOs recruited for the Project/Program	35	18	14	18
Lack of suitability of Donor project officers for task at hand	15	13	17	15
Lack of staff continuity in Donor	15	12	17	15
Confusing relations between country office and donor headquarter	15	8	5	7
Others	5	0	6	4
<i>Average</i>	<i>28</i>	<i>22</i>	<i>20</i>	<i>22</i>
N	10	38	48	96

N = all projects implemented by government agencies, NGO = nongovernment organization, WSS = water supply and sanitation.

Note: Average of following scores given: Major = 100, Minor = 50, and None/NA = 0 points; responses sorted from high to low.

Source: Questionnaire survey of project directors, 2008. Appendix 2, question 3.

**Table 5: Government-related Problems of Projects/Programs as Noted by Project Directors**

	Urban and WSS	Other Infrastructure	Non- infrastructure	Total
Delays in Government responses/ decisions/ approvals	60	58	49	54
Government policies or decisions obstruct/ delay Project/Program activities	50	54	39	46
Difficult/unwieldy Government systems and procedures	55	46	43	45
Lack of (qualified and capable) staff to implement the proj/prog	50	37	43	41
Lack of effective coordination, or opposition from other agencies/parties	40	45	36	40
Lack of effective (ly enforced) legal framework in the sector	30	33	29	31
Problematic division of responsibilities between project office and other agencies	25	39	23	30
Involvement of politicians in the administrative domain	30	37	20	28
Insufficient Government budget made available to Project/Program	30	37	8	22
Other	5	1	15	8
<i>Average</i>	<i>38</i>	<i>39</i>	<i>30</i>	<i>34</i>
N	10	38	48	96

N = all projects implemented by government agencies, WSS = water supply and sanitation.

Note: Average of Major = 100, Minor = 50, and None/NA = 0 points; responses sorted from high to low.

Source: Questionnaire survey of project directors, 2008. Appendix 2, question 4.

**Table 6: Some Other Related Problems of Projects/Programs Noted by Project Directors**

	Urban and WSS	Other Infrastructure	Non- infrastructure	Total
Project has design problems, e.g. too many components and IAs	25	13	39	27
High and rising cost of land or other issues with land acquisition/right of way	55	43	6	26
Project lacks effective monitoring system/ lack of data	20	20	25	22
Opposition to project activities from civil society or private sector parties	30	21	14	18
Project has more than one donor and this demands time	15	21	10	15
Lack of demand for project (components) from intended beneficiaries	0	12	13	11
Other	10	0	10	6
<i>Average</i>	<i>22</i>	<i>19</i>	<i>17</i>	<i>18</i>
N	10	38	48	96

IA = implementing agency, N = all projects implemented by government agencies, WSS = water supply and sanitation.

Note: Average of following scores given: Major = 100, Minor = 50, and None/NA = 0 points; responses sorted from high to low.

Source: Questionnaire survey of project directors, 2008. Appendix 2, question 5.

82. The questionnaire responses demonstrate that project directors are aware of the transaction costs of doing business in the context of the public sector and external agencies, but do not see an immediately applicable alternative to such projects and their organization. The enforcement of the aid agenda is recognized as a general problem, as are related delays and excessive paperwork. Well-recognized problems related to the functioning of the government bureaucracy are (i) delays in government decisions, (ii) obstructive or outdated government policies, and (iii) lack of staff and coordination. These three main problems are not confined to the urban sector and WSS, although lack of coordination was mentioned more frequently for these two sectors than for the other sectors on average. Other types of problems were marked less frequently. High and rising cost of land and other issues with land were most frequently mentioned. This should not be surprising, as these are more specific to urban and other infrastructure projects. The level of opposition from civil society or the private sector was also more frequently mentioned for the sector, probably due to urban projects causing more disturbance and discomfort, related to involuntary resettlement and environmental issues. But this problem was still relatively under control; other types of problems were even less frequently mentioned.

83. Regarding the second question, the survey found that PIUs are universal in the urban sector and WSS, even more so than in the other infrastructure sectors: 70% of the projects have more than one PIU, the average being 16 per project—usually one was set up in each town covered by a project. In non-infrastructure sectors, the use of PIUs is also high, but 20% of projects did not seem to have a particular PIU (Appendix 2, question 14). PIUs may, furthermore, be more ubiquitous and less permanent in the urban sector and WSS than in other sectors: 60% of the project directors stated that their offices were going to close after project completion, with some staff to be dismissed and others to be transferred back to their parent agency. This answer was given much less frequently in other sectors.

84. The finding that the sectors are dominated by PIUs is consistent with the lack of programs and SWAps, and consistent with the supposition of lower project management capacity in the multipolar world of a large number of disparate urban local bodies acting as implementing agencies for projects. Nevertheless, it can be concluded that external agencies do not seem to work hard to address the Paris Declaration commitment to “avoid, to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programs” (footnote 2). Similarly, the agencies seem to have lost track of the ambition to “Implement, where feasible, common arrangements at country level for planning, funding (e.g., joint financial arrangements), disbursement, monitoring, evaluating and reporting to government on donor activities and aid flows. Increased use of program-based aid modalities can contribute to this effort.”

85. Is the reliance on PIUs really problematic? The findings for Bangladesh have to be put in a wider context. The key to the interpretation of the effects of a PIU is its type, notably whether it is temporary, parallel, and externally dominated. A 2004 IED study on ADB’s use of PIUs in its developing member countries provided some evidence for the observation that ADB’s use of PIUs in Bangladesh cannot be called extreme in terms of its prevalent project implementation arrangements. In fact, ADB uses fewer externally staffed and temporarily set-up PIUs in Bangladesh than in many other client countries.<sup>57</sup>

86. Alignment with government systems would imply fewer PIUs and less reliance on consultants for operational tasks. As mentioned, these aims are nowhere near achievement

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<sup>57</sup> ADB. 2004. *Special Evaluation Study on the Role of Project Implementation Units*. Manila.

under the prevailing project approach. The survey results registered an even higher reliance on the use of consultants in management functions in PIUs in urban and WSS projects than in other infrastructure projects (Table 7). A few mitigating circumstances deserve to be mentioned, however. The urban sector and WSS circumscribe a multimodal world of many towns and areas with low administrative capacity. Urban and WSS projects appear to be more challenging than those in other infrastructure sectors. Whereas 60% of project directors of urban and WSS projects thought their project introduced a new approach, only 18% of project directors in other infrastructure sectors (mainly roads and energy) thought so (Appendix 2, question 9). Furthermore, the survey pointed to the fact that all PIUs had included staff deputed by the parent agency, a percentage larger than in other sectors. This demonstrates the mixed staffing composition of the PIU, which should benefit capacity development.

**Table 7: Percentage of Projects of the Four Development Partners with Different Types of Staff Working in the Project Office and in the Project/Program, 2008**

	Urban and WSS	Other Infrastructure	Non- infrastructure	Total
Staff of the agency, assigned to this PO	100	87	57	74
Government staff on deputation from other agencies	20	3	36	21
Staff contracted by agency in PO	30	37	40	38
Foreign management consultants in PO	30	11	26	20
Local management consultants in PO	40	8	36	25
Other foreign consultants in Project	10	16	15	15
Other local consultants in Project	10	32	21	24
NGO staff in Project	0	11	13	11
Others	10	0	9	5
N	10	38	47	95

N = all projects implemented by government agencies, NGO = nongovernment organization, PO = project office, WSS = water supply and sanitation.

Source: Questionnaire survey of project directors, 2008. Appendix 2, question 16.

87. A last mitigating factor is that salary supplementation in PIUs in the urban sector and WSS in Bangladesh seems to be less prevalent than in many other Asian countries. The Paris Declaration prescribes that activities should be avoided that undermine national institution building, such as bypassing national budget processes or setting high salaries for local staff (footnote 2). As per the survey findings, 22% of all projects in Bangladesh funded or supplemented salaries of officers through project budgets (Appendix 2, question 17). In other countries, an average of 28% of projects had supplemental payments for government officers in PIUs (footnote 57). Nevertheless, the funding of government officers by external agencies seems somewhat larger in Bangladesh in the urban sector and WSS than in the other sectors.

88. It has to be mentioned also that ADB's approach to urban development makes PIUs hard to avoid; another design might rely less on them. The ADB approach combines infrastructure with governance plans, poverty reduction plans, resettlement plans, gender plans, and capacity development programs—difficult to handle for the staff of any single agency or local government. This applies even to flood protection projects. For instance, ADB's STIFP (footnote 43), for 15 towns, planned to use not only 1,145 person-months of consulting services for the infrastructure component, but also 664 person-months for the urban governance improvement action plans, and even 1,494 or so person-months of consultants and contractuels (notably community development workers and accountants) for the poverty reduction action plans.

89. The third question on alignment related to the role of consultants in the projects, including the role of contractuels. If the role of consultants in urban and WSS projects was to

include the substitution of agency staff, then the often better pay conditions of such consultants could, indeed, lead to disincentives for regular agency staff working in other projects or in parts of the agency not dealing with such projects (Appendix 2, questions 21a, 21b, and 21c). Although project directors did not note that international consultants in urban and WSS projects substituted for regular agency staff, they acknowledged that local consultants and contractuels sometimes substituted for such staff. As was witnessed also in other countries (footnote 57), projects sometimes take the opportunity to substitute some of their agency's own less productive staff by local consultants and contractuels. However, since other countries also used international consultants for substitution purposes, this evaluation regards the situation as less serious in Bangladesh.

90. Most of the international consultants were used for tasks that filled gaps in agency staffing and needed high quality of work. Therefore, the use of international consultants seemed to be relatively well under control in projects both inside and outside the urban sector and WSS. In the two sectors, project directors did not report any substitution of tasks, and in other sectors, only 6% registered that foreign consultants combined the roles of filling gaps in agency staffing, substituting for agency staff, and giving advice or doing studies. In the 2004 PIU questionnaire survey administered across all ADB countries, 19% of all respondents reported that international consultants sometimes substituted for agency staff, and 23% of respondents reported this for local consultants and contractuels (footnote 57), pointing to the possibility of more extensive incidence of capacity erosion.

91. In conclusion, the PIU phenomenon is widespread in the urban sector and WSS in Bangladesh, but this evaluation concludes that the type of PIU is less externally dominated and temporary in nature than in many other Asian countries, i.e., less parallel. The effects of this on capacity development and capacity erosion are varied, and, this evaluation deems, not all negative. Project directors did not report that international consultants in the PIU had gravitated to regular operational tasks that were not part of their terms of reference and that should normally be done by regular agency staff. The international consultants thus did not substitute for regular agency staff. The use of local consultants and especially contractual staff was more ambivalent. Project directors admitted to more such staff being used to substitute for apparently ineffective government staff. For this reason, this evaluation deems the use of the project approach, using PIUs and operational consultants and contractuels, a second-best solution in the absence of complementary program approaches and civil service reform.

## **VI. ASSESSMENT OF PERFORMANCE**

92. This assessment chapter is based on the findings discussed in the previous chapters, including, particularly, the detailed assessment of external agency performance in Appendix 5. It will differentiate between the performance of (i) the aid agencies as a group, and (ii) ADB-supported interventions in particular. The assessment uses the standard bottom-up criteria for sector assistance program evaluations: relevance, effectiveness, efficiency, sustainability, and impact; and top-down assessment criteria of sector positioning, contribution to sector results, and ADB performance. Each criterion can fall on four levels, e.g., irrelevant, less relevant, relevant, or highly relevant.

## A. Bottom-Up Assessment

### 1. Relevance of Externally Funded Interventions in the Two Sectors

93. The Government's Fifth Five-Year Plan (1997–2002) did not contain detailed statements on the directions needed for the physical planning, water supply, and housing sectors. The Interim PRSP, issued March 2003, and the October 2005 PRSP couched their targets in the language of the MDGs. They therefore had no special chapters on the urban sector; there were also no specific financial targets for any sector, although the 2005 PRSP costed the needs for the implementation of the sanitation program. The SDP-WSS can be held to have provided some guidance as to WSS investment needs, but it was not visibly adhered to by the Government. Thus, it is difficult for this evaluation to gauge the relevance of aid programs to government policy. The Government has issued statements that significant resources are needed, as well as policy and institutional reform and decentralization. In this context, the amount and composition of externally funded interventions in the two sectors in the period 2001–2008 are assessed as only partly relevant to the needs of the Government—certainly up to 2007. The amount was limited, considering an urban population of over 30 million; and the composition was one-sided towards WSS and some other areas, but with limited interventions in urban transport, solid waste management, housing, and slum improvement. In arsenic mitigation, the effort could also have been greater or at least sustained better. Only recently, Dhaka's increasingly precarious state in terms of traffic, pollution, slums, and water supply brought some urgency to the addressing of problems in this megacity. Due to the scattered nature of needed investments and capacity development, the urban sector and WSS can be viewed as a suitable arena for external interventions; the divisibility of interventions, even when funds are not pooled, seems to permit many going side by side. But they need to be well aligned, based on deep insight into the needs of the sector, investment plans, and reforms to address structural constraints.

94. In the early part of the 2000s, the aid program seemed to become less relevant to the needs in Bangladesh, rather than more. Due to the emphasis on governance in the early 2000s, which was part of the aid community's discourse worldwide, the World Bank disengaged from its long relationship with Dhaka in WSS. This evaluation sees that move as regrettable in retrospect. It worsened conditions in Dhaka and did not help good governance in the sector, indicators of which were that many senior staff were transferred, the performance agreement with the Government was stopped, and the needed reorganization was not carried out. The Dhaka Urban Transport Project was not followed by any other project in the urban sector, although the World Bank assisted the Government's preparation of a transport plan. There is a need for continuity in support by funding agencies even when it is clear that a particular project is not delivering all of the needed outputs and outcomes. In low-income housing, the program was disappointing in the 1990s and was abandoned in the 2000s, in spite of the increasingly huge needs. The programs of ADB, the World Bank, and DFID in slums expanded in the 2000s, but a better division of labor could perhaps have been realized; efforts have been rather scattered, and were not supported by other official development assistance. By comparison, in fields such as education and health, a large number of funding agencies were involved. In terms of financing of urban sector needs, financing conditions were quite different between the World Bank and ADB. Nevertheless, particularly ADB, DFID, and the World Bank have attempted to formulate a program in secondary towns with some wide coverage, and this became better coordinated with time. It is complemented by a DANIDA program; occasional investments by the governments of Italy and Republic of Korea; and, more recently, the emergence of an ADB water supply program in Dhaka and the reemergence of a World Bank program of interventions in that city. In sanitation, agencies such as DFID, the Government of the Netherlands, and

DANIDA have attempted to contribute to the Government's program. Although the developments were rather disparate and lacked cross-agency coherence at least until 2007, it can be concluded that the relevance of the urban sector program is growing with the recent partnership agreement, which can hopefully be extended beyond Dhaka and Chittagong.

## 2. Relevance of ADB in the Two Sectors

95. ADB's sector strategy and sector program were consonant with its mission in Asia and the Pacific, especially with the Medium-Term Strategy, 2006–2008, which gave priority to urban infrastructure development. ADB's program was the largest of all aid agencies and the most consistently supportive over the decade, which was in line with the expressed needs of the Government, even though it had never worked out a clear strategy. This evaluation argues that a large investment program is appropriate, given the large investment needs.

96. Over the 2000s, ADB has focused on the strategic importance of secondary towns in the urbanization process in Bangladesh, and the need to support them to generate balanced urban development. ADB built up a suite of projects for secondary towns, with IUDPs and other more specialized projects in flood protection, WSS, and primary health. More recently, water supply in Dhaka has been added. Urban development support is a suitable priority for ADB in Bangladesh, as it relies on infrastructure development, and this should be one of ADB's comparative strengths. The ADB-wide portfolio in the urban sector has had above-average success ratings. All projects in ADB's urban portfolio are using a similar approach with respect to governance, poverty reduction, and PBA. ADB's move back into Dhaka after some 8 years was appropriate, as the city is gradually becoming clogged in various ways, and its survival is crucial for the development of Bangladesh as a whole.

97. Involvement in WSS is also suitable for ADB, as it is a sector that ADB has prioritized bankwide; ADB's focus entirely on urban WSS has been appropriate, as the World Bank, DFID, and bilateral and United Nations partners have focused on rural WSS. Urban WSS is in need of higher infrastructure investment than rural WSS. The National Poverty Reduction Strategy has given priority to WSS and to local governance. On these grounds, this evaluation rates ADB's program as *relevant*. A rating of highly relevant would have been given if ADB had supported its investments earlier by program lending to deal with the systemic issues: (i) if ADB had given more support to the SDP approach or followed a strategic framework for the urban sector; and (ii) if ADB had synchronized its financing conditions better with those of the BMDF, as supported by the World Bank. ADB's willingness to involve itself in program lending is an issue that goes beyond the perceptions regarding the needs of the urban sector and WSS. ADB has been highly conservative with respect to program (policy) lending in Bangladesh, due to the governance risks it perceives with respect to this kind of lending (this in combination with the processing and administration needs involved to do this well). As it stands, ADB's role in policy dialogue has been much less prominent than its role in infrastructure development.

## 3. Effectiveness of Externally Funded Programs in the Two Sectors

98. In Dhaka and Chittagong, the external agencies' aid programs were less than effective in the 2000s, mostly because they were aborted or were lacking in critical mass. The Government was unable to expand its investments; Dhaka WASA and Dhaka City Corporation were unable to generate sufficient surpluses to invest and found themselves unable to carry out significant reforms and reorganizations. The Saidabad Water Treatment Plant, supported by the World Bank, was commissioned in 2002. It significantly increased the quantity of drinking water supplied to Dhaka. The quality of the water has, however, proved difficult to maintain due to the

deteriorating intake water quality. Other water supply activities in Dhaka include government-supported installation of deep production wells. The net effect of the latter action on the water supply is in question, as the level of the deep aquifers is falling by 3 meters every year. The air quality of Dhaka improved significantly after World Bank and ADB interventions that led to banning the use of lead in gasoline and two-stroke engine vehicles during the early 2000s. Another significant environmental improvement achieved during 2002–2003 was the ban on the use of thin polyethylene shopping bags. This diminished the number of blockages in the drainage system and reduced air pollution from solid waste dumping grounds. This contrasts with the increasing problems with Dhaka's transport, traffic, housing, pollution, and slum situation, in which external support has not been able to make a dent. It is likely that the situation will get worse before it can get better.

99. The programs of ADB, DFID, and the World Bank in the secondary towns have improved urban conditions in places, with support from some other agencies such as DANIDA and UNDP. Unfortunately, the investment needs are far larger than what these agencies and the Government have mustered so far. There is also a need for national policy reform and serious efforts to decentralize powers to local governments. In these aspects, not much has been achieved over the period. On the other hand, in spite of the systemic constraints, some good strides have been made in capacity development and involvement of the urban population in local government. There have also been distinct improvements in governance in places. The pourashavas visited for this evaluation had been revitalized, governance had improved, and revenue collection was up. The road conditions in the towns were reasonable. A beginning had been made with infrastructure development planning. This was in large part due to the coordinated efforts of the development partners in various projects.

100. Some progress has been made in piped water supply in secondary towns, but it has been insufficient to increase the proportion of the population with access to piped water supply, given the fast urban population growth over the period. ADB catered to a dozen or so towns, and DANIDA did the same, but there is still no piped water supply at all in almost two thirds of the secondary towns. The saving grace is that many households have installed their own hand pumps and tubewells in the towns over the years. In rural areas, most households have similarly acquired access to water supply through hand pumps, purchased from the private sector, and to a more limited extent installed by the Government and NGOs for free or on a subsidized basis. This has, however, also led to more arsenic contamination of drinking water in places. The last project offered by the World Bank in safe piped supply in rural areas has had little impact so far. On the other hand, the Government's program in sanitation has been supported by DFID and other bilateral agencies, and the sanitation targets are likely to be met by 2015, if not by 2010. This will be a huge achievement. On balance the program of the four development partners can be assessed as borderline *effective*.

#### **4. Effectiveness of ADB's Interventions in the Two Sectors**

101. Completed projects supported by ADB have generally been rated as successful by ADB's operations department, and the evaluation mission found no reason to dispute these findings. Two projects were also evaluated by IED and were corroborated as having been successful. Not many investments have run into serious problems. ADB's emergency response projects have been appropriately efficient, fast moving, and successful, including their urban components. ADB-funded slum improvement interventions have done well, and the governance approach has also worked well in the places where it was applied. ADB-funded projects have had some major success in the enhancement of stakeholder participation in urban sector planning and management over the decade. The secondary towns water supply project that

ADB completed in this decade has delivered, although generally with less than optimal tariffs and fewer household connections than intended. Subsidies will remain necessary as a consequence, apart from running the networks only part of the day to save fuel, a situation that increases the risk of bacteriological contamination of the water and subsequent need for boiling it before drinking. The startup of the latest WSS project has been very slow.

102. ADB's Country Strategy and Program (2006–2010) states that urbanization in Bangladesh has proceeded in a largely unplanned manner, contributing to hazardous and congested living conditions. In response, ADB would (i) assist the Government in reviewing and updating the urban water supply, sewerage, and sanitation sector strategy; (ii) support the development of master plans for the water supply, sanitation, and solid waste management sectors; and (iii) assist in developing short-, medium-, and long-term investment plans for urban infrastructure and institutional reform. These plans have been implemented through both grant (TA)- and loan-funded projects with modest consequences for policy and institutional reform objectives and major consequences for infrastructure planning in many towns. Thus, the evaluation rates ADB's interventions as *effective*.

## 5. Efficiency of Externally Funded Programs in the Two Sectors

103. The efficiency of the external agencies' aid programs in the sectors is, in this case, not assessed in terms of its investment, but rather in terms of process, aid harmonization, and alignment with country systems. The program delivered has been too wide ranging or perhaps too disparate to be amenable to a serious economic and financial analysis in the aggregate.

104. As with the projects in many other sectors, there have been too many inordinate delays in startup and implementation to rate the projects of the four development partners as efficient in general. Many projects have been complex, with high costs for consultants, implementation assistance, and *ad hoc* capacity development. With a more systematic division of the tasks among the four development partners and other agencies, more sector expertise could have been built up. Increasing adherence to urban sector financing frameworks, to an SDP-WSS, and to a sector investment plan could have improved efficiency. More specialized organizational capacity could have been developed in the country. The design of urban sector projects is often driven by the perception of the subject towns that they are offered a one-time opportunity to solve a number of their problems, which then leads to pressure for inclusion of many subprojects. This then leads to the fragmentation of the project into many small components. LGD is under pressure to spread the financial resources as equally as possible, which leads to pressure on each secondary towns project to include as many locations as possible. For local governments and ADB staff alike, there are few incentives to keep the projects simple, and many incentives to increase their complexity.

105. As has been set out in this report, aid harmonization has progressed, but only since 2005–2006, when the four development partners—ADB, DFID, the Japanese Government, and the World Bank—finalized a joint country strategy programming exercise, and when earlier rifts in the aid community abated. Aid coordination in the two sectors under review could have extended further and faster. A few good initiatives have stagnated. In the context of weak institutions and no government push for SWAs or strong sector investment plans, funding agencies must continue to rely on projects, PIUs, and large capacity-development interventions. This evaluation assesses the aid program as *less efficient* for all of these reasons.

## 6. Efficiency of ADB's Interventions in the Sector

106. ADB could have aligned its approaches better with those of the BMDP and the PSU. It has not done much to follow up the SDP-WSS. Positive was that ADB stood at the basis of the November 2007 Partnership Framework in WSS in Dhaka and Chittagong. But this was rather at the end of the evaluation period. In terms of process efficiency, ADB's performance was not very different from that of other agencies. With the exception of the most recent emergency response project, the startup delays, and later the implementation delays of the projects, have been pervasive. The level of project readiness was suboptimal. In terms of efficiency of investment, the situation has been better. When economic returns of hard components of ADB's projects were calculated at the time of project completion and evaluation, they generally met the threshold criteria. On the other hand, the net contribution of ADB assistance to broad-based socioeconomic progress through support for essential sector policy and institutional reforms has been somewhat disappointing. This evaluation rates ADB's program in the period 2001–2008 overall as *less efficient*.

## 7. Sustainability of Outcomes of External Interventions

107. Systemic constraints limit the sustainability of the modest investments made so far in the two sectors. Major reforms were agreed upon in WSS for Dhaka and Chittagong, but only at a relatively late stage in the decade; some are now under way. DPHE needs a major program in capacity development and needs to be restructured to become the agency proposed by the SDP. The Dhaka WASA has just started a process of adjusting its organogram and rules and regulations. The Government and aid agencies must consider supporting more vigorously the Government's SDP for WSS and a sector investment plan. There was little reform in the urban sector in 2001–2008. An urban policy was prepared with help from ADB, but it has not been enacted. The Caretaker Government approved some ordinances in mid-2008. The Pourashava Ordinance may make some difference in terms of allowing more voice to be given to the urban populations in local government, and more transparency. The Government and aid agencies need to make up their minds about the financing conditions of various urban sector investments, and stick to those. More systemic constraints have remained unresolved, such as low resource transfers, lack of revenue-generating powers and capacity of local governments, lack of transfers for O&M budgets, and lack of discretion in personnel decisions. These constraints are getting more serious each year, as the pourashavas and city corporations are rapidly growing in size. Resolution would require a more comprehensive decentralization exercise. There is little external support for O&M budgets in either of the sectors. Aid agencies relying on NGOs or management contractors cannot be expected to face fewer problems in terms of the sustainability of investments made and learning processes. In view of all of this, this evaluation assesses the sustainability of the various external investments as *less likely*.

## 8. Sustainability of Outcomes of ADB's Interventions

108. ADB's completed projects have been rated successful in PCRs and project performance evaluation reports, but their sustainability has generally been assessed as less than likely. Assumptions made with regard to tariffs and reforms have usually not been realized. The sustainability of outcomes of the 2005 emergency response projects was rated as likely, and the 2007 disasters have not affected them much, but maintenance funds are acknowledged to be as yet insufficient. It is too early to judge the sustainability of various ongoing investments, but similar constraints work on these as on the results of the past projects. The risks are large and systemic. Thus, there is little reason to rate ADB-funded projects higher: their sustainability is *less likely*.

## 9. Impact of Interventions of External Agencies

109. The sector program of the external agencies at large can be assumed to have had a substantial impact on the attainment of the sanitation coverage goals, and a modest impact on water supply goals. ADB's *Key Indicators*<sup>58</sup> reflects that coverage with improved sanitation facilities improved from 28% in 1995 to 32% in 2000 to 36% in 2006 (32% in rural areas and 48% in urban areas). Water supply from an improved source (which, however, does not guarantee safe water, or 24-hour available water) did not likewise improve in relative coverage over the same period—it remained at around 80% of the urban population according to the same source. Although the ratio of *piped* water supply cannot be held to have improved relative to urban population growth, and does not cover more than 20% of the urban population (and close to 0% of the rural population), the situation would have undoubtedly been worse without the projects funded by several of the development partners over the period. Average life expectancy at birth improved from 58.1 years in 1995 to 63.7 years in 2006 in Bangladesh (footnote 58), while under-five mortality decreased from 92 per 1,000 live births in 2000 to 69 per 1,000 live births in 2006. It is generally accepted that WSS-related factors play an important role in such improvements, apart from a reduction in poverty.

110. Impacts on the urban sector in other respects have been variable, due in part to the size of the urban sector in Bangladesh and the wide-ranging needs—which include some very specific ones such as in drainage and flood protection. The impact on the sector's institutional capacity to manage for poverty reduction has been substantial, due to dedicated projects or project components that various aid agencies have undertaken in dozens of pourashavas and slums, and that have generated capacity. Overall, this evaluation assesses the impact of the external aid agencies as significant; however, it is likely that most progress made over the years is due to other factors than the aid programs per se.

## 10. Impact of ADB's Interventions

111. ADB's sector program has had a high impact on the attainment of various development goals, especially the urban governance goal and the flood protection and emergency response goals. ADB has had a substantial impact on urban sector development in the 60 or so towns where it was present over the past decade. The impact was more modest in its contribution to building the sector's institutional capacity to manage for poverty reduction, due to the small amounts dedicated to this. Overall, this evaluation rates the impact of the ADB program as substantial.

### B. Top-Down Assessment

#### 1. Sector Positioning of the Aid Agencies

112. The positioning of aid agencies in the two sectors has been a running theme of this evaluation. In the absence of top-down joint programming among agencies over much of the decade, a low-level equilibrium seems to have been established in the market of demand for and supply of interventions. Incrementalism has reigned over comprehensive planning and coordination. In this vacuum, individual projects have gradually gravitated towards more inclusiveness and comprehensiveness in a bottom-up fashion. Every project tries to complement its main thrust with subsidiary institutional and capacity-development activities.

<sup>58</sup> ADB. 2008. *Key Indicators 2008*. Manila.

The average project has many components, as its designers cannot be sure about what other projects will take care of in the towns that it covers. There have also been turnabouts in project approaches, and some agencies have displayed little consistency in what they support over the long term. Financing conditions have been different, as have some of the approaches. Transaction costs are high. Nevertheless, there seems to be not too much overlap in towns covered—many aid agencies have sought their own areas (Maps 2, 3, and 4). Indeed, this may well be a result of the lack of sector division of the work between aid agencies, which then required more care not to overlap in the towns. But on the other hand, the infrastructure investment needs to dwarf the interventions offered, and many smaller towns have not been covered by any aid agency-supported projects at all so far. The considerable gaps in town coverage may be the result of lack of funds among agencies and the Government as much as the lack of central oversight and coordination. Varying perceptions of the importance of reaching a critical mass in any single town may have led to thinner or thicker spread of projects across towns. Sectors in which there has been no aid, such as urban housing and urban transport, were most likely deliberately left alone, due to earlier negative experiences, or the experience from elsewhere that these sectors often pose serious problems.

113. The 2000s saw changing approaches of the four development partners, in particular with regard to enforcing good governance in projects, addressing urban poverty reduction, and utilizing the private sector and NGOs in projects. The perception that government agencies did not enforce good governance sufficiently in the early 2000s led the World Bank to concentrate—with limited investment—on the role of the private sector in rural water supply, where progress cannot be expected to be fast. ADB continued to rely on the Government, but chose to complement its infrastructure development approach with governance action plans and poverty reduction action plans. Governance and direct targeting of the poor were two new focal issues in ADB at the turn of the millennium. ADB's approach—mixing infrastructure development with poverty reduction and governance action plans while remaining engaged in secondary towns over the whole period of the 1990s and 2000s—seems to have paid off, in spite of the obvious high transaction costs. LGED has strengthened, and the positive results of governance action plans in towns with ADB projects seem to be stimulating many other towns, not under ADB projects, to do better. Progress has been made particularly in governance; on the poverty side, progress has been more limited due to the paucity of financing available. Urban populations expect better local government, and the field visits often registered the view held by many that present local governments are more alive, active, and transparent than before. Aid agencies have taken some steps towards more coordination and complementarity in Dhaka and Chittagong. One positive aspect perhaps overrides all others: the importance of well-run towns and cities is now well recognized by the Government and funding agencies alike. In this sense, there has been progress; and in this sense, the urban program, as supported by external agencies, has been successful in spite of the constituent ratings of lower efficiency and sustainability.

## **2. ADB's Sector Positioning**

114. ADB responded well to the evolving development challenges and priorities of the Government, built on its comparative advantage, and designed its program in a manner that by and large took into consideration the support available from other aid agencies. It was the biggest player in the two sectors, and its support was provided consistently. However, it played the role of a leader among aid agencies less effectively; not all opportunities for more effective leveraging of the Government may have been grasped over the period. Partnerships with other development partners were most productive in terms of cofinancing, and ADB had a catalytic role in generating funding opportunities for other aid agencies. ADB stood out in its

responsiveness to natural and economic crises, as the various timely emergency response loans and grants (latest in mid-2008) and their success have borne out. ADB's operational flexibility in the sectors could have been better if it had supported more nonlending services in the sector. Portfolio management was affected, until at least 2006, by a transfer of many projects to BRM, and by the new arrangements that had to be made. This led to low disbursements in that period. This is now improving. This evaluation rates ADB's sector positioning as *substantial*.

### **3. ADB's Contribution to Sector Results**

115. ADB's program contributed modestly to reduced urban poverty, substantially to improved public health, substantially to environmental improvements (notably in flood protection and drainage), and substantially to improvements in social relations and institutional development in a number of pourashavas. Although progress in piped water supply in Bangladesh was not significant over the period, ADB continued its program in water supply in secondary cities, and took on a new and crucial role in Dhaka, the fruits of which are still to materialize. ADB's role in getting a comprehensive WSS program going among key aid agencies in Dhaka and Chittagong was crucial. ADB's role in flood protection and emergency response has been the key. ADB could have done more, at least with TA, in other related subsectors of the urban sector. Overall, this evaluation rates ADB's contribution as *substantial*.

### **4. ADB's Performance**

116. Within the context of limited harmonization of aid agency programs and alignment with government programs over most of the period, ADB provided good quality strategy and program formulation, and project and program design and supervision services were generally responsive to the needs of the Government; and ADB undertook its mission in a fashion broadly consistent with fostering client ownership, improved client capacity, client satisfaction, and good corporate governance. ADB forged a number of good partnerships with other development partners, the Government, and civil society groups; and it operated in a manner that was generally consistent with its mandate, policies, and strategies. This evaluation rates ADB's performance as *substantial*.

## **C. Overall Assessment**

117. This evaluation stops short of rating the development partners' performance over the decade. The assessments of various aspects have been made in previous sections and are deemed sufficient here. Using IED's rating system for country assistance program evaluations, ADB's performance ratings are reflected in Table 8 for the bottom-up assessment and in Table 9 for the top-down assessment. As per the guidelines, the overall rating of program performance is derived by adding up the two ratings and comparing the score with the rating guidelines. Successful programs are those with a score of 30 points or higher; the rating came to 31 points, and thus this evaluation regards ADB's program as *successful*.

**Table 8: Bottom-Up Assessment of the ADB Sector Assistance Program in the Urban Sector and WSS**

	Relevance	Effectiveness	Efficiency	Sustainability	Impact	Total
Maximum score	3	6	3	6	6	24
Score given	2	4	1	2	4	13
Assessment	Relevant	Effective	Less efficient	Less likely sustainable	Substantial	Partly successful

Note: Rating system based on IED guidelines. A bottom-up assessment rated 16 points or higher marks a rating of *successful* (and 20 and higher marks one of *highly successful*).

Source: ADB. 2006. *Guidelines for the Preparation of Country Assistance Program Evaluation Reports*. Manila.

**Table 9: Top-Down Assessment of the ADB Sector Assistance Program in the Urban Sector and WSS**

	Sector Positioning	Contribution to Sector Results	ADB Performance	Total
Maximum score	8	8	8	24
Score given	6	6	6	18
Assessment	Substantial	Substantial	Substantial	Successful

Note: Rating system based on IED guidelines. A top-down assessment rated 16 points or higher marks a rating of *successful* (and 20 and higher marks one of *highly successful*).

Source: ADB. 2006. *Guidelines for the Preparation of Country Assistance Program Evaluation Reports*. Manila.

## VII. CONCLUSIONS, LESSONS, AND RECOMMENDATIONS

### A. Conclusions and Lessons

118. The urban sector and WSS in Bangladesh need continuing external support, even if it is mainly or exclusively provided as project aid. Urban areas can serve as engines of development and are a good arena for highly poverty-targeted work. The nature of many of the subsectors is such that external support may not have the distorting effects on markets that development aid would have in some other sectors. Unless the private sector is organized at a level such that it can take on the development of some new towns entirely on its own (such as in the Philippines), then urban roads, drainage, and sewerage will have to be entirely or largely publicly financed through taxes. This seems to be not yet the case in Bangladesh. In some of the subsectors, such as urban housing and urban water supply, which may be revenue generating or can be made fit for involvement of the private sector, external support may serve as a catalyst. The World Bank's efforts in private sector involvement in rural water supply have not borne fruit so far; and ADB has not tried it yet—in the towns the political control of water tariffs is making it very difficult.

119. The combined approach of concessionary lending and grant provision to the urban sector is appropriate, and the amount of lending to cities and pourashavas should be stepped up gradually to keep pace with urban growth, and to increase its impact on urban poverty and the environment. This is consistent with the objective of promoting financial accountability and creating fiscally sustainable municipalities. As the project appraisal document of the MSP (footnote 33) noted already in 1999, experience shows that grant financing of infrastructure causes a dependency in institutions and municipalities in Bangladesh that is not conducive to the development of adequate cost-recovery mechanisms for service provision. Grant financing diminishes the drive to seek local and more commercial sources of municipal finance. Thus, funding agencies should analyze those financing mechanisms that engender greater municipal accountability, as well as promote local resource mobilization to ensure long-term sustainability

of subprojects. This approach involves a package consisting of a balance of loans and grants to municipalities, determined by the revenue-generating potential of the subprojects, thereby leveraging the greater cost recovery in projects necessary to repay the loans.

120. The support given so far in the 2000s to the urban sector is steering clear of some very difficult areas such as major urban transport solutions, urban housing, urban finance, garbage disposal, and urban sewerage (not to mention law and order). Support for reforms has not been coordinated well enough, and was sometimes misguided (support for private sector-based solutions in rural water supply, which in the context of Bangladesh are premature). The difficult area of urban poverty and slum improvement has been tackled so far in a fragmented manner; only UNDP, USAID, and DFID have had dedicated projects in this area. If supported by the Government, external agencies need to conduct more analysis of the more difficult sectors to determine how they can help. Fortunately, some of these are now starting.

121. Development partners—ADB and the World Bank in particular—need to consider the implications of differences in financing models and conditions for nonrevenue-generating urban infrastructure and services in the secondary towns. ADB has followed the traditional model of project delivery through a government department (LGED), based on concessionary loans to the Government, which the Government then on-grants to the pourashavas. Some other agencies are following the same model.<sup>59</sup> The World Bank introduced a novel funding mechanism in Bangladesh as part of its worldwide push for the creation of urban infrastructure funds. This was achieved in 2002 with the creation of the BMDF under the Bangladesh Companies Act, as part of the MSP. The World Bank extended a loan to the Government, which was on-granted to the BMDF to serve as a seed fund. This evaluation sees a place for both the LGED and BMDF models in the spectrum of urban infrastructure provision. The BMDF and LGED urban projects, as supported by ADB would, however, need to harmonize their financing conditions and approach. In the view of this evaluation, the financial strength of a pourashava needs to determine the level of the pourashava's own contribution to the financing of the investments. A cautious approach is necessary. The BMDF's current uniform demand of an up-front contribution of 10% of the investment cost may invite corruption. It needs to be set higher for nonrevenue-generating infrastructure, for instance 25%. Contractors could collude with pourashavas and agree to pay the 10% up-front, and be allowed to recoup later from the contract awarded. (According to representatives of the BMDF in an interview with the evaluation team, IMED had observed this in 1 of 12 cases that it had sampled.) The repayment percentage for road and drain works may need to be higher than the current 15% in order to gain further commitment to generate revenues, and to create a larger revenue stream so that the dependence of the BMDF on supplementary funding decreases. There should be a ceiling for nonrevenue-generating projects per pourashava and, overall, the BMDF should have a focus on revenue-generating projects. The selection criteria and selection process for BMDF investments should be highly transparent.

122. Poorer pourashavas that most likely will not be able to repay should not be eligible to compete for loan-based investments under the BMDF. These pourashavas should continue to rely on government and external funds, and probably be serviced with more capacity-development work. They should probably go through governance action plans and the type of PBA process now undertaken for the award of ADB-supported projects within LGED. All of

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<sup>59</sup> DANIDA, for instance, and Kreditanstalt für Wiederaufbau (KfW) and Gesellschaft für Technische Zusammenarbeit (GTZ) under UGIIP-2. DFID is going outside the realm of Central Government and uses a multilateral agency as management contractor to administer a grant-funded project for urban poverty reduction. But this project is not counted here as one creating urban infrastructure.

these combined would mean that the BMDF would have a richer and, therefore, more limited clientele of pourashavas than it had in its initial years. It would not play the role that it has drifted into, at least in the perception of many pourashava governments—a cash dispenser to service all the disparate needs of the pourashavas. This is financially not sustainable. On the other hand, the model can work only if ADB's urban sector projects focus on the poorer pourashavas, or ask more up-front contribution for the investments made, similar to the financial conditions of the BMDF in the same pourashavas. The financial conditions of ADB projects should not be a disincentive to pourashavas for engaging with the BMDF. This evaluation believes that, with these adjustments, the differences between the BMDF and LGED can be reconciled, and their complementarity increased. A more detailed study should be made to establish the extent of the differences, and the pros and cons of various options. Appendix 7 provides some LGED comments on a draft of these recommendations.

123. Aid coordination based on the concept of a SWAp has not worked very well with a smaller agency as the lead (DANIDA). The initiative may need to start from a large agency with much leverage, which in practice means the World Bank or ADB. The fate of the SDP-WSS Bangladesh is a good example: the agency supporting the initiative ultimately did not possess enough leverage to make the Government carry out the program that it had approved. However, larger development partners need to be able to guarantee the availability of human resources to take the lead in policy dialogue, which has not been the case, at least for ADB. The World Bank, for some time, had insufficient leverage due to its retreat from interventions in the urban sector.

124. A long-term strategy for the urban sector should have a sequence of interventions in the secondary towns, moving from roads, drainage, and flood protection to slum improvement and later primary health care provision and employment creation. Funding agencies should avoid one-off project interventions. The appropriate level and mix of investments in any particular town deserve further analysis, in the context of the finding that small investments, such as made by the BMDF and individual ADB projects, are often unable to achieve the critical mass needed for a significant improvement in the urban environment. In this context, ADB's current analytical work focusing on urban sector assistance, following a city cluster concept, is valuable.

125. Proper O&M of new urban facilities should be stressed in all external interventions in the urban sector and WSS. New and existing drains created by projects need to be cleaned regularly. The local governments need mechanical cleaning equipment; a landfill site for disposal of the sludge, ideally linked to a solid waste disposal site; and the funds to operate these facilities. Similarly, the tens of thousands of latrines built under various domestic programs are beginning to be filled, with few facilities for desludging and no disposal/treatment plants. Without desludging, many of these will eventually fall into disuse, as they fill up and begin to overflow into yards, lanes, and roadways, and people may revert to less sanitary disposal. The cleaning of drains and desludging of pit latrines and septic tanks should be linked to solid waste management and disposal sites through future projects, regardless of funding source. There should be opportunities for public-private partnerships in the collection and disposal of such wastes, perhaps, with treatment by composting. There may be need for support for O&M in the early years of such a program.

## **B. Recommendations for the Aid Community**

126. Aid agencies need to make an effort to support a phased program approach towards decentralization of decision-making powers, taxation powers, and human resource management from the Central Government to local governments, particularly the cities and pourashavas.

A major development partner that has the clout to sustain the dialogue needed with the Government and to incentivize it with the capital needed should take the lead.

127. The four development partners and the wider aid community need to consider a model for the division of labor as regards the urban sector and the related field of WSS. The Partnership Agreement reached among ADB, DANIDA, Japan, Republic of Korea, the World Bank, and the Government needs to be gradually extended to cover additional agencies and areas of cooperation. The current method of making individual projects more multisectoral and inclusive carries transaction costs. One example of a possible division of labor for secondary towns, based on earlier involvements, is reflected in Box 1.

**Box 1: Possible Division of Labor in the Urban and WSS Sectors in Secondary Towns**

ADB takes the lead in aid coordination and policy dialogue with the Government and others in the urban infrastructure sector, including urban roads, drainage, flood protection, and water supply. ADB would have to increase its staff in BRM to be able to take on this task properly, especially in the area of policy dialogue.

The World Bank takes the lead in urban sewerage and rural water supply. It may need to increase its investment program and program lending to increase its leverage. It already has a Water and Sanitation Program support unit in its country office.

DFID continues to take the lead in the field of urban poverty reduction. This would probably also require a further focus on investment and support programs in this sector.

The Japanese Government takes the lead in solid waste management and, in some cities, WSS. This is due to its work in this sector, although so far mainly confined to Dhaka.

An option may be for some agencies to specifically support the proposed Municipal Income Generation Project under the BMDF, which would focus on revenue-generating infrastructure such as water supply, bus/truck terminals, markets, sanitation and/or sludge collection and disposal, solid waste management, and sites and services for low-income housing. The Government could put up equity, while the aid agencies could provide funds on a grant basis for design of subprojects and for capacity-development programs.

ADB = Asian Development Bank, BMDF = Bangladesh Municipal Development Fund, BRM = Bangladesh Resident Mission, DFID = Department for International Development, WSS = water supply and sanitation.  
Source: Evaluation team.

128. When agencies achieve a new level of cooperation and division of work, the current multisectoral nature of several of the projects can be reduced—a mix of infrastructure development in many different areas may no longer need to be combined with mandatory governance actions, poverty reduction actions, gender actions, microfinance, and the like.

129. A new level of division of work would require an effective urban sector unit to monitor the positioning, complementarity, and effectiveness of nationally funded and externally funded projects in an integrated fashion. Aid agencies should help fund such a unit, if necessary. Presumably, this is not necessary for WSS in the country, as the PSU has that function. If it is not yet effective in this, then external agencies should take care to make this unit effective.

130. A sound, phased sector investment plan, with strong regional and spatial differentiation, is essential as a basis for stepping up the coordination and harmonization one level from the present position. Such a plan is a necessary stage on the way to moving to more SWAps, or at the least to a better framework for investments by the Government and various aid agencies, as well as for reform and capacity development. Sector and subsector assistance may need to be prioritized for each and every town: whether the focus should be first on drainage or roads before sanitation, then sewage; what type of water supply is suitable in the local context; whether solid waste management needs to precede drainage investments; etc. And the financing opportunities in the various places need to be checked, including those relying on taxation.

131. The transition to more coordination and division of the work would need to be gradual, as several agencies already have their ongoing projects and advanced pipeline programs in a variety of subsectors. Commitment of agencies to long-term strategies is essential.

132. Smaller agencies may find a niche in the several subsectors discussed. Given the huge financing gap and large capacity-development needs, aid agencies will have a large amount of discretion in deciding how and where to support the urban sector and WSS.

133. Bangladesh needs specialized support in urban housing finance, slum improvement, and urban transport. The last also implies support for progress in land administration. The development partners need to engage in joint action and to coordinate with the Government on the way forward. The deteriorating situation of the deep aquifers in Bangladesh, especially in Dhaka, as well as the persistence of arsenic contamination in large areas of the country, need special study and more action.

134. The 15 recommendations of the SDP-WSS Bangladesh can be endorsed by this report and should guide the process. For the benefit of the reader, they are given in Box 2.

135. As already argued within the context of the LCG, the sector investment plan may be divided into subprograms of the same implementation nature, such as Dhaka WASA, Chittagong WASA, cities, pourashavas, difficult rural areas, and uncomplicated rural areas. The different subprograms may have different time scales due to completion of ongoing long-term projects and, thereby, availability of new funding.

136. A sound sector reform road map and a sound sector capacity development plan are also needed to step up the sector results. The first is, however, more urgent than the second, and should be initiated before the other. Only when the contours of the sector reforms are clear can capacity development be tackled in earnest. A program loan or grant may be required to leverage the preparation and/or approval of an urban sector policy in particular. This may have to elaborate on the pros and cons of an approach focusing scarce resources on primary cities, secondary towns, or clusters of the two. More sector work by the PSU, possibly supported by other aid agencies, may be required for the WSS sector.

137. Although the SDP ranks progress on water tariffs as a priority only down the line, policy dialogue on water tariff reforms is important. This may require, in the short term, a water tariff study, externally funded if it is not already part of the sector investment plan under preparation by the PSU. Agencies such as DANIDA and ADB should, at the minimum, conduct a study on O&M in the urban sector, including WSS, wastewater treatment, solid waste management, and urban transport, to propose a more effective O&M strategy and develop an action plan.

### **Box 2: The 15-Point “Core SDP” for the Government's Decision**

- (i) Approve target of achieving 100% coverage in drinking water and sanitation up to basic minimum service level by 2010.
- (ii) National Baseline Survey on Water Supply is launched immediately.
- (iii) Provision of safe drinking water to villages with no safe source, in arsenic-affected areas, with immediate effect.
- (iv) Decentralized service delivery in shallow tubewell and deep tubewell areas.
- (v) Semidecentralized service delivery in deep set pump, arsenic, and piped water areas.
- (vi) Centralized service delivery in special problem areas and emergency situations.
- (vii) Strengthening of NILG to meet the capacity-building requirements of local government institutions in view of the SDP.
- (viii) Capacity building of local governments in a time-bound manner to take up the task of managing WSS programs in their jurisdiction.
- (ix) Based on the Sector Investment Plan of the SDP, increase in Government of Bangladesh's present annual allocation in the sector by 2.5 times to be done by demanding additional resources from the Planning Commission under TYRIP under PRSP. Also, considering that water and sanitation have been declared as one of the priorities in the SAARC Declaration, demand funds from the SAARC Development Fund.
- (x) Establishment of WSS utilities in the local governments of urban areas.
- (xi) Allow private sector investment in WSS utilities, especially in urban areas.
- (xii) Enactment of Water Services Act.
- (xiii) Establishment of Water Regulatory Commission.
- (xiv) Establishment of Water Tariff Regulatory Authority.
- (xv) Decentralization of tariff fixing authority to local governments in urban areas, as per present legal and regulatory framework.

NILG = National Institute of Local Government, PRSP = Poverty Reduction Strategy Paper, SAARC = South Asian Association for Regional Cooperation, SDP = Sector Development Program, TYRIP = Three-Year Rolling Investment Plan, WSS = water supply and sanitation.

Source: SDP-WSS Bangladesh, December 2005.

138. Funding agencies should consider developing a mechanism to provide O&M support to towns and cities for 5–10 years after project completion. This would include a leakage detection and repair program, and metering of supply systems and larger consumers. It is not enough to just improve the supply of water. This could be part of a SWAp, but not necessarily. Too often, external agencies finance proper infrastructure with little result in improved services because the urban local body or city does not have the funds, the tradition, or the technically experienced staff to carry out O&M. Often, weak O&M is caused by a combination of these reasons. For example, water is traditionally supplied only a few hours per day; and even after a new water system is installed, the town does not want to operate the pumps (due to high electricity costs), hence (i) the level of service in terms of hours of service does not increase, (ii) the full benefits of the new system are not realized, and (iii) beneficiaries question the need for the expenditure and value added of the external involvement.

139. As a condition of participating in an externally supported water supply project, the local government has to agree to put all water tariffs collected into a fund, say on a matching basis

with funds from the loan, to enable proper O&M. This arrangement would have to go on long enough to show major improvements in service and generate demand. Once water users get used to better service, it will be difficult for the water suppliers to go back to the former poor levels. This may take 3–4 years. This would be combined with automatic annual tariff increases from the beginning of the third or fourth year, to be negotiated as part of the loan, so that after 10 years, water tariffs/revenues match, or exceed, O&M needs. The support from the loan O&M fund would decrease accordingly. The O&M fund could be administered by DPHE or by a board consisting of the mayors of participating town water committees.

140. Aid agencies and the Government should conduct a coordination conference focusing on the progress and impact of external assistance to the Bangladesh urban, water, and sanitation sectors to date. They should come up with an action plan to arrest the deterioration of the urban environment in many urban areas of Bangladesh, and gradually improve the urban sector as a whole.

141. Aid agencies need to request the Government to make all planning and evaluation documents of relevance to the urban sector and WSS publicly available on the Internet.

### **C. Recommendations for ADB's Operations Department**

142. ADB, and the urban sector projects it funds through LGED, need to consider their relationship with the BMDF—notably the complementarity of the assistance channeled through LGED with the BMDF mandate, and the compatibility of the financing conditions of the urban infrastructure to be provided. (Timing: next 12 months)

143. ADB needs to assign more human resources to BRM, dedicated to the urban sector, and to consider posting a specialist with a brief to enhance the policy dialogue with other aid agencies and the Government. ADB needs staff consultants on an almost permanent basis to help with this. (Timing: immediately)

144. ADB needs to increase its TA inputs in the urban sector and WSS (in the wake of the specialist in the resident mission) and put emphasis on economic, sector, and thematic work in (i) Dhaka water supply and urban transport; (ii) pourashava water supply, flood protection, and urban infrastructure; and (iii) strengthening of the legal and regulatory framework in housing and mortgage finance. Efforts regarding the pourashavas should focus first on getting a good overview of needs and potential in the secondary towns; second on helping with the approaches to urban development and with the preparation of investment plans; and third on funding, advice, and supervision of infrastructure development. (Timing: next 2 years)

## COMPARISON OF URBAN AND RURAL DEVELOPMENT IN BANGLADESH

1. The majority of the population of Bangladesh still live in rural areas: 114 million or 75% of the total population in 2005. The National Poverty Reduction Strategy (NPRS) data reflected in Table A1.1 show that poverty is more widespread in rural areas, which accounts for the steady migration of villagers to town areas. Nevertheless, official data also show that urban areas cover very significant numbers of poor people and proportions of poor people among the total population. Poverty has been reduced somewhat faster in urban areas than in rural areas. Depending on the source of the estimate, urban poverty declined between 19% and 21.5% from 1991 to 2000, rural poverty between 13.4% and 17.6% over the same period. As would be expected, Gini coefficients in urban areas are higher than in rural areas; they are also increasing faster in urban areas. Due to greatly improved road networks since the end-1980s and increasing numbers of bridges (notably the Jamuna bridge), seasonal migratory movements between rural and urban areas must also have increased over the years, as have external migratory movements; remittances are now a major source of income for Bangladesh. The NPRS (page 17) has confirmed that urbanization should not be seen as parasitic but appears to have been a force for poverty reduction, with urban poverty declining faster than rural poverty. Likewise, what progress has been made in rural poverty reduction must be in part attributed to the emergence of a more fluid rural-urban continuum.

**Table A1.1: Poverty and Inequality in the 1990s and 2000s**

Indicator	Estimate 1 : BBS/World Bank using 1990s HIES Unit-record Data (UPL)		Estimate 2: Sen & Mujeri using HIES Longer Term Grouped Distribution Data	
	1991/1992	2000	1991/1992	2000
<b>Headcount Ratio (%)</b>				
National	58.8	49.8	49.7	40.2
Rural	61.2	53.0	52.9	43.6
Urban	44.9	36.6	33.6	26.4
<b>Gini Index of Inequality</b>				
National	0.259	0.306		
Rural	0.243	0.271	0.255	0.297
Urban	0.307	0.368	0.319	0.379

BBS = Bangladesh Bureau of Statistics, HIES = Household Income and Expenditure Survey, UPL = upper poverty level.

Sources: For estimate 1: Bangladesh Bureau of Statistics, Household Income and Expenditure Survey, 2000, Dhaka, 2003. For estimate 2: Cost-of-Basic-Needs estimates by Sen, B. and Mujeri, M., 2002. *Poverty in Bangladesh: Trends, Profiles and Determinants*. Background paper for the Interim Poverty Reduction Strategy Paper (I-PRSP), using HIES grouped distribution data for comparability with poverty trends in the 1980s and using the 1983/1984 nonfood poverty line as the base-year nonfood poverty line.

2. Figures reported in the draft NPRS of 2008 indicate that urban poverty reduction was again faster than rural poverty reduction between 2000 and 2005. It fell from 35.2% (20%) to 28.4% (14.6%).<sup>1</sup> The report explains that increases in money received from occupations, increases in remittances, and a larger decline in family size may have contributed to the larger fall in urban poverty. In rural areas, poverty fell from 53.2% (37.9%) to 43.8% (28.6%).

3. The improving situation for the poor in the urban and to a lesser extent the rural population is reflected in other indicators of the Millennium Development Goals, except in literacy ratios, as reflected in Tables A1.2 and A1.3.

<sup>1</sup> Figures in parentheses reflect the lower poverty line, figures not in parentheses the upper poverty line.

**Table A1.2: Human Poverty Indicators**

Region	Life Expectancy (years)		Infant Mortality Rate per 1000 Live Births		Population Having Access to Drinking Water (%)		Adult Literacy Rate (%)		Gross Enrollment Ratio	
	2000	2004	2000	2004	2000	2006	2000	2004	2000	2005
	National	63.6	65.1	58.0	52.0	96.7	97.6	48.4	50.0	102.0
Urban	-	-	44.0	41.0	99.0	99.2	66.9	60.2	103.7	107.5
Rural	-	-	62.0	55.0	96.1	97.1	43.5	42.9	101.6	104.4

Source: BBS, Report on Sample Vital Registration System, 2004.

**Table A1.3: Incidence of Poverty by Division, 2000 and 2005 (%)**

Poverty Line and Division	2005			2000		
	Total	Rural	Urban	Total	Rural	Urban
<b>Lower Poverty Line</b>						
National	25.1	28.6	14.6	34.3	37.9	20.0
Barisal	35.6	37.2	26.4	34.7	35.9	21.7
Chittagong	16.1	18.7	8.1	27.5	30.1	17.1
Dhaka	19.9	26.1	9.6	34.5	43.6	15.8
Khulna	31.6	32.7	27.8	32.3	34.0	23.0
Rajshahi	34.5	35.6	28.4	42.7	43.9	34.5
Sylhet	20.8	22.3	11.0	26.7	26.1	35.2
<b>Upper Poverty Line</b>						
National	40.0	43.8	28.4	48.9	52.3	35.2
Barisal	52.0	54.1	40.4	53.1	55.1	32.0
Chittagong	34.0	36.0	27.8	45.7	46.3	44.2
Dhaka	32.0	39.0	20.2	46.7	55.9	28.2
Khulna	45.7	46.5	43.2	45.1	46.4	38.5
Rajshahi	51.2	52.3	45.2	56.7	58.5	44.5
Sylhet	33.8	36.1	18.6	42.4	41.9	49.6

Source: BBS, Household income and Expenditure Survey, 2005.

4. The draft NPRS attributes the improvement of various poverty indicators to the positive impact of the pro-poor strategy of the Government over the years, focusing on growth, human development, social safety nets, nongovernment organization social activities, broad-based microcredit operations, and an expanding and vibrant private sector. Nevertheless, the trend of increasing inequality of income in the country continued: the Gini coefficient increased from 0.39 in 1991 to 0.47 in 2005. That urbanization may have a positive effect on poverty reduction or at least not a negative effect is, furthermore, evident from the fact that the two most urbanized divisions, Dhaka and Chittagong, also have lowest poverty levels. The draft NPRS sees the two cities of Dhaka and Chittagong as growth poles.

5. A last point is that the poverty levels in Bangladesh are much higher than those in Pakistan and India. The World Bank's 2003 Public Expenditure Review for Bangladesh has postulated that one reason for the greater poverty may be that Bangladesh uses a considerably higher poverty line. In US dollar terms, the upper poverty lines used in Bangladesh are

considerably higher than those in India and Pakistan (at prevailing exchange rates, not purchasing power parity-adjusted, like the often used \$1 per person per day line). In terms of non-income indicators of living standards in Bangladesh compared with other South Asian countries, Bangladesh in 1998–1999 and 1999–2000 compared favorably with India, using measures of stunting, wasting, and underweight children. The comparison with Pakistan and Sri Lanka is more mixed. While Bangladesh had lower rates of stunting and wasting than Pakistan, the percentage of underweight children was far greater.

## SURVEY RESULTS OF QUESTIONNAIRE FOR PROJECT DIRECTORS, 2008

1. **Survey Objective.** The survey was one of the instruments used in the joint evaluation of country assistance programs of the Asian Development Bank (ADB), Department for International Development (DFID), Japanese Government, and World Bank in Bangladesh. The focus was to get relevant data and the views of project directors/administrators in executing agencies regarding various aspects of the project/program that they managed. The questionnaire was divided into three parts: (i) basic questions about the project/program, (ii) questions about the project/program office (in the main text indicated as project implementation unit), and (iii) questions about capacity development.

2. **Survey Respondents.** With the help of development partners from the World Bank, DFID, and the Japanese Government, the questionnaire was sent to all project/program directors/managers of ongoing projects/programs by email and facsimile in July 2008. Some projects had components managed by different executing agencies, and the project director in each of these agencies was sent a questionnaire. Respondents were given 2 weeks to fill up the questionnaire. Several extensions were granted, and the last responses were received in October 2008.

3. Questionnaires were sent to ADB project/program directors by email through the endorsement of ADB project officers. A total of 48 questionnaires were sent. Several ADB projects were taken out of the survey population, because their project officers appealed that these had only been recently started, and no observations on the implementation progress could be made.

4. The World Bank office in Dhaka sent the questionnaire by facsimile through the Ministry of Finance to 54 project/program directors. It could not be established very well how many projects were reached in this way. DFID project officers sent the questionnaire by email to 50 project directors. The partners from the Japanese Government forwarded the questionnaire to approximately nine ongoing Japan Bank for International Cooperation projects.

5. In all, 161 questionnaires were dispatched. The number of projects covered is somewhat unclear but can be estimated at around 100. As mentioned, some projects had more than one project director, since they relied on different executing agencies. All responses were counted equally. The survey responses are summarized in Table A2.1.

**Table A2.1: Survey Responses**

<b>Partner</b>	<b>Total Sent</b>	<b>Total Responses</b>	<b>% Response</b>	<b>Total Projects with Response</b>
ADB	48	36	75	21
DFID	50	25	50	19
World Bank	54	26	48	15
JBIC	9	9	100	9
<b>Overall Total</b>	<b>161</b>	<b>96</b>	<b>60</b>	<b>64</b>

ADB = Asian Development Bank, DFID = Department for International Development, JBIC = Japan Bank for International Cooperation.

Source: This study.

6. **Survey Processing.** Survey results were processed using statistical software. For the purpose of this evaluation, respondent answers were classified by special sectors, i.e., urban

and water supply projects (10 respondents), other infrastructure projects (38 respondents), and non-infrastructure projects (48 respondents) (Table A2.2).

**Table A2.2: Bangladesh Joint Country Assistance Evaluation Survey, by Special Sector**

A. List of Projects by Special Sector and by Donor		
	Cofinancing Agency/ies	Development Partner
<b>I. Urban and WSS</b>		
Emergency Disaster Damage Rehabilitation Project - Part C (Municipal Infra)	JBIC, CIDA	ADB
Dhaka Water Supply Sector Dev Project	None	ADB
Secondary Towns Water Supply and Sanitation	OFIC	ADB
Secondary Towns Integrated Flood Protection	OFID	ADB
Urban Governance and Infrastructure Improvement Project	None	ADB
Sanitation Hygiene Education and Water Supply in Bangladesh (SHEWA-B)	UNICEF	DFID
Advancing Sustainable Environmental Health	WaterAid	DFID
Municipal Services Additional Financing	None	WB
Municipal Services	None	WB
Bangladesh Water Supply Program Project	None	WB
<b>Subtotal</b>	<b>5</b>	<b>10</b>
<b>II. Other Infrastructure</b>		
Chittagong Hill Tracts Rural Development Project	None	ADB
Dhaka Power Systems Upgrade (PGCBL)	None	ADB
Dhaka Power Systems Upgrade (REB)	None	ADB
Emergency Disaster Damage Rehabilitation Project (Part D: Roads)	JBIC, CIDA	ADB
Emergency Disaster Damage Rehabilitation Project (Part E: Water Resources)	JBIC, CIDA	ADB
Emergency Disaster Damage Rehabilitation Project (Part B: Rural Infra)	JBIC, CIDA	ADB
Emergency Flood Damage Rehabilitation	GoN	ADB
Jamuna-Meghna River Erosion Mitigation	None	ADB
Power Sector Development Program: National Load Dispatch Centre Project	None	ADB
Rural Infrastructure Improvement Project	KfW, GTZ	ADB
Second Rural Infrastructure Improvement Project	None	ADB
Sustainable Power Sector Devt Program (DESCO)	None	ADB
Sustainable Power Sector Devt Project (BPDB, NWPGL)	None	ADB
Sustainable Power Sector Devt Project (Dhaka Power Dist Co.)	KfW	ADB
West Zone Power Sys Development: 2nd East-West Interconnector TL (PGCBL)	None	ADB
West Zone Power Sys Development: 5-Town Power Distn Sys Dev Proj (WZPDCL)	None	ADB
West Zone Power Sys Development: Construction and Extns of grid SS incl T (PGCBL)	None	ADB
West Zone Power Sys Development: Ishurdi-Baghabari TL (PGCBL)	None	ADB
West Zone Power Sys Development: Khulna-Ishurdi&Bogra- Bara 230kv TL (PGCBL)	None	ADB
West Zone Power Sys Development: Shunt Compensation at Grid Substations b (PGCBL)	None	ADB
West Zone Power System Development (REB)	None	ADB
Cyclone Storm SIDR Rehabilitation Program	None	DFID
Rural Electrification Development Program (REB)	None	DFID
Rural Electrification Development Proj - MS (NRECA)	WB	DFID
Rural Electrification Development Proj-microfinance (PKSF)	None	DFID
Transport Sector Management Reform	None	DFID
Area Coverage Rural Electrification Project	None	JBIC
Dhaka Chittagong Railway Development Project	None	JBIC
Eastern Bangladesh Rural Infrastructure Development Project	None	JBIC
Greater Faridpur Rural Infrastructure Development Project	None	JBIC
Grid Substations & Associated Transmission Lines	None	JBIC
Jamuna Bridge Access Roads Project	None	JBIC
Power Distribution and Efficiency Enhancement	None	JBIC
Rural Electrification Project	None	JBIC
Small Scale Water Resorces Development Project	None	JBIC
Rural Electrification and Renewable Energy Development Project	None	WB
Rural Transport Improvement Project	None	WB
Water Management Improvement Project	GoN	WB
<b>Subtotal</b>	<b>8</b>	<b>38</b>

III. Non-infrastructure		
Agribusiness Development Project	None	ADB
Chittagong Port Efficiency Improvement Plan TA	None	ADB
Chittagong Port Trade Facilitation Proj	None	ADB
RETA Supporting IWRM	None	ADB
Second Participatory Livestock Development (Department of Livestock Services)	None	ADB
Second Participatory Livestock Development (PKSF)	None	ADB
Second Primary Education Development Program	IDA, DFID, Netherlands, Norway, CIDA, EU, SIDA, UNICEF, AusAID, JICA	ADB
Secondary Education Sector Development Project	None	ADB
Southwest Area Integrated Water Resources Planning	GoN	ADB
Teaching Quality Improvement in Secondary Education	CIDA	ADB
Bangladesh National Election Programme	CIDA, DANIDA	DFID
Bangladesh Remittance and Payments Partnership (BRPP) - Project Management	None	DFID
BRAC Challenging the frontiers of poverty reduction - Phase 2	CIDA, NOVIB, AusAid	DFID
Chars Livelihoods Programme	None	DFID
Comprehensive Disaster Management Programme (CDMP)	UNDP	DFID
Cyclone SIDR: Humanitarian Services	None	DFID
Enterprise Growth & Bank Modernization (BRAC)	None	DFID
Health, Nutrition, and Population Sector Program, TA Support for Finan	None	DFID
Joint UN - Accelerating Progress Towards Maternal And Neonatal Mortality And Morbidity Reduction Katalyst II	EC, UN SDC, CIDA, GTZ, EKN	DFID
Mission Aviation Fellowship	None	DFID
Police Reform Project	UNDP	DFID
Promoting financial services for poverty reduction in Bangladesh (PRIME&LIFT)	None	DFID
Promoting financial services for poverty reduction in Bangladesh (Prosper) - Finance and Administr	None	DFID
Promoting financial services for poverty reduction in Bangladesh (Prosper) - Regulation of microfina	None	DFID
Public Service Capacity Building, MATT-2	None	DFID
Remittance and Payments Partnership (EA - Bangladesh Bank)	None	DFID
Underprivileged Children's Education Program	UCEP, DANIDA, SDC, Save the Children (Sweden/ Denmark)	DFID
Additional Financing MF-II (Rehabilitation of Non-Motorized Transport Pullers)	None	WB
Central Bank Strengthening Project (Bangladesh Bank)	None	WB
Central Bank Strengthening Project - Capacity Building component (Ministry of Commerce)	None	WB
Economic Management TA Program (EMTAP) (Bangladesh Public Service Commission)	None	WB
Economic Management TA Program (EMTAP) - CCU (Ministry of Finance)	None	WB
Economic Management TA Program (EMTAP) - PID (Press Information Department)	None	WB
Enterprise Growth & Bank Modernization (Finance Division)	DFID	WB
Investment Promotion and Financing Facility	None	WB
Involvement of Parliamentarians in Reproductive Health, Right, Gender Issues, and Development	None	WB
Legal and Judicial Capacity Building Project	DANIDA, CIDA	WB
Local Governance Support Project	UNDP, UNCDF, EC, DANIDA	WB
Modernization and Automation Project	None	WB
National Agricultural Technology Project (Hortex Foundation)	IFAD	WB
National Agricultural Technology Project - DAE component (MOA)	IFAD	WB
National Nutrition Program	None	WB
Public Procurement Reform Project II	None	WB
Secondary Education Quality and Access and Enhancement Project	None	WB
Strengthening Public Accounting Committee	None	WB
Strengthening the Regulatory Capacity of BTRC	None	WB
TA for Bureau of Public Service Reform	None	WB
	Subtotal	48
	Overall Total	96

**B. Project Duration in Months**

	Urban and WSS	Other Infrastructure	Non- infrastructure	Total
Mean	82	67	59	65
N	10	38	47	95

**C. Period of approval of projects, in year and percentage of sector total**

Year of approval	Urban and WSS	Other Infrastructure	Non- infrastructure	Total
1990–1995	0	3	0	1
1996–2000	20	8	0	5
2001–2002	10	26	4	14
2003–2004	10	8	19	14
2005–2006	40	29	35	33
2007–2008	20	26	42	33
Total	100	100	100	100
N	10	38	48	96

**D. Nature of the project (in percent of N)**

	Urban and WSS	Other Infrastructure	Non- infrastructure	Total
Project	100	95	79	88
Program	0	5	10	7
TA	0	0	10	5
Total	100	100	100	100
N	10	38	48	96

**E. Average amount of assistance per project in Million Takas**

	Urban and WSS	Other Infrastructure	Non- infrastructure	Total
Total Project Cost	5,963	6,752	2,857	4,825
Loan Amount	3,723	2,955	1,318	2,266
Grant Amount	851	474	339	452
Government Contribution	1,248	2,049	325	1,146
NGO Contribution	41	1	76	41
Beneficiaries Contribution	15	237	23	111
N	10	38	43	91

**F. Percent of total project cost contributed by category**

	Urban and WSS	Other Infrastructure	Non- infrastructure	Total
Total Project Cost	100	100	100	100
Loan Amount	62	44	46	47
Grant Amount	14	7	12	9
Government Contribution	21	30	11	24
NGO Contribution	1	0	3	1
Beneficiaries Contribution	0	4	1	2
N	10	38	43	91

**G. Percent of projects based on loans and on other assistance**

	Urban and WSS	Other Infrastructure	Non- infrastructure	Total
No loans included	30	16	59	38
Only loans included	0	0	2	1
Only loans and Government contribution	30	55	18	35
Loans and/or Government contributions and Other sources	40	29	20	26
Total	100	100	100	100

**H. Percentage of projects cofinanced with other donors**

	Urban and WSS	Other Infrastructure	Non- infrastructure	Total
Not cofinanced with other donor	60	79	69	72
Cofinanced with 1 other donor	30	11	15	15
Cofinanced with 2 other donors	10	11	6	8
Cofinanced with 3 other donors	0	0	2	1
Cofinanced with 4 or more other donors	0	0	8	4
Total	100	100	100	100
N	10	38	48	96

## I. Type of Executing Agency (Percent of Total)

	Urban and WSS	Other Infrastructure	Non- infrastructure	Total
Government Agency	90	84	58	72
Consultancy	0	3	13	7
Foundation	10	5	21	14
Cooperative/Corporation	0	8	0	3
Development Institutions	0	0	8	4
Total	100	100	100	100
N	10	38	48	96

## 1a. What do you see as the main purpose(s) of the project or program? (Average and Percent of affirmative responses)

	Urban and WSS	Other Infrastructure	Non- infrastructure	Total
Number of Responses Given (average)	4.4	2.1	2.1	2.3
Response to an emergency	40	18	6	15
Infrastructure creation	100	79	27	55
Financing of development	20	5	25	17
Operation and maintenance	80	13	6	17
Policy/insti/capacity development	90	47	77	67
Public service delivery	80	37	33	40
Human rights development	30	5	17	14
Others	0	0	17	8
N	10	38	48	96

## 1b. Number of purposes by project or program (percentage of total responses by sector)

## Number of Responses Given

	Urban and WSS	Other Infrastructure	Non- infrastructure	Total
1 purpose marked	0	37	38	33
2 purposes marked	0	32	38	31
3 purposes marked	30	24	15	20
4 purposes marked	20	5	6	7
5 purposes marked	30	3	0	4
6 purposes marked	20	0	2	3
7 purposes marked	0	0	2	1
Total	100	100	100	100
N	10	38	48	96

## 2. What do you see as advantages of involvement of the donor in the Project/Program (apart from funding)?

(Average of Major = 100, Minor = 50, and None/NA = 0 points; responses sorted from high to low)

	Urban and WSS	Other Infrastructure	Non- infrastructure	Total
More certain/steady supply of funds	80	86	78	81
Good and transparent procurement/ recruitment process	60	84	61	70
Access to technical advice or op. support by donor-funded cons	85	55	67	64
Donor can persuade government decision makers	75	62	58	61
Catalytic effect of the Project/Program	55	64	60	61
Better design of the project/program	75	47	66	59
Intellectual or technical leadership	65	49	65	58
External quality control/ supervision by Donor project	50	55	53	54
Donor can leverage additional financial resources	70	55	49	54
Project administration/ salaries funded thru Donor	35	24	35	31
Other advantage	10	21	13	16
<i>Average</i>	<i>60</i>	<i>55</i>	<i>55</i>	<i>55</i>
N	10	38	48	96

## 3. What are some of the donor-related problems of the Project/Program at this stage?

(Average of Major = 100, Minor = 50, and None/NA = 0 points; responses sorted from high to low)

	Urban and WSS	Other Infrastructure	Non-infrastructure	Total
Enforcement of Donor agenda	60	45	35	42
Delays in donor responses/ decisions/ approvals	40	37	40	39
Difficult Donor forms and procedures and excessive paper work	45	39	23	32
Delays in donor disbursements	25	25	24	24
Improper staffing by consultants/ NGOs recruited for the Project/Program	35	18	14	18
Lack of suitability of Donor project officers for task at hand	15	13	17	15
Lack of staff continuity in Donor	15	12	17	15
Confusing relations between country office and donor headquarter	15	8	5	7
Others	5	0	6	4
<i>Average</i>	<i>28</i>	<i>22</i>	<i>20</i>	<i>22</i>
N	10	38	48	96

## 4. What are some of the Government-related problems of the Project/Program at this stage?

(Average of Major = 100, Minor = 50, and None/NA = 0 points; responses sorted from high to low)

	Urban and WSS	Other Infrastructure	Non-infrastructure	Total
Delays in Government responses/ decisions/ approvals	60	58	49	54
Government policies or decisions obstruct/ delay Project/Program activities	50	54	39	46
Difficult/unwieldy Government systems and procedures	55	46	43	45
Lack of (qualified and capable) staff to implement the proj/prog	50	37	43	41
Lack of effective coordination, or opposition from other agencies/parties	40	45	36	40
Lack of effective (ly enforced) legal framework in the sector	30	33	29	31
Problematic division of responsibilities between project office and other agencies	25	39	23	30
Involvement of politicians in the administrative domain	30	37	20	28
Insufficient Government budget made available to Project/Program	30	37	8	22
Other	5	1	15	8
<i>Average</i>	<i>38</i>	<i>39</i>	<i>30</i>	<i>34</i>
N	10	38	48	96

## 5. What are some other related problems of the Project/Program at this stage?

(Average of Major = 100, Minor = 50, and None/NA = 0 points; responses sorted from high to low)

	Urban and WSS	Other Infrastructure	Non-infrastructure	Total
Project has design problems, e.g. too many components and IAs	25	13	39	27
High and rising cost of land or other issues with land acquisition/right of way	55	43	6	26
Project lacks effective monitoring system/ lack of data	20	20	25	22
Opposition to project activities from civil society or private sector parties	30	21	14	18
Project has more than one donor and this demands time	15	21	10	15
Lack of demand for project (components) from intended beneficiaries	0	12	13	11
Other	10	0	10	6
<i>Average</i>	<i>22</i>	<i>19</i>	<i>17</i>	<i>18</i>
N	10	38	48	96

## 6. Is there sufficient involvement of the Donor in Project/Program implementation? (Percent of N)

	Urban and WSS	Other Infrastructure	Non-infrastructure	Total
Less will do	0	5	6	5
Sufficient	90	68	81	77
More is useful	10	26	13	18
Total	100	100	100	100
N	10	38	47	95

## 7. Will your Project/Program achieve the intended outputs in time or before time? (Percent of N)

	Urban and WSS	Other Infrastructure	Non-infrastructure	Total
None	0	8	4	5
Not sure	0	0	9	4
Some	80	71	53	63
All	20	21	34	27
Total	100	100	100	100
N	10	38	47	95

**8. Will your Project/Program achieve the intended outputs against the originally allocated budget? (Percent of N)**

	Urban and WSS	Other Infrastructure	Non- infrastructure	Total
Yes	70	71	48	60
No, we stay below budget	20	11	30	21
No, we go over budget	10	11	15	13
Less outputs/other	0	8	7	6
Total	100	100	100	100
N	10	38	46	94

**9. Will your Project/Program: (Percent of affirmative responses)**

	Urban and WSS	Other Infrastructure	Non- infrastructure	Total
Have a direct effect especially on the poorest	60	54	48	52
Have an indirect effect on the poorest	50	73	39	54
Introduce in Bangladesh a new approach	60	19	65	46
N	10	37	46	93

**10a. Project beneficiaries are: (Percent of N)**

	Urban and WSS	Other Infrastructure	Non- infrastructure	Total
Confined to a special group or area	88	29	41	41
The whole nation	13	71	59	59
Total	100	100	100	100
N	8	34	46	88

**10b. Statements that hold true: (Percent of N)**

	Urban and WSS	Other Infrastructure	Non- infrastructure	Total
There was enough input from our agency into Project/Program design	86	72	63	69
There were no complaints whatsoever from other stakeholders about proj/prog setup	71	28	30	34
Covenants are helping/have helped significantly to achieve reforms	43	56	37	45
This Project is confronted with more attempts at corruption than fully Gov-funded projects	0	0	0	0
This Project is better able to guard against corruption than fully Gov-funded projects	29	36	50	42
The parent agency can also do the project without a specially designated unit, if given incentives	43	12	23	21
Total Respondents	7	25	30	62

**11. Do you feel that the sector in which the Project/ Program operates gets sufficient donor support? (Percent of N)**

	Urban and WSS	Other Infrastructure	Non- infrastructure	Total
Yes	50	47	62	55
No, absorptive capacity is good	50	42	26	35
No, absorptive capacity is not good	0	8	9	7
No, there are corruption risks	0	3	4	3
Total	100	100	100	100
N	10	38	47	95

**12. What is the nature of your Project Office? (Percent of N)**

	Urban and WSS	Other Infrastructure	Non- infrastructure	Total
Only office managing the project	30	34	42	37
Central coordinating office of project	60	61	26	44
Another type of temporary project office	0	3	2	2
Project/Program is managed by one or more divisions of agency	0	0	19	9
Other type of project office	10	3	12	8
Total	100	100	100	100
N	10	38	43	91

## 13a. If your office coordinates the project/ program, number of specially dedicated project offices (Percent of N):

	Urban and WSS	Other Infrastructure	Non- infrastructure	Total
1 project office	57	8	52	32
2 project offices	0	12	14	11
3 project offices	0	4	10	6
4 project offices	0	4	0	2
5 project offices	0	8	5	6
6-10 project offices	14	0	10	6
11-20 project offices	0	36	5	19
21 above project offices	29	28	5	19
Total	100	100	100	100
<i>Average</i>	<i>16</i>	<i>27</i>	<i>4</i>	<i>16</i>
N	7	25	21	53

## 13b. If your office coordinates the project/ program, number of project components (excluding project management) (Percent of N):

	Urban and WSS	Other Infrastructure	Non- infrastructure	Total
1 project component	14	8	3	6
2 project components	0	15	13	12
3 project components	29	23	26	25
4 project components	29	8	23	20
5 project components	14	8	6	8
6-10 project components	0	15	26	20
11-20 project components	14	15	3	8
21 above project components	0	8	0	2
Total	100	100	100	100
<i>Average</i>	<i>5</i>	<i>13</i>	<i>4</i>	<i>7</i>
N	7	13	31	51

## 14. (If applicable) Your Project/Program Office (max 2 answers): (Percent of affirmative responses)

	Urban and WSS	Other Infrastructure	Non- infrastructure	Total
Was created specially for the Project/Program, or dedicated to it	60	39	52	48
Already existed before the project	40	58	41	48
Has plans to continue after the project/program as a PO for other projects	40	32	13	23
Has plans to merge with the agency after the project (for service delivery/O&M)	0	37	15	22
Has plans to close after project completion: all staff will be dismissed	0	5	13	9
Has plans to close after project completion: some staff will be dismissed, others to parent agency	60	16	15	20
Has no clear plans for continuation or dissolution after the project	0	0	7	3
N	10	38	46	94

## 15. (If applicable) Your Project/Program Office handles: (Percent of affirmative responses)

	Urban and WSS	Other Infrastructure	Non- infrastructure	Total
More than one project/program	25	63	35	46
One donor fund, not the entire project/program or all donor funds for the project/program	63	31	44	41
Funds of other donors for the same project/program	25	25	32	28
N	8	32	34	74

## 16. Which types of staff are working in the Project Office and in the Project/Program at the moment: (Percent of affirmative responses)

	Urban and WSS	Other Infrastructure	Non- infrastructure	Total
Staff of the agency, assigned to this PO	100	87	57	74
Government staff on deputation from other agencies	20	3	36	21
Staff contracted by agency in PO	30	37	40	38
Foreign management consultants in PO	30	11	26	20
Local management consultants in PO	40	8	36	25
Other foreign consultants in Project	10	16	15	15
Other local consultants in Project	10	32	21	24
NGO staff in Project	0	11	13	11
Others	10	0	9	5
N	10	38	47	95

## 17. How are Government officers funded in your Project/Program office? (Percent of N)

	Urban and WSS	Other Infrastructure	Non- infrastructure	Total
All are funded by a component of the donor fund	11	6	8	8
Some are funded by a component of the donor fund	11	6	6	6
All or some are funded by regular budget of the agency	22	21	58	38
All or some are funded by the government's annual development budget	56	67	17	42
Combinations of donor funds and other sources	0	0	3	1
Other sources	0	0	8	4
Total	100	100	100	100
N	9	33	36	78

## 18a. Do Government officers get special incentives? (Percent of N)

	Urban and WSS	Other Infrastructure	Non- infrastructure	Total
No	40	42	31	36
Yes, funded by donor fund	0	0	10	5
Yes, not funded by donor fund	30	13	15	16
No answer	30	45	44	43
Total	100	100	100	100
N	10	38	48	96

## 18b. Do other staff employed by Government get special incentives? (Percent of N)

	Urban and WSS	Other Infrastructure	Non- infrastructure	Total
No	50	42	33	39
Yes, funded by donor fund	0	3	6	4
Yes, not funded by donor fund	10	5	6	6
No answer	40	50	54	51
Total	100	100	100	100
N	10	38	48	96

## 19. (if applicable) How is external staff in your Project funded and selected? (Percent of affirmative responses)

	Urban and WSS	Other Infrastructure	Non- infrastructure	Total
Terms of reference are determined by the donor exclusively or mostly	100	83	46	62
Staff is selected by the donor exclusively or mostly	0	8	8	8
Staff is paid for by the donor exclusively or mostly	33	25	63	49
N	3	12	24	39

## 20. Check the validity of the following statements: (Percent of affirmative responses)

	Urban and WSS	Other Infrastructure	Non- infrastructure	Total
Regular agency staff outside PO will do more proj work if the Proj gives special incentives	86	66	73	71
Agency has a performance incentive system to stimulate and reward productive staff	29	28	12	20
Project consultants in the PO have done more operational work than as per TOR	14	10	27	19
N	7	29	33	69

## 21a. What has been the main role of foreign consultants in the Project/ Program? (Percent of affirmative responses)

	Urban and WSS	Other Infrastructure	Non- infrastructure	Total
Fill gaps in agency staffing due to the extra work created by the project	0	19	20	17
Fill gaps in agency staffing mainly due to the need for high quality work	60	43	43	45
Provide on-the-job training or advice or do studies	10	27	30	26
Combination of filling gaps and substitution	0	3	5	3
Substitute for agency staff but who are not sufficiently qualified	0	0	0	0
Combination of filling gaps and substitution and advice/studies	0	3	10	6
Substitute for agency staff but who are not sufficiently motivated/ paid	0	0	3	1
Substitute for agency staff but who are not trusted by Donor	0	3	3	2
N	10	37	40	87

## 21b. What has been the main role of local consultants in the Project/ Program? (Percent of affirmative responses)

	Urban and WSS	Other Infrastructure	Non- infrastructure	Total
Fill gaps in agency staffing due to the extra work created by the project	50	27	33	32
Fill gaps in agency staffing mainly due to the need for high quality work	60	46	45	47
Provide on-the-job training or advice or do studies	40	49	45	46
Combination of filling gaps and substitution	20	11	8	10
Substitute for agency staff but who are not sufficiently qualified	0	8	3	5
Combination of filling gaps and substitution and advice/studies	30	11	15	15
Substitute for agency staff but who are not sufficiently motivated/ paid	0	3	3	2
Substitute for agency staff but who are not trusted by Donor	10	5	3	5
N	10	37	40	87

## 21c. What has been the main role of contractuels in the Project/ Program? (Percent of affirmative responses)

	Urban and WSS	Other Infrastructure	Non- infrastructure	Total
Fill gaps in agency staffing due to the extra work created by the project	30	35	28	31
Fill gaps in agency staffing mainly due to the need for high quality work	20	32	13	22
Provide on-the-job training or advice or do studies	40	8	13	14
Combination of filling gaps and substitution	10	22	18	18
Substitute for agency staff but who are not sufficiently qualified	10	0	8	5
Combination of filling gaps and substitution and advice/studies	10	5	3	5
Substitute for agency staff but who are not sufficiently motivated/ paid	10	24	5	14
Substitute for agency staff but who are not trusted by Donor	0	0	3	1
N	10	37	40	87

## 22. Which types of capacity development are pursued by the Project/ Program?

(Average of Major = 100, Minor = 50, and None/NA = 0 points, sorted from high to low)

	Urban and WSS	Other Infrastructure	Non- infrastructure	Total
Project implementation capacity development	100	74	57	68
Project management capacity development	80	67	55	63
Organization development	80	58	60	61
Individual skills development	55	46	73	60
Service delivery capacity development	50	59	47	52
Community/beneficiary group capacity development	70	45	53	52
Operation and maintenance of infrastructure capacity development	80	68	24	47
Strategy/policy/legal development	20	36	47	40
Construction of offices/training centers or other facilities	25	37	18	26
<i>Average</i>	<i>62</i>	<i>54</i>	<i>48</i>	<i>52</i>
N	10	38	48	96

## 23. What are in your view main staff capacity problems in your agency? (Percent of affirmative responses, from high to low)

	Urban and WSS	Other Infrastructure	Non- infrastructure	Total
Lack of staff in agency (lack of positions or filled positions)	60	58	55	57
Available staff is underpaid and does not perform well for this reason	50	55	50	52
Lack of interest/ incentive to move to project area or field in general	20	45	28	33
Available staff is demoralized due to political decision-making, corruption, stagnation, threats	20	48	18	30
Tenure of senior staff in Project is too short (due to transfers, etc.)	40	19	33	28
Available staff have insufficient capacity, qualifications or experience	20	10	33	22
Staff turnover is high	10	26	15	19
Tenure of senior staff in agency is too short (due to transfers, etc.)	10	10	15	12
<i>Average</i>	<i>29</i>	<i>34</i>	<i>31</i>	<i>32</i>
N	10	31	40	81

## 24. Are there experiences with irregularities or corruption in the context of your Project/Program? (Percent of N)

	Urban and WSS	Other Infrastructure	Non- infrastructure	Total
None	89	92	77	84
Project staff have suspected irregularities or witnessed attempts at corrupt practices	0	0	4	2
Written allegations of irregularities or corruption have been made	0	3	6	4
Irregularities and/or written allegations of corruption have been satisfactorily dealt with	11	5	13	9
Total	100	100	100	100
N	9	38	48	95

Source: Questionnaire survey of project directors of projects administered by ADB, DFID, Japan, and World Bank, 2008, 96 responses; response by each executing agency for each project.

## PROJECTS AND TAs FOR THE URBAN SECTOR AND WATER SUPPLY AND SANITATION ONGOING BETWEEN 2001 AND 2008

**Table A3.1: Projects Approved by the Four Development Partners ADB, DFID, Japan, and World Bank, 1996 and 2007**

Number	Projects Approved between 1996 and 2007	Development Partner (million)	Government (million)	Others (million)	Total Amount (million)	Date Approved	Project Completion (Estimate)	Project Completion (Actual)
Loan No.	<b>ADB</b>							
1264	Second Water Supply and Sanitation Project	\$31.0	\$5.7	\$6.3	\$43.0	16-Nov-93	30-Sep-99	28-Oct-02
1124	Dhaka Integrated Flood Protection Project	\$91.5	\$26.9	\$1.4	\$119.8	21-Nov-91	30-Jun-97	14-Sep-01
1202	Secondary Towns Integrated Flood Protection Project	\$55.0	\$15.0	\$0.0	\$70.0	3-Dec-92	30-Jun-98	13-Dec-00
1376	Secondary Towns Infrastructure Development Project II	\$65.0	\$15.5	\$2.4	\$82.9	19-Sep-95	30-Sep-01	8-Oct-03
1538*	Urban Primary Health Care Project	\$40.0	\$15.5	\$4.5	\$60.0	16-Sep-97	30-Jun-03	30-Jun-05
1666*	Flood Damage Rehabilitation Project (urban infrastructure component only)	\$8.0	\$1.0	\$0.0	\$9.0	18-Dec-98	30-Jun-01	29-Jan-02
1947	Urban Governance and Infrastructure Improvement (Sector) Project	\$60.0	\$22.8	\$4.2	\$87.0	28-Nov-02	31-Dec-09	Ongoing
2117	Secondary Towns Integrated Flood Protection Project - Phase 2	\$80.0	\$33.8	\$15.1	\$128.9	2-Dec-04	31-Dec-09	Ongoing
2156*	Emergency Flood Damage Rehabilitation Project (municipal component)	\$33.9	\$0.0	\$0.0	\$33.9	20-Jan-05	31-Jul-07	Ongoing
2172	Second Urban Primary Health Care Project (\$10m grant with SIDA, DFID, UNFPA)	\$40.0	\$18.0	\$32.0	\$90.0	31-May-05	30-Jun-12	Ongoing
2265	Secondary Towns Water Supply and Sanitation Sector Project	\$41.0	\$20.5	\$9.6	\$71.1	16-Oct-06	30-Jun-13	Ongoing
2382	Dhaka Water Supply Sector Development Program Project	\$150.0	\$62.7	\$0.0	\$212.7	10-Dec-07	20-Jun-14	Ongoing
2383	Dhaka Water Supply Sector Development Program	\$50.0			\$50.0	10-Dec-07	20-Jun-14	Ongoing
2409*	Emergency Disaster Rehabilitation Sector Project (municipal component)	\$20.9	\$0.0	\$0.0	\$20.9	31-Jan-08	30-Jun-10	Ongoing
	<b>Total</b>	\$946.3	\$297.4	\$75.5	\$1,319.2			
Loan No.	<b>World Bank</b>							
29260	Fourth Dhaka Water Supply Project (with France)	\$80.3	\$62.2	\$32.6	\$175.1	19-Dec-96	30-Jun-02	Fully Disbursed
34040	Air Quality Management Project	\$4.7	\$1.2	\$0.0	\$5.9	29-Jan-97	31-Jul-00	Fully Disbursed
31240	Bangladesh Arsenic Mitigation Water Supply Project (with \$3 m from SDC)	\$32.4	\$4.9	\$7.1	\$44.4	27-Aug-98	30-Jun-06	Disbursing
31630	Dhaka Urban Transport Project	\$177.0	\$57.2	\$0.0	\$234.2	19-Jan-99	30-Jun-05	Disbursing
31770	Municipal Services Project	\$138.6	\$15.4	\$0.0	\$154.0	16-Mar-99	30-Jun-07	Disbursing
H1010	Bangladesh Water Supply Program Project	\$40.0	\$5.8	\$9.3	\$55.1	17-Jun-04	30-Apr-10	Disbursing
P093988	Dhaka Water Supply and Sanitation Project	\$100.0	\$40.0	\$0.0	\$140.0			
Q4780	Dhaka Chittagong Sewerage and Drainage Project preparation	\$1.4			\$1.4	09-May-05	28-Feb-07	Disbursing
P110282	Municipal Services Project Additional Financing	\$25.0		\$0.0	\$25.0	10-Jan-08	2011	Disbursing
	<b>Total</b>	\$599.5	\$186.8	\$49.0	\$835.2			
Loan No.	<b>JBIC</b>							
BD-P54 grant	Karnaphuli Water Supply Project (Chittagong) (12,224 million yen)	¥12,224.0			SDR100m	29-Jun-06	2010	Effective
	<b>JICA</b>							
	Crash Program for Procurement of 100 Generators	\$2.0			\$2.0	1999	2000	Completed
	Study on Groundwater Development of Deep Aquifers for Safe Drinking Water Supply to Arsenic Affected Area in Western Bangladesh	\$3.8			\$3.8	1999	2001	Completed
	Feasibility Study on the Extension and Expansion of Mohara Water Treatment Plant in Chittagong	0				2000	2001	Completed
	Establishment of DPHE Central Laboratory For Strengthening Water Supply Examination System	\$4.2			\$4.2	2004	2006	Completed
	Integrated Approach for Mitigation of the Arsenic Contamination of Drinking Water in Bangladesh	0				2001	2002	Completed
	Sustainable arsenic mitigation under integrated local government system in Jessore	tk 147.6			tk 147.6m	2005	2008	Ongoing
	Study on Solid Waste Management in Dhaka City 2003-2006					2003	2006	Completed
	Improvement of the Storm Water Drainage System in Dhaka City (Phase II)	¥32				2006	Unknown	Ongoing
	Mitigation of Arsenic Contamination (through UNICEF)	¥184				2002	Unknown	Completed
grant	<b>DFID</b>							
	Rural Hygiene, Sanitation and Water Supply Project	£27.0			£27.0	10-Apr-00	31-Dec-05	Completed
139546005	Urban Partnerships for Poverty Reduction Project (UNDP)	£60.0	£2.5	£1.5	£64.0	2007	2014	Ongoing
139046	Sanitation, Hygiene Education and Water Supply in Bangladesh (UNICEF)	£36.0	£8.9	£4.8	£50.0	01-Jan-07	01-Dec-11	Ongoing
139544013	WaterAid: Advancing Sustainable Environmental Health (ASEH)	£15.5	£0.0	£2.0	£17.5	01-Jul-03	01-Mar-09	Ongoing
	Support to Arsenic Mitigation Programme	£1.0			£1.0	11-Mar-02		Completed

ADB = Asian Development Bank, DFID = Department for International Development, DPHE = Department of Public Health Engineering, JBIC = Japan Bank for International Cooperation, JICA = Japan International Cooperation

Agency, SDC = Swiss Agency for Development and Cooperation, SIDA = Swedish International Development Authority, UNDP = United Nations Development Programme, UNFPA = United Nations Fund for Population Activities, UNICEF = United Nations Children Fund, WSS = water supply and sanitation.  
Source: Independent Evaluation Department investigations.

**Table A3.2: Projects Approved by Other Aid Agencies, Ongoing in 2001–2008**

<b>Projects Approved between 1996 and 2006</b>	<b>Amount (million)</b>	<b>Executing Agency</b>	<b>Relevant Dates</b>
<b>Netherlands</b>			
18 District Town Water Supply Project	€ 12.80	DPHE	1998–2003
BRAC/Water, Sanitation and Hygiene (WASH) programme	€ 52.96	BRAC	2006–2010
<b>DANIDA</b>			
Water Supply, Sanitation, Drainage And Waste Management Project at Pourashave, Thana and Growth Center	\$22.85	DPHE	1996–2005
Rural Water Supply and Sanitation Project At Coastal Belt	\$12.64	DPHE	1999–2005
Water Supply and Sanitation Sector Programme Support (WSSPS) Phase II		DWASA	2006–2010
Sector Policy Support of the WSS Project	Tk 224	LGD	2006–2010
Support to NGO Forum for Drinking Water Supply and Sanitation	Tk 410	LGD	
Hygiene, Sanitation and Water Supply (HYSAWA) in Chittagong Hills Tract (proposed)		LGD	
Hygiene, Sanitation and Water Supply (HYSAWA) in North-West (proposed)		LGD	
<b>Italy</b>			
Chittagong Water Supply Project Modunaghat	€ 12.29		13-Jan-00 17-Jun-06
<b>CIDA</b>			
Bangladesh Environmental Technology Verification Support to Arsenic Mitigation	Tk 674,2	DPHE	1-Jan-06
<b>UNICEF</b>			
Social Mobilization for Sanitation Environmental Sanitation, Hygiene	\$2.85	DPHE	1993–1998
Water Supply in Rural Areas of Bangladesh	\$20.06	DPHE	1996–2005
Environmental Sanitation, Hygiene and Water Supply Project in Slum Areas	\$2.42	DPHE	1997–2005
Upazila Projects	\$2.11	DPHE	2001–2005
WS Rehabilitation Project for the Flood Affected People in 2004	\$5.86	DPHE	2005–2006
<b>UNDP</b>			
Local Partnerships for Urban Poverty Alleviation	\$21.30	MLGRD	2000–2007
<b>Islamic Development Bank</b>			
Water Supply Facilities in Coastal Belt (second phase)	7.64	DPHE	10-Mar-04
Water Supply Facilities in Coastal Belt (first phase)	8.13	DPHE	15-Jun-98

BRAC = Bangladesh Rural Advancement Committee, CIDA = Canadian International Development Agency, DANIDA = Danish Agency for International Development Aid, UNDP = United Nations Development Programme, UNICEF = United Nations Children Fund, WSS = water supply and sanitation.

Source: This study, based on information gathered from aid agencies visited and web sites.

**Table A3.3: Technical Assistance by Other Agencies**

Technical Assistance Approved between 1996 and 2006	Amount in Million	Relevant Dates	Executing Agency
<b>DANIDA</b>		2008–2011	
Saidabad II Water Treatment Plant (phase II) feasibility studies	\$1.0		DWASA
Knowledge Development and Training Networking Project	Tk 63		BUET, LGD
Capacity Building of National Institute for Local Government and Loc. Gov. Institutions	Tk 49.8	7-Jun-06	LGD
<b>UNICEF</b>		1996–2000	
Study on Arsenic Affected Area of Bangladesh	\$0.19		DPHE
<b>UNDP</b>		2000–2007	
Local Partnerships for Urban Poverty Alleviation	\$21.30		MLGRD
<b>Commonwealth Secretariat, SAARC</b>			
TPP for Establishment of Sector Development Programme Management Unit	Tk 6 m		DPHE
<b>European Commission</b>		2003	
Pilot Investment Project for Rural Towns Development (feasibility study only)	\$1.0		–
ICBAMP in 100 unions in Bangladesh	\$0.7		NGO Forum for Drinking Water Supply and Sanitation
EU-Asia Pro Eco Programme - Application of Innovative Technologies for the Reclamation and Environmental Improvement of Derelict Urban Areas in Dhaka City	\$0.7		KUET
EU-Asia Pro Eco Programme - Safe and Sustainable Management of Municipal Solid Wastes in Bangladesh through the Practical Application of WasteSafe Proposal (WasteSafe II)	\$0.5		KUET
EU-Asia Pro Eco Programme - Capacity Building for Enhancing Local Participation in Water Supply and Sanitation Interventions in Poor Urban Areas	\$0.2		International Training Network Centre (ITN-BUET)
EU-Asia Pro Eco Programme - Technology Partnership for Innovative Treatment of Drinking and Industrial Water	\$0.4		SUST
EU-Asia Pro Eco Programme - Integrated Approach for Sustainable Wastewater Management and Biomass Production in Bangladesh	\$0.3		BAU
EU-Asia Pro Eco Programme - Environmental Initiatives, Waste Management and Technology Dissemination in Bangladesh	\$0.3		BASA
EU-Asia Pro Eco Programme - Integrated Approaches to Improve the Urban Environment in ASIA	\$0.7		Society for the Urban Poor (Bangladesh)
Capacity Building for Enhancing Local Participation in Water Supply and Sanitation Interventions in Poor Urban Areas	\$0.2		–

BASA = Bangladesh Association for Social Advancement, BAU = Bangladesh Agricultural University, BUET = Bangladesh University of Engineering and Technology, DANIDA = Danish Agency for International Development Aid, DPHE = Department of Public Health Engineering, DWASA = Dhaka Water Supply and Sewerage Authority, EU = European Union, ICBAMP = Integrated Community-Based Arsenic Mitigation Programme, KUET = Khulna University of Engineering and Technology, LGD = Local Government Division, MLGRD = Ministry of Local Government and Rural Development and Cooperatives, NGO = nongovernment organization, SAARC = South

Asian Association for Regional Cooperation, SUST = Shah Jalal University of Science and Technology, TPP = Technical Project Proposal, UNDP = United Nations Development Programme, UNICEF = United Nations Children Fund.

Source: This study, based on information gathered from aid agencies visited and web sites.

**Table A3.4: Main Government Funded Water Supply and Sanitation Projects from the 1990s Onwards**

<b>Title</b>	<b>Dates</b>
Sewerage Expansion and Rehabilitation Project	1992–2004
Fourth Interim Improvement of Water Supply in Dhaka City	1998–2004 revised
Project for Improvement of Sewerage System in Dhaka City	2001–2006
Improvement and Rehabilitation of Water Supply in Dhaka City	2002–2007
Chittagong 2nd Revised Interim Water Supply Rehabilitation Project	1995–2004
Water Supply Project for Rajshahi Metropolitan City, Part 2	2002–2007
Repair, Rehabilitation and Development of Water Supply in Pourashavas including Regeneration of Production Wells	1997–2004
Water Supply and Sanitation in Gopalganj, Tungipara Pourashava and other 2 upazilas	1997–2003
Piped WSS Project in Matlab, Chandina, Kachua and Barura Pourashavas	1998–2004
Water Supply Project in Bhairab Pourashava 2nd Phase	2000–2004
Water Supply and Sanitation Project in Gournadi and Kalkini	2000–2004
Piped Water and Envir. Sanitation in Municipalities at Upazila HQs and Growth Centres	1999–2005
Water Supply and Sanitation in Tongi Pourashava	2000–2004
Water Supply Project in Shapahar, Patnitala, Porsha and Manda Upazila at Noagoan	2000–2004
18-District Towns Water Supply Project, 2nd Phase	2000–2004
Water Supply and Environmental Sanitation in Mongla Pourashava	Unapproved
Accelerated Development Program for Water Supply and Sanitation for CHT Districts, 1997-2004	1997–2004

BRAC=Bangladesh Rural Advancement Committee, BWDB = Bangladesh Water Development Board, CWASA=Chittagong Water Supply Authority, DWASA=Dhaka Water Supply Authority, LGED=Local Government Engineering Department, MOC=Ministry of Communications, MOEF=Ministry of Environment and Forests, MOF=Ministry of Finance, SDF=Social Development Foundation.

Source: ADB. 2003. Arsenic Mitigation Review and Strategy Formulation: TA-4170. Manila.

Table A3.5: ADB Technical Assistance Approved from 1996 to end-February 2008

Number	Title	ADB Amount	JSF	OTHERS	Total	Amount	Type	TCR	Closing Date	Completion Date
									Expected	Actual
<b>Subnational Government Administration</b>										
3053	Promoting Good Urban Governance in Dhaka	150,000	0	0	150,000		AD	none		
3690	Urban Governance and Infrastructure Improvement	0	350,000	0	350,000		PP	none		31-Jul-03
<b>Multisector</b>										
2545	Northwest Region Development and Investment Study	1,100,000	0	0	1,100,000		AD	GS	31-Dec-96	31-Aug-99
2816	Third Urban Development	0	600,000	0	600,000		PP	none		31-Mar-99
3226	Urban Sector Strategy	150,000	0	0	150,000		AD	none		11-Sep-00
4003	Supporting Urban Governance Reform	400,000	0	0	400,000		AD	S		30-Nov-05
4707	Participation of the Urban Poor in Municipal Governance	0	0	480,000	480,000		AD	none		11-Jan-08
<b>Water Supply and Sanitation</b>										
4170	Arsenic Mitigation Review and Strategy Formulation	120,000	0	0	120,000		AD	none		28-Feb-05
4535	Secondary Towns Water Supply and Sanitation	0	800,000	0	800,000		PP	none		31-May-07
4651	Dhaka Water Supply	1,000,000	0	0	1,000,000		PP	none		ongoing
4651	Dhaka Water Supply (Supplementary)	0	0	160,000	160,000		PP	none		ongoing
4651	Dhaka Water Supply (Supplementary)	150,000	0	0	150,000		PP	none		ongoing
7001	Management Support for Dhaka Water Supply and Sewerage Authority				2,500,000	0		2,500,000	10-Dec-07	

Source: Asian Development Bank.

**Table A3.6: World Bank Economic and Sector Work between 1996 and 2006**

<b>Number</b>	<b>Title</b>	<b>Amount (\$000)</b>	<b>Approved</b>	<b>Status</b>
P044944	Urban Strategy	\$0	FY99	
P066324	Corruption in Bangladesh	91	2000	Closed
P067981	Internal Report on Decentralization	58	2000	Active
P068256	Flood Coping Strategies of the Poor	51	2000	Closed
P071553	Bangladesh-Arsenic	13	2001	Active
P078172	Decentralization Pilot	30	2002	Active
P088369	Bangladesh Housing Finance	80	2005	Closed
P091208	The Economics of NGOs in Bangladesh	264	2005	Active
P083889	Bangladesh - Country Environtl. Analysis	426	2006	Active
P083815	Urban Poverty	242	2007	Active
P098026	Bangladesh Governance Policy Note	100	2007	Active
P098272	Policy Support on Local Governance	3	2007	Active
P099633	Bangladesh Urban Strategy	100	2007	Active
P099704	Bangladesh Urban Strategy - DFID	43	2007	Active
P099769	Governance, Service Delivery and MDGs	46	2007	Active
P099963	Bangladesh Poverty Assessment	91	2007	Active

Source: Independent Evaluation Group, World Bank.

**Table A3.7: ADB Lending Pipeline for Bangladesh, 2008–2010**

	Sector Assistance Name	Responsible Division	Year of Project Preparatory Assistance	ADB OCR	Cost (\$ million)	
					Government	Cofinancing
<b>2008</b>						
<b>Multisector</b>						
1	Urban Governance and Infrastructure Improvement (Sector) II	SAUD	2006		tbd	tbd
2	Public-Private Infrastructure Development Facility - PPIDF (linked to NSP 41928-01) [former Infrastructure Financing Devt Facility]	SAGF		102.0	tbd	tbd
<b>2009</b>						
<b>Health, Nutrition, and Social Protection</b>						
1	Urban Primary Health	SAUD	2007		tbd	tbd
<b>2010</b>						
<b>Multisector</b>						
1	Megacities Development	SAUD	2008	150.0	tbd	tbd

ADB = Asian Development Bank; OCR = ordinary capital resources; SAGF = Governance, Finance, and Trade Division; SARD = South Asia Department; SAUD = Urban Development Division; TBD = to be determined.

Source: Project Processing Information System (data downloaded as of 31 March 2008).

**Table A3.8: World Bank IDA Lending Pipeline for Bangladesh, 2007–2009**

FY	Project Name	Project No.	Executing agency	Commitments
FY08	Bangladesh Dhaka Environment and Water Resources Management	P096555	MLG/DWASA	70

DWASA - Dhaka Water Supply and Sewerage Authority, IDA = World Bank International Development Association, MLG = Ministry of Local Government, TA = technical assistance.

Source: World Bank.

**Table A3.9: DFID Pipeline**

Project Name	Executing Agency	Amount (million)	Year
Supporting Government's Service Delivery and Anti-Corruption Initiatives	MoF		2008–2013
Initiative: Water and Sanitation in the slums of Dhaka	DWASA	£10.5	2008–2013
Implementation of Governance Reform Targets (TA)		£1.0	2010

DWASA = Dhaka Water Supply and Sewerage Authority, MoF = Ministry of Finance, TA = technical assistance.

Source: WorldBank.

**Table A3.10: ADB Nonlending Pipeline for Bangladesh, 2008–2010**

Sector Assistance Name	Responsible Division	Assistance Type	Source of Funding				Total (\$'000)	
			ADB		Others			
			Source	Amount (\$'000)	Source	Amount (\$'000)		
<b>2008</b>								
<b>Multisector</b>								
1	Megacities Development Project (formerly Support for Megacities Dev Proj)	SAUD	PP			JSF	600.00	600.00
<b>2010</b>								
<b>Multisector</b>								
1	Urban Governance and Infrastructure Sector Development project (formerly Urban Governance and Infrastructure Improvement III)	SAUD	PP			JSF	700.00	700.00
2	Support for Integrated Urban Infrastructure Program	SAUD	AD	TASF	500.00			500.00

AD = advisory technical assistance, ADB = Asian Development Bank, JSF = Japan Special Fund, PP = Project Preparatory, SARD = South Asia Department, SAUD = Urban Development Division, TASF = Technical Assistance Special Fund.

Source: Bangladesh Country Programming Mission, 2006.

**Table A3.11: JICA Pipeline 2007**

<b>Title</b>	<b>Amount (million)</b>	<b>Year</b>
Strengthening Water Examination System in Bangladesh (DPHE)		pipeline 2007
Solid Waste Management in Dhaka City		pipeline 2007
Stormwater Drainage in Dhaka	¥600	2007–2008
TA for Capacity Building and Reduction of Non-Revenue Water	¥300	2008–2010
GTZ TA project 'Good Governance in Urban Areas'	€ 3	2008–2010

DPHE = Department of Public Health and Engineering, GTZ = Gesellschaft fuer Technische Zusammenarbeit, JICA = Japan International Cooperation Agency, TA = technical assistance.

**BANGLADESH ANNUAL DEVELOPMENT PROGRAM 2007–2008; ALL FOREIGN ASSISTED PROJECTS IN THE PHYSICAL AND HOUSING SECTOR**  
(In Bangladesh Lac Taka [ '00,000s])

	Co-Financed by Agency	Estimated Project Cost		RADP Allocation	Cum. Exp up to Dec. 2006	ADP Alloc for 2007–2008		
		Total	Project Aid			Total	Project Aid	
<b>Annual Development Programme (ADP) for 2007-2008</b>								
<b>Water Supply</b>								
Chittagong WASA Madunaghat Water Supply Project	Italy	DWASA	16,477	10,517	3,100	597	5,550	5,000
Karnaphuli Water Supply Project	JBIC	DWASA	96,290	69,350	1,000	0	2,000	1,500
Water Supply Facilities in the Coastal belt of Bangladesh	IDB	DPHE	5,735	4,968	1,950	1,328	2,846	2,454
Water Supply Programme Project in Bangladesh	IDA	DPHE	31,982	23,200	975	370	4,450	3,860
Sanitation, Hygiene and Water Supply Project	UNICEF	DPHE	52,528	40,769	1,400	527	10,000	7,600
Water Supply and Sanitation Project in Coastal Belt Areas	DANIDA	DPHE	9,837	6,519	2,304	746	3,500	2,620
Secondary Town Water Supply and Sanitation Sector Project	ADB	DPHE	48,560	34,250	217	0	1,360	1,248
Hygiene, Sanitation and Water Supply Project (HYSAWA)	DANIDA	LGD	26,554	14,062	565	1	2,171	1,967
<b>Total</b>	<b>8</b>		<b>287,963</b>	<b>203,635</b>	<b>11,511</b>	<b>3,569</b>	<b>31,877</b>	<b>26,249</b>
<b>Transport</b>								
Dhaka Urban Transport Project (DCC Part)	IDA	DCC	30,715	20,640	1,600	27,963	297	0
<b>Other Infrastructure</b>								
Procurement of equipment for maintenance and installation of Sodium Lights in different roads of Dhaka City	DRGA	DCC	6,029	1,846	1,100	2,450	500	0
Secondary Towns Infrastructure Development Project-2	ADB	LGED	41,591	26,880	150	41,155	380	0
Municipal Services Project	IDA	LGED	57,860	49,091	12,000	48,185	5,450	2,760
Urban Governance and Infrastructure Improvement Project	ADB	LGED	51,639	36,000	7,000	17,178	8,400	5,000
Rehabilitation of Flood Damaged Urban Physical Infrastructures in 2004	ADB	LGED	24,052	15,337	9,178	15,903	2,520	1,891
<b>Total</b>	<b>5</b>		<b>181,171</b>	<b>129,154</b>	<b>29,428</b>	<b>124,871</b>	<b>17,250</b>	<b>9,651</b>
<b>Capacity Building</b>								
Legal and Judicial Capacity Building Project	DANIDA, IDA, SIDA	MOLJ	28,200	23,445	3,305	15,121	4,688	3,822
<b>Annual Technical Assistance Program 2007-2008</b>								
<b>Capacity Building</b>								
Knowledge Development and Training Networking Project	DANIDA, BUET	LGD	777	638	90	37	144	144
Local Government Institution Capacity Building	DANIDA	LGD	505	498	50	0	132	125
Strengthening Bangladesh Police	DFID, UNDP	PD	8,391	7,891	1,100	1,254	5,246	5,000
<b>Total</b>	<b>3</b>		<b>9,673</b>	<b>9,027</b>	<b>1,240</b>	<b>1,291</b>	<b>5,522</b>	<b>5,269</b>
<b>Policy/Program/Project Support</b>								
Second Urban Governance and Infrastructure Improvement (Sector) Project (UGIIP-2)	ADB	LGED	599	476	0	0	476	426
Sector Programme Support Management for WSSPS-II	DANIDA	LGD	1,808	1,778	61	24	253	253
Sector Policy Support to the Water Supply and Sanitation Project	DANIDA	LGD	2,478	2,244	75	27	450	450
Establishment of Sector Development Programme Management Unit in DPHE	Commonwealth Secretariat, SAARC	DPHE	600	133	1	0	10	0
NGO and Civil Society Networking Project	NGO FORUM, DANIDA	LGD	4,312	4,100	1,064	775	823	823
TPP for Project Preparation Facilities of Dhaka WASA	WB	DWASA	765	740	570	46	65	62
<b>Total</b>	<b>6</b>		<b>10,562</b>	<b>9,471</b>	<b>1,771</b>	<b>872</b>	<b>2,077</b>	<b>2,014</b>
<b>Support for Arsenic Mitigation</b>								
Sustainable Arsenic Mitigation under Integrated Local Government System in Jessore	JICA	LGD	1,493	1,476	438	472	438	438
Bangladesh Environmental Technology Verification Support to Arsenic Mitigation	CIDA	DPHE	6,800	6,742	774	825	2,554	2,500
<b>Total</b>	<b>2</b>		<b>8,293</b>	<b>8,218</b>	<b>1,212</b>	<b>1,297</b>	<b>2,992</b>	<b>2,938</b>
<b>Facilitating Foreign Aid</b>								
<b>Improvement of Drainage System</b>								
The Project for Improvement of Storm Water Drainage System in Dhaka City (Phase II)	Japan	DWASA	12,474		Unapproved		0	
Sewerage treatment plant and associated sewerage system project in North Dhaka (East)	World Bank/ China	DWASA	88,722		Unapproved		0	
<b>Water Supply</b>								
Expansion and Rehabilitation of water supply system in Narayanganj town	Italy	DWASA	16,981		Unapproved		0	
Urban Partnership for Poverty Reduction		LGED						

ADB = Asian Development Bank; ADP = Annual Development Programme; BUET = Bangladesh University of Engineering and Technology; CIDA = Canadian International Development Agency; DANIDA = Danish International Development Agency; DCC = Dhaka City Corporations; DFID = UK Department for International Development; DPHE = Department of Public Health Engineering; DRGA = Debt Relief Grant Aid; DWASA = Dhaka Water Supply and Sewerage Authority; IDA = World Bank International Development Association; IDB = Inter-American Development Bank; JBIC = Japan Bank for International Cooperation; JICA = Japan International Cooperation Agency; LGD = Local Government Division; LGED = Local Government Engineering Department; MOLJ = Ministry of Law, Justice and Parliamentary Affairs; PD = Police Department; SAARC = South Asian Association for Regional Cooperation; SIDA = Swedish International Development Cooperation Agency; UNDP = United Nations Development Programme; UNICEF = United Nation's Children's Fund; WB = World Bank.

Source: Bangladesh Annual Development Programme 2007–2008.

## DETAILED ASSESSMENT OF EXTERNAL ASSISTANCE TO THE TWO SECTORS IN THE LAST 10 YEARS

### A. Integrated Urban Development Projects

1. Integrated urban development projects (IUDPs) in Bangladesh have been supported by the Asian Development Bank (ADB) and the World Bank since the late 1980s. They have been implemented in both the big cities and secondary towns. IUDPs are multisector projects and are often favored by international agencies due to the perceived need to package various components together that may have a mutually reinforcing effect within a certain area. The Government has not generally sponsored such projects on its own. Government-funded projects are essentially either national programs that are organized on a divisional or district basis, or small-scale local projects in individual cities or towns. Both are generally organized along sector lines in order to be more conveniently sponsored and implemented by one national agency, or at most only a few.

2. **IUDPs in Dhaka and Chittagong.** The World Bank approved its first loan<sup>1</sup> for an IUDP in 1988.<sup>2</sup> The Urban Development Project dealt with problems in both Dhaka and Chittagong. It was completed in 1998, and the outcome was later rated as unsatisfactory. Although there were some positive achievements, the project failed to resettle families as intended, so that the largest component of the project, storm water drainage, could not be completed. Another component developed thousands of plots in an area in Chittagong, but less than 10% had been occupied at the time of the completion report. There was a lack of coordination between various agencies, and the institutional objectives were not achieved. Part of the project's funds were spent on road rehabilitation in six districts, rather than in Dhaka and Chittagong.

3. ADB's first IUDP<sup>3</sup> in Bangladesh was approved a year after the World Bank's IUDP, and dealt with Dhaka exclusively. It ran from 1989 to 1997. It had three components: (i) water supply and sanitation with the Dhaka Water Supply and Sewerage Authority (DWASA); (ii) improving garbage collection and solid waste management with the Dhaka City Corporation (DCC), and (iii) housing development activities through the Housing and Settlement Directorate (HSD). It had some success with the first component, but much less so with the other two main components. The Project's institutional development impact was negligible. The two advisory technical assistance (TA) grants were only partly successful. Their outputs were poorly utilized by the Department of the Environment and HSD. No TA was provided for DWASA and DCC. Overall, the Independent Evaluation Department's (IED) project performance evaluation report<sup>4</sup> (PPER) rated the Project *partly successful*.

<sup>1</sup> World Bank. 1988. *Memorandum and Recommendation of the President of the International Development Association to the Executive Directors on a Proposed Credit of SDR34.4 Million to the People's Republic of Bangladesh for an Urban Development Project*. Washington.

<sup>2</sup> The loan was for \$47 million. The project had three components: environmental improvements, area development and basic shelter, and institutional development. The environmental component involved surface storm water drainage and flood control, solid waste collection and disposal, low-cost individual and community sanitation and small-scale improvements in low-income areas. The area development and basic shelter component included area development for urban plots and building material loans for basic shelter in a pilot project in Chittagong. The third component supported institutional development through technical assistance for establishing project implementation units. It further provided for studies on traffic management, area-wide drainage in Chittagong, manpower development, and organizational and managerial reforms in local government.

<sup>3</sup> ADB. 1989. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan for the Dhaka Urban Infrastructure Improvement Project*. Manila (Loan 942-BAN[SF], for \$24.2 million, approved on 12 January).

<sup>4</sup> ADB. 2001. *Project Performance Audit Report on the Dhaka Urban Infrastructure Improvement Project in Bangladesh*. Manila.

4. After these two projects were completed, both ADB and the World Bank stopped funding projects of DCC and HSD altogether. The PPER for ADB's project in Dhaka viewed this as regrettable, as urban housing and solid waste remained serious issues deserving the attention of international donors.

5. **IUDPs in Secondary Towns.** ADB's first IUDPs in secondary towns (*pourashavas*) were started in the 1990s. ADB may well have been the first international agency to fund such projects in secondary towns in Bangladesh—other work in such towns usually had a focus on water supply. The intervention perhaps reflected the growing realization that many municipalities, earlier seen as very small towns, were in fact growing fast, and needed special support on a comprehensive basis. The Secondary Towns Infrastructure Development Project,<sup>5</sup> approved in 1990 to develop 10 *pourashavas*, had a wide mix of interventions: roads and footpaths, drains, bridges and culverts, solid waste management, low cost sanitation, markets, bus and truck terminals, slaughterhouses, water supply system rehabilitation, flood protection, a modest component for slum improvement, microcredit operations and institutional strengthening of the *pourashavas*. There was no evaluation report for this project, but ADB's project completion report<sup>6</sup> (PCR) rated the project as successful, as there were many infrastructure improvements in the towns, and some of them had improved public health significantly. This finding was made likely because of the reduction in the incidence of waterborne and vectorborne diseases in slum areas by 43% and infant mortality by 30%. The main difficulties encountered related to the weak institutional capacity of the *pourashavas*. These had been remedied through the deployment of consulting services, the training of *pourashava* staff provided under an attached TA,<sup>7</sup> and regular supervision. The visits for this evaluation to Kushtia corroborated that the Project was well regarded and had made an impact. It was also observed that some of the roads constructed were in dire need of resurfacing due to overloaded trucks and heavy use.

6. ADB's Secondary Towns Infrastructure Development Project II (1995–2003)<sup>8</sup> expanded its reach to 22 towns and included the following components: (i) construction and rehabilitation of roads and bridges, (ii) construction of an integrated storm-water drainage network, (iii) privatization of solid waste management, (iv) improvement of the water supply system, (v) provision of access to sanitation, (vi) development of town centers to increase revenue generation, (vii) improvement of slums, (viii) housing and land development, and (ix) institutional development. The PCR concluded that the Project had been able to make improvements in several important areas: (i) introduction and continuation of *pourashavas*' regular tax assessments at 5-year intervals; (ii) considerable increase in holding tax collection; (iii) payment of electricity bills by the *pourashavas*; (iv) compilation and handy publication of a *pourashava* manual containing *pourashava* ordinances, rules, and regulations; (v) development of training materials, manuals, and booklets; (vi) introduction of a bill book for paying holding tax through banks; (vii) improved environmental conditions; (viii) improved water supply in selected *pourashavas*; (ix) better road network; (x) reduced waterlogging; and (xi) *pourashava* staff

<sup>5</sup> ADB. 1990. *Report and Recommendation 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 Secondary Towns Infrastructure Development Project*. Manila (Loan 1059-BAN[SF], for \$43 million, approved on 4 December).

<sup>6</sup> ADB. 2000. *Project Completion Report on the Secondary Towns Infrastructure Development Project in Bangladesh*. Manila (Loan 1059-BAN[SF], for \$43 million, approved on 4 December).

<sup>7</sup> TA 1429-BAN: Institutional Strengthening of *Pourashavas*, for \$978,000, approved on 4 December 1990.

<sup>8</sup> ADB. 1995. *Report and Recommendation 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 (Loan 1376-BAN[SF], approved 19 September 1995, for \$65 million).

trained in office management and in tax assessment and collection. The Project was considered highly relevant, having largely achieved its targets, and having used the investment in a timely manner and efficiently. It also initiated several institutional reforms as part of the loan covenants, which could not be continued because of existing government rules and regulations. Overall, the Project was assessed as successful. Nevertheless, the project completion report<sup>9</sup> (PCR) also concluded that there was no consistent improvement in tax collection efficiency, generation of additional revenue from completed facilities, financial management, or the staffing situation. Filling of key pourashava staff positions, proper recording and reporting, and sufficient revenue generation for operation and maintenance (O&M) remained key issues. As the pourashavas were viewed as dependent on external funds for development programs and had yet to demonstrate the capability to manage their own business, the sustainability of project facilities was viewed as unlikely.

7. These problems were tackled by both ADB and the World Bank in the IUDPs developed for secondary towns around the start of the 2000s. The World Bank approved the Municipal Services Project<sup>10</sup> (MSP) in 1999, with an International Development Association (IDA) loan in the equivalent of \$138.6 million, which was later extended and supplemented by \$25 million to accommodate needed works in 67 towns to deal with the damage done by hurricane Sidr in 2007. The loan had two main components. One was along the lines of the IUDP approach: to fund infrastructure investments and capacity development activities in two cities and 14 towns. The other was a \$65 million seed fund deposited with the newly created Bangladesh Municipal Development Fund (BMDF). The BMDF was created in response to the World Bank's analysis that Bangladesh's secondary towns, as in many other developing countries, would benefit from the creation of an urban infrastructure investment fund.<sup>11</sup> The Project is now foreseen to be completed by 2011. While BMDF assistance was provided to pourashavas on condition of a 10% up-front contribution to the investments made (mainly roads and drains) and 15% repayment of the funds afterwards, over a period of 10 years, the MSP and ADB investments were free of cost, at least for those that were nonrevenue generating.

8. The new ADB project in the category of IUDPs for secondary towns was the Urban Governance and Infrastructure (Sector) Project<sup>12</sup> (UGIIP), supported by a loan of \$60 million, approved in 2002. The UGIIP was a hybrid of the traditional approach of relatively small infrastructure investments scattered across a large set of small towns with the necessary capacity development and institutional reform activities attached, and a new demand-driven approach that relied on a performance-based allocation (PBA) mechanism.

9. Both the ADB- and the World Bank-funded projects as implemented in the 2000s have been reasonably successful, similar to the earlier ADB projects, although opinions are more divided on the success of the new BMDF created through the MSP loan, and on the infrastructure BMDF subsequently funded. The MSP's IUDP component had a more modest setup than the UGIIP, and did not rely on a performance-based fund allocation mechanism. It invested in roads and drains in various towns and paid attention to improving the pourashavas' water bill and holding tax collection systems. New systems and computer

<sup>9</sup> ADB. 2005. *Project Completion Report on the Secondary Towns Infrastructure Development Project II in Bangladesh*. Manila (Loan 1376-BAN[SF], for \$65 million, approved on 19 September 1995).

<sup>10</sup> World Bank. 1999. *Project Appraisal Document on a Proposed Credit in the amount of SDR100 Million (\$138.6 Million Equivalent) to the People's Republic of Bangladesh for the Municipal Services Project*. Washington, D.C.

<sup>11</sup> It was the result of a municipal finance management study, conducted by the World Bank in the mid-1990s.

<sup>12</sup> ADB. 2002. *Report and Recommendation 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], for \$60.0 million, approved on 28 November 2002).

software were developed for this and successfully employed, which led to better collection rates. Later, the systems were also successfully adopted for the ADB-funded UGIIP; both projects helped train staff from all over Bangladesh in the new systems. This constituted a significant success in coordination between projects funded by different agencies. The evaluation visits to 11 towns corroborated the positive impressions in terms of systems installed, local government officers trained, and additional revenue generated for the towns. They also witnessed acceptable quality of infrastructure built (mainly roads and drainage) by the three delivery modalities: MSP, BMDf, and UGIIP. UGIIP is now in its third phase; funds of the original MSP and BMDf have run out; a supplementary loan under the MSP is used to administer cyclone disaster rehabilitation works.<sup>13</sup>

10. Both the MSP and the UGIIP were placed with the Local Government Engineering Department (LGED), and created project implementation units (PIUs) and training units, which ran similar projects from different offices in the same LGED building. Notwithstanding the parallel nature of the two offices, a large measure of coordination and collaboration was achieved. Ultimately, the Urban Management Support Unit of the ADB-funded project, and the Municipal Support Unit (MSU) of the World Bank were managed by the same director, ensuring a maximum level of coordination without jeopardizing the principle of separate units from a budgetary and accountability perspective.

11. A notable feature of the UGIIP is that infrastructure development was linked to improvements in governance in the pourashava. The Project paid much attention to the design of an urban governance improvement action plan (UGIAP), which each aspiring pourashava would have to implement before qualifying for the allocation of infrastructure funds, and then to qualify for second and third rounds of these allocations. The UGIAPs focused on timely payment of pourashava electricity and telephone bills, collection of taxes, appointment of town planners, public display of pourashava budgets, and many other actions. The UGIAPs have worked extremely well, although it is not clear how some of these actions will be repeated after the termination of the project. This evaluation, however, deems it fair to assume that some of the actions will indeed be continued, although perhaps not all. For as long as the project is ongoing, improvements in governance were witnessed, which will hopefully demonstrate the value of such good governance beyond the PBAs and after the project closes.

12. Another innovation of the UGIIP has been the requirement of the creation of a town-level coordination committee (TLCC) and ward-level coordination committees (WLCCs) in each of the UGIIP towns. These committees have served to complement the much smaller town councils (generally 12 councillors), have 65 TLCC members nominated by the mayor, and represent various groups of people in the pourashava, among whom are the poor and women as well as business people. The mayors interviewed for this evaluation professed to have benefited greatly from the involvement of the TLCCs and WLCCs in the decision-making processes in the local government. Discussions regarding budget constraints of the pourashava have made the mayor more accountable and decision making more transparent. Through the committees, a significant section of the population learned about the limited funds available for development activities and

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<sup>13</sup> International Development Association. 2007. *Project Paper for an Emergency 2007 Flood Restoration and Recovery Assistance Program Financed Through the Proposed Cancellation in the Amount of SDR15,800,000 (US\$25 Million Equivalent) Grant from the Water Supply Program Project (H1010) and Reallocation to the Social Investment Program Project (Cr.3740) and Proposed Cancellation in the Amount of SDR28,400,000 (US\$45 Million Equivalent) Credit from the Local Governance Support Project (Cr.4193), the Post-Literacy and Continuing Education Project (Cr 3467), and the Water Management Improvement Project (Cr4359) and Reallocation to the Municipal Services Project(Cr. 3177) and the Rural Transport Improvement Project (Cr. 3791) to the People's Republic of Bangladesh.* Washington, D.C.

became aware of the link between tax collection and local government expenditure. Willingness to pay holding taxes and water tariffs increased in many cases, as did awareness of the use of the funds. The TLCCs have drawn attention to many elements of the UGIAPs (see Table A5.1). TLCCs and WLCCs have been made requirements also for the inclusion of towns in other urban projects of ADB and even the World Bank's MSP. The 2008 Pourashava Ordinance recently legalized the creation of TLCCs and WLCCs, so that their continuity beyond the current projects' completion is ensured in principle. Whether the TLCCs and WLCCs will indeed continue to thrive when there is no longer any project funding remains to be seen.

**Table A5.1: Urban Governance Improvement Action Plan**

<b>Phase 1: Summary of Performance Criteria under the UGIIP</b>	
<b>Activities</b>	<b>Performance Criteria</b>
Town-level coordination committee (TLCC) established and operating according to the guidelines.	At least three meetings held and the minutes prepared.
Ward-level coordination committees (WLCCs) established and operating according to the guidelines.	At least two meetings held and the minutes prepared at all WLCCs of the pourashava.
Community-based organizations (CBOs) established	At least two meetings held and the minutes prepared.
Formation of gender committees headed by female ward commissioners	At least two meetings held and the minutes prepared.
Planning units established in pourashavas	Planning unit established. Recruitment of a full time urban planner started for Class A pourashavas, including request to Local Government Division (LGD).
Pourashava Development Plan (PDP) prepared, including Poverty Reduction Action Plan (PRAP) and Gender Action Plan (GAP)	Complied with.
Interim assessment of holding tax carried out	Complied with.

<b>Phase 2: Performance Criteria</b>		
<b>Activities</b>	<b>Performance Criteria</b>	
	<b>Fully Satisfactory</b>	<b>Minimum Requirements</b>
<b>1. Citizen awareness and participation</b>		
Citizen charter (CC) approved by TLCC and displayed at the pourashava office	CC prepared and approved by TLCC	CC prepared and approved by TLCC
Citizens report cards approved by TLCC and implemented	Citizens, report cards approved by TLCC. The cards are distributed and the result is compiled and disclosed at least twice. Complied with.	Citizens report cards prepared and approved by TLCC. The card distributed and the result is compiled and disclosed at least once. Complied with.
Grievance Redressal Cell established with clear TOR and functioning.	Complied with.	Complied with.
TLCC and WLCC meetings held on a regular basis	Quarterly meetings held. Minutes prepared. Complied with.	Quarterly meetings held. Minutes prepared. Complied with.
Budget proposal, compared with the budget and actual outlays in the previous year, is disclosed in display at the pourashava office and discussed at TLCC	Complied with.	Complied with.
Mass-communication cell established and campaign plan developed and implemented as planned	Complied with.	Complied with.
<b>2. Urban planning</b>		
Base map verified and updated land use plan prepared	Complied with.	Complied with.
Annual O&M plan, including budget requirement, prepared and approved as part of the Pourashava Development Plan (PDP)	O&M plan approved and the budget increased by 5% annually up to the required budget.	O&M plan approved and the budget increased
A full time pourashava urban planner recruited	Complied with (required	Complied with (required for

Activities	Performance Criteria	
	Fully Satisfactory	Minimum Requirements
	for class A only)	class A only).
<b>3. Women's participation</b>		
GAP prepared and included in the PDP.	GAP prepared and endorsed by TLCC. GAP being fully implemented and quarterly reports prepared.	GAP prepared and endorsed by TLCC. Implementation commenced and the first progress report presented to TLCC.
Budget to implement GAP identified and approved.	Complied with.	Complied with.
<b>4. Integration of the urban poor</b>		
Slum improvement committees (SICs) established in targeted slums.*	Complied with.	Complied with.
PRAP prepared and included in the PDP.	PRAP prepared and endorsed by TLCC. PRAP being fully implemented and quarterly reports prepared.	PRAP prepared and endorsed by TLCC. Implementation commenced and the first progress report prepared.
Budget allocation for PRAP	Budget to implement PRAP identified and approved.	Budget to implement PRAP identified and approved.
<b>5. Financial accountability and sustainability</b>		
Computerized accounting system introduced and computer-generated accounting reports produced	Complied with.	Complied with.
Computerized tax record system introduced and computer-generated bills produced	Complied with.	Complied with.
Financial statements prepared and Account and Audit Standing Committee carried out audit within 3 months after the closure of fiscal year	Complied with.	Complied with.
Interim tax assessment carried out annually and collection increased	Interim tax assessment carried out and collection increased by more than 10% annually (up to 80% collection efficiency).	Annual tax reassessment carried out and collection increased by more than 5% annually (up to 80% collection efficiency).
Nontax own revenue source increased at least by inflation rate	Complied with.	Complied with.
All due debts to Government of Bangladesh and other entities fully repaid according the schedule.	Complied with.	Complied with.
The ratio of debt servicing to annual revenue receipts remains less than 25%		
All outstanding bills older than 3 months, including electricity and telephone, are paid in full	Complied with.	Complied with.
<b>6. Administrative transparency</b>		
Development of adequate staff structure (according to size and needs) with detailed job descriptions to enable the pourashava to effectively undertake its current and future obligations	Complied with.	Complied with.
Elected representatives, pourashava officials, and concerned citizens actively participate in training programs	Complied with.	Complied with.
Progress report on UGIAP implementation and other activities submitted on time to the Project Management Office	Complied with.	Complied with.
Standing committees established and/or activated	Complied with.	Complied with.
Ensuring evaluation and monitoring by regional LGED on progress and quality of physical works	Complied with.	Complied with.
Activities for e-governance initiated	Complied with.	Complied with.

Note: If a pourashava already has developed plans equivalent to the PRAP and GAP, or a committee equivalent to the SIC, the criteria may be assessed as complied by the municipal performance review committee without preparation of new plans and committees to avoid redundancy.

13. The question relating to the UGIIP approach is then the likelihood of sustainability of achievement after project completion. The outcome of the project will be better sustained when the Government applies a PBA approach nationwide to award those pourashavas that continue to have good governance results with preferential treatment when allocating new infrastructure funds.

14. The creation of the BMDF as a condition for the loan from the World Bank has raised some interesting issues for this study, particularly the question whether there is a need for harmonization and alignment of projects with this new country system. The financing conditions of the BMDF and most externally funded projects are different. The Government created the BMDF in fulfillment of a condition for the MSP after much delay in 2004, and since then the fund has been able to quickly disburse \$65 million in more than 100 towns on a demand basis. Table A5.2 summarizes the progress of BMDF works.

**Table A5.2: Progress of BMDF Works until December 2007**

<b>Component</b>	<b>Towns</b>	<b>Unit</b>	<b>Quantity</b>
Road	106	km	817
Drain	74	km	176
Vegetable Market	48	each	195
Water Supply Pipeline	19	km	145
Deep Tube Well & Water Treatment Plant	11	each	17
Public Toilet	29	each	75
Box Culvert	11	each	28
Street Light	7	Set	8,471
Bus/Truck Terminal	6	each	6
Community Center	8	each	8
Slaughter House	6	each	6
Office Complex Building	4	each	4

Source: BMDF. 2008. *A Profile of Bangladesh Municipal Development Fund*. Dhaka.

15. Various sides have criticized the working of the BMDF, which needs to be looked into before assessing how urban infrastructure funds such as this one, created with World Bank assistance in many countries over the world, can work best in Bangladesh.

16. The UGIIP included one town (Lakshmipur) that used the investment funds for improving its water supply and sanitation (WSS) rather than for a variety of other needs. A special arrangement was made with the Department of Public Health Engineering (DPHE) to help out with this, as LGED is less experienced in the provision of water supply. ADB has recently funded a project dedicated to providing WSS investments to pourashavas, and the executing agency is DPHE (the Secondary Towns Water Supply and Sanitation Sector Project).<sup>14</sup> The sector development program (SDP) corroborates the deteriorating human resources base of DPHE, and few aid agencies will dispute that LGED's project implementation capacity is among the best in Bangladesh. The present generation of qualified engineers in DPHE is rapidly retiring, with few new engineers of the same caliber joining the department. Nevertheless, the responsibility for the provision of WSS services could also be seen as being diluted by this step. The creation of competition for project management tasks among different central agencies may be seen as having some advantages but will have to be weighed against the need to fix clear responsibility in the sector. The Paris Declaration does not support creation or strengthening of

<sup>14</sup> ADB. 2006. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the People's Republic of Bangladesh for the Secondary Towns Water Supply and Sanitation Sector Project*. Manila (Loan 2265-BAN[SF], for \$41.0 million, approved on 16 October 2006).

parallel implementation structures. UGIIP 2,<sup>15</sup> approved in October 2008, extends the trend set by the earlier UGIIP to include WSS infrastructure in the set of investments eligible for pourashavas, thereby expanding the role of LGED in WSS services. The Project is scaled up, and the estimated cost of \$167.5 million is expected to benefit about 50 pourashavas with help from a large complementary grant from the Kreditanstalt für Wiederaufbau and a grant from the Gesellschaft für Technische Zusammenarbeit directed to capacity development.

17. The poverty components of the UGIIP approach deserve a more detailed assessment. This evaluation presumes that project components for slums are integrated in IUDPs for various reasons. Some may be internal to ADB; the Project was approved at a time when it was expected of almost all projects to include components that would directly target the poor. As the evaluation of Asian Development Fund VIII–IX<sup>16</sup> has pointed out, most borrower governments prefer grants to loans for such components. But given that the need for funds is very high in individual ministries, the poverty component may have served as a bargaining chip. Governments may allow inclusion of modest loan amounts for a poverty-targeted component in exchange for the bulk of the funds being directed to serve infrastructure creation. Another reason may be the conviction that the purpose of the loan is better served if the poor are explicitly included in the project's design. It was borne out by the field visits for the evaluation that mayors were pleased that a usually forgotten constituency had been helped at no direct cost to the pourashava.

18. The UGIIP's poverty component consists of the delivery by nongovernment organizations (NGOs) of packages of activities and some investments to groups of 300 poor families, usually living in makeshift settlements on the periphery of the secondary towns, sometimes in quite rural environments. Each town is eligible to get one or two such packages, which may be significant in some smaller towns, but relatively insignificant and more a token of goodwill in the bigger places such as Tongi and Narayanganj. The packages are contingent upon the town producing a satisfactory poverty reduction action plan, with full participation by the group of poor families as well as the TLCC. They consist of a variety of activities, such as the construction of a footpath in the settlement, a community tube well, a small building for a "satellite school" (pre-elementary), perhaps minor drainage, some training activities, limited community health care, limited microcredit to start up savings groups, and so on.

19. The evaluation noted that the effects of the packages were positive and well appreciated in the field. The model used was well tested, and NGO implementation capacity in Bangladesh is among the better in Asia. Community ownership of the packages was high. The investments, however minor, did well, and the microcredit to women's savings groups also did well. This evaluation has some concerns, however, as to the laborious nature of the preparation, organization, procurement of NGO services, and administration of the packages in 25 or so towns. Given the existence of projects uniquely focused on the poor segments in secondary towns such as the Department for International Development (DFID)-funded and United Nations Development Programme (UNDP)-implemented Urban Partnerships for Poverty Reduction<sup>17</sup> (UPPR), another distribution of this type of assistance could have been imagined. Under the umbrella of a larger program and coordination mechanism, the ADB-funded project could have focused on issues of municipal governance, as incentivized through modest investments in

<sup>15</sup> ADB. 2008. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the People's Republic of Bangladesh for the Second Urban Governance and Infrastructure Improvement (Sector) Project*. Manila (Loan 2462-BAN[SF], for \$87.0 million, approved on 29 October).

<sup>16</sup> ADB. 2007. *Special Evaluation Study. Asian Development Fund VIII-IX*. Manila.

<sup>17</sup> Department for International Development. 2007. *Urban Partnerships for Poverty Reduction Project*.

infrastructure in the towns. A project funded by DFID could have focused under the same umbrella on issues of gender and/or the hard core poor in the towns.

20. Overall, the impact of especially the UGIIP on capacity development and governance in the pourashavas visited has been significant. The MSP has made a contribution to this as well. The UGIIP has clearly helped to energize the pourashavas and to galvanize them into action in many ways. This was acknowledged by all mayors interviewed. In fact, only three towns were dropped from the second phase of the UGIIP due to less than full compliance with the UGIAP. The evaluation team assessed the impact of the UGIIP infrastructure program as more modest. The investments served primarily as incentives and were mostly for roads and drains of a few kilometers in length, widely scattered, and therefore seemed to lack critical mass in many of the towns. The governance impact of the MSP has been somewhat more limited in the towns visited by the evaluation team. This was most likely because the financial and operational action plan pursued was more limited and not driven by a PBA mechanism. However, the MSP's capacity development program was a success.

21. **The BMDF and LGED.** An important issue for this evaluation is the best model for demand-driven delivery of infrastructure funds to towns. There are three models: (i) government-funded infrastructure projects approved through the Annual Development Program (ADP) process, (ii) externally funded projects approved through the Economic Relations Department (usually also with components financed by the Government and approved through the ADP process), and (iii) projects approved and administered through the BMDF.

22. All three models are being applied contemporaneously. The first model has been criticized for being supply driven. A central agency such as LGED is alleged to dominate the location, size, and priority of the project to be assigned to a town, under a situation of usually limited funds availability. The second model suffers from a similar ailment: namely it relies on external agency perceptions of the priority of the subproject. The funding agency dominates the choices to be made, given that it is usually the main financier of the project, and given that the project is seen as an additionality by the executing agency, even when the Ministry of Finance has to repay the loan. The UGIIP has dealt with part of this problem by introducing a demand-driven approach, so that only pourashavas that are able to perform qualify for the assistance. The demand-driven approach is nevertheless only partly implemented, as the group of pourashavas that can apply is shortlisted based on criteria of poverty as well as some minimum of capacity being available. The third model is not supply driven, as long as the pourashavas in the country are sufficiently informed about the existence of the fund and the conditions. A main issue of the BMDF (the Fund) is the capacity of its staff, as it needs to judge the proposals made to it, and to supervise the works when under implementation. The Fund needs to retain good staff, which is dependent in part on funds flow. The Fund would also need some field formations, to cut costs and be close to implementation. LGED as a government department will have fewer problems of this nature, its senior staff is on the regular payroll, and LGED has a permanent presence in all districts.

23. Although the latter two models have worked well, and not much information exists on the effectiveness and efficiency of the first, the question can be raised whether BMDF should become the dominant way of dispensing public sector infrastructure funds for pourashavas in Bangladesh, as it was once intended to be. In practice, it has not realized this ambition, for at least three reasons: (i) the Government has continued to fund its own projects for pourashavas through the ADP; (ii) ADB has persisted in following its own model through LGED, and (iii) IDA has not replenished the Fund with a new loan since the funds of the first loan ran out about 2 years ago.

24. The BMDF now runs the risk of being abandoned, due to insufficient harmonization between some of the main players in the sector, and insufficient support by the Government. Some of the responsibilities may well lie with the Fund itself. The need for upfront payment of part of the investments by pourashavas may need to be reviewed. The Fund may not have done well in enforcing its own rudimentary Financial and Operational Action Plans, i.e., the plans that pourashavas needed to implement before qualifying for roads and drains. The priority to make the Fund work efficiently and cost effectively may have overshadowed the capacity-development activities to lift the pourashavas to a level where they can prepare satisfactory proposals and provide good supervision of works. The lack of a permanent presence on the ground of engineers such as can be offered by LGED may have lowered the confidence of the Government in the capacity of the BMDF. The UGIIP model may be superior in terms of its use of UGIAPs. However, the BMDF may have had teething problems; experience elsewhere shows that municipal funds take over a decade to build up.<sup>18</sup> A working relation between LGED and the BMDF would need to be established. A model could be envisaged whereby an externally funded project would concentrate on the UGIAPs and the development of capacity in the pourashavas, whereas the BMDF would deal with the demands for infrastructure. A variant of the model could be that the eternally funded project mixes the capacity development with some infrastructure provision, but mainly for poorer and smaller pourashavas that would not qualify for BMDF assistance, as they would not be able to meet its financing requirements. The model would improve if the Government would pour its annual allocations for physical planning and housing into the Fund. The Government has started taking the Municipal Performance Review Committee's (MPRC) review on pourashavas' performance into consideration in allocating the national budget. The indicators that the MPRC is reviewing are limited; a great deal of discretion remains.

## **B. Urban Water Supply**

25. The 2005 National Poverty Reduction Strategy (NPRS) expressed the Government's commitment to achieve proper water and sanitation conditions with 100% coverage for all by 2010, far ahead of the Millennium Development Goal (MDG), which targeted 50% coverage by 2015. The NPRS reported safe drinking water coverage as 74% in 2005.<sup>19</sup> The target was to reduce the number of people who did not have access to safe water (26%) by half in 2006, reduce waterborne morbidity and mortality, and reduce the number of people subjected to arsenic contamination. The NPRS reported a number of steps in these areas but wanted to do more: developing strategies on WSS to achieve MDGs; introducing WSS projects for all urban areas; installing water supply options capable of minimizing water problems like excessive arsenic, iron, and salinity; encouraging safe use of surface water; introducing a water quality monitoring and surveillance program; strengthening of capacities of stakeholders of the WSS sector; and undertaking research and development on appropriate and affordable technologies.

26. In response to these aims and to earlier targets and 5-year plans, the four development partners have tried to help by undertaking specialized water supply projects in the big cities, secondary towns, and rural areas. These three areas will be discussed in sequence below.

<sup>18</sup> Patricia Clarke Annez, Gwenaëlle Huet, and George E. Peterson. 2008. *Lessons for the Urban Century. Decentralized Infrastructure Finance in the World Bank*. Directions in Development. Washington, DC.

<sup>19</sup> However the Government's MDG Midterm progress report of July 2007 reported the coverage as 99.9% for urban areas in 2006. The SDP 2005 figure was 71% urban water supply coverage of which 39% was piped and 32% handpump tubewells. The 2000 figure for urban water supply coverage was reported as 57%. Urban water supply coverage means one household per connection or one street hydrant per 100 people. People are considered to have access when a tubewell is within 150 meters distance.

27. **Megacities Dhaka and Chittagong.** The World Bank was active in financing water supply projects in Dhaka as far back as 1963, until it withdrew its support for the 4<sup>th</sup> Dhaka Water Supply Project<sup>20</sup> in 2001. It also financed two projects in Chittagong. The first three projects in Dhaka were straight infrastructure projects, with some capacity development activity, but with emphasis on reform of the policies and institutions. The 4<sup>th</sup> Dhaka Water Supply Project, approved at end-1996, changed this approach and put a lot of emphasis on the reform of DWASA. The Project covered the construction of a large water treatment plant, labeled Saidabad I, and a pipeline network in part of the city. The suspension of the World Bank's long involvement in the sector in Dhaka was based on suspicions of misprocurement but particularly the perception of insufficient progress on the reform agenda. DWASA and the Government did not meet the World Bank's conditions on staff rationalization (the "organogram"), necessary increases in water tariffs, and progress in the privatization of service delivery. After spending 63% of the \$80 million loan, the Project was cancelled in 2002.<sup>21</sup> The Government disagreed with this decision. It claimed that the work could have been completed but at a slower pace and that DWASA did benefit from the capacity-building component. An internal review by the World Bank summarized the achievement of the objectives as follows:

- (i) The main component, a 225 million gallon per day water treatment plant, was completed on time and below budget. Various components of the water supply system were tested and made operational in June 2002.
- (ii) The Project had a positive economic net present value, even under pessimistic assumptions.
- (iii) Meter coverage, the level of receivables, and DWASA's contribution to capital expenditure deteriorated. Unaccounted for water, which was 49% in 1994, fell to 43%, but this was considerably short of the 30% target.
- (iv) The treatment plant allowed Dhaka to improve its water resources management by substituting groundwater with treated surface water.
- (v) Institutional and policy reform objectives were not achieved, and the utility did not become a fully commercial operation. Financial governance remained weak, and little progress was made in increasing private sector participation in operations.

28. For some 6 years subsequent to the cancellation, DWASA did not get support from either the World Bank, ADB, or other agencies. An agreement between the major agencies in 2007, which was preceded by a project preparation period by the World Bank and ADB, helped gather the funds needed for a major boost to the operations of the water supply and sewerage authorities (WASAs). An agreement was reached that ADB would fund projects with DWASA in water supply, while the World Bank would concentrate on drainage and sewerage, as well as work in slums, notably improving the water supply. By end-2007, ADB had approved a large sector development program,<sup>22</sup> with a first program tranche release and a very large investment project (\$150 million), which is in process of recruiting management consultants. DWASA is recruiting new staff and conducting other preparatory activities. The World Bank had approved a

<sup>20</sup> World Bank. 1996. *Staff Appraisal Report on a Proposed Credit in the Amount of SDR51.0 Million (US\$80.3 Million Equivalent) to the People's Republic of Bangladesh for the Fourth Dhaka Water Supply Project*. Washington, D.C.

<sup>21</sup> World Bank. 2002. *Implementation Completion Report (IDA-29260) on a Credit in the Amount of SDR51.0 Million (US\$80.3 Million Equivalent) to the People's Republic of Bangladesh for the Fourth Dhaka Water Supply Project*. Washington, D.C.

<sup>22</sup> ADB. 2007. *Report and Recommendation of the President to the Board of Directors on Proposed Loans and Technical Assistance Grants to the People's Republic of Bangladesh for the Dhaka Water Supply Sector Development Program*. Manila (Loans 2382/2383-BAN[SF], for \$150.0 million and \$50.0 million, respectively, approved on 10 December).

loan of \$149 million for the Dhaka Water Supply and Sanitation Project<sup>23</sup> (earlier named Dhaka Sewerage and Drainage Project) (Dhaka WSS Project) at the time of drafting this report (2 December 2008), after preparations for more than 3 years and many issues with involuntary resettlement of people in the canal areas. The project has already set a precedent in Dhaka for significant compensation of affected people, although there may not be good provisions for a rehabilitation program, should one be necessary.

29. ADB had a modest intervention in water supply in Dhaka in the 1990s, through DWASA: a component of the Dhaka Urban Infrastructure Improvement Project (footnote 3). The component was to rehabilitate and expand water supply in order to benefit 9,000 households. IED's PPER rated this component as successful, but, for reasons unclear to this evaluation, ADB, like the World Bank, did not continue its working relationship with DWASA afterwards until a decade later, at end-2007. The PPER provides a telling comment on the nature of the success of the water supply and sanitation component, demonstrating how relative "success" is in the context of the difficult conditions of a sprawling and suffocated metropolis like Dhaka. The PPER notes that, although the ADB-supported Project provided additional quantities of water, there was still no 24-hour water supply as envisaged at appraisal. The Project increased the volume of water supplied by about 17%, but, due to significant growth in population, the quantities produced were inadequate to meet the entire demand. The PPER concluded that the two tubewells and two storage tanks were well operated, and that all water connections had been operating well since their installation. However, not all households benefited. In the infill areas, DWASA provided the water meters and the water connections only to plots with legal occupants. Illegal occupants did not receive water connections. The PPER furthermore reported the frequent disruption to supplies and sometimes scarcity of drinking water in the project area. DWASA suffered about 41% loss, including theft from broken pipes. Numerous leaks in the distribution system degraded the quality of the water. Water quality was not tested regularly at the distribution points. Consumers did not adequately maintain the water reservoirs. Lastly, leaching from solid waste dumping sites also polluted the water extracted from shallow wells.<sup>24</sup> Perhaps these circumstances provide a backdrop to why ADB and the World Bank abandoned Dhaka for some time.

30. WaterAid Bangladesh is another player in Dhaka's water supply arena in the 2000s. WaterAid has focused on Dhaka on slum areas. Since 1996, the program has been working in a few hundred of the almost 5,000 slum areas in Dhaka. Activities have comprised in general a combination of the following: water points supplying water through legal connections to metropolitan water authority lines; installation of tubewells; construction of sanitation blocks combining water points, bathing stalls, and hygienic latrines; community/cluster latrines with septic tanks; household water-seal, pit latrines; construction of footpaths; drainage

<sup>23</sup> World Bank. 2008. *Project Appraisal Document on a Proposed Credit in the Amount of SDR 94.8 Million (US\$149 Million Equivalent) to the People's Republic of Bangladesh for a Dhaka Water Supply and Sanitation Project*. Washington, D.C.

<sup>24</sup> PRS June 2008: Water problems in the metropolitan cities of Dhaka, Chittagong, and Narayanganj are very serious. Groundwater level in the capital city of Dhaka went down to 61 meters in 2007 from the 1996 level of 27 meters. This is caused by indiscriminate extraction of groundwater by the developers of high-rise buildings; extracting water through thousands of deep tubewells; reducing surface water sources through filling up of wetlands, ditches, and ponds; and above all, increasing demand for water by the rapidly growing population. According to WASA, Dhaka now needs 2,000 million liters per day compared with 1,500 million liters a day in 1996. Three surface water reservoirs--Saidabad, Chandnighat, and Narayanganj, supply 225 million, 39 million, and 46 million liters, respectively, which is insufficient. The remaining water has to be extracted from groundwater. Actions to be taken are to create more surface water treatment reservoirs; preserve and create wetlands and water bodies around the cities; promulgate laws restricting indiscriminate water extraction; recharge the groundwater level and keep surface water reservoirs free from any pollution.

improvements; solid waste management; and hygiene education. Most, but not all, facilities are provided to slum residents on a full cost-recovery basis, and resident users agree to repay construction costs in installments. An evaluation<sup>25</sup> in 2003 concluded that remarkable progress had taken place in terms of providing facilities to slums and in terms of negotiations with city corporations and water and sewerage authorities. As one manager pointed out: “Getting even one legal water point approval from Dhaka Water and Sewerage Authority was impossible 6 years ago.” Because of this program, all slum dwellers in Dhaka and Chittagong were thought to have a chance of having improved basic water and sanitation facilities, and of the health advantages that these offer.

31. In 2003, WaterAid linked up with DFID to scale up its activities in the Advancing Sustainable Environmental Health (ASEH) program. DFID supported the program with £15.5 million. This program functions in both urban and rural areas, and works through 20 partner NGOs in 11 zones of Bangladesh, including the cities of Dhaka, Chittagong, Khulna, and Narayanganj.

32. The Danish Government has recently committed to finance a large water treatment plant in Dhaka (Saidabad II),<sup>26</sup> although there are delays due to the need to design responses to the growing problem of polluted river waters. Recently, the Danish government took the decision to also fund a pretreatment plant for the water before it will enter into the Saidabad II water treatment plant. The river water at the intake is heavily polluted by ammonia and nitrogen due to indiscriminate dumping of household and industrial wastes upstream, which the Government has not been able to control. The Government of the Republic of Korea approved the funding of a feasibility study of a big water treatment plant in Chittagong, and the Italian Government is funding a water treatment plant in Narayanganj.

33. Overall, the lack of funds due to too low water tariffs<sup>27</sup> and low collection efficiency has left DWASA with very few options and has meant little improvement and expansion of the water supply. Water extraction through privately sunk tubewells has increased, and the water table is lowering by almost 3 meters per year (footnote 26). This has put populations relying on fewer deep wells at a disadvantage, and the water supply for slum areas is increasingly in a desperate situation. The Government is considering surface water treatment plants outside town. It can therefore be concluded that the disengagement of the World Bank from DWASA worsened the situation until 2007. Coordination between funding agencies at the time of formulation of a Joint Partnership Framework for WSS in Dhaka and Chittagong forced the Government to approve a new staff structure for DWASA and Chittagong within a few months, which had not seemed likely during the many preceding years. The comprehensive funding agency-government agreement, which included a commitment to reform, was the reason for the Japan Bank for International Cooperation (JBIC) approving the Karnaphuli water supply project for Chittagong<sup>28</sup> in 2006. This project will build a water treatment plant (production capacity of 136,000 m<sup>3</sup> per day) and a water intake facility, construct transmission pipes and distribution mains, and provide engineering consulting services and institutional development consulting services.

34. **Secondary Towns.** While the World Bank focused on WSS in Dhaka and Chittagong in the period up to the early 2000s, ADB first supported WSS in secondary towns. The first project

<sup>25</sup> S. Hanchett, S., Akhter, S., and Khan, M. H. 2003. Water, sanitation and hygiene in Bangladeshi slums: an evaluation of the WaterAid– Bangladesh urban programme. In: *Environment and Urbanization* 2003; 15; 43.

<sup>26</sup> Available: <http://www.ambdhaka.um.dk/NR/rdonlyres/2DB898CA-5A12-4DD8-8CC6-6801A7C071E5/0/ GovernmentnttoGovernmentAgreementSaidabad.pdf>

<sup>27</sup> DWASA requires government approval if its tariffs need to be raised by more than 5%.

<sup>28</sup> JBIC. 2006. Karnaphuli Water Supply Project. Tokyo, Japan (for ¥12,224 million, approved on 29 June).

that ADB funded was the 1982 District Towns Water Supply Project,<sup>29</sup> which targeted five towns, and which was completed in 1991 after five loan extensions. IED rated this project partly successful, on account of the less than satisfactory financial performance of the water supply systems provided. All subprojects had below 0 or close to 0 financial internal rates of return (FIRR). The Project also underachieved in terms of the household sanitation targets. A second WSS project<sup>30</sup> for nine secondary towns was approved in 1993 and completed in 2002, i.e., in the period under review in this evaluation. This was then followed by a third intervention, the Secondary Towns Water Supply and Sanitation Sector Project (footnote 14), approved at end-2006, in 16 pourashavas and not yet operational at the time of drafting this report due to delays in the recruitment of design and management consultants.

35. The Second WSS Project included (i) rehabilitation of water supply services, including installation of 22,000 new service connections, and provision of credit, through revolving funds, for the installation of 14,600 hand-pump tubewells; and (ii) an environmental sanitation program for four towns, which included improvement in solid waste management, construction of 18 public toilets and about 10 kilometers (km) of roadside drains, and conduct of hygiene education campaigns. The component also covered a household sanitation program for all nine pourashavas, to provide microcredit through revolving funds for the construction of 24,000 latrines and 17,000 on-site sullage tanks. The PCR<sup>31</sup> rated the Project as *successful*, implying a progression since the predecessor District Towns Water Supply Project. Nevertheless, the second project was again inordinately delayed, and some of the FIRRs were below the threshold due to failure to sufficiently increase the number of household connections and to raise water tariffs. The prototype design of the water treatment plants proved to be a problem due to iron and arsenic contamination. More specific solutions were required. The Project was also less successful in creating sanitary landfills—no land could be acquired for the three that were planned.

36. The current Secondary Towns WSS Sector Project is more complex, has far more emphasis on governance, and is related organically with the other secondary towns projects supported by ADB. The project's key features are (i) a performance-based approach, (ii) emphasis on tariffs and financial sustainability, (iii) supporting institutional change in pourashavas, (iv) NGO participation, (v) innovative contract packaging, (vi) community management of common infrastructure, and (vii) linkage to other ongoing government and ADB initiatives (Box A5.1).

<sup>29</sup> ADB. 1982. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the People's Republic of Bangladesh for the District Towns Water Supply Project*. Manila (Loan 571-BAN[SF], for \$14.4 million, approved on 17 June).

<sup>30</sup> ADB. 1993. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the People's Republic of Bangladesh for the Second Water Supply and Sanitation Project*. Manila (Loan 1264-BAN[SF], for \$31.0 million, approved on 16 November).

<sup>31</sup> ADB. 2004. *Project Completion Report on the Second Water Supply and Sanitation Project in Bangladesh*. Manila (Loan 1264-BAN[SF], for \$31.0 million, approved on 16 November).

### Box A5.1: Key Features of the Secondary Towns WSS Sector Project

- (i) **Performance-Based Approach.** The Project is structured into two phases, and pourashavas will qualify for inclusion in phase 2 only if they successfully manage phase 1.
- (ii) **Emphasis on Tariffs and Financial Sustainability.** Early adoption of a tariff reform plan and implementation of the first major tariff revision are prerequisites for pourashavas to qualify for the larger investments envisioned in phase 2. Piped water supply systems in the project towns will be fully metered, and there will be aggressive public awareness campaigns on the need for metering and tariff changes. Pourashavas will be supported to completely separate the water supply accounts from their general accounts, establish double-entry bookkeeping, inventory pourashava water supply assets, have key staff trained in financial management, and share financial performance data with the public through the TLCC.
- (iii) **Supporting Institutional Change in Pourashavas.** The recently approved SDP-WSSB clearly states that the preferred institutional model for pourashava urban water utilities is a pourashava-owned PLC. The Project will raise awareness among the pourashavas about the model and explain its key elements, processes, benefits, and risks. The pourashavas that decide to adopt the PLC model will receive additional support.
- (iv) **NGO Participation.** The PIUs will engage NGOs and CBOs to assist in developing and implementing the sanitation component of the project. NGOs will manage the process of constructing community infrastructure such as water points, latrines, and standpipes; and manage the entire process of organizing and training community user groups. The sanitation program is expected to significantly increase the demand for latrine hardware, which will be entirely supplied through pourashava private entrepreneurs. NGOs will conduct the information and education campaign on tariffs and metering.
- (v) **Innovative Contract Packaging.** All civil works under the project will be packaged in a limited number of contracts. Civil works in each pourashava will be carried under a total of four contracts. Each contract in phase 2 will include support for the full O&M of the pourashava systems for a minimum of 1 year.
- (vi) **Community Management of Common Infrastructure.** Local user groups will manage public standpipes, deep hand tubewells, and community latrines in poor areas and areas not reached by the pipe network. Safe water points will be constructed by the private sector, contracted by the user group/CBO with technical support from the PIU. The models developed and used by other agencies such as UNICEF and DANIDA will be used for community sanitation facilities.
- (vii) **Linkage to Other Ongoing Government and ADB Initiatives.** DPHE will coordinate with UGIIP to gain experience with the PBA mechanism. Pourashavas participating in the project will be able to access some of the training programs provided through the UMSU under LGED and other training institutions in Bangladesh.

CBO = community-based organization, DANIDA = Danish Agency for International Development Aid, DPHE = Department of Public Health Engineering, LGED = Local Government Engineering Department, NGO = nongovernment organization, O&M = operation and maintenance, PBA = performance-based allocation, PIU = project implementation unit, PLC = public limited company, SDP-WSSB = Sector Development Program—Water and Sanitation Sector in Bangladesh, TLCC = town level coordination committee, UNICEF = United Nations Children's Fund, UMSU = Urban Management Support Unit, WSS = water supply and sanitation.

Source: Aide Memoire of the project.

37. Progress with this project has been slow; consultants were appointed only after 20 months and had just started work at the time of finalization of this evaluation.

38. As mentioned, the World Bank had no dedicated WSS projects in pourashavas, apart from the fact that a small part of the MSP covered some minor urban water supply in 14 pourashavas through the installation of tubewells. Other major players in this field were

particularly the Netherlands, until the early 2000s, and the Danish Agency for International Development Aid (DANIDA).

39. The Netherlands Government had the 12 District Towns Water Supply Project (DFL 8 million) in the 1980s and the 18 District Towns Water Supply Project in the 1990s (DFL 60 million), but these were completed in the early 2000s. The Netherlands all but left the urban water supply sector as a result of its decision to gradually focus its program on fewer sectors. It is focusing on water resource management. The 18 District Towns Water Supply Project incorporated iron removal plants as well as arsenic mitigation measures. The general opinion obtained from documentation and opinions offered during field visits is that the subprojects were successful, but that, due to scarcity of funds, only a part of the towns could be connected to the distribution networks. With many towns that are growing fast, the supply has proven to be completely insufficient, while the common problems of insufficient tariffs and low collection rates have reduced the sustainability of the projects.

40. DANIDA started in 1997 with a DPHE-DANIDA Urban Water Supply and Sanitation Component in its overall WSS program. It implemented water supply and sanitation activities in 53 urban centers in five southern districts.<sup>32</sup> Nine pourashavas were to be provided with a piped water supply system.<sup>33</sup> Other things provided included deep hand tubewells in the fringe and slum areas outside the piped water supply networks, public toilets, drains, and solid waste management activities to improve the environmental sanitation conditions. The Project was concluded in 2004, but it was decided that an extension was needed for the nine pourashavas to complete the work. Total cost was estimated at Tk166 million, of which DANIDA's contribution would be Tk141 million.

### C. Rural Water Supply

41. Of the four joint country strategy partners, the World Bank and DFID have had projects in WSS in rural areas over the period reviewed. The types of projects are rather different, so at first look a clear division of the work has been achieved. The World Bank had the Bangladesh Arsenic Mitigation Water Supply Project<sup>34</sup> (BAMWSP) and its follow-up interventions—the Social Investment Program Project (SIPP),<sup>35</sup> which provided small grants for some piped water supply to rural areas (in the order of \$250,000 in total), and the Bangladesh Water Supply Program Project<sup>36</sup> (BWSPP), which focused on arsenic mitigation and private sector participation in rural water supply. The BWSPP tried to repeat the SIPP model through DPHE, and this might be one of the reasons why the project failed to attract private sector participation on the scale envisioned by the World Bank.

<sup>32</sup> Noakhali, Feni, Lakshmpur, Patuakhali, and Barguna.

<sup>33</sup> Noakhali, Feni, Ramganj, Raipur, Patuakhali, Amtali, Kalapara, Galachipa, and Patharghata.

<sup>34</sup> World Bank. 1998. *Project Appraisal Document for a Proposed Credit in the Amount of SDR24.2 Million (US\$44.4 Million Equivalent) to the People's Republic of Bangladesh for an Arsenic Mitigation - Water Supply Project*. Washington, D.C.

<sup>35</sup> World Bank. 2003. *Project Appraisal Document on a Proposed Credit in the Amount of SDR13.5 Million (US\$18.24 Million Equivalent) to the People's Republic of Bangladesh for a Social Investment Program Project*. Washington, D.C.

<sup>36</sup> World Bank. 2004. *Project Appraisal Document for a Proposed Credit in the Amount of SDR27.9 Million (US\$40.0 Million Equivalent) to the People's Republic of Bangladesh for a Water Supply Program Project*. Washington, D.C.

42. DFID has had similar-sized support to WSS through its cofunding of, first, the £27 million Rural Hygiene, Sanitation and Water Supply Project<sup>37</sup> (RHSWSP) in 37 upazilas (2000–2005); then the £17.5 million ASEH project in both urban and rural areas; and then the £60 million Sanitation, Hygiene Education and Water Supply in Bangladesh (SHEWA-B) program, which focused on rural sanitation. In addition to the four joint strategy partners, various other bilateral aid agencies and international NGOs have had projects, notably DANIDA, as was indicated in the previous section.

43. The World Bank launched the BAMWSP in 1998 with a loan of \$44.4 million in response to the discovery of contamination of large numbers of wells for the first time in 1993. The Government sought international assistance to address this emerging crisis. These conditions provided the rationale to assist the Government to tackle the arsenic problem. The project was the first to address the problem holistically: its components included not only providing arsenic-free water supply to affected villages, but also capacity development, awareness building, and water surveying. The Project had a very slow start but was completed in 2006. The Implementation Completion and Results (ICR) report<sup>38</sup> assessed that the World Bank had made appropriate adjustments in 2003, and then achieved the primary objective of providing arsenic-safe water to the target population; the 3 million water sources of about 50 million people were screened and marked safe or unsafe, and these people were educated on the impacts of arsenic in drinking water.<sup>39</sup> Two and a half million people were said to have benefited from safe options. Yet the Project was able to help only 1,800 of the originally intended 4,000 villages. The allocation for health activities did not materialize.<sup>40</sup> The following lessons were identified: (i) arsenic mitigation needs to be mainstreamed into the water supply sector in order to be sustainable, focusing on innovative ways to deliver safe water supply in both nonpiped and piped water supply; (ii) decentralized community-based planning and management of rural water supply and sanitation is a model for future interventions, with a central role for local governments; and (iii) supply of bacteriologically safe water should be the priority, not just arsenic-safe water.

44. The World Bank's BWSPP, approved in 2004, is based on these lessons. It is still ongoing but has had a slow start like the BAMWSP—indicative of the problems the World Bank had in this period with the mechanics of project administration. The BWSPP is based on a novel approach to expanding the provision of safe, rural drinking water supply. The Project promotes the participation of a wide variety of stakeholders in piped water supply in rural areas, including the private sector and NGOs. It also supports the development of regulations, monitoring, and capacity building. In small villages of less than 200 households with unsafe arsenic levels and no viable piped water supply, the Project will provide traditional arsenic mitigation options. However, progress has been slow due to problems in involving the private sector. The Project is clearly too ambitious in relying on the private sector to take a major role in the provision of rural water supply. The Project has already been scaled back from \$40 million to \$25 million, a large part of its funds being diverted to emergency disaster rehabilitation due to cyclone Sidr. World Bank staff acknowledge that a model relying on major inputs by the private sector in rural

<sup>37</sup> DFID. 2007. Rural Hygiene, Sanitation and Water Supply Project. London (approved 10 April 2000 for £27,250,000).

<sup>38</sup> World Bank. 2007. *Implementation Completion and Results Report (IDA-31240 SWTZ-21082) on a Credit in the Amount of SDR24.2 Million (US\$44.4 Million Equivalent) to Bangladesh for Arsenic Mitigation Water Supply*. Washington, D.C.

<sup>39</sup> The Arsenic Mitigation Water Supply Project of Bangladesh had the following ratings: outcomes were moderately satisfactory, risk to development outcome was moderate, World Bank performance was satisfactory, and borrower performance was moderately satisfactory.

<sup>40</sup> It was shifted in 2001 to a proposed Arsenic Public Health Project, which, in the end, did not materialize.

water supply does not seem to work yet in Bangladesh. Very few rural projects, in the dozens rather than in the hundreds, have taken off as yet.

45. The DFID program in Bangladesh has had considerable involvement in arsenic mitigation.<sup>41</sup> It first of all supported an Arsenic Policy Support Unit in DPHE. As a result, there is now arsenic-mapping for the country. DFID Bangladesh's support has enabled the creation of a national program for arsenic mitigation based on a research program. Resulting studies address operational issues like risk assessment and the impact on health status. DFID has furthermore funded two successive major WSS interventions: the RHSWSP (2000–2005) and the SHEWA-B Program (2006–2011). These projects were, however, focused more on behavior and sanitation solutions than on provision of water supply, and will be discussed later.

46. DFID's major intervention in rural water supply was ASEH. Outside Dhaka and Chittagong, it concentrated on 19 rural districts spread all over the country, and perhaps covering about 10% of the rural areas overall. As indicated, it is channeled through NGOs and entirely implemented outside the purview of Government, since WaterAid acts as management contractor. DFID's Annual Review of ASEH in March 2008 noted that up to 2.56 million people in poor rural communities and 0.38 million in poor urban communities had benefited from improved personal hygiene practices, environmental sanitation and safe and adequate water supply facilities.<sup>42</sup> In addition, the Review claimed that ASEH had led to over 60% reduction in household medical expenditure on diarrhea-related disease in project areas. Out of the 0.38 million urban poor beneficiaries, 33% were reported to be female; 9%, adolescent girls; 15%, girls; and 28% of the people belonged to the extreme poor. The review concluded: "ASEH is well on course to meet and, indeed, surpass its delivery of physical targets in both rural and urban areas. It certainly seems that ASEH is reaching the poorest and most vulnerable groups within its target communities. ASEH has significantly reduced the water and environmental sanitation risks to the poor through the continued growth in the momentum of system and capacity development to support the operation and maintenance of facilities. The confidence and capacity of the community organizations created under ASEH is such that their ability to engage and influence Local Government Institutions and Public Service Delivery Institutions is now at an impressive level and beyond the anticipated outcomes of the Project. There are still one or two concerns relating to the sustainability of sanitation in flood prone areas and the depth to which the hygiene messages have hit home. This will be evaluated through up-coming reviews and impact assessments. City level advocacy has come on in leaps and bounds but national advocacy is still hampered by the current political impasse, despite WaterAid's best efforts. The considerable inputs on accountability and sustainability seem to be paying dividends and for this reason, there is much greater confidence that the purpose will be largely achieved and sustained."

47. Another project of DFID in the sector was the Arsenic Mitigation and Epidemiology Project (Dhaka Community Hospital [DCH]), approved in 2000. This £2 million project did not, however, get very far. Due to disagreements with the executing agency, the Project was terminated in 2001. The PCR reads: "DFID had reservations as to the capacity of DCH to handle a project of this complexity, but agreed to allow DCH to develop the project in an

<sup>41</sup> Andy Batkin, Nick Chapman, Jurrien Toonen, Maheen Sultan, Muriel Visser. 2006. *Evaluation of DFID Country Programmes: Bangladesh 2000–2005*. Evaluation Report EV655.

<sup>42</sup> Two hundred thousand people (54% of total project target) in poor urban communities gained access to hygienic latrines. Improved sanitation facilities in 92 schools benefited more than 2,091 students (54% girls) in ASEH urban areas. 210,000 people (91% of total project target) living in slums gained access to safe water supply facilities at or below the standard of WASA charge. 4,558 students (52% girls) gained access due to improved water supply in schools.

inception phase with the assistance of the London School of Hygiene and Tropical Medicine (LSHTM). During this phase, our reservations were confirmed, and also DCH were reluctant to use the expertise of LSHTM. DCH were not prepared to accept that the objectives of the project were too ambitious for them to handle, so we reluctantly did not pursue to a full implementation phase.”

48. DFID lastly funds a Chars Livelihoods Program<sup>43</sup> that includes the provision of WSS facilities (shallow tubewells, sanitary latrines) to about 100,000 families living on temporary islands in the Jamuna River.

49. DANIDA is the other large player in rural WSS. DANIDA has a suite of projects and programs under its Water and Sanitation Sector Program covering infrastructure, policy reform, as well as capacity development. It funded and implemented a WSS Coastal Belt Project,<sup>44</sup> approved in 2005, which covers an urban subproject that will complete the remaining infrastructure and institutional development work in nine pourashavas after an earlier urban project started in 1997 in 53 pourashavas in the coastal belt.<sup>45</sup> The overall objective of the WSS Coastal Belt Project is to contribute to a further improvement of the health conditions of the population in the eight coastal districts. The Project is contributing to improved hygiene behavior, to achieving 100% sanitation coverage by 2010 as declared by the Government of Bangladesh, and to increased coverage of safe water supply to the population living in unserved and underserved areas (mainly through tubewells, pond sand filters, and water harvesting techniques). Since ADB concentrates on larger works, there seems to be no overlap. In June 2004, DANIDA carried out a rapid assessment of the present coverage of WSS facilities and hygiene practices in the 303 unions covered under the Water Supply and Sanitation Sector Programme Support Project as well as in the 146 remaining unions in the eight coastal districts. It found that DPHE-DANIDA WSS components had made a significant contribution in its phase I to the provision of water supply, sanitation, and hygiene promotion to the population of the eight coastal districts. It was estimated that, by June 2005, about 75% of the households would have access to safe water within 150 meters distance for drinking, cooking, and washing purposes, and that some 58% of the households would be covered by sanitation facilities. The water supply coverage in the remaining 146 unions was about 34%, while about 44% of the households had sanitary latrine facilities.

50. DANIDA's 2007 Hygiene, Sanitation and Water Supply (HYSAWA) Project plans to create a Local Government Support Unit in WSS to help 200 of the 4,800 rural union parishads (UPs). Over 50 are in the North West of Bangladesh;<sup>46</sup> the other 146 are in the eight coastal belt districts. The Project will develop the capacity of the UPs to access funding for hygiene and WSS activities through the HYSAWA Fund. The Fund has been established as an independent financial institution providing funds to participating UPs for demand-driven capacity building, hygiene education, and implementation of WSS facilities. By the time of the evaluation, about \$4 million had been poured into HYSAWA, but no expenditures had been incurred as yet. DANIDA is committed to provide around \$30 million. It is hoped that HYSAWA does not encounter the same problems as the BMDF did—lack of government and external support, relegating the fund to an externally supported structure parallel to the Annual Development Program (ADP) and to the Local Government Division's (LGD) PIU-led projects.

<sup>43</sup> Chars Livelihood Programme, prepared by the Department for International Development for the Government of Bangladesh. 15 September 2002.

<sup>44</sup> DANIDA. 2005. *Water Supply and Sanitation in the Coastal Belt Project: Urban Subproject*.

<sup>45</sup> The nine pourashavas are Feni, Patharghata, Noakhali Ramganj, Patuakhali, Amtali, Kalapara, Galachipa, and Raipur.

<sup>46</sup> Rajshahi, Naogaon, and Nawabganj districts.

51. The 2006 DFID country evaluation argues that Bangladesh had nearly achieved the safe water goal, with 97% of the population having access to pathogen-free waters. Arsenic contamination, however, presented a second round of challenges, with access to pathogen- and arsenic-free water now roughly 80% in urban areas and 70% in rural areas.

#### **D. Sanitation**

52. Water supply for rural areas has generally been combined with sanitation. Since 2003, the Government has taken the lead in rural sanitation with the introduction of the National Sanitation Program, which set an ambitious target to provide sanitation to all by 2010. One of the instruments the Government has used is the earmarking for sanitation purposes of 20% of the annual ADP block allocation to pourashavas and union councils. This seems to have made a difference to introducing rural sanitation, especially for hard core poor.

53. The 2005 National Poverty Reduction Strategy (NPRS) also stated the Government's commitment to achieve proper sanitation conditions with 100% coverage for all by 2010. The NPRS reported that sanitation coverage was only 33% (29% in rural areas and 57% in urban areas), while 25% were reported as using unhygienic latrines and 43% were not using latrines at all. The target was to reduce the number of people who did not have access to sanitation (66%) by half in 2006; and to ensure access to sanitary community latrines in villages, bazaars, mosques, and schools, with particular attention to women's needs. The Government wanted to also introduce an awareness program regarding hygiene practice among the common people.

54. **Urban Sanitation.** As discussed before, none of the towns have any sewerage system, except for Dhaka, which has a sewerage system in a small part of the city based on one sewage treatment plant. This is insufficient to deal with the sewage, so that much of it is disposed off into the rivers. There is still much open defecation practiced.

55. The draft Poverty Reduction Strategy (PRS) of June 2008 reports that many buildings in Dhaka including high-rise ones are not connected to any kind of sanitation system and discharge their effluent straight onto lakes, canals, and rivers, causing pollution and hygienic hazards in densely populated areas. Covering urban households with sanitation by a conventional sewer system is very expensive as compared with off-site sanitation options such as modified sewerage and settled sewerage, which are particularly suitable for small to medium townships. Flush toilets in high-income urban areas would need more water and increase the water demand in the context that supplying an adequate quantity of water is already a problem. As also suggested in the National Sanitation Strategy 2005, multiple choices of technologies are necessary depending on local conditions and people's willingness to pay. Analysis of the growth trends of sanitation coverage of city corporations (within high-density areas), particularly that of Dhaka, show that they will not be able to achieve 100% coverage by the year 2010 if they continue making progress at this low rate. Different approaches are needed in high-density urban areas to reach the target. Desludging and safe disposal of pit latrines and septic tanks is another worrying environmental problem. Thus, even with the relatively higher percentage of coverage in the urban areas than the rural ones, the actual sanitation situation is worse, mainly because of the high population density. With more people living in urban areas in the future, the environmental situation will further degrade, especially in the urban slums.

56. Sewage systems have not been part of any ADB or DFID project so far, but the Japanese Government funded some projects in this area in the 1980s and 1990s. While no other aid agency seems to have worked in the field of sewerage in the 2000s so far, the World

Bank has been in the process of preparation of a major project, the Dhaka WSS Project, since 2005. This focuses in fact on sewerage and drainage in slum areas of Dhaka.

57. **Rural Sanitation.** The government's National Sanitation Strategy in 2005 identified union parishads as the focal point for its Total Sanitation Campaign. The Government allocated 20% of the upazila ADP block grants for improving sanitation coverage. Twenty-five percent of this was to be dedicated to hygiene and sanitation promotion activities, while the remaining 75% was allocated as direct support to the hardcore poor. In addition, Tk5,000 (\$70) was allocated and disbursed to each gram sarkar (village government) for local development, sanitation being one of the major activities. The Government emphasized the following initiatives under the National Sanitation Dissemination, to ensure 100% sanitation by 2010: (i) mobilize different government, nongovernment, and development organizations; (ii) fulfill the coverage in three phases (2005, 2008, and 2010) for 100% sanitation by 2010 by local government institutions and NGOs; (iii) all city corporations, upazilas, pourashavas, wards, and unions to develop task forces involved for dissemination; and (iv) observe October as Sanitation Month.

58. Many externally supported interventions in rural sanitation were combined with those in rural water supply. Many smaller funding agencies, including many international and local NGOs and also some UN organizations, have been active in this field, and this is indicative of the division of labor sought: larger aid agencies concentrate on nationwide sanitation and sanitation issues in cities; smaller parties seek out rural areas and slums, usually confining themselves to a particular geographical area. This seems to work well.

59. DFID financed two major projects over the period: first the RHSWSP (2000–2005), approved for £27.2 million, and then the SHEWA-B Program (2006–2011), approved for \$62.8 million, with additional contributions by UNICEF (\$9.3 million) and the Government (\$16.9 million).

60. DFID's internal PCR for the RHSWSP, implemented in 37 upazilas, regards the project as having been broadly successful, although many challenges remained. Expenditure at that time amounted to £11.5 million. The PCR states that latrine ownership increased from 33% in 2003 to 76% in 2006. While the document was concerned about the sustainability of the gains, DPHE, aid agencies, and NGOs were viewed as well placed to continue building the skills and capacity of informal and formal local channels to empower households to better manage environmental health risks using simple, replicable mutually reinforcing communication channels. The PCR warned that the reduced morbidity and mortality goals may be realized only if a critical mass of 80% adopt the safer behavior that the latrines and water points make possible. The second assumption required that livelihood conditions do not deteriorate significantly.

61. The approach of the RHSWSP's successor, SHEWA-B, implemented through DPHE and UNICEF, goes beyond access to water to cover quality of water and behavioral issues concerning personal hygiene. SHEWA-B is set to improve the hygiene practices of 30 million people; to safeguard the water supply for over 5 million poor people, 15% of all those without safe drinking water; and to reduce the arsenic risk for half of these, while increasing total coverage from 70% to 79%. The target of 30 million people is about 42% of those still living without adequate sanitation, and this will increase total coverage to almost 70%. In addition, the target is that 1.5 million schoolchildren are to benefit from safe water and improved sanitation services to 7,500 primary schools, and 4.5 million children from hygiene education in 11,000 additional primary schools. It is too early to judge the effects of the program on the target

population, but the DFID country assistance evaluation<sup>47</sup> notes some behavioral change in pilot areas, whereas this evaluation's field visits to Sirajganj and Shajadpur demonstrated noted impressive activities undertaken by the NGOs involved.

62. One project not yet mentioned earlier in this document but with an interesting approach and a very large component in rural sanitation is the Water and Sanitation and Hygiene Program<sup>48</sup> (WASH) funded by the Government of the Netherlands (€53 million), the Bangladesh Rural Advancement Committee (BRAC) (€3.87 million), and local communities (€1.89 million), and directly managed by BRAC. The Netherlands Government funded this 5-year project in 2006 due to its commitment to the MDGs, the achievement of sanitation targets in Bangladesh by 2015, and BRAC's proven implementation capacity<sup>49</sup> versus the much more limited capacity of the Government of Bangladesh. The Project is working in 150 rural upazilas, around a third of all in the country. The intended impact is additional sanitation coverage for 17.6 million people, hygiene education for 37.5 million, and additional water coverage for 8.5 million. The evaluation mission visited BRAC and discussed progress with its district managers in the field. BRAC is very well represented on the ground, and has appointed a project manager in all districts and representatives in each of the upazilas. Around 6,000 staff are involved in the programs and transferring the BRAC message, which is slightly different from the Community-Led Total Sanitation approach promoted by UNICEF and endorsed by the Government. BRAC's approach relies less on "shaming" and more on subsidization of latrine units. All hardcore poor obtain a sanitary unit for free; medium poor can obtain a subsidized latrine unit. Progress with this is very good and seems to be on track to meet the target by 2011. BRAC intends to integrate issues of follow up and maintenance through its other programs in rural areas.

63. **Impact of External Assistance on Sanitation Coverage.** As per the Government's MDG report of 2007, the proportion of the urban population without access to safe drinking water had been reduced to 0.1% by 2006. The picture in rural areas was rather different, with arsenic contamination of groundwater contributing to a reversal of that trend. The proportion of the rural population without safe drinking water increased to 21.4% in 2006 from 6.9% in 1991. The Government has introduced measures to contain arsenic contamination.

64. The Government is reporting the progress with MDG 10 (Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation) as very good. The nationwide Community-Led Total Sanitation campaign was launched in 2003 with the aim of reaching 100% coverage by 2010. In 1991, 56% of the urban population and 15% of their rural counterparts had access to sanitary latrines. By June 2007, coverage had jumped to around 88% in urban and municipal areas, and 85% in rural areas. The World Bank estimates that more than 100 million people in Bangladesh now have access to total sanitation. The challenge now is how to extend safe sanitation to more remote areas. The country is likely to meet the target by 2010.

65. The published draft PRS of June 2008 concluded that the sanitation sector has still considerable scope for improvement. The Government estimates the use of unhygienic latrines

<sup>47</sup> DFID. 2006. Evaluation of DFID Country Programmes. Country Study: Bangladesh 2000-2005 (Evaluation Report EV665).

<sup>48</sup> BRAC. 2006. *Water, Sanitation, and Hygiene Programme Attaining the MDG Targets on Water and Sanitation in Bangladesh*. Dhaka.

<sup>49</sup> BRAC reported that by June 2005, it had helped to establish 841 slab ring production centers, and a total of 2.4 million slab latrines had been installed in BRAC working areas. BRAC has an extensive network of community-based workers who provide hygiene education and promote the installation of slab latrines through household visits, informal education, saving groups, and health education forums.

at about 8%; 7% are not using latrines. About 84% of rural households have sanitary latrines; 88% have sanitary latrines in municipal areas; and 84% have sanitary latrines in city corporation areas. Progress in WSS coverage has been much slower in urban slums and in arsenic-contaminated areas. Evolving an appropriate, cost-effective, and sustainable arsenic mitigation technology poses a challenge for the sector. Popularizing alternative water sources like rainwater harvesting and using sustainable surface water (ponds, deep aquifer water, etc.) is also progressing at a much slower pace. In conclusion, government, externally funded, and nongovernment agencies are making a major dent in the rural and even urban sanitation status, but it remains to be seen how sustainable the programs will be.

## **E. Solid Waste Management**

66. The draft of the PRS of June 2008 reports that as yet no comprehensive study has been conducted on solid waste in urban areas of Bangladesh. A Japan International Cooperation Agency (JICA) study estimates the waste generation in Dhaka at around 3,200 metric tons (t)/day. This is expected to increase to 4,624 t/day by 2015. The present solid waste collection rate in Dhaka is reported as only 44%. Until recently, solid waste collection and disposal in Dhaka have been unhygienic, unplanned, and rudimentary. Industrial sludge and solid waste are often dumped directly into the rivers, causing environmental degradation and rendering waters unusable. Aid agencies have done very little in this area; demand from the side of the Government has been slow. However, recently a system has been developed with support from JICA to collect and dispose of solid waste scientifically in a hygienic way in selected areas of Dhaka. A modern landfill site has been developed at Matuail. Community-based organizations (CBOs), NGOs, and other private sector organizations have been involved in waste collection, improving collection time significantly.

67. The field visits observed that local governments organize garbage collection in secondary towns. Due to lack of funds and equipment, sometimes only part of the garbage is picked up regularly. It is usually deposited in open dumping grounds a few kilometers outside of the towns. Very little solid waste management is being practiced. There are almost no sanitary landfills in the country, with some attempts by ADB-supported projects to create these having been only partly successful, due to lack of agreement on the land needed or other reasons.

68. Composting is rarely practiced. The mission heard of one attempt near a dump site. Due to the enforcement of the requirement for laboratory testing of results, the operator had deserted the composting site. Between 2003 and 2006, UNICEF funded a project to install compost plants at the solid waste disposal sites in 14 towns including Chittagong and Rajshahi. The Project was implemented by DPHE together with the pourashavas, with help from Waste Concern. It had mixed success. Eleven towns completed installations, and there were difficulties in operational modalities with inadequate marketing initiatives. A small compost plant of 7 t/day capacity, installed and operated by Waste Concern (2008) in Kanchpur, has been identified as an emission reduction project. However, a large 130 t/day capacity compost plant, also in Narayanganj District and implemented by Waste Concern, is nearing completion. This Clean Development Mechanism Project is based on investment from World Wide Recycling of the Netherlands, in return for carbon credit.

69. External involvement in urban sanitation, particularly in sewerage and solid waste management in secondary towns, is conspicuous in its absence.

## F. Urban Flood Protection

70. Bangladesh is prone to flooding. Each year, about 20% of the land is flooded in the monsoon season, a percentage that can go up to 50%–60% in case of severe flooding,<sup>50</sup> which happened in 1987, 1988, 1993, 1998, 2004, and most recently in 2007 (twice). Severe flooding is particularly damaging to the hundreds of urban centers in Bangladesh, as the population densities are high and there is an accumulation of industrial and business sites. National plans have recognized the growth potential of urban centers, but frequent flooding severely undermines it. Although the Government has wanted to make major investments in flood protection of urban areas since the 1970s, resource constraints have limited the response. Reduction of vulnerability to natural disasters was recognized as an integral aspect of all the 5-year plans of the Government in the past, and also of the NPRS and the new draft PRS.

71. After the devastating floods of 1987 and 1988, a consensus was formed between the Government and international aid agencies to act in a coordinated manner. A Flood Action Plan (FAP) was approved a year later, comprising proposals for many investments, technical studies, and support activities. The FAP identified Dhaka and 15 district towns as in need of ADB support. ADB first approved a project (Loan 1124-BAN<sup>51</sup>) helping out Dhaka in 1991, and then approved another project in 1992 (Loan 1202-BAN<sup>52</sup>) to protect six secondary towns from flood danger. A flood damage rehabilitation project (Loan 1666-BAN<sup>53</sup>) was approved by ADB in 1998 in response to the devastating flood in that year—which also had a component rehabilitating pourashavas. ADB approved another secondary towns flood protection project (Loan 2117-BAN<sup>54</sup>) in December 2004 to protect nine towns. This was the last installment after the Plan of 1989. As it happened to be the year of another major flood with much damage, ADB was called upon to help out with an additional emergency assistance loan<sup>55</sup> for both rural and urban areas not covered by the Secondary Towns Integrated Flood Protection Project. Major hurricanes and floods in 2007 led to another emergency response loan<sup>56</sup> by ADB, with cofinancing by JBIC, which included a component to help flooded and severely damaged secondary towns. Concessionary loans and grants dedicated to urban flood protection and flood and related cyclone damage have been considerable over the years, amounting to \$250 million in the 1990s, and so far around \$135 million in the 2000s. When assistance in this field to rural areas is counted as well, the amounts are much larger.

<sup>50</sup> World Bank. 1990. *Flood Control in Bangladesh. A Plan for Action*. World Bank Technical Paper Number 119. Washington, D.C.

<sup>51</sup> ADB. 1991. *Report and Recommendation 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 Dhaka Integrated Flood Protection Project*. Manila (Loan 1124-BAN[SF], for \$91.5 million, approved on 21 November).

<sup>52</sup> ADB. 1992. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the People's Republic of Bangladesh for the Secondary Towns Integrated Flood Protection Project*. Manila (Loan 1202-BAN[SF], for \$55.0 million, approved on 3 December).

<sup>53</sup> ADB. 1998. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the People's Republic of Bangladesh for the Flood Damage Rehabilitation Project and a Proposal to Use Loan Savings*. Manila (Loan 1666-BAN[SF], for \$104.0 million, approved on 18 December).

<sup>54</sup> ADB. 2004. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the People's Republic of Bangladesh for the Secondary Towns Integrated Flood Protection Project Phase 2*. Manila (Loan 2117-BAN[SF], for \$80.0 million, approved on 2 December).

<sup>55</sup> ADB. 2005. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan and Technical Assistance Grants to the People's Republic of Bangladesh for the Emergency Flood Damage Rehabilitation Project*. Manila (Loan 2156-BAN[SF], for \$152.3 million, approved on 20 January).

<sup>56</sup> ADB. 2008. *Report and Recommendation 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 Emergency Disaster Damage Rehabilitation (Sector) Project*. Manila (Loan 2409-BAN[SF], for \$120.0 million, approved on 31 January).

72. Several PCRs and one PPER all point to ADB's success in this area. ADB can be seen as a successful agency in both urban flood protection and emergency assistance; the Government confirmed this during the evaluation mission. The PCRs for the projects in Dhaka<sup>57</sup> and for six secondary towns<sup>58</sup> rate the projects as successful. Under the project in Dhaka, WASA managed to acquire a narrow strip of the heavily encroached Hatirjheel canal and constructed a box culvert through which a storm sewer now empties. The box culvert has been turned into a road to prevent future encroachment. In 2003, a PPER<sup>59</sup> validated the success of the project in the secondary towns, stating that the six towns had been protected from annual floods. Drainage and sanitation facilities had reduced the incidence of waterborne diseases. Improvements in the living environment were also recognized by the majority of the respondents in all project towns. The PCR for the large flood damage rehabilitation project<sup>60</sup> in 1998 rates its performance as highly successful, but a subsequent PPER<sup>61</sup> scales this back to successful on account of the risks to sustainability. Continuing lack of funds of the municipalities for operation and maintenance threaten achievements in the medium term. The PPER, however, questions the ambitious targets regarding strengthening the institutional, organizational, and financial capacity of local governments. These it considers as not likely to be met. Also, it considers that a more focused approach, backed by significantly larger interventions than in the project, is required to make a difference in the overall context of the urban poor.

73. A recent PCR rates the 2005 emergency response project<sup>62</sup> as highly successful as well, something that was validated superficially by the evaluation mission during observations in towns helped out by the loan, and in discussions with officials. The issue remains that countrywide solutions are needed to control rivers and floods, which the Government has been unable to apply so far. For instance, the town Sirajganj, visited during the field mission, has benefited from the Secondary Towns Infrastructure Development Project (STIDP), but was flooded and damaged in 2004 and again in 2007. However, not all towns have proven as vulnerable as Sirajganj, and notable successes in flood protection have also been recorded, with flood works withstanding severe threats.<sup>63</sup> It is clear that improving urban flood protection works remains a necessary goal for the Government. It is also clear that this is in part dependent upon larger solutions to one of the country's more specific and intractable perennial problems of water management. IED's PPER of 2006 for the Flood Damage Rehabilitation Project recommends that ADB develop a specific flood rehabilitation work plan for Bangladesh to respond more quickly to such disasters, as they are likely to recur. The report also

<sup>57</sup> ADB. 2002. *Project Completion Report on the Dhaka Integrated Flood Protection Project in Bangladesh*. Manila.

<sup>58</sup> ADB. 2001. *Project Completion Report on the Secondary Towns Integrated Flood Protection Project in Bangladesh*. Manila.

<sup>59</sup> ADB. 2004. *Project Performance Audit Report on the Secondary Towns Integrated Flood Protection Project in Bangladesh*. Manila.

<sup>60</sup> ADB. 2003. *Project Completion Report on the Flood Damage Rehabilitation Project in Bangladesh*. Manila.

<sup>61</sup> ADB. 2006. *Project Performance Evaluation Report on the Flood Damage Rehabilitation Project in Bangladesh*. Manila.

<sup>62</sup> ADB. 2008. *Project Completion Report on the Emergency Flood Damage Rehabilitation Project in Bangladesh*. Manila.

<sup>63</sup> The RRP for the Secondary Towns Integrated Flood Protection Project Phase 2 (ADB 2004) provides the following assessment, with which this study concurs on the basis of observations in Kushtia and Sirajganj, and various in-country discussions: "Although implementation of ADB's integrated flood protection project for the six district towns was delayed by 2 years due to unforeseen natural causes and political events, flood protection facilities constructed under it have safely withstood annual flood seasons since then. Moreover, monitoring and evaluation reports confirmed that the total beneficiaries exceeded the targets set during project appraisal. The respondents in both slum and non-slum areas cited significant direct benefits from reduced flood damage, including improved hygiene and a cleaner environment, and more efficient solid waste collection. Substantial indirect benefits were also reported: better housing, higher land values, increased daily incomes, and reduction in illness and medical costs. The project also provided significant construction employment opportunities for the local poor, and livelihood skills training for women-led community-based handicraft industries."

recommends that the Government be encouraged to set up a road maintenance fund to solve the problems of routine and periodic maintenance of all roads.

74. The World Bank had some major interventions in the 1990s, galvanized by the FAP, like many other funding agencies. The principal intervention was the River Bank Protection Project<sup>64</sup> (\$122 million), approved in 1996, which also received a supplementary loan of \$45 million to deal with the aftermath of the 1998 floods. A large part of the sizeable loan was meant to protect the town of Sirajganj, earlier discussed. This town had to be in part rebuilt, as a large part of its old center was completely swept away after the “once in a hundred years” 1998 floods. As is typical of the World Bank, the Project went beyond the physical infrastructure works and attempted to address the institutional context (Box A5.2).

#### **Box A5.2: The World Bank’s River Bank Protection Project**

The River Bank Protection Project's principal objective is to prevent the erosion of riparian land at two locations on the west bank of the Brahmaputra River by the construction and maintenance of improved riverbank protection works that will (i) protect Sirajganj town's built-up and semiurban areas from major damage and cumulative destruction, and (ii) prevent the merger of the Brahmaputra and Bangali rivers in the vicinity of Sariakandi and consequential increased regional flooding.

A further objective is to assist the Government of Bangladesh in developing permanent institutions for improved water sector planning, preserving the institutional capacity developed under the FAP, and making multidisciplinary planning part of Bangladesh's normal water sector planning processes. The project's components are (i) rehabilitation and construction of riverbank protection works at two sites on the Brahmaputra River's west bank; (ii) land acquisition and a program of resettlement for people displaced by project works; (iii) technical assistance for implementation supervision and maintenance of works constructed under the project; (iv) establishment and initial funding of a specialized O&M unit in the BWDB to maintain the riverbank protection works constructed under the project, and procurement of vehicles and equipment for the O&M unit; (v) institution building technical assistance to WARPO to integrate the FAP within the framework of national water planning, produce a national water management plan and a portfolio of investment projects for the medium and long term, and upgrade integrated water sector planning capability; and (vi) institutional capacity-building technical assistance to BWDB to improve the operation of the new regional accounting centers, and provision of equipment and transport to improve project supervision capability in the field and internal communications.

BWDB = Bangladesh Water Development Board, FAP = Flood Action Plan, O&M = operation and maintenance, WARPO = Water Resources Planning Organization.

Source: World Bank website, 2008.

75. An internal report of the World Bank’s Independent Evaluation Group (IEG) assessed that the major objectives of the project had been achieved. The riverbank protection works constructed by the project were preventing land loss and property destruction. The works were regarded as having successfully provided protection for Sirajganj town and having prevented the merger of the Brahmaputra River with the Bangali River, which would have led to extensive flooding and property damage. The water sector planning objective was also deemed to have substantially been achieved with the successful preparation of a National Water Management Plan (NWMP) and the related development and capacity building of WARPO.

76. It is also clear, however, that the river breached the protection works in several places in 2004 and again in 2007. In fact, breaches in the unfinished protection works in 1998 had already led to allegations of deficiencies in the design. The executing agency appointed a panel

<sup>64</sup> World Bank. 1995. *Staff Appraisal Report on the River Bank Protection Project*. Washington, D.C.

of experts to review the work which concluded that the design had been deficient. However, the consultant counterclaimed that the design had met the pre-agreed upon design standards and that the damage had been the result of a once in a hundred years flood. The Government subsequently accepted this position. The upstream works have so far held out, demonstrating how important a more holistic plan for protection works is for the survival of towns in Bangladesh.

77. In the 2000s, the World Bank assisted with emergency responses through its approval of scope changes to already approved projects, among which was the MSP. Occasionally, funds were shifted from slow-moving projects to address emergencies. The World Bank did not prepare individual new project loans for emergency damage rehabilitation assistance, as ADB did, usually within a period of 4 months. The World Bank prepared a \$200 million Emergency Flood Recovery Project loan, but this loan did not finance any construction and repair works. It enabled budget support to the Government to deal with the budgetary and macroeconomic consequences of the emergency. The internal IEG review argued that essential repair/rehabilitation work was more pragmatically financed by adjusting existing World Bank projects, “thus moving away from stand-alone emergency reconstruction projects and enhancing better integration of disaster mitigation in country programs.” The World Bank rated the Emergency Flood Recovery Project as successful. The internal IEG review also concluded that the emergency project had highlighted the need for longer term programs for disaster mitigation and management. It emphasized the imperative to mainstream these concerns into longer term World Bank and other external assistance: “Indeed, consideration of the future risks and hazards has led to Bank proposals for a Disaster Management Facility to buttress the economy against recurring disasters and an insurance provision against catastrophic risks.”

78. The Government of Japan and DFID have not supported urban flood protection works in Bangladesh. In the 1990s, the French Government and the Netherlands Government supported investment projects in flood protection, but the scope was usually wider than urban protection. Other agencies’ studies related to the FAP, such as those of the governments of Canada, Denmark, Japan, and United Kingdom, and the European Commission. In the 2000s, such activities decreased, but some external agencies continued with major investment projects in water management, such as the Netherlands Government. The projects involved were, however, generally not directly aimed at urban flood management.

79. DFID’s country evaluation assessed related emergency relief funded by DFID, which consisted of various instruments including direct food aid, microcredit, cash for work, reconstruction materials for housing, medical supplies, and water and sanitation provision. Least successful was the use of microcredit and the approach of providing partial support for housing, which resulted in a large number of unfinished houses. “In the 2001 response, the funds for NGOs were managed by DFID Bangladesh with considerable issues around NGOs favoring their own constituency over the most poor.” The evaluation states that subsequent emergency support attempted to learn lessons from this and reduce the burden for DFID staff by channeling relief funds through UN organizations. Although part of the funding for the 2004 relief effort was a response to the coordinated UN Flash Appeal, the desired improvements were still not achieved. DFID Bangladesh relied on the management capacity of UN agencies, but considerable delays remained in the mobilization of DFID funding.

## **G. Urban Housing**

80. Lack of adequate housing for Bangladesh’s large urban population is obviously a key problem in all of its cities and secondary towns, as is adequate and flood-protected housing in

rural areas. The draft PRS of June 2008 records that the shortfall in housing units was estimated at about 3.1 million in 1991, of which 0.95 million were in urban areas. By the year 2000, housing needs exceeded 5 million, excluding the nonpermanent homes (nearly 90%) and urban *katcha* shelters (nearly 60%). The housing situation in Dhaka is exacerbated by the encroachment of urban land use into the surrounding agricultural lands and common resources like fallow land and water bodies, and by the proliferation of slums and squatter settlements. Speculation has become very severe. Already in 1993, the Government formulated a response to this in its National Housing Policy: The Government would have to create an enabling and conducive environment to accommodate the poor; it was to be less of a housing provider than a facilitator of the housing sector. Yet the Government's ADP of 2007–2008 still shows housing-related schemes in the Physical Planning and Housing section. For instance, two model towns are being planned around Dhaka. This may be a drop in the ocean of Bangladesh, but the two projects take up a sizeable portion of the ADP, and they are in fact much larger than all government-funded water supply projects. The housing needs in Bangladesh are so large that even limited action by the Government quickly translates into a relatively costly program, even when the program is ultimately to be self-financing through sale of the plots to private parties. The Government also funds the construction of some residential flats, and development of residential areas, even a few sites and services plots for low- and middle- income groups. Most of this is to be self-financing through the sale of plots, but some are not.

81. ADB and the World Bank have made efforts to develop the housing sector, mainly through the creation of sites and services in the 1990s. These attempts are discussed below in detail, as they may explain why neither agency pursued housing development in the 2000s.

82. The housing component in the World Bank's 1988 Urban Development Project<sup>65</sup> had an estimated cost of \$4.9 million for development of an area in Chittagong. According to the ICR,<sup>66</sup> the work was completed but had problems. The site of about 41 hectares had been developed by cutting and leveling hills. Though this often results in soil erosion, causing drainage problems particularly during monsoon months, no environmental assessment was undertaken to identify these problems and to recommend mitigation measures. This was a problem of due diligence. IDA had to request HSD to carry out the cleaning work to remove eroded soils. Some environmental analysis should have been done. In addition, a housing component of \$1.0 million had to be canceled due to lack of coordination between HSD and the bank that was assigned to provide housing loans and collect mortgage repayments. This delayed, as expected, the occupation of plots and the formation of a revolving fund based on the collection of mortgage repayments. The pace of settlement was extremely slow. Although the average price of land was 30% lower than the current market rate, the poor's response had been rather lukewarm at best. Of the total 4,144 plots actually developed, some 3,585 had been allotted by the time of the ICR. Of these, only 2,880 had been taken into possession. The actual number of households living in the Kaiballyadham area was only 350–400 in 1998. Adding the ongoing construction to this, the total number of active plots (i.e., lived on plus those under construction) was not likely to exceed 500 (only slightly more than 10% of the total).

83. The ICR offered the following insightful reasons for the slow pace of settlement, which may be deemed typical of these projects: (i) Kaiballyadham lacked basic services. Except for electricity, no other services were available. Many of the infrastructure facilities (e.g., water

<sup>65</sup> World Bank. 1988. *Memorandum and Recommendation of the President of the International Development Association to the Executive Directors on a Proposed Credit of SDR34.4 Million to the People's Republic of Bangladesh for the Urban Development Project*. Washington, D.C.

<sup>66</sup> World Bank. 1999. *Implementation Completion Report: Bangladesh Urban Development Project (Cr. 1930-BD)*. Washington, D.C. (Classified).

reservoirs, schools, markets, community centers, communal garbage bins, sanitation facilities, drainage, etc.) were physically present at the site. But obtaining these facilities would have required interagency coordination, which was completely absent. (ii) Since the house-building loan component was never implemented, the plot owners had to arrange their own loans to build their houses. Many of them faced financial constraints. The plot allottees could not apply for commercial loans and use the allotment as collateral, since HSD does not give ownership of the land in order to prevent land transfer. Plot allottees had to wait 10 years to receive formal registration of the property. Consequently, it was not possible for many poor people to receive a loan. This situation in practice excluded targeted poor households from the housing loan market and significantly slowed down the pace of settlement. (iii) The location of the housing scheme was 14 km from the city center. Given the lack of affordable transportation in the area, living in the housing scheme cost the poor a substantial sum. Lack of economic opportunities in and around the settlement area exacerbated the situation further. (iv) Finally, mixing of different income classes in the developed area, due to the need for cross-subsidization, may have worked as a deterrent to settlement by any particular class. At the rate of settlement experienced and in the absence of basic services, the quality of the physical infrastructure deteriorated very rapidly. Many of the completed units already showed signs of severe wear and tear.

84. ADB's IUDP (footnote 3) in the 1990s also addressed housing issues, as was discussed before. Different from the World Bank IUDP, housing was the largest component of the ADB project, and HSD was the lead executing agency. The component was to provide low-lying, vacant, or underutilized land (40 ha) with (i) earth infill of 25 ha; (ii) infrastructure and services to all plots, including piped water supply, drains, septic tanks, and electricity; (iii) rehabilitation of existing septic tanks, pipes, and squat plates; and (iv) improvement of 2,580 government-owned units for poor families from rental to home-ownership status through installation of water supply and sanitation services, electricity supply, and road access.

85. IED's 2001 project performance audit report (PPAR) (footnote 4) registered that only 70% of the 4,371 infill plots developed had been handed over. As it turned out, important legal issues had been overlooked. A significant number of illegal occupants and unauthorized shelters adversely affected the financial and economic performance of this component. Some middle-income households, accounting for 10% of the 3,039 legal plot recipients, fully benefited from the project. These households basically took their own initiative to build proper houses and maintain the basic municipal infrastructure (drains, footpaths, and water supply facilities). However, about 70% of plot recipients, comprising low-income households, built only modest houses. These households did not organize themselves to operate and maintain the basic municipal infrastructure and did not realize the anticipated benefits. In the view of the PPAR, many might have lost the value of their original investment, as the overall environment in these plots had deteriorated. Finally, the remaining 20% of the plot recipients, comprising mainly poor households, built only temporary huts on the plots, as they lacked the funds to build proper houses. Interviews revealed that a significant number of these households illegally sold the plots and moved elsewhere, some to squatter settlements (also illegal) outside the project area. The implementation quality and performance of other subcomponents under HSD were generally less satisfactory, as HSD concentrated more on the infill plots. The projected revenues from the sale of plots were not realized. In the PPAR, the economic internal rate of return estimated for the HSD component was 1.6%.

86. External agencies supported very few sites and services developments afterwards, and there has also been little initiative to come up with alternative approaches. ADB's STIDP<sup>67</sup> is the only exception. It had a small housing and land development component that provided low-cost land for housing for the poor. Pilot programs were prepared for land development in Barisal and Comilla. In Barisal, 385 plots could be handed over on a hire-purchase basis. The proposed guided land development (wherein private land ownership was combined with the development of public infrastructure in Comilla) was not pursued, because the pourashava failed to convince landowners to provide sites for the pilot program. The Local Partnerships for Urban Poverty Alleviation Project<sup>68</sup> (LPUPAP) has attempted to organize slum dwellers to fight for land ownership and land development, and UPPR is attempting to develop this approach.

87. Several observers have called for resumption of exploration of social housing and sites and services development in the major cities in Bangladesh, taking inspiration from Thailand and Cambodia. For instance, the Secure Housing (Baan Mankong) Program in Thailand channels infrastructure subsidies and soft housing and land loans directly to poor communities. These communities plan and carry out improvements to their housing, environment, and basic services and manage the budget themselves. This approach is viewed as a more promising alternative to the old supply-driven one of building (a necessarily limited number of) housing schemes for poor families. The program is implemented by the Community Organizations Development Institute, a public organization under the Ministry of Social Development and Human Security. Poor communities are said to collaborate closely with their local governments, professionals, universities, and NGOs to survey all the communities in their city and then plan an upgrading process that attempts to improve all of these over the next few years. Once these city-wide plans are finalized and upgrading projects are selected, the institute channels the infrastructure subsidies and housing loans directly to the communities. The UPPR and NGO Coalition of the Urban Poor are attempting to apply this approach in Bangladesh and to interest the Government in supporting it. UN Habitat is providing TA on shelter.

88. The draft PRS of June 2008 stressed the importance of progress in the housing sector. A problem is that the legal and regulatory framework is deficient, and there is no oversight in the sector. The lack of enforcement of the Bangladesh National Building Code creates problems for physical planning and construction standards. The draft PRS also argues that a new mechanism needs to be developed for housing finance.

89. The draft PRS states that non-agricultural *Khas* lands should be provided to the Ministry of Disaster Management and Relief and to the Ministry of Social Welfare for constructing (i) houses for women, marginalized people, and endangered communities; and (ii) vagrant homes and night shelters in the cities for the uprooted population. The slums should be developed to accommodate the shelterless urban poor. The Ministry of Land should continue with its program of housing for the urban poor. In the urban areas, non-agricultural *Khas* land should be utilized for housing the urban poor, especially slum dwellers. Lastly, the document argues that flats are to be constructed and handed over to low-income families and slum dwellers. The role of external funding in all of this is not set out in the document, but the question remains how aid agencies can support better development of housing.

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<sup>67</sup> ADB. 1990. *Report and Recommendation 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 Secondary Towns Infrastructure Development Project*. Manila (Loan 1059-BAN[SF], for \$43.0 million, approved on 4 December).

<sup>68</sup> United Nations Development Program and United Nations Habitat. 1998. *Local Partnerships for Urban Poverty Alleviation Project* (UNDP/UN Habitat BGD/98/006).

90. No evaluations are publicly available regarding the Government's support to the housing sector in Bangladesh. The website of the Ministry of Foreign Affairs<sup>69</sup> (11/11/08) includes a summary of the Government's achievements (Box A5.3). This summary dates back to the time of the Bangladesh Nationalist Party government, i.e. before 2007, and has not been updated. No independent assessment seems to have been published on the issues of cost effectiveness, repayment of investment, safeguards, and distribution of flats and plots among income groups.

### **Box A5.3: Summary of the Government's Achievements in the Housing Sector**

During 3 years (2004–2006), a total of 597 residential flats were constructed under four projects and handed over to Members of Parliament and government officials. The construction work of 382 flats was in the final stage: 300 of 960 flats had been completed, of which 200 had been allotted. These flats were to be sold to government officials and to limited income group people on an installment basis. The construction work on 310 flats under NAM Village and NAM Villa projects by RAJUK was nearing completion. To sell out on an installment basis, 324 flats would be constructed at Chittagong and 720 in Dhaka. Besides, steps were taken to construct 420 flats in four 16-storied buildings at Motijheel and 607 flats for officers and employees of the National Parliament Secretariat. To meet the accommodation crisis of the growing population of Dhaka city, RAJUK developed 41,215 residential and 1,770 commercial plots under these three projects, viz., Purbachal, Jhilmil, and Urtara (third phase). Meanwhile, 15,961 plots had been allotted. Effective measures were taken by the National Housing Authority under its own financing to fulfill the growing requirement for accommodation. It also developed 5,000 residential plots in Sylhet, Moulvi Bazaar, Camilla, Noakhali, Cox's Bazaar, Narsingdi, Bogra, Shantahar, Kushtia, and Natore districts. The Chittagong Development Authority, under its two projects, developed 266 residential plots and had already allotted them. Another 403 residential and 17 commercial plots had been developed under a separate project, and initiative had been taken to develop 3,091 more residential plots to resolve the accommodation crisis of city dwellers.

RAJUK = Rajdhani Unnayan Kartripakhya (Capital Development Authority).  
Source: Available at: <http://www.mofa.gov.bd/publications.htm>

91. However, the World Bank's Public Expenditure Review 2003<sup>70</sup> found several projects in the physical planning and housing sector of the ADP questionable. For instance, the project called Construction of 2000 Residential Flats for Government Officials in Dhaka was questioned for its doubtful rationale. It was seen as having high capital and maintenance costs and other expenses involved; being administratively burdensome, with questionable equity of access to subsidized housing by a small proportion of employees; and with allotment lacking transparent eligibility criteria. A cash house-rent allowance was suggested as a much less burdensome option for the Government. It was argued that problems of housing needed to be addressed in the context of broader reform of the compensation of government employees, including monetization of in-kind benefits and reform of the land, housing, and financial markets. Other questionable choices for government support to projects were, for instance, an engineering staff college (doubtful priority), a special apartment improvement project, and a project called Rehabilitation of Slum Dwellers of Dhaka City in Multistoried Buildings ("the soundness of the project, in terms of its cost effectiveness, coverage and sustainability, in the context of the massive number of slum dwellers in Dhaka and problems of governance, is worth examining").

<sup>69</sup> Available: <http://www.mofa.gov.bd/>

<sup>70</sup> World Bank, ADB. 2003. *Bangladesh Public Expenditure Review*. Report No. 24370-BD. Washington, D.C.

## H. Urban Poverty Reduction

92. Few projects funded by major aid agencies have been entirely or almost entirely dedicated to alleviating the plight of the urban poor over the period investigated. The task is left in part to smaller international NGOs; these have concentrated on slums in the big cities, but do not seem to have been able to cover the over 4,000 slums of Dhaka and the slums in all other cities systematically. The CARE Bangladesh-implemented SHAHAR Project<sup>71</sup> was an example of such a poverty-targeting project. Financed by the United States Agency for International Development (USAID), it was launched in mid-1999. It sought to improve livelihood security in at least two major secondary cities of Bangladesh. Its major activities were (i) infrastructure improvements, such as community toilets, drains, footpaths, and water points in the project sites; (ii) health, hygiene, and nutrition education; (iii) provision of credit and vocational training; and (iv) community mobilization and institutional strengthening, especially of the local NGOs that implemented it. By all accounts, it had some success, something that the field mission was able to corroborate in Jessore, where one project site had been located.

93. The LPUPAP, funded by UNDP and implemented by UNDP and UN-Habitat over 2000–2007 at a cost of \$16.5 million, has been perhaps the prime case in the 2000s of a targeted project of some scale. It attempted to provide funds directly to poor communities mainly in secondary towns. It did not utilize local NGOs but had its own facilitators attached to the local governments. Based on their community action plan, communities could access resources from a community development fund for improving basic infrastructure in the slums. In addition, the LPUPAP had a poverty alleviation fund and a component on strengthening local governments. The Project was evaluated twice and was well regarded.<sup>72</sup> More than 600,000 poor people were considered to have benefited from it through better access to sanitation, clean water, improved living environments, or apprenticeships and other income-earning opportunities. An independent evaluation report issued in February 2006 (footnote 61) noted that the Project had been effective in group formation, community action planning, and mobilization through community networking. The use of community-generated savings and credit, externally provided grant funds, and the assistance of town-based project teams (rather than the use of NGOs as implementing agencies) were viewed as effective means to build community capacity. Community capacity building was based on identification and formation of primary groups. In 600 communities across the 11 towns where community development committees had been formed, there were more than 5,400 primary groups covering over 100,000 households, of which 4,400 were saving. The total savings capital amounted to \$880,800, or almost \$9 per head. The communities had disbursed over \$1 million in loans. However, the evaluation assessed that the Project had not been able to influence the mainstream of local government activities, particularly since there were no counterpart “slum improvement” units within the pourashavas. The Project had therefore not been able to influence the human resources, financial capacities, or policies of local governments. The evaluation recommended that Phase 2 objectives should include mainstreaming local government responses to poor communities through more effective coordination of programs and agencies, and the development of a citywide action-planning process for poverty reduction. Furthermore, the evaluation posited that the Project had undertaken few initiatives to influence local or national level policies and therefore its wider and strategic impact appears to have been minimal.

<sup>71</sup> Supporting Household Activities for Hygiene, Assets, and Revenue Project; *shahar* means “city” in Bangla.

<sup>72</sup> Rubina Islam, Shams Mustafa, and Archana Patkar. 2006. *Poverty Impact Assessment Report. Local Partnerships for Urban Poverty Alleviation*. Mimeo. Dhaka; GHK. 2006. *Local Partnerships for Urban Poverty Alleviation. Report of Evaluation Mission*. Dhaka.

94. The field mission for this evaluation visited several towns where the LPUPAP had been active and corroborated that the project was well appreciated by the pourashava mayors and town councils. Women's saving groups were met, and several slums aided by the project were visited. Slum representatives were generally able to show or discuss the improvements made to their communities as a result of the project.

95. The success of the LPUPAP convinced DFID to support a new phase while scaling up the approach in an attempt to have a greater impact on the urban poor in Bangladesh. DFID is supporting the new UPPR with £60 million over 7 years (2007–2014). The new project should improve the livelihoods and living conditions of 3 million urban poor and extremely poor people, especially women and children. The UPPR is designed to directly support the Government of Bangladesh's goal of halving poverty by 2015. The UPPR extends the LPUPAP's approach to a wider geographical area, expands the target group to include the extreme poor, and engages in capacity building and policy development at the city/town and national levels.

96. The UPPR intends to deliver three integrated outcomes for the urban poor: (i) healthy and secure living environments—created through mobilizing communities in partnership with local government, civil society, and the private sector; (ii) resources, knowledge, and skills to increase their incomes and assets; and (iii) a more supportive policy environment, delivering benefits to the urban poor—for example new social safety net programs for the extreme poor in urban areas. The UPPR is to operate in six city corporations (including Dhaka) and 24 municipalities, some of which were earlier covered by the LPUPAP. The UPPR is to help improve social infrastructure and environmental health. Forty percent of funding will provide hygienic sanitation and safe water supplies to 450,000 families, support solid waste management and environmental sanitation practices for 400,000 households, and provide legal access to at least one town-level service (e.g., electricity, water, drainage) for 50% of the targeted settlements.

97. The UPPR will also support the preparation and implementation of local poverty-reduction and economic development strategies. Twenty-five percent of DFID's funding will provide educational and training opportunities, especially for poor youth and women, with the aim of increasing incomes and access to employment opportunities for 390,000 households. To maximize the impact on the poorest people, new towns included in the UPPR have been selected using the following criteria: high proportions of poor and extreme poor, total size (all selected towns have a total population of over 80,000), and high slum prevalence.

98. DFID's interest in the UPPR stems in part from the fact that it sees itself as the lead agency among the four development partners in terms of improving the livelihoods of the extreme poor; DFID's draft new country strategy sees ADB as the lead agency in terms of urban infrastructure development.

99. ADB has chosen to include poverty-targeted components in most of its urban infrastructure, water supply, and flood protection projects. These are based on concessionary loans, and the components cost generally no more than \$3 million–\$4 million, since ADB's borrowers have generally not been keen to borrow foreign exchange funds directly for poverty reduction in slums.

100. For this amount, the UGIIP has been able to include subprojects in basic services, microcredit, and training in slums in all pourashavas in which it operates. The same applies to the Secondary Towns Integrated Flood Protection Project Phase 2 (footnote 54), which is ongoing, and the Secondary Towns Water Supply and Sanitation Sector Project (footnote 14),

which has just started. They aim at improving the living conditions of some 300–900 households of slum dwellers per town. To ensure financial resources, a minimum 5% of total investment funds allocated to each pourashava is earmarked for basic services in slums. The investments include improvements in roads, drains, footpaths, water supply, sanitation, solid waste management, and lighting in slum areas. Specific components are identified through the development of a poverty reduction action plan. Slum improvement committees are established to be responsible for operation and maintenance. NGOs are employed to do the community mobilization work and other activities. When some of the towns are also included in the UPPR, an arrangement is made to not duplicate the subprojects for the slums. The IED evaluation of the Secondary Towns Integrated Flood Protection Project (Phase 1) (footnote 52) corroborated that the slum component had directly benefited some 8,000 households and provided a greater sense of security and permanence within towns. The PPAR in fact suggested that the slum component should be expanded in future such projects.

101. The World Bank has also tried to incorporate poverty targeting in some of its urban projects, mainly through slum improvement components. Slum upgrading in Dhaka was part of the 1990s Urban Infrastructure Project, although not entirely successful. The Municipal Services Project (MSP) (footnote 10) was approved as a response to the rapid growth of secondary towns and widespread urban poverty. It thus included a pilot slum improvement component in Khulna and in five secondary towns. The amounts to be dedicated for this were not laid down in the project document, but can be assumed to have been modest. They were spent on improved water supply, on-site sanitation facilities, footpaths, street lighting, etc. Slum communities would have to be organized (with NGOs' assistance) to identify their needs and priority investment programs for themselves.

102. The World Bank's Dhaka WSS Project<sup>73</sup> has slum improvement as a significant component. It is a major project, dealing with drainage and sewerage, coupled with water supply systems for slum areas. The World Bank approved it in November 2008, many years after the design process started. The delay was in part due to the long time taken to address issues connected with the required involuntary resettlement of many dwellers in the canal areas. The Resettlement Plan, posted on the World Bank website, demonstrates that the World Bank has made good progress in convincing DWASA and the Government to award proper compensation to slum dwellers affected by project works and to rehabilitate the dwellers in relocation sites in case of their relocation.

103. An extension of the approach towards the urban poor is provided by ADB's urban health projects since 1997. These are based on the finding that health indicators of the urban poor are often worse than those of the rural poor because of dire living conditions in the slums. ADB's Urban Primary Health Care Project<sup>74</sup> (1997–2005) was implemented in Chittagong, Dhaka, Khulna, and Rajshahi, and particularly in slums located in populous areas inhabited by poorer city dwellers. ADB's PCR<sup>75</sup> in 2007 found the approach very successful, a conclusion validated by an IED report.<sup>76</sup> A main lesson was that public-private partnerships for primary health care service delivery among the urban poor, and particularly women and children, are a replicable,

<sup>73</sup> World Bank. 2008. *Project Appraisal Document on a Proposed Credit in the Amount of SDR94.8 Million (US\$149 Million Equivalent) to the People's Republic of Bangladesh for a Dhaka Water Supply and Sanitation Project*. Washington, D.C: approved 2 December 2008 for \$149 million.

<sup>74</sup> ADB. 1997. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the People's Republic of Bangladesh for the Urban Primary Health Care Project*. Manila (Loan 1538-BAN[SF], for \$40.0 million, approved on 16 September).

<sup>75</sup> ADB. 2007. *Project Completion Report on the Urban Primary Health Care Project in Bangladesh*. Manila.

<sup>76</sup> ADB. 2008. *Validation Report on the Urban Primary Health Care Project in Bangladesh*. Manila.

effective, and innovative approach. A second such project, the Second Urban Primary Health Care Project,<sup>77</sup> was approved in 2005. This expanded coverage to the poor in all six city corporations and five municipalities. The services were again designed to reduce child and maternal mortality and morbidity, and to help the country achieve the Millennium Development Goals (MDGs). The second project continues to contract out primary health care (PHC) services to NGOs through partnership agreements that were pioneered under the first project. Free and easily accessible PHC services are made available to the poor. The second project is to ensure pro-poor targeting by requiring that at least 30% of preventive, promotive, and curative services are provided free to the poor. Nutritional supplements are given to moderately to severely malnourished women and children. The Project supports construction of 64 health facilities, upgrading of 4, and purchase of 12 apartments and/or buildings for PHC facilities in Dhaka. Community-run latrines and community-based solid waste disposal are being piloted, as well as clinical waste management. The evaluation team made a surprise visit to a project-supported clinic in Sirajganj, which was well attended and functioning well.

104. The questionnaire survey showed that project directors perceived their projects often as directly alleviating poverty, perhaps on average even more so than the directors of other types of projects on average (Appendix 2, question 9). Certainly, most urban and WSS projects, if not directly addressing poverty through works in the slums, have included specific antipoverty components.

105. The Government seems to rely mainly on external support to do slum improvement works, even when slums have come to cover over a third of existing urban areas. It has not prioritized the need for slum works to the extent that it is implementing a sizeable program of its own. One positive development has been that the Government issued a groundbreaking decree in 2006 stipulating that DWASA has the responsibility to cater for the water supply of the slums, even when the population does not have official title to the land. ADB and WaterAid had been pushing for this. In the ADP for 2007–2008, there were nine Government-funded projects to develop sites and services plots for low- and middle-income groups at a cost of the equivalent of \$20 million, and with an allocation of 4% of the overall allocation for the physical planning and housing sector in the ADP. Notable is also that the Government's own midterm MDG report of 2007<sup>78</sup> indicates that only around 36% of urban households had secure tenure. The other 64% remained at risk of eviction, as they had no legal document to demonstrate their occupancy. After some ADB studies on land administration reform in the early 2000s, no aid agency has conducted or supported further work on this issue.

## I. Gender and Development

106. ADB-supported projects generally include gender action plans. In the projects of the other development partners this does not seem to be mandatory, although gender impacts are generally noted, and some gender actions indicated. The field visits confirmed the important role many projects play in the lives of women, particularly women in slum areas helped by projects. Slum committees were often headed by women. In Narayanganj, for example, the evaluation mission met representatives of the communities involved in the UNDP poverty reduction project. They confirmed that the self-help groups and other activities were helping empower them and that their husbands and families supported them and appreciated the benefits of the additional

<sup>77</sup> ADB. 2005. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan and Asian Development Fund Grant to the People's Republic of Bangladesh for the Second Urban Primary Health Care Project*. Manila (Loan 2172-BAN[SF], for \$30.0 million, approved on 31 May).

<sup>78</sup> Government of Bangladesh. 2007. *Millennium Development Goals, Mid-term Bangladesh Progress Report 2007*. General Economics Division, Planning Commission.

income. They confirmed that they preferred working with the pourashava directly, as in the past the NGOs that had worked with them had charged 17% interest on loans. While they still charged 15%, the interest stayed in their unit's savings to be reused. The women recognized that the self-help groups empowered them, and that the physical infrastructure—drainage, footpaths, water supply, and sanitation—improved their children's health. They indicated that much of their income went to food and medicine, but that they were also able to support/pay for satellite schools in their neighborhoods. Visits to other towns corroborated that it was particularly the poverty components and the TLCCs and WLCCs that had helped women.

107. The evaluations of the LPUPAP had similar positive assessments of gender development in the slums, with the creation of female self-help groups as the highlight.

## **J. Capacity Development in the Urban Sector**

108. The capacity of urban local governments to discharge their many responsibilities is often identified as weak, in terms of both the capacity needed to implement externally funded projects and the capacity to run their municipalities, i.e. to do the necessary town planning, enforce existing regulations, develop infrastructure, and provide services. The lack of human and financial resources available to local governments is a major problem. This starts from the low salaries paid. The mayors themselves get only a token honorarium; the Government views the elected mayor position as honorary. Many of the pourashava officers need to be paid from municipal taxes rather than from central government salary budgets; however, since municipal tax revenues have been low and irregular, there are many unfilled positions. Morale can be low for those staff relying for their salaries on irregular tax collections. Even when funds are available, filling these is an arduous process, involving approvals by the Central Government. Many positions are graded low and do not inspire the staff to take the needed daily decisions. Furthermore, centralization of decision making in the hands of mayors, and lack of career paths within municipalities, do not provide a challenging environment for many staff who are aspiring for a career in government. For this reason, there have been few town planners and health officers in the secondary towns, although the municipalities generally have created positions for these. The situation is different in the big cities but, perhaps surprisingly, other systemic problems have turned the situation into a very inefficient one.

109. Even central agencies such as LGED lack staff, despite many development partners viewing it as one of the best project implementation agencies in the country. It is employing many consultants and contractuels. The questionnaire survey of project directors highlighted the lack of qualified and capable staff to implement the project as a frequently encountered problem, more so than project directors in other sectors (question 4). This is consistent with the general perception that capacity is lower in local governments than in the Central Government.

110. In spite of these systemic constraints, all projects of the four development partners have included components for contingent capacity development and institutional development, some larger, some smaller. The World Bank's MSP had a large component that worked with the MSU. It was taken over and expanded from an earlier project funded by ADB (STIDP). The tasks of the MSU were (i) computerization and improvement of tax records including water billing, (ii) computerization and improved reporting of accounts records, (iii) inventory assessment and mapping of municipal infrastructure, and (iv) community mobilization support to municipalities. The activities have covered three city corporations and 65 pourashavas, and also involved the creation of a national municipal database. It was still ongoing at the time of this evaluation. Training is demand driven and includes pourashavas that have sought funding from the BMDF. Over 10,000 municipal officials and staff are indicated as having been trained, including

orientation sessions for the chairs of 247 municipalities (a position called mayor since mid-2008). Training has also been provided for almost 2,000 engineers and accounting staff from 200 urban local bodies (ULBs) that applied for BMDf funding. Almost all pourashavas have been provided with computers, survey equipment, and relevant training. As a measure of the integration of the approach achieved with ADB's urban projects, MSU has helped establish 67 TLCCs, and 254 CBOs have been formed at the grassroots level, with solid waste management being the initial activity focus in 67 ULBs. The role of MSU has been reformulated to cover 300 ULBs in the country. MSP reserved initially \$10.8 million for capacity building and studies, including institutional development for BMDf.

111. ADB has supported its own parallel training unit in LGED, which is called the UMSU. It is supported under various ADB urban projects and provides standard training modules to pourashavas that are covered mostly under ADB- or World Bank-funded projects. The next phase of the UGIIP, UGIIP 2, will support UMSU to expand the types of trainings offered and the coverage of pourashavas beyond specific projects. UGIIP 1 had \$13 million dedicated to capacity development and implementation assistance; the Secondary Towns Integrated Flood Protection Project II (footnote 54), \$11.6 million. UGIIP 2 proposes to allocate over \$10 million for the purpose. In WSS, the amount reserved for capacity building of pourashavas has been smaller—the Secondary Towns WSS Sector Project, for instance, reserved \$1.2 million for institutional strengthening of DPHE and pourashavas (capacity building), apart from \$5.7 million for project management and implementation assistance. Capacity building of DWASA has, however, been a prominent objective, with \$8.3 million devoted to this through the Dhaka Water Supply Project. There is also a separate TA for the Project. The World Bank's new project in DWASA is expected to provide a capacity development program as well.

112. ADB has gradually linked capacity development to the UGIAPs in the urban and WSS projects it supports. Implementation of the UGIAP requires much interaction with LGED, and training. UMSU furthermore has a role to play in assessing the performance of pourashavas. ADB's UMSU and the World Bank's MSU have been collaborating well; have a joint director; provide complementary training; and have extended their training programs to all pourashavas, including those that are not currently involved with an ADB or World Bank project. DFID's LPUPAP was less involved in training of local government staff, but the UPPR has built in a larger component of local government capacity building. This evaluation views these efforts as crucial.

113. The results of the capacity development efforts have not been systematically assessed by either this or any preceding evaluation. The evaluation validated that the pourashava mayors invariably reported built-up capacity as a result of project interventions, and for some this was even the main benefit of a project like the UGIIP, rather than the infrastructure created, which was seen as rather limited in the context of the huge need. The mayors gave a positive assessment of capacity development, in spite of the fact that the systemic constraints to urban development had not been addressed fundamentally over the period. There were no complaints about the training and systems development provided, except that some mayors requested more training opportunities, and continued access after the project would be closed. Some mayors of towns not included in project interventions told the evaluation team they were impressed by pourashavas that had been able to greatly increase their tax and water bill collection capacity. This evaluation agrees that the computerization efforts made and the capacity developed in this area stand among the greater successes in the training programs. The other success has been obviously the experience gained by pourashavas with the systematic implementation of governance improvement action plans. There has been a great variety of experiences built up, including better town planning through the need for preparation

of either project proposals for submission to BMDF or ADB projects, or for master plans, land use plans, drainage master plans, infrastructure development plans, etc.

114. Project directors of urban and WSS projects mentioned two principal problems in this field: lack of positions or unfilled positions in their own agencies, and below par performance of staff due to low salaries (Appendix 2, question 23). This was not different from the situation in other sectors. Contrary to expectation, fewer project directors mentioned a lack of interest or incentive of their staff to move to the project area (read: secondary towns) than the project directors of other infrastructure projects. Demoralization also seemed less a problem in the urban and WSS agencies than in some other agencies, which points to the possibility that the local government agencies are subjected to less politics than some other agencies, and that there is a structurally better atmosphere in the Ministry of Local Government, Rural Development and Cooperatives. Perhaps this is due to the generally smaller size and more scattered nature of such investments, or to the better working conditions as a result of the project implementation unit (PIU) model followed. The problem of high staff turnover was also experienced less frequently, indicative of a more stable situation. This constitutes a paradox of some sorts, since a significant part of LGED is formed by the many PIUs for externally supported projects in the rural and urban sector.

115. Given the amount of assistance provided for many of the urban and WSS projects, it is of interest what types of capacity are in fact pursued. All project directors responding to the project questionnaire acknowledged the increased project implementation capacity as a result of their staff's daily experiences with the project (Appendix 2, question 22). But this was probably not the type of capacity that was pursued most urgently. Two other areas of capacity development frequently mentioned were improved operation and maintenance and (local government or community) organization development. In line with the more complex nature of projects in this sector, with possibly greater need due to the many towns with low capacity, the average number of different areas of capacity pursued was larger than that of the other sectors. This evaluation considers this appropriate, given the lower capacity and greater needs in local government as compared with the Central Government.

116. As there are systemic constraints to development of capacity in local government, the problems will persist. Some of the constraints are being addressed through UGIAPs that, for instance, attempt to raise tax collection efficiency. This will in principle make resources available to fill certain essential positions, such as town planners. If the systemic constraints are not addressed, then the capacity components in projects will do no more than alleviate the capacity constraints, but may not improve capacity in a sustainable way. Future projects will again have to invest in capacity development to create and sustain effects for the duration of the project.

## **K. Capacity Development in Water Supply and Sanitation**

117. The reason that ADB and the World Bank have put less emphasis on capacity development in the WSS sector may well be that other agencies have invested heavily in it, such as DANIDA. Small capacity development components have nevertheless been added to the WSS projects, while the Fourth Dhaka Water Supply Project (footnote 20), ending in 2001, had a larger institutional and capacity development focus. In the 2000s, ADB funded a capacity development TA in 2007<sup>79</sup> for management support for DWASA. The World Bank administered

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<sup>79</sup> ADB. 2007. *Report and Recommendation of the President to the Board of Directors on Proposed Loans and Technical Assistance Grants to the People's Republic of Bangladesh for the Dhaka Water Supply Sector Development Program*. Manila (TA 7001-BAN, for \$2.5 million, approved on 10 December).

the largely UNDP-financed Water and Sanitation Program, a program that has been running worldwide for the last 30 years. It has been delivering studies and workshops and is promoting learning networks across union parishads and pourashavas. The Program is developing a new strategy in which urban WSS is said to figure more prominently.

118. A DANIDA project document on the subject of capacity development of local governments in WSS states that the following agencies were the main players in 2005: the Sirajganj Local Governance Development Project supported by UNDP, the Local Capacity Development Initiative supported by the Swedish International Development Cooperation Agency (SIDA), the WatSan Partnership Project supported by the Swiss Agency for Development and Cooperation (SDC), and the Building Union Infrastructure for Local Development (BUILD) Project supported by USAID. It also remarked that the National Institute for Local Government (NILG) had been involved in providing training services to several of these projects, but the training was not linked to specific systemic local government reforms, and there was no coordination of training plans and materials. Capacity development in the WSS sector seems to be of more limited nature than in the urban sector. The capacity of DPHE has been noted to be on the decline, as the present generation of experienced engineers is not being replaced by a new generation of a similar number.

119. The overall pattern of support for capacity development-oriented TA in the urban sector and WSS seems logical: bilateral and UN agencies have taken the lead.

#### **L. Policy Reform Initiatives in the Urban Sector**

120. The Government did not undertake much policy reform over the period reviewed.<sup>80</sup> This was contrary to the 1990s, when there were relatively many policy initiatives. Over the last two decades, efforts have been made to develop policies for specific areas like housing, planning, and urban services. The National Housing Policy (1993), the Bangladesh Urban and Shelter Review (1993), the Bangladesh Urban Sector National Program Document (1994), the Bangladesh National Habitat II Report (1996), and the Bangladesh National Habitat II Istanbul +5 Report (2001) have all stressed the importance of proper urbanization in national development. The Urban Management Policy Statements (1994 and 1999) prepared by LGD emphasized that all pourashavas should have adequate personnel and financial strength, provide and maintain infrastructure facilities, prepare and implement land use plans, address poverty, ensure participation, and involve the private sector. The governments of the day, however, never approved these policy statements.

121. A Committee for Urban Local Governments was formed in 2004 to examine national policy issues including amendments to the Pourashava Ordinance of 1977, and a draft Urban Sector Policy prepared by consultants under ADB TA.<sup>81</sup> Based on the recommendations made by this Committee, the Government approved a new Pourashava Ordinance on 14 March 2008. This new ordinance includes redefining urban areas; constituting standing committees; and enhancing citizens' participation through committees with representatives from professional groups, citizens groups, and the urban poor. The recommendations were formulated based on experiences in governance reform under the UGIIP 1 with TLCCs and WLCCs. These committees function as forums to discuss various issues of pourashava management and to ensure wider participation of diverse social strata in decision making than would be possible

<sup>80</sup> This section draws in part on the sector analysis in the RRP for the UGIIP 2.

<sup>81</sup> ADB. 2002. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan and Technical Assistance to the People's Republic of Bangladesh for the Urban Governance and Infrastructure Improvement (Sector) Project*. Manila (TA 4003-BAN, for \$400,000, approved on 28 November).

through the existing much smaller town councils. The 2008 Pourashava Ordinance makes the committees a statutory requirement for pourashavas.

122. On 12 March 2008, the Government approved an ordinance to establish the Local Government Commission as a permanent institution to oversee the development of local governments. There was no permanent institution dedicated to policy development of local governments before. The Local Government Commission is expected to serve this purpose, including review and finalization of the Urban Sector Policy.

123. The draft Urban Sector Policy, prepared by ADB-funded consultants, is yet to be approved. It is not clear when this will happen: the caretaker government prioritized the approval of the new Pourashava Ordinance as well as the City Corporations Ordinance to prepare for local government elections in December 2008. The draft urban policy takes a comprehensive approach to address urban issues, recognizing the importance of capacity development and good governance in municipalities. The Pourashava Ordinance itself has fallen far short of the ambitions of the TA consultants. It has not dealt with systemic issues such as staffing and pourashava budgets.

124. The Government has been taking a far slower approach to urban development by consolidating some scattered initiatives as supported by various projects. The Urban Development Department (UDD) has been on a slow decline since the early 1990s. It was established in the mid-1960s to advise the Government on matters of policy relating to urbanization, land use, and land development; and to prepare and coordinate regional plans, master plans, and detailed layout and site plans for existing as well as the new urban centers, excluding the areas covered by the town development authorities of Dhaka, Chittagong, and Khulna. Although initially very short of planners, it did well with help from UNDP/United Nations Commission for Human Settlements projects in the late 1970s and 1980s. UDD implemented several studies between 1978 and 1993 with assistance from external agencies. After 1993, UDD did not carry out any foreign-funded projects. An important reason was the lack of dynamic leadership and lack of planners in the organization. Although quite a number of planners were recruited and trained abroad under the National Physical Planning Project,<sup>82</sup> they were not absorbed into permanent positions in UDD by the then director after the project ended in 1987. Since then, no planner was appointed in UDD for nearly two decades. In the meantime, the senior planners retired, and the organization became dormant for lack of staff in planning positions. Only recently, some planners have been recruited. Consequently, LGED came forward to fill the vacuum and started performing activities that were mandated for UDD.

125. LGED is strengthening its Urban Management Wing by appointing a senior engineer dedicated to urban development, and by consolidating capacity development programs through UMSU. An MPRC was also established through the MSP to review and monitor the performance of pourashavas. It covers all pourashavas supported by externally funded projects. It is chaired by the secretary of LGD, and UMSU supports it as secretariat.

126. Project directors surveyed marked government policies or decisions obstructing or delaying their projects as an important problem; they also occasionally highlighted the lack of an effective or effectively enforced legal framework in the sector. Difficult or unwieldy government systems and procedures were another often stressed problem (Appendix 2, question 4).

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<sup>82</sup> UNDP/UNCHS. National Physical Planning Project (Phases 1 [1978-1982] and 2 [1983-1987]).

## M. Policy Reform Initiatives in Water Supply and Sanitation

127. The major work in this field in the 2000s was supported by DANIDA, and consisted of the preparation of the SDP-WSSB in December 2005, which was approved by the Government in January 2006. The key points of the program are (i) meeting basic minimum needs related to WSS for all citizens, especially those of the poor; (ii) decentralizing service delivery and strengthening the capacity of local governments; (iii) recommending optimal service delivery options and institutional framework; (iv) sector reform and capacity building to achieve desired coverage and performance levels; and (v) preparing a sector investment plan for the next 10 years within the available resources. LGD has decided to set up a Policy Support Unit (PSU) to ensure that a consensus will be arrived at among all stakeholders on various components of the SDP, and that a sector-wide approach (SWAp) will be developed, with complete aid harmonization and sector coordination. The document states that it is the government's desire to get as many development partners as possible in the joint management of PSU. LGD, with support from PSU, will be responsible for implementation of the SDP.

128. In November 2007, a partnership framework agreement was signed between the Government and five major development partners in the sector regarding WSS in Dhaka and Chittagong, which includes a commitment to policy reform. The agencies are ADB, DANIDA, the Government of Japan, the Government of the Republic of Korea, and the World Bank. This was followed by the approval by ADB of a set of loans for the Dhaka Water Supply Sector Development Program (footnote 79).

129. ADB's Dhaka Water Supply Sector Development Program is the first program loan in the sector and deals with policy issues for DWASA as well as for pourashavas. It supports the reforms in the urban water supply sector laid out in the SDP-WSSB 2006. The main national policy issues to be addressed for the release of the \$25 million second tranche of the loan, by end-2010, are decentralization, a water supply regulatory commission, and water tariffs. These issues are reflected in the policy matrix as shown in Box A5.4.

### **Box A5.4: Policy Conditions of ADB's Dhaka Water Supply Sector Development Program**

LGD will issue an administrative order to decentralize and give broader administrative and financial autonomy to the pourashavas and WASAs to (i) manage water supply, including installation, operation, and maintenance; (ii) manage billing; and (iii) set and adjust tariffs.

LGD will prepare a study on the most appropriate form of an independent water supply regulatory commission or regulator for Bangladesh and make recommendations to the Cabinet. The study will include clarification on the functions, roles, and responsibilities of the regulator.

LGD (DPHE) will issue a decree that will allow large pourashavas to keep their water billing revenues. LGD will instruct the pourashavas to have a separate account for water revenues, to establish double-entry bookkeeping, and to maintain an inventory of the pourashava's water supply assets. DWASA will have the authority to set and adjust annually the water tariff, which covers (i) inflationary adjustments; and (ii) recurrent costs (O&M expenses) of the water supply operation, in line with the 5-year tariff adjustment projection and plan as part of DWASA's 5-year business plan.

DPHE = Department of Public Health Engineering, DWASA = Dhaka Water Supply and Sewerage Authority, LGD = Local Government Division, O&M = operation and maintenance, WASA = Water and Sewerage Authority.

130. So far, DWASA has proposed to the Government an increase of the water tariff from Tk5 per 1000 liters to Tk6, but this has not yet been approved. The reason why the water tariff should be approved by the Government is itself not clear.

131. The survey noted some skepticism of project directors regarding reform covenants. Only 43% noted that project covenants were helping/have helped significantly to achieve reforms (question 10b). By comparison, project directors were somewhat more positive in other infrastructure sectors—57% answered in the affirmative. Apparently, policy reform in the diffuse arena of urban development and WSS is more difficult than in some other sectors.

132. This is reflected in the progress of the SDP and its PSU. Follow up by the Government has been poor; progress in implementation of the PSU is inordinately slow. Although the Government endorsed the proposal for a change in the role of DPHE, from that of a provider of WSS to that of a facilitator and advisor of pourashavas and WSS authorities, in practice this role has been rejected by DPHE, and it must be one of the reasons for the lack of progress of the SDP to date. The Government seems to lack the drive to reform the sector quickly.

133. Neither has support to the SDP been optimal on the funding side. DFID originally planned to join DANIDA in its support for the PSU connected with the SDP, but it pulled out after the appraisal in April 2005, as the Government regarded the PSU as a technical assistance facility only, and made clear that it did not expect to use the PSU as a mechanism for obtaining investment programs. Neither have other development partners in practice supported the PSU. Many feel that the government procedures cannot be aligned with, and they do not have faith in, a SWAp in this field.

134. Only at the DWASA level have some breakthroughs been made, partly as a result of the 2007 Partnership Framework: (i) approval of the new organogram proposed 10 years earlier by the Fourth Dhaka Water Supply Project (footnote 20), and (ii) appointment of an externally recruited Managing Director of DWASA and an externally recruited Deputy Managing Director for Finance. As such, the combination of the framework and the loan achieved something in a few months that had not been achieved over the previous 10 years.

## FINANCIAL ACCOUNTABILITY AND SUSTAINABILITY OF URBAN GOVERNANCE IMPROVEMENT ACTION PLANS (UGIAPS)

1. **Increase in Holding Tax Collection.** Based on the Urban Governance and Infrastructure Improvement Project's (UGIIP) Progress Report No. 19 issued in March 2008, the average tax collection of 30 pourashavas was 68% in 2007–2008 as against 52% at the end of the third quarter of 2006–2007. Of the 30 pourashavas, 14 showed very good performance in tax collection. As the Ministry of Finance does not allocate the full amount needed for payment of tax of government holdings situated within the pourashavas, a large amount of tax remains unpaid every year.
2. **Increase in Other Own Source Collection.** In 2007–2008, all pourashavas except one collected a larger amount from these sources compared with collection in the same period the previous year. The average collection efficiency of the 30 pourashavas up to the 2nd quarter reached 88%, compared with 71% in the same period the previous year. Individually, 18 pourashavas had already collected 80% or more of the amount from other own sources by March 2008. Good progress was due to the good law and order situation prevailing in the country as well as improved transparency of the pourashavas.
3. **Regular Reassessment Every 5 Years.** All pourashavas where reassessment of holdings was due in the previous 3 years before the first phase of the project have been reassessed, and new tax levels were made effective. Six pourashavas delayed effectiveness of new taxes by a few years. Interim assessment is also being done by all pourashavas, and the project management office (PMO) is pursuing the matter regularly. Because of these efforts, the current tax demand of each pourashava is increasing every year gradually.
4. **Payment of Utilities.** A requirement under the Urban Governance Improvement Action Plan (UGIAP) is the regular payment of at least 80% of current electricity bills and more than 60% of arrears over a period of 2 years. Findings from Progress Report No. 19 (January–March 2008) show that pourashavas paid only 34% of total arrears (from both streetlights and water supply pumps), but were able to pay 90% of current bills until March 2008. Only 22 of the 30 pourashavas were able to comply with the UGIAP requirement to pay at least 80% of current electricity bills. However, more payments were expected until the cut-off date (June 2008). Payment of telephone bills was more satisfactory: 24 pourashavas paid their entire bills, and only a small amount remained unpaid by 4 pourashavas. Only one town had a large portion of unpaid bills. Overall, 74% of arrear telephone bills and 98% of current bills were paid by the pourashavas.
5. **Other Conditions.** Other measures required by the UGIAP are the provision of 20% of the development budget for operation and maintenance of existing infrastructure, computerization of tax records, and computerization of accounting records. Based on recent reports, all kept 20% of the development budget of 2007–2008 for operation and maintenance of infrastructure. All except one were utilizing this amount for repair and maintenance of infrastructure. In 2007–2008, computerized tax bills were prepared and delivered by 29 pourashavas up to March 2008. Computerization of the tax records of Ponchagarh had yet to be completed. Computerization of accounting records is still ongoing.
6. **Administrative Transparency.** In March 2008, there was still 15% vacancy among key positions in the project pourashavas. The Local Government Division (LGD) is regularly reminded by the project to fill up these positions. Around 288 ward level committees in

30 pourashavas were established and are fully functional. Almost all pourashavas have activated the subcommittees of the pourashavas and hold meetings regularly.

**Table A6.1: Inclusion of Components in Projects of the Development Partners**

Development Partners	Project Title	Roads	Flood Protection	Drainage	Cyclone/ Flood Rehab	Water Supply	Solid Waste	Latrines/ Hygiene	Public Latrines	Housing/ Site and Service Development	Slum Improvement	Markets	Bus or Truck Terminals	Micro-credit	Arsenic Mitigation	Total	%
ADB	Dhaka Integrated Flood Protection [PCR]	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	-	Yes	-	-	-	-	9	64
ADB	Secondary Towns Integrated Flood Protection [PCR]	-	Yes	Yes	Yes	-	Yes	Yes	Yes	-	Yes	-	-	-	-	7	50
ADB	Secondary Towns Infrastructure Development II [PCR]	Yes	-	Yes	-	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	-	-	10	71
ADB	Second Water Supply and Sanitation [PCR]	-	-	Yes	-	Yes	Yes	Yes	Yes	-	-	-	-	Yes	Yes	7	50
ADB	Urban Primary Health Care Project [PCR]	-	-	-	-	-	-	-	Yes	-	-	-	-	-	-	1	7
ADB	Flood Damage Rehabilitation Project [PCR]	Yes	Yes	Yes	-	Yes	-	-	Yes	-	Yes	Yes	-	-	-	7	50
ADB	Urban Governance and Infrastructure Improvement (Sector) Project [RRP]	Yes	-	Yes	-	Yes	Yes	Yes	Yes	-	Yes	Yes	Yes	Yes	-	10	71
ADB	Secondary Towns Integrated Flood Protection Project - Phase 2 [RRP]	-	Yes	Yes	-	Yes	Yes	Yes	Yes	-	Yes	-	-	-	-	7	50
ADB	Emergency Flood Damage Rehabilitation Project (municipal component) [PCR]	Yes	Yes	Yes	Yes	-	-	-	-	-	Yes	-	-	-	-	5	36
ADB	Second Urban Primary Health Care Project (\$10m grant; with SIDA, DFID, UNFPA) [RRP]	-	-	-	-	-	Yes	-	Yes	-	-	-	-	-	-	2	14
ADB	Secondary Towns Water Supply and Sanitation Sector Project [RRP]	-	-	-	-	Yes	-	Yes	Yes	-	-	-	-	-	-	3	21
ADB	Dhaka Water Supply Sector Development Program Project [RRP]	-	-	-	-	Yes	-	-	-	-	-	-	-	-	-	1	7
ADB	Emergency Disaster Rehabilitation Sector Project (municipal component) [RRP]	Yes	Yes	Yes	Yes	-	-	-	-	-	-	-	-	-	-	4	29
WB	Fourth Dhaka Water Supply Project [ICR]	-	-	-	-	Yes	-	Yes	-	-	-	-	-	-	-	2	14
WB	Municipal Services Project [PAD]	Yes	-	Yes	Yes	Yes	Yes	-	Yes	-	Yes	Yes	Yes	-	-	9	64
WB	Bangladesh Water Supply Program Project [PAD]	-	-	-	-	Yes	-	-	-	-	-	-	-	Yes	Yes	3	21
WB	Fourth Dhaka Urban Transport [ICR]	Yes	-	Yes	-	-	-	-	-	-	-	-	Yes	-	-	3	21
WB	Arsenic Mitigation Water Supply [ICR]	-	-	-	-	Yes	-	-	-	-	-	-	-	-	Yes	2	14
DFID	Advancing Sustainable Environmental Health (ASEH) Bangladesh (Project Memo)	-	-	Yes	-	Yes	Yes	Yes	-	-	Yes	-	-	-	Yes	6	43
DFID	UNICEF/DFID Sanitation, Hygiene Education and Water Supply in Bangladesh (Project Memo)	-	-	-	-	Yes	Yes	Yes	Yes	-	-	-	-	-	Yes	5	36
DFID	Urban Partnerships for Poverty Reduction (Project Memo)	-	-	Yes	-	Yes	Yes	Yes	Yes	-	Yes	-	-	-	-	6	43
<b>Total</b>		<b>8</b>	<b>6</b>	<b>13</b>	<b>5</b>	<b>15</b>	<b>11</b>	<b>11</b>	<b>13</b>	<b>1</b>	<b>10</b>	<b>4</b>	<b>4</b>	<b>3</b>	<b>5</b>		
<b>Percentage</b>		<b>38</b>	<b>29</b>	<b>62</b>	<b>24</b>	<b>71</b>	<b>52</b>	<b>52</b>	<b>62</b>	<b>5</b>	<b>48</b>	<b>19</b>	<b>19</b>	<b>14</b>	<b>24</b>		

- = no, ADB = Asian Development Bank, DFID = Department for International Development, WB = World Bank.

**Table A6.2: Achievements of the Urban Governance Improvement Action Plans in 30 Pourashavas, 2008**

Pourashava	Tax Collection 2007–2008		Own Source			Utilities Payment (Current)				Transparency				
	Efficiency (%)		Efficiency (%)		Increase/ Decrease (Tk)	Electricity Bills Collected		Phone Bills Collected		Select Positions Filled				
	Holding Tax	Government Tax	2006–2007	2007–2008	Collection	Efficiency (%)	Compliance	Efficiency (%)	Compliance	CEO	UP	SDO	HO	% Filled
Bandarban	27	46	30	25	(288,748)	60	Not Complied	92	Complied	0	0	0	1	79
Bhairab	102	69	38	88	5,340,503	100	Complied	100	Complied	1	1	1	1	100
Chapai Nawabgonj	96	92	46	84	16,378,947	76	Not Complied	98	Complied	0	1	0	1	71
Feni	42	25	49	118	17,791,367	100	Complied	100	Complied	0	0	0	1	79
Gazipur	95	107	47	77	12,610,244	100	Complied	100	Complied	1	1	1	1	100
Gopalpur	41	22	20	48	1,205,288	100	Complied	100	Complied	0			0	73
Hobigonj	56	56	57	63	2,929,455	100	Complied	100	Complied	0	1	1	0	79
Ishwardi	68	72	26	88	9,341,533	66	Not Complied	100	Complied	1	0	1	0	79
Joypurhat	74	71	27	75	6,619,246	100	Complied	100	Complied	1	0	1	0	79
Kushtia	61	56	36	77	14,653,206	100	Complied	100	Complied	0	1	0	1	86
Laksham	116	94	19	107	5,483,270	100	Complied	100	Complied	0	0	1	0	71
Lalmonirhat	98	100	66	121	3,108,159	74	Not Complied	100	Complied	0	0	1	1	86
Laxmipur	49	51	36	86	4,032,640	100	Complied	100	Complied	0	0	0	0	71
Manikgonj	63	40	30	80	7,564,632	91	Complied	100	Complied	1	0	1	1	93
Meherpur	72	73	35	81	8,341,486	100	Complied	100	Complied	0	1	1	0	86
Moulvibazar	70	50	71	101	6,800,558	100	Complied	100	Complied	1	1	1	1	100
Narayanganj	63	28	66	108	17,709,056	100	Complied	100	Complied	1	1	1	1	100
Netrokona	56	56	39	83	3,778,735	100	Complied	100	Complied	0	1	1	0	86
Noapara	80	64	120	90	(762,853)	100	Complied	100	Complied	0	1	0	0	79
Norshingdi	78	87	60	101	5,363,826	84	Complied	100	Complied	1	1	1	1	100
Pabna	76	57	61	62	7,255,195	86	Complied	100	Complied	0	0	0	1	79
Panchagarh	63	64	23	63	4,067,174	40	Not Complied	100	Complied	0	0	0	0	64
Rajbari	99	110	64	101	8,577,814	78	Not Complied	87	Complied	1	1	1	1	100
Rangamati	58	82	32	48	1,921,468	100	Complied	100	Complied	1	1	1	1	100
Savar	37	12	43	79	10,255,152	100	Complied	100	Complied	1	1	1	1	100
Shahzadpur	70	48	10	64	5,981,775	100	Complied	100	Complied	0	1		0	75
Shariatpur	57	62	38	74	2,833,110	76	Not Complied	100	Complied	0	1	1	0	79
Sherpur	58	45	27	87	9,601,108	85	Complied	100	Complied	0	1	1	0	86
Shingra	77	85	56	86	2,006,370	100	Complied	100	Complied	0			0	55
Tongi	105	101	36	138	36,292,000	100	Complied	100	Complied	1	1	1	1	100
<b>Total</b>	<b>68</b>	<b>67</b>	<b>71</b>	<b>88</b>	<b>236,791,716</b>	<b>90</b>		<b>98</b>		<b>12</b>	<b>18</b>	<b>19</b>	<b>16</b>	<b>85</b>

CEO = chief executive officer, HO = health officer, SDO = social development officer, UP = urban planner.  
Source: UGIIP Quarterly Progress Report No. 19 (January–March 2008).

**Table A6.3: Urban Areas and Distribution of Externally Supported Projects Ongoing and/or Completed in the 2000s.**

Urban Area	Population	Total	ADB										ADB emergency				WB				DFID		UNDP	JBIC	JICA	DANIDA		
	2001	Proj	1124	1202	1264	1376	1538	1947	2462	2117	2172	2265	2382	1666	2156	2409	A	B	C	D	E	A	B				A	B
1 Dhaka City Corp.	5,333,571	14	1				1			1			1	1	1	1	1	1			1	1				1	1	
2 Chittagong City Corp.	2,023,489	8					1		1	1			1								1	1	1	1				
3 Khulna City Corp.	770,498	10		1			1		1	1			1		1					1		1	1	1				
4 Rajshahi City Corp.	388,811	10					1		1	1	1				1	1				1	1	1		1				
5 Tongi	283,099	5						1							1	1					1	1						
6 Sylhet City Corp.	263,197	5							1		1				1	1						1						
7 Narayanganj	241,393	5							1						1						1	1		1				
8 Rangpur	241,310	6			1					1					1	1					1	1						
9 Mymensingh	227,204	8							1	1		1			1	1					1	1		1				
10 Barisal City Corp.	192,810	8							1		1				1	1					1	1		1				1
11 Jessore	176,655	3										1									1	1						
12 Comilla	166,519	7				1				1		1		1	1	1						1						
13 Dinajpur	157,914	7	1	1						1				1	1					1		1						
14 Bogra	154,807	4									1				1							1		1				
15 Nawabganj	152,223	4				1		1													1	1						
16 Brahmanbaria	129,278	7				1			1	1		1			1	1					1							
17 Tangail	128,785	7		1	1					1					1	1					1	1						
18 Kadamrasul	128,561	0																										
19 Sirajganj	128,144	10				1				1		1	1	1	1	1					1	1		1				
20 Savar	127,540	5						1			1				1						1	1						
21 Narsingdi	124,204	6						1				1		1	1	1					1							
22 Naogaon	124,046	4													1					1	1	1						
23 Gazipur	122,801	5						1							1	1					1	1						
24 Jamalpur	120,955	7		1	1					1	1				1	1					1							
25 Pabna	116,305	6		1				1					1	1							1	1						
26 Saidpur	112,609	2																		1		1						
27 Faridpur (Dhaka)	99,945	7		1	1					1					1	1					1	1						
28 Satkhira	95,181	6								1					1	1					1	1	1					
29 Bhairab	93,254	2							1						1													
30 Feni	92,794	6							1					1	1	1						1					1	
31 Chandpur	91,390	7				1				1				1	1	1					1	1						
32 Jhenaidah	86,919	6				1						1			1						1	1						
33 Magura	86,445	4				1								1		1					1							
34 Kustia	83,658	9		1	1			1		1				1	1						1	1		1				
35 Sherpur (Dhaka)	82,179	0																										
36 Kishoreganj	77,610	5						1				1		1	1	1												
37 Chuadanga	77,426	3														1				1	1							
38 Noakhali	75,956	5				1				1					1	1											1	
39 Abhaynagar	73,006	0																										
40 Natore	70,835	4				1				1			1		1													











ADB Emergency Projects:

1666-BAN: Flood Damage Rehabilitation Project

2156-BAN: Emergency Flood Damage Rehabilitation Project (municipal component)

2409-BAN: Emergency Disaster Rehabilitation Sector Project (municipal component)

WB Projects:

A = Fourth Dhaka Water Supply Project

B = Fourth Dhaka Urban Transport

C = Air Quality Management Project

D = Municipal Services Project

E = Bangladesh Municipal Development Fund

DFID Projects:

A = Urban Partnerships for Poverty Reduction

B = Advancing Sustainable Environmental Health (ASEH) Bangladesh

UNDP:

The Local Partnerships for Urban Poverty Alleviation Project

JBIC:

Karnaphuli Water Supply Project

JICA:

Clean Dhaka Project

DANIDA Projects:

A = Water Supply and Sanitation in Coastal Belt Project

B = Saidabad Water Treatment Plant Project Phase II

## COMMENTS ON THE DRAFT SECTOR ASSISTANCE PROGRAM EVALUATION FOR THE URBAN SECTOR AND WATER SUPPLY AND SANITATION IN BANGLADESH

1. The Local Government Engineering Department (LGED) likes to thank the Asian Development Bank (ADB) for giving an opportunity to comment on the draft evaluation study report on *Urban Sector and Water Supply and Sanitation in Bangladesh: An exploratory evaluation of the programs of ADB, the Department for International Development, Government of Japan, World Bank, and other Aid Agencies*. We have thoroughly reviewed the report and found it self-explanatory. However, LGED has some reservations and these comments remain limited to issues related to LGED only.
2. Living conditions and economic opportunities in all secondary towns of Bangladesh are limited. The pourashavas lack funds and efficient manpower to envisage and address the burning issues. The municipalities do not have capacity and effective governance to prepare viable subprojects in consultation with the public. Realizing these, and in consultation with some pourashava mayors, LGED initiated secondary towns improvement works during the early nineties with ADB support. Being an implementing agency of the Local Government Division, LGED would understand pourashava problems and is in the best position to utilize scarce development resources.
3. It is often said that LGED follows a top-down approach in implementing urban development projects. In fact, all LGED urban development projects include several secondary towns, and coordination is provided from LGED headquarters, while actual implementations takes place from project implementation units established at the concerned pourashavas. The concerned pourashavas need to prepare a subproject appraisal report, in consultation with the town citizens, and project funds are channeled as per priorities set in the subproject appraisal report. This gives the pourashavas an opportunity to develop their capacity to implement development projects. Besides, the report recognizes the fact that the Urban Governance Improvement Action Plan is improving pourashava revenue collection efficiency.
4. As local government institutions, pourashavas may receive grants-in-aid from the Government and the development partners. They should also have the liberty to take loans from commercial banks and financial institutions. The financial institution should check whether the concerned pourashava has the capacity to pay back or not before disbursing loans. The Bangladesh Municipal Development Fund is a financial institution established in 2002 under the Companies Act and is not a project implementing agency. It started disbursing funds only 2–3 years ago, and its performance has not yet been evaluated.
5. LGED's Urban Governance and Infrastructure Improvement Project model is an efficient and proven system for implementing urban development projects and capacity development of the secondary towns of Bangladesh. Exploring a new channel and ignoring a proven system may not work well.

## MANAGEMENT RESPONSE TO THE SECTOR ASSISTANCE PROGRAM EVALUATION ON URBAN SECTOR AND WATER SUPPLY AND SANITATION IN BANGLADESH

On 11 November 2009, the Director General, Independent Evaluation Department (IED), received the following response from the Managing Director General on behalf of Management:

### I. General Comments

1. We appreciate IED's Sector Assistance Program Evaluation (SAPE) for the Urban Sector and Water Supply and Sanitation (WSS) in Bangladesh, which covers broad and diverse subsectors and thematic issues. We also appreciate that the SAPE extends its coverage to include ADB's development partners—the Department for International Development, the Government of Japan, and the World Bank. The SAPE provides valuable feedback for preparing future projects in the urban sector and WSS, and will be critical in the formulation of the next Country Partnership Strategy for Bangladesh. We regard the SAPE's top-down assessment of "successful" as reflecting ADB's consistent response to the evolving development challenges and priorities of the sector.

2. We agree with the SAPE's assessment that while ADB's overall performance has been successful, further effort is needed to build on achievements and improve the efficiency of the external assistance, including ADB's program. Start-up delays have to be eliminated through upfront capacity building. A more systematic division of tasks among development partners and aid harmonization can reduce transaction costs and lead to better approaches and simpler arrangements in project implementation. In this regard, the recent Joint Partnership Framework for urban water and sanitation will enhance overall efficiency of externally funded projects.

3. The SAPE rates the sustainability of various external investments, including those by ADB, as "less likely". We agree that the progress on tariffs and reforms has been less satisfactory, despite the recent efforts by ADB to institutionalize sector reforms. Several systemic constraints which remain unresolved, including the approval of the national urban policy, can be better tackled through a broad partnership framework than through an individual project.

### II. Comments on Specific Recommendations and Follow-up Actions

4. **Recommendation 1: ADB needs to increase its TA inputs in the urban sector and WSS and put emphasis on economic, sector, and thematic work.** We agree. While some work has already been initiated, further emphasis on economic, sector and thematic work will enhance the effectiveness and sustainability of external assistance. Since the recommended areas are broad and diverse, these will have to be prioritized in accordance with the Country Partnership Strategy. As ADB alone cannot meet all the requirements, coordination with other development partners will be essential to enhance the effectiveness and efficiency of economic, sector and thematic work funded by external agencies.

5. **Recommendation 2: ADB needs to assign more human resources to the Bangladesh Resident Mission dedicated to the urban sector.** We agree. Considering the increasing volume and complexity of current and planned assistance, additional human resources need to be allocated to the resident mission. This would help (i) increase the efficiency of project implementation by providing additional support to executing agencies; (ii) support additional economic, sector and thematic work to promote sector reforms and capacity building; (iii) enhance donor coordination; and (iv) strengthen policy dialogue with the Government to meet the challenges of rapid urbanization.

6. **Recommendation 3: ADB should consider the relationship among ADB, the Local Government Engineering Department (LGED) and the Bangladesh Municipal Development Fund (BMDF), notably in terms of the complementarity of their assistance with that provided by the BMDF. Financing conditions should be harmonized.** We agree. ADB will jointly review with LGED the relationship of ADB-financed projects with BMDF, as well as those directly funded by LGED. The assessment will include the effectiveness and sustainability of each modality. The long-term relationship between ADB projects and BMDF will be examined for harmonization of external assistance to the sector. Harmonization of financing conditions is already underway. We will further review and refine, as appropriate, these terms and conditions with the Government.

## **DEVELOPMENT EFFECTIVENESS COMMITTEE**

### **Chair's Summary of the Committee Discussion on 17 November 2009**

#### **COUNTRY ASSISTANCE PROGRAM EVALUATION FOR BANGLADESH**

- a) Sector Assistance Program Evaluation for the Urban Sector and Water Supply and Sanitation in Bangladesh**
- b) Sector Assistance Program Evaluation for the Energy Sector in Bangladesh**

1. Management welcomed the comprehensive country assistance program evaluation (CAPE) for Bangladesh, which was prepared by the Independent Evaluation Department (IED) in close consultation with key stakeholders within and outside the Asian Development Bank (ADB) to provide feedback to the preparation of the next country partnership strategy for Bangladesh and related ADB operations. Director General, South Asia Department (SARD) expressed appreciation on the CAPE's overall assessment that ADB's assistance to Bangladesh for the period 1999–2008 was successful, and in particular, for the recognition of ADB's achievements in key sectors like energy and education.

2. Management raised concerns on some of the findings of the CAPE and the two sector assistance program evaluations, on which the Development Effectiveness Committee (DEC) members expressed their own views and IED provided clarifications.

#### **Evaluation Methodology**

3. Director General, SARD was concerned that the CAPE's assessment of some ongoing operations in the agriculture and natural resources sectors and governance reform program loan appeared to be too definitive. It would be premature to draw any conclusion on the projects' development impact. Director, IED1 explained that the methodology applied to all CAPEs includes looking at ongoing portfolio in order to make evaluations forward-looking. As an early warning tool, such approach helps in identifying risks to success. The methodology does not mean to pre-judge the success of an ongoing project but certainly provides real-time feedback to Management, on the likelihood of project success. Implementation issues are best resolved, before it is too late. The methodology used in preparing the CAPE was similar to that used for India, Sri Lanka and Nepal, amongst others.

#### **Joint Evaluation**

4. One DEC member noted that the CAPE did not refer to the fact mentioned in the Sector Assistance Program Evaluation on Urban Development and Water Supply and Sanitation that there had been originally a joint country evaluation initiative with the World Bank, Japanese Government, and the United Kingdom Department for International Development. The member recommended that IED should pursue more joint evaluations at the country, sector and project levels with other development partners (DPs), and especially when DPs have earlier signed up to joint strategic frameworks, such as in the case of Bangladesh. IED mentioned that from its side, the IED had delivered on the joint evaluation agreements made with the evaluation partners (e.g., two sector level assessments) but that there had been special circumstances which had prevented the completion of a full joint country evaluation. First, delays had been encountered as a result of the Caretaker Government's wish to postpone the evaluation. Then,

the differing time frames of the country strategies of some of the DPs (however, not ADB) had made them to decide to go ahead on their own.

5. Director General, SARD noted that the findings of a joint evaluation could have meaningfully evaluated the formulation of a common country results framework. This in turn could have reviewed the preparation of individual country strategies of DPs. Country Director, Bangladesh Resident Mission (BRM) reported that 17 development partners have recently signed a statement of intent to prepare a joint cooperation strategy. The various evaluation initiatives undertaken by the evaluation partners in the context of the joint evaluation initiative have helped in this process, although they do not amount to a full joint country evaluation. IED staff informed the meeting that a paper on donor harmonization and alignment has been prepared jointly by the World Bank, Department for International Development and ADB, which would be useful for all DPs and the Government.

### **Sector Focus**

6. DEC members suggested that ADB should engage in fewer sectors and subsectors in Bangladesh, and maintain its current focus on financing projects and programs for infrastructure development, education, governance reform, including anti-corruption initiatives, and gender mainstreaming. Director General, SARD, expressed the view that ADB should also remain selectively engaged in urban primary health, small- and medium-size enterprises, and financial sector, given the Bank's successful track record in these areas, and the high potential for job creation and poverty reduction of ADB's assistance in these areas. However, the question remained as to whether ADB should be spreading its sector coverage. Country Director, BRM noted Management's concurrence with IED's recommendation to mainstream disaster risk management (DRM). There have been ongoing efforts for DRM in line with ADB's policy to mainstream climate change in its operations. Further, DRM has been embedded in the design and implementation of projects in Bangladesh for quite some time.

### **Sustainability**

7. DEC members were concerned about the long-term sustainability of the outputs and outcomes of the ADB program in Bangladesh. One DEC member cited, as an example, ADB programs on energy and urban development being rated successful but less sustainable. Director General, SARD discussed ongoing efforts by ADB to address regulatory and capacity issues, and improvements to institutional frameworks. Country Director, BRM, explained that it is essential for ADB to remain engaged in policy dialogue, maintain a long-term presence and pursue investments in the sectors, which was in line with the CAPE recommendation. There are adequate resources (including administrative resources) for ADB's efforts in achieving better sustainability. Director, SAUD suggested that evaluation of the sustainability of urban development operations should look at the long term. Although such operations were not fully sustainable as yet, the situation was much better now than before.

8. On portfolio performance in general, Director General, SARD mentioned the use of country-based project readiness filters to address issues relating to start-up and implementation delays, and increased delegation of procurement and disbursement functions to the resident mission. The Government has also launched a number of initiatives to streamline its business processes.

## **Private Sector Operations**

9. One DEC member noted the CAPE's recommendation to support private sector-led economic growth, and inquired about the role of the Private Sector Operations Department (PSOD) in implementing the recommendation. Director General, SARD indicated that with the establishment of the coordinating unit in PSOD, there has been closer coordination between PSOD and regional departments. Country Director, BRM informed that a comprehensive private sector assessment for the next country strategy paper is already under discussion with PSOD. Director, SAEN described how private investments in Bangladesh had not come in the manner expected due to changes in the government and economic climate, and uncertainty of gas supply situation in recent years. ADB and World Bank have been working together with the government in order to attract private investments through projects involving independent power producers.

## **Conclusions**

10. DEC welcomed the CAPE and the two SAPE reports. DEC noted with satisfaction that ADB's program in Bangladesh has generally been consistent with the country's development strategy. DEC also noted Management's concurrence with IED's recommendations.

11. On the evaluation of ongoing projects, DEC welcomed the real-time feedback from IED and hoped that corrective actions taken by Management would result in much better evaluation ratings once the projects are completed.

12. DEC welcomed joint evaluations of programs and projects as and when there would be enough commonality of interest and involvement among various donors.

13. DEC emphasized the need for mainstreaming disaster risk management and improving project implementation.

**Ashok K. Lahiri**

Chair

Development Effectiveness Committee